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# FEDERAL GUARANTEE OF BONDS FOR NATIONAL CAPITAL REGION SUBWAY SYSTEM

DOCUMENTS

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## JOINT HEARINGS

BEFORE THE

### COMMITTEE ON

### THE DISTRICT OF COLUMBIA

OF THE

### UNITED STATES SENATE

AND

### SUBCOMMITTEE ON BUSINESS, COMMERCE, AND FISCAL AFFAIRS

OF THE

### COMMITTEE ON

### THE DISTRICT OF COLUMBIA HOUSE OF REPRESENTATIVES

NINETY-SECOND CONGRESS

SECOND SESSION

ON

### S. 2297 and H.R. 11877

TO AMEND THE NATIONAL CAPITAL TRANSPORTATION ACT  
OF 1969 TO PROVIDE FOR FEDERAL GUARANTEES OF OBLIGA-  
TIONS ISSUED BY WMATA, TO AUTHORIZE AN INCREASED CON-  
TRIBUTION BY THE DISTRICT OF COLUMBIA, AND FOR OTHER  
PURPOSES

MARCH 1 AND 2, 1972

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## FEDERAL GUARANTEE OF BONDS FOR NATIONAL CAPITAL REGION SUBWAY SYSTEM

WEDNESDAY, MARCH 1, 1972

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE DISTRICT OF COLUMBIA,  
SUBCOMMITTEE ON BUSINESS, COMMERCE,  
AND FISCAL AFFAIRS, AND U.S. SENATE,  
COMMITTEE ON THE DISTRICT OF COLUMBIA,  
*Washington, D.C.*

The joint hearing convened, pursuant to call, at 10:15 a.m., in room 1310, Longworth House Office Building, the Honorable Earle Cabell presiding.

Present: Representative Cabell (chairman of the House subcommittee), presiding; Senator Eagleton (chairman of the Senate Committee on the District of Columbia); Representatives Nelsen, Broyhill, Gude, and Delegate Fauntroy.

Also present:

House Committee on the District of Columbia—James T. Clark, clerk; Hayden S. Garber, counsel; Patrick E. Kelly, assistant counsel; John Hogan, minority clerk; Leonard O. Hilder, legislative assistant.

Senate Committee on the District of Columbia—Robert Harris, staff director; E. Winslow Turner, counsel; and Carolyn W. Johnson, minority staff director.

Representative CABELL. The hearing will please come to order.

I would like, at this time, to welcome our colleague from the other body, the Honorable Tom Eagleton, at whose suggestion these joint hearings are being held at a convenient time for all of us, including that of the witnesses, in order that we can resolve this matter as expeditiously as possible.

We are pleased to join with you today to begin hearings on legislation designed to assure the orderly and economical funding of the Congressionally approved Regional Transit System for the National Capital area.

It is just slightly over two years ago, December 9, 1969, that the Congress brought to fruition the design of a subway system which had been its objective for well into a second decade. In 1960, the Congress, following eight years of study, created the National Capital Transportation Agency and expressed its intent that an Interstate Compact be created as the mechanism for the development of a regional transportation plan.

In 1965, the Congress authorized appropriations for the planning and initiation of construction of a basic system pending the negotia-

tion of the Interstate Compact. That Compact was formally created on February 20, 1967, and on March 1, 1968 a regional system and a financial plan in its support was developed by the Washington Metropolitan Area Transit Authority. It was that plan which the Congress approved and the President signed into law on December 9, 1969.

Groundbreaking took place immediately and now eight miles and ten stations of the authorized 98-mile system are under construction. As we look from the Capitol toward the White House, we can see solid evidence that the subway is becoming a reality. From the vicinity of Union Station to the Treasury, construction is actively underway. Construction is also taking place under Lafayette and Farragut Squares and thence up Connecticut Avenue to Rock Creek Park. In June, the Northern Virginia Transportation Commission conducted a groundbreaking ceremony in the Commonwealth of Virginia as work commenced on the tunnel under the Potomac at Rosslyn. Construction is now proceeding from the vicinity of the Iwo Jima Memorial, under Rosslyn to the Potomac. On the District side work is moving along Eye Street from Farragut Square to the Potomac and tunneling under the river is beginning.

I take your time to cite this pattern of accomplishment to assure you that the creation of an urban mass transit system in the National Capital area is no longer an abstraction. It is rapidly becoming a reality.

Notwithstanding these accomplishments, the experience gained over the past two years has created the need for further Congressional assistance in order to maintain the orderly continuation of progress. This need is occasioned by the severe inflationary pressures which have beset our economy. The result has been an increase of \$450 million in the cost of the system, and the need for a means of attracting investment capital to the revenue bonds which support over 40 percent of its cost.

When it became apparent that those inflationary pressures could not be accommodated within the approved financial plan, the Washington Metropolitan Area Transit Authority entered into an intensive review of its plans for the system. After reviewing all available alternatives, it came to the conclusion that to reduce the quality and the size of the system approved by the Congress would not be consistent with the guiding policy stated by the Congress in approving the National Capital Transportation Acts of 1960 and 1965.

From the very beginning the Congress has expressed its view that the transportation system for the Washington metropolitan area should be designed to assure the preservation of the beauty and the dignity of the Nation's Capital. This concern has been similarly addressed by President Johnson who directed the interim agency charged with planning the system in the following words.

... Our concern must not be confined to the utilitarian requirements of transportation alone. We must take this opportunity to make our Capital a more attractive and inspiring place in which to live and work . . . In designing the system for the Nation's Capital I want you to search worldwide for concepts and ideas that can be used to make this system attractive as well as useful. It should be designed so as to set an example for the Nation and to take its place among the most attractive in the world.

In his message of April 7, 1971, in proposing the legislation before us, President Nixon stated:

Beyond the fiscal relief which these national reform proposals would afford Washington, there are several areas where the Federal interest in the District warrants special financial support. These include the metropolitan rapid rail mass transit system (METRO); . . .

Excavation for METRO's subway tunnels and stations already dot the District. When it goes into operation at the beginning of 1974 it will be the Nation's most modern mass transit system. It should do much to unify the metropolitan Washington community, to improve the quality of life by reducing congestion and pollution in the areas, and to stimulate the metropolitan economy by the increased labor mobility it will provide."

We are most happy to join with the Senate Committee in proceeding on these joint hearings on that proposal.

I do not think there is anyone here who is not conscious of the need for the construction and implementation of our METRO system. There has been a great deal of work done at this time. The groundbreaking took place shortly after the initial authorization and there are now eight miles and ten stations of the authorized 98-mile system under construction. We know there have been problems that have beset the construction and the financing, which we hope we will put behind us and really make some good time.

#### QUESTIONS TO CONSIDER

I would hope that during the course of our hearings we will get some appropriate answers to just a few questions I have jotted down:

(1) Has the costly delay in this construction been the fault of the Congress, or the fault of the people of the District of Columbia in this refusal to abide by the provisions of existing law relative to any existing highway laws?

(2) Can this project be self-liquidating as originally proposed? Will the fare box liquidate these bonds?

(3) Have the Metropolitan Transit Authority exercised their best judgment in the expenditure of its available funds to this point? Have they been diligent in conserving their funds?

(4) What is the difference between anticipated revenues, after initiation of operations, and its operating and debt-service costs?

(5) How many dollars is it anticipated that the U.S. Treasury must pick up in order to meet the bond commitments which they (the Treasury) are guaranteeing?

I hope that the answers to these questions are sufficiently satisfactory as to justify placing the good faith and credit of the United States Government behind these bonds that are to be offered to the investing public.

Senator EAGLETON, would you like to make an opening statement at this time?

Senator EAGLETON. Thank you very much, Mr. Chairman. I have no official opening statement. I welcome the opportunity to participate in the joint hearings. I think this is the expeditious way to handle the hearings in order to accommodate the Secretary of Transportation and others.

The penetrating questions which you posed in your opening statement serve as an excellent basis to start off these hearings.

Representative CABELL. We have several Members of the Congress who have requested the opportunity to make statements, to submit one for the record, or both.

As a courtesy to them, since they probably have other committee hearings they should be attending, and with the permission of the others, we will call upon them first.

Delegate FAUNTROY. Mr. Chairman?

Representative CABELL. Yes.

Delegate FAUNTROY. I had not requested to speak, but I simply want to thank everyone, Senator Eagleton and yourself, and all of those who have come out for this joint hearing authorizing WMATA to issue federally guaranteed taxable bonds to finance the building of our METRO in Maryland, Virginia, and the District of Columbia.

I am not going to consume the valuable time of the committee to say why I support this measure, but I do want to say that it is important for all of us to move quickly to approve the legislation that will not only provide funds for the construction but also the means by which our citizenry can participate in the process.

I certainly want to associate myself with the remarks of yourself and Senator Eagleton on the merits of this bill.

Representative CABELL. Thank you, Mr. Fauntroy.

I am sure those members of the committee and the subcommittee who plan to attend these hearings will have ample opportunity to make their disposition known and, of course, to bring up such questions as they deem appropriate during the course of the hearings.

(H.R. 11877 and S. 2297—identical bills—together with a brief section-by-section analysis, follow:)

S. 2297, 92d Cong. 1st sess., by Mr. Mathias (for himself, Mr. Beall, Mr. Byrd of Va. and Mr. Spong), on July 16, 1971.

H.R. 11877, 92d Cong., 1st sess., by Mr. Cabell (by request) (for himself, Mr. Broyhill of Va., Mr. Gude, Mr. Hogan and Mr. Nelsen), on Nov. 18, 1971.

BILLS TO amend the National Capital Transportation Act of 1969 (83 Stat. 320) to provide for Federal guarantees of obligations issued by the Washington Metropolitan Area Transit Authority, to authorize an increased contribution by the District of Columbia, and for other purposes.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act may be cited as the "National Capital Transportation Act of 1971".

#### TITLE I—FEDERAL GUARANTEES OF WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY OBLIGATIONS

Sec. 101. The National Capital Transportation Act of 1969 is amended by adding at the end thereof the following new sections:

##### "GUARANTEE OF WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY OBLIGATIONS

"SEC. 9. (a) The Secretary of Transportation is authorized to guarantee, and enter into commitments to guarantee, upon such terms and conditions he may prescribe, payment of bonds and other evidences of indebtedness and the interest thereon issued with the approval of the Secretary of the Treasury by the Washington Metropolitan Area Transit Authority under title III of the Washington Metropolitan Area Transit Regulation Compact. No guarantee shall be made unless:

"(1) the Secretary of Transportation finds the obligation to be guaranteed represents an acceptable financial risk to the United States; and

"(2) the Authority has entered into an agreement with the Secretary of Transportation providing for reasonable and prudent action by the Authority if at any time in the Secretary of Transportation's discretion this action would be necessary to protect the interest of the United States.

"(b) Any such guarantee made by the Secretary of Transportation shall be conclusive evidence of the eligibility of the obligations for such guarantee, and the validity of any guarantee so made shall be incontestable, except for fraud or material misrepresentation, in the hands of a holder of the guaranteed obligation.

"(c) The aggregate amount of obligations which may be guaranteed under this section shall not exceed \$1,200,000,000: *Provided, however,* That such guaranteed obligations issued by the Authority shall not be outstanding at any one time in an aggregate principal amount in excess of \$900,000,000 unless the local participating governments make matching capital contributions in a total amount not less than 50 per centum of the amount of such excess, or have entered into enforceable commitments with the Authority to make such contributions by the end of the fiscal year in which any such excess guaranteed obligations are issued; *And provided further,* That obligations eligible for guarantees under this section which are issued solely for the purpose of refunding existing obligations previously guaranteed under this section may be guaranteed without regard to the \$1,200,000,000 limitation.

"(d) The interest on any obligation of the Authority issued after enactment of this section shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 1954.

#### "PAYMENT OF INTEREST

"SEC. 10. The Secretary of Transportation shall make periodic payments to the Authority upon request therefor by the Authority in such amounts as may be necessary to equal one-fourth of the net interest cost, as determined by the Secretary of Transportation, including fees, commissions, and other costs of issuance incurred by the Authority on its obligations which are issued after enactment of this section.

#### "APPROPRIATION AUTHORIZATION

"SEC. 11. (a) There are authorized to be appropriated to the Secretary of Transportation such amounts as may be necessary to enable him to discharge his responsibilities under guarantees issued by him under section 9 and for interest payments to the Authority required by section 10. Amounts appropriated under this section shall be available without fiscal year limitation.

"(b) If at any time the moneys available to the Secretary of Transportation are insufficient to enable him to discharge his responsibilities under guarantees issued by him under section 9 or to make payments to the Authority under section 10, he shall issue to the Secretary of the Treasury notes or other obligations in such forms and denominations, bearing such maturities and subject to such terms and conditions, as may be prescribed by the Secretary of the Treasury. Redemption of such notes or obligations shall be made by the Secretary of Transportation from appropriations available under subsection (a) of this section. Such notes or other obligations shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of the notes or other obligations. The Secretary of the Treasury shall purchase any notes or other obligations issued hereunder and for that purpose he is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act, as amended, and the purposes for which securities may be issued under that Act, as amended, are extended to include any purchase of such notes or obligations. The Secretary of the Treasury may at any time sell any of the notes or other obligations acquired by him under this subsection. All redemptions, purchases, and sales by the Secretary of the Treasury of such notes or other obligations shall be treated as public debt transactions of the United States."

#### OBLIGATIONS AS LAWFUL INVESTMENTS

SEC. 102. (a) Obligations issued by the Authority which are guaranteed by the Secretary of Transportation under this Act shall be lawful investments,

and may be accepted as security for fiduciary, trust, and public funds, the investment or deposit of which shall be under authority or control of the United States or of any officer or officers thereof, and shall be deemed to be exempt securities within the meaning of laws administered by the Securities and Exchange Commission, to the same extent as securities which are issued by the United States.

(b) The sixth sentence of the seventh paragraph of section 5136 of the Revised Statutes, as amended (12 U.S.C. 24), is amended by inserting “, or obligations of the Washington Metropolitan Area Transit Authority which are guaranteed by the Secretary of Transportation under the National Capital Transportation Act of 1971,” immediately following “or general obligations of any State or of any political subdivision thereof”.

(c) Any building association or building and loan association or any savings and loan association, incorporated or unincorporated, organized and operating under the laws of the District of Columbia, or any Federal savings and loan association, may invest its funds in obligations of the Washington Metropolitan Area Transit Authority which are guaranteed by the Secretary of Transportation under this Act.

## TITLE II—INCREASED DISTRICT OF COLUMBIA CONTRIBUTION

Sec. 201. Sections 4(a) and 4(b) of the National Capital Transportation Act of 1969 (Public Law 91-143, approved December 9, 1969; 83 Stat. 320) are amended by striking out the figures “\$216,500,000” and “\$166,500,000” and inserting in lieu thereof, respectively, the figures “\$269,700,000” and “\$219,700,000”.

## TITLE III—COMPACT AMENDMENT

Sec. 301. The Congress hereby consents to, adopts, and enacts for the District of Columbia amendments to articles VII and IX of title III of the Washington Metropolitan Area Transit Regulation Compact, as amended (Public Law 86-794, 74 Stat. 1031, as amended by Public Law 87-767, 76 Stat. 764, and Public Law 89-774, 80 Stat. 1324) as follows:

(a) Section 21 of article VII is amended to read as follows:

“The Board may borrow, in anticipation of receipts, from any signatory, the Washington Suburban Transit District, the Northern Virginia Transportation District or any component government thereof, or from any lending institution for any purposes of this title, including administrative expenses. Such loans shall be for a term not to exceed two years and at such rates of interest as shall be acceptable to the Board. The signatories and any such political subdivision or agency may, in its discretion, make such loans from any available money.”

(b) Section 35 of article IX is amended to read as follows:

“Bonds shall bear interest at such rate or rates as may be determined by the Board, payable annually or semiannually.”

(c) Section 39 of article IX is amended to read as follows:

“The Board may fix terms and conditions for the sale or other disposition of any authorized issue of bonds. The Board may sell bonds at less than their par or face value but no issue of bonds may be sold at an aggregate price below the par or face value thereof if such sale would result in a net interest cost to the Authority calculated upon the entire issue so sold in excess of the applicable rate determined by the Board, payable semiannually, computed with relation to the absolute maturity of the bonds according to standard tables of bond values, deducting the amount of any premium to be paid on the redemption of any bonds prior to maturity. All bonds issued and sold pursuant to this title may be sold in such manner, either at public or private sale, as the Board shall determine.”

The Commissioner of the District of Columbia is authorized and directed to enter into and execute on behalf of the United States for the District of Columbia amendments, substantially as set forth above, to the Compact with the States of Virginia and Maryland.

## SECTION-BY-SECTION ANALYSIS OF H.R. 11877 AND S. 2297

### SHORT TITLE

The enacting clause provides that the Act may be cited as the National Capital Transportation Act of 1971.

## TITLE I—FEDERAL GUARANTEES OF WMATA OBLIGATIONS

Section 101 amends the National Capital Transportation Act of 1969 by adding new sections 9, 10 and 11, as follows:

### GUARANTEE OF WMATA OBLIGATIONS

The new Section 9, in subsection (a) authorizes the Secretary of Transportation to guarantee, and make commitments to guarantee, upon terms and conditions to be prescribed by him, the payment of bonds and other evidences of indebtedness, including interest, issued by WMATA with the approval of the Secretary of the Treasury pursuant to the Washington Metropolitan Area Transit Authority Compact. Subsection (a) also provides that no guaranty shall be made unless the Secretary of Transportation finds that the obligation represents an acceptable financial risk to the U.S. and unless the WMATA has entered into an agreement with the Secretary providing for reasonable and prudent action by the Authority if necessary to protect the interest of the U.S.

Subsection (b) of Section 9 provides that the guarantee made by the Secretary shall in itself be conclusive evidence of the eligibility of the obligation for the guarantee, and that the validity of any such guarantee shall be incontestable in the hands of a holder, except for fraud or material misrepresentation.

Subsection (c) of Section 9 provides certain limitations on the amount of guarantees, viz., the overall aggregate amount of obligations which may be guaranteed is limited to \$1,200,000,000. A proviso further limits the amount of guaranteed obligations outstanding at one time to \$900,000,000 unless local participating governments make matching capital contributions in the amount of at least half of the principal amount of obligations issued in excess of \$900,000,000, or have entered into enforceable commitments with WMATA to make such contributions not later than the end of the fiscal year in which the excess guaranteed obligations are issued. A further proviso in subsection (c) permits the issuance of obligations to refund existing obligations without regard to the overall \$1,200,000,000 limitation.

Subsection (d) provides that interest on obligations of the Authority issued after enactment of the section shall be subject to Federal income taxation.

### PAYMENT OF INTEREST

The new Section 10 provides for payment to the Authority by the Secretary of Transportation of an interest subsidy equal to 25 percent of the net interest cost, including fees, commissions and other costs of issuance, on obligations issued after enactment of this section.

### APPROPRIATION AUTHORIZATION

Section 11, in subsection (a) authorizes appropriations to the Secretary of Transportation of sums necessary to discharge his responsibilities under guarantees made pursuant to Section 9 and for interest payments required under Section 10, such sums to be available without fiscal year limitation.

Subsection (b) of Section 11 provides the mechanism to permit the Secretary of Transportation to discharge his responsibilities under Sections 9 or 10 in the event that at any time appropriations available are insufficient to cover those responsibilities. In such event, the Secretary of Transportation is required to issue notes or other obligations to the Secretary of the Treasury under such terms and conditions and bearing such interest as may be prescribed by Treasury. The Secretary of the Treasury shall purchase such obligations and is authorized to use as a public debt transaction the proceeds from the sale of any securities issued under the Second Liberty Bond Act for the purchase of such obligations. The Secretary of Transportation is required to redeem his notes or other obligations from appropriations made available under subsection (a).

### OBLIGATIONS AS LAWFUL INVESTMENTS

Section 102, in subsection (a) provides that obligations guaranteed under this Act shall be lawful investments and may be accepted as security for fiduciary, trust and public funds under control of the United States or any officer thereof, and are deemed exempt securities under laws administered by the Securities and Exchange Commission.

Subsection (b) of Section 102 amends the National Banking Act to provide that the limitations and restrictions contained therein on national banking associations as to dealing in, underwriting and purchasing for their own account, investment securities shall not apply to obligations of WMATA guaranteed under this Act.

Section 102, in subsection (c) provides that any building association, building and loan association or savings and loan association organized and operating under laws of the District of Columbia, or Federal savings and loan association, may invest in obligations guaranteed under this Act.

#### TITLE II—INCREASED DISTRICT OF COLUMBIA CONTRIBUTION

Section 201 amend the pertinent provisions of the National Capital Transportation Act of 1969 to provide for an increase in the District of Columbia contribution from \$216.5 million to \$269.7 million and to increase by a similar amount the Treasury loan authorization and limitation on aggregate indebtedness of the District of Columbia.

#### TITLE III—COMPACT AMENDMENT

Section 301 provides Congressional consent to, and enacts on behalf of the District of Columbia, amendments to three sections of the Washington Metropolitan Area Transit Authority Compact. The effect of all three amendments is to remove an existing 6 percent interest rate limitation applicable to temporary and long-term borrowings of the Authority.

Representative CABELL. I see Congressman Hogan of Maryland.

I believe, Mr. Hogan, that you have requested an opportunity to testify.

Representative HOGAN. Thank you, Mr. Chairman.

#### STATEMENT OF HON. LAWRENCE J. HOGAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Representative HOGAN. I am pleased to have the opportunity to testify before this joint committee, and I would like to share the remarks of Mr. Fauntroy, indicating this is an excellent idea, a commendable practice, to expedite the consideration of this legislation which I cosponsored with several members of the House District of Columbia Committee.

It is my privilege to count among those I represent—the citizens of Prince Georges County—one of the fastest growing counties of the Nation and the fourth largest by population in the Nation. With that growth, we have recognized the importance of mass transit as a keystone of an orderly system of economic development and social planning. We in Maryland have supported this program of the Washington Metropolitan Area Transit Authority from the outset and have contributed freely of our resources in bringing it into being.

A real testimonial of our citizenry's dedication and support is represented by the fact that nearly one-third of the system will have been completed before we have service into Prince Georges County. During that time Prince Georges will have contributed over \$80 million toward the project. I am sure you will agree that this is a true measure of our support and of our faith in this Federal-local partnership undertaken in response to the Interstate Compact and the National Capital Transportation Act of 1969, which I was pleased to cosponsor in my first year in Congress.

As we move into the latter years of the 20th century, we find it a time marked by a strong and persistent drive to assure and enhance

the mobility of man. We have developed the means to move between the cities and nations of the world—even to the moon. But we have yet to develop the means for satisfactorily moving people within our cities and our neighborhoods. There are increasing cries for leadership and help in finding the solution to this great deficiency.

Fortunately, here in the National Capital region, we are moving ahead on a great project which will meet this challenge. Throughout the two decades during which this project has been nurtured, it has stood many tests. It has had tests here in the Congress and within the framework of the eight local governments participating in the endeavor. For my own part, I can recall, as many in the room will, back in the early 1960's, when I served as coordinator of the Joint Committee on Transportation for Metropolitan Washington, some of the disappointing setbacks in our fight for a balanced transportation system for the Washington Metropolitan Area. Each time, however, in these many years we have met those tests and as recently as December 2 last year we won a crowning victory when the House overrode the leadership's opposition to freeing \$72 million in construction funds for the METRO.

Yet, we are here once again to review our progress and our problems. These problems are not unique to the construction of METRO in Washington. The economic circumstances which created them are not local—they are national. None of us would have forecast even two years ago the inflation which has particularly overtaken the construction industry. Few would have projected the continuation of the high interest rates which are commonplace today despite this Administration's best efforts to stabilize our economic situation in this country.

Mr. Chairman, it is just this simple: H.R. 11877 seeks to meet this cost growth and to assure the sale of WMATA's revenue bonds on an orderly and economical basis. It provides that two-thirds of the increase in project cost—\$294 million—be assumed by the Federal Government, while the eight participating governments are to assume their one-third of the increase—\$147 million.

Under current estimates, the cost of METRO will be \$3 billion. This is a considerable amount of money, but most of it will be spent for construction and land for rights-of-way rather than for vehicles. Unless we get the job done promptly by keeping the payment schedule up-to-date, these construction costs will continue to go up. Certainly they will not go down.

#### IS THIS PROJECT SELF-LIQUIDATING?

At this point, Mr. Chairman, I would like to address myself to some of the points you made in your opening remarks.

There are individuals in the room far more expert than I to respond in detail to these questions, but as to the matter of whether or not METRO will be self-liquidating, whether it can be financed from the fare box, I do not think it was ever intended. And, unless my memory disserves me, the legislative history on the original legislation enacted will show that it was never assumed that the system would be completely financed by the fare box. It was in recognition that the use of rapid-rail transit is an essential aspect of our public transportation system, and all citizenry, whether they drive automobiles, whether they

are pedestrians, would benefit from this, in addition to the users themselves benefiting from it.

So, I do not think it was ever proposed that the fare box alone would finance METRO.

#### METRO RIDERSHIP

Then, as to your question as to how many would use METRO. I do not think at this point and time, we have sufficient information to really know how many would use it, anymore than we know when we build a new highway how many automobiles will travel on that road. But we assume the road is needed in order to move people from one point to another. We make the same assumption with METRO.

One of the problems which has affected public transportation in the United States, Mr. Chairman, has been the problem of as the fare increases ridership decreases. And as this situation aggravates itself, the bus companies lose more and more revenue. I think it is in the best interest of all of us to have a low fare which will encourage ridership and in that way make public transportation available to everyone on a convenient basis. And I think the more we get to use it, the more people we get to ride METRO, and the lower we keep the fare, the more likely it is to pay a larger share of its cost of construction.

Mr. Chairman, I am sure that members of the committee know that the President of the United States has indicated his strong support for METRO, as the press reports. I hope that the Senate and the House committee members will share this support and report this legislation favorably so that we can have METRO running by July 4, 1974.

Representative CABELL. Thank you very much, Mr. Hogan.

May I say, by way of clarification, the question with respect to self-liquidation of the bonds was directed primarily towards that portion of those bonds that will be issued calling for the full faith and credit of the United States. That was not necessarily directed toward the contributions which are being made prior and aside from. But I want to determine, and I think it is appropriate to find out, just what portion of these bonds would be anticipated as having to be picked up by the Federal Government.

I think that the taxpayers, generally, of the country are entitled to know that—if we are going to guarantee these bonds.

Personally, I have had some rather bitter experience as cosigner of a note. I think it is pretty axiomatic that the cosigner winds up holding the bag when he steps out and cosigns a note.

So, my question was directed to that portion of those bonds.

Representative HOGAN. I agree that prudence would indicate the information you are seeking ought to be sought.

Senator EAGLETON. Thank you, Congressman.

Representative HOGAN. Thank you, Senator.

Representative BROYHILL. Mr. Chairman, first of all, I would like to thank you and Senator Eagleton for arranging these joint hearings, so that we may expedite the consideration of this legislation.

There have already been a lot of costly delays in proceeding with the construction of this subway system, and by joining the Subcommittee and the Senate Committee together, I believe we can accelerate the consideration of this legislation by the Congress.

Mr. Chairman, I should like to submit a statement for the record, because we have witnesses here this morning, expert witnesses, and I will be interrogating these witnesses and thus bringing up several points I had intended to make in my statement.

So far as Mr. Hogan's statement is concerned, I do not think there is any question, Mr. Chairman, but what our colleagues in the Congress are going to want to know the answer to the question as to whether the bonds, which will be guaranteed by the Federal Government, will be paid for or not.

On the other hand, over the years the Congress has determined, through various studies and surveys, that we should have a rapid mass transit system here in this area.

Congress has expressed its willingness to pay its fair share of the cost of this construction.

I agree with Mr. Hogan that regardless of what the system costs, and regardless of what revenues may be collected through the fares to pay back the bonds or the initial capital investment, we must have the METRO system anyway. The well-being of the community dictates that such a system be constructed. I do not think there is any question but that we will have evidence, Mr. Chairman, to show and prove that the system can retire these bonds that we are asking the Federal Government to guarantee, whether it is able to recover the other costs or not.

I commend the gentleman from Maryland for his statement.

Representative HOGAN. Thank you, Mr. Broyhill.

Representative CABELL. Mr. Broyhill, without objection, your prepared statement will be entered and become a part of the record.

(The prepared statement submitted by Mr. Broyhill follows:)

#### STATEMENT OF HON. JOEL T. BROYHILL

Mr. BROYHILL. Mr. Chairman, I wish to express my sincere appreciation to you and to Senator Eagleton for arranging these joint hearings on the bill H.R. 11877, of which I am pleased to be a co-sponsor, and on its companion bill S. 2297. This proposed legislation is vitally important as a means of assuring uninterrupted progress on the construction of the Regional Transit System, an essential element in the orderly development of the Washington metropolitan area.

This legislation will assure the financial feasibility for the completion of the METRO system by providing assurance of the marketability of the revenue bonds and by helping the WMATA to meet the increased costs of planning and construction which have resulted from the severe inflation which has beset the construction industry.

For nearly twenty years, the Congress and the governments of all the jurisdictions in the Washington metropolitan area have engaged in discussion, planning, and providing a basis for the development of a regional rapid transit system, which can serve to alleviate the growing problems of transportation solely by automobiles and buses. Public Law 86-669, approved on July 14, 1960, provided the foundation for the realization of this goal by authorizing the development of an Interstate Compact, and I am humbly proud that I was the author of that legislation.

In 1965, the Congress authorized initial appropriation to an interim agency; and in 1966, the National Capital Compact was approved. And most recently, the National Capital Transportation Act of 1969 authorized the construction of the 98-mile Metro system, which will provide a rapid transit system to serve the entire area.

This sequence of legislative effort represents not only the diligent work of the Congress in its determination to provide a solution to the dire and growing problem of transportation in the Capital region. Much more than that, it reflects a truly remarkable degree of political and financial cooperation among the various local governments, without which this dream could never have been realized.

At this time, despite agonizing set-backs in financing, the Metro system is taking shape at a rapid pace. Starting, of course, in the District of Columbia itself as the heart of the system, the WMATA has forged ahead under most capable administration, in the planning and construction of this mammoth enterprise. Today, more than nine miles of the system are under construction contract, including eleven stations. Work is proceeding rapidly at Judiciary Square, along G Street, at Dupont Circle, and on both sides of the Potomac River in the Rosslyn-Georgetown area. Tunnelling has proceeded as far west as Rock Creek. In addition, final design has been completed on some 26 miles of the system, including 24 stations.

#### FUNDING

At this time, WMATA has a total of \$854.4 million available, of which \$787 million is obligated. Thus, only \$67 million is presently uncommitted. A total of approximately \$185 million has actually been expended, and some \$10.7 million of this amount has been spent in Virginia.

When the National Capital Transportation Act of 1969 was approved, the total cost of the 98-mile system was estimated at \$2.535 billion. Of this amount, \$835 million was to be raised through the sale of revenue bonds, principal and interest of which would be paid through receipts from the fare box. The balance of \$1.7 billion was to be shared by the Federal government and the eight participating jurisdictions of the area, on the basis of two-thirds Federal and one-third local participation.

As a result of inflation and unexpected delays, it is now estimated that the construction of the entire system will cost some \$500 million more than was projected in 1969. However, the revenue projections have also increased, so that the net increase in cost is estimated at \$450 million.

This project has now reached the point where the sale of the revenue bonds is essential for the continued and uninterrupted development of this Metro system. However, it has been found that the present condition of the bond market makes it necessary to provide investors with assurances beyond those which were anticipated in 1969. This situation is a result of higher prevailing interest rates than were originally expected, the \$450 million cost gap which has developed in the financial plan, and a reluctance on the part of investors to buy transportation bonds in view of the availability of many other types of securities.

H.R. 11877 will provide the assurance needed to facilitate the sale of these revenue bonds by authorizing Federal government guarantee of repayment of both principal and interest thereon. The bill provides also that the interest on these bonds shall be taxable, with the revenue thus accruing to the U.S. Treasury to be returned to the WMATA as an interest subsidy. In addition, an interest subsidy equal to one-fourth of the rate charged to the securities is designed to finance the debt service on an additional \$300 million in revenue bonds, which will then total \$1.2 billion. Thus, the Federal government's two-thirds share will be provided on the additional cost of the system. Of course, the local jurisdictions will be required to contribute an additional \$150 million as their one-third of this additional cost. The bill also provides the means for the payment of the District of Columbia's share of this additional cost.

Essentially, therefore, this proposed legislation is designed to facilitate the sale of the revenue bonds, to maintain the original ratio of two-thirds Federal to one-third local payment of the balance of the costs, and to assure the completion of the Metro system on a schedule designed to minimize the total cost thereof.

The provisions of this bill were submitted to the Congress as far back as June of 1971, jointly by the Department of Transportation, the WMATA, and the District of Columbia government. The Office of Management and Budget approves the measure as being in accordance with the President's program, and the bill has the full concurrence and support of all the local jurisdictions which are parties to the Interstate Compact.

Mr. Chairman, it has truly been said that the development of the Metro dream has been a bi-partisan effort. It was started during the administration of President Dwight D. Eisenhower, it had the strong support of President John F. Kennedy, and President Lyndon Johnson urged the construction of a rapid transit system in the area to "help us fulfill our goal in making the District of Columbia the model city for the Nation that Washington ought to be". And we are all aware of the great promise for our Nation's capital that President Richard Nixon envisions through the completion of this great enterprise.

All in all, we should be hard pressed to find a greater example of local, Congressional, and Executive togetherness than the spirit and the effort of twenty years toward this goal.

All the studies and all the plans for the development and construction of this transportation system have been made. At this point, what is vitally needed is a remedy for the financial ills which have been brought about by the economic circumstances of recent years and which now threaten to delay the completion of the Metro system and thus further to increase its cost. The Congress for two decades has taken the lead in developing and approving the means of achieving this great vision for the Washington metropolitan area, and I am confident that we will take firm and immediate steps to avert this present threat by prompt and favorable action on this proposed legislation.

Representative CABELL. Mr. Gude, did you wish to say anything?

Representative GUDE. Thank you, Mr. Chairman.

I certainly want to commend my friend and colleague from Prince Georges County, Mr. Hogan. He and our colleague from Virginia and

I have been through a few skirmishes on this, and it is good to see the progress we are making.

I think the most important thing to remember is that this system was inspired by the Congress, it was authorized by the Congress, and thus far it has been funded by the Congress. I think Congress intended from the beginning that the cost of the system be borne, insofar as possible, by the riders of the system. This is precisely what this legislation does. It seeks to provide the necessary mechanism to allow the riders to pay a matter of 40 cents out of every dollar of capital costs through the sale of revenue bonds repayable out of the fare box. I think this is very important.

I have a statement I would like to submit for the record, because I know we have our Secretary of Transportation and other officials here to testify.

Are we going to have someone testify from the Council of Governments, Mr. Chairman?

Representative CABELL. I think they are scheduled for tomorrow.

Representative GUDE. I have their resolution of support for this legislation, but I will withhold it if they are going to testify themselves.

But I do have a lengthy statement I would like to submit for the record.

Representative CABELL. Without objection, that statement will be entered.

(The prepared statement submitted by Mr. Gude follows:)

#### STATEMENT OF HON. GILBERT GUDE

Mr. GUDE. Mr. Chairman, during my years of service as a member of the House Committee on the District of Columbia, I have had many occasions to issue appeals to my colleagues for support of the Washington Metropolitan Area Transit Authority and the METRO system.

These repeated appeals have been necessary because the METRO program has faced some formidable obstacles in carrying out the directives of the Congress calling for improved public transportation in the Washington Metropolitan region.

To the credit of the Transit Authority and the eight local jurisdictions it represents, these obstacles have been met and overcome. Significantly, while these hurdles have caused costly and troublesome delays, the Authority has remained steadfast in its commitment to the long-standing goal of a completely operational, 98 mile rapid rail transit network by the end of this decade.

While it can be expected that a project of this magnitude will experience additional problems down the line, there remains one major consideration to be resolved to insure timely completion of the project. That consideration is addressed in the language of H.R. 11877 and S. 2297.

The legislation has my unqualified support.

This support springs not only from the fact that part of the METRO system will provide service to my own constituents in Montgomery County. It is based in large measure on my own deep-seated belief—one which I know is shared by my colleagues on the

District Committee—that the METRO system offers the primary hope for rejuvenation of the economic life of the nation's capital, permitting the city to serve not only as an attractive market-place for the region, but as a suitable showplace for the country.

The system itself was inspired by the Congress, authorized by the Congress, and has thus far been funded by the Congress. Congress intended from the beginning that the cost of the system be borne, insofar as possible, by the riders of the system, and this is precisely what this legislation seeks to do. It seeks to provide the necessary mechanism to allow the riders to pay about 40 cents of every dollar of capital cost through the sale of revenue bonds repayable out of the fare box.

The difficulty, according to METRO's financial experts, is that such revenue bonds cannot be sold at acceptable rates of interest without a financial backup either in terms of separate taxing power or a guarantee. Therefore, this legislation would authorize a federal guarantee without which the bonds cannot be marketed and the directive of Congress cannot be fully implemented. The provision which calls for a 25% support of the interest on these securities will be offset by conversion of the securities from tax exempt to a taxable status.

Clearly, if revenue bonds cannot be sold, the practical effect is to increase the net project cost—that is, to increase the amount of required grants from both the local jurisdictions and the federal government. So the case can and should be stated that by doing this we will be making these securities marketable and will avoid—not invite—heavy expenditures from the federal treasury.

These bonds, therefore, will produce an equivalent income advantage to the federal government over non-taxable, non-guaranteed bonds. There is ample precedence for this approach to facilitating the sale of public securities.

Since WMATA was created in 1967, I have watched its activities very carefully. The organization has established a reputation as a hard charging, single-minded group of individuals dedicated to getting a job done. They have had an unswerving pursuit of their objective. The results speak for themselves. There is well over half a billion dollars worth of work under construction at this time. I had the pleasure just recently of inspecting a few of the construction sites downtown and I recommend it to my colleagues as a heartening experience. It is good to know that METRO is taking shape and, with favorable action on the legislation before us, METRO will be serving commuters, shoppers and visitors in the Nation's Capital by July 4, 1974.

Mr. Chairman, I urge support of the pending bills.

Thank you for holding these hearings, Mr. Chairman. I appreciate it.

Representative CABELL. Thank you very much, Mr. Gude.

Did you have any further questions, Mr. Fauntroy?

Delegate FAUNTROY. I would like to commend Mr. Hogan, not only for the preciseness of his statement but for shedding light on the true value of the system. What we invest in it, as an area, must be considered an investment, even if it does not make a return in terms of cash payments through the fare box. The fact is, as you so eloquently

point out, if we keep the fares low and encourage large numbers of people to use the system, it will be of benefit to everyone in the area, with or without cars, with or without other means of mass transportation.

Thank you so much for a very excellent statement.

Representative HOGAN. Thank you, Mr. Fauntroy.

Thank you, Mr. Chairman.

Representative CABELL. The Chair would like to call at this time the Honorable John A. Volpe, Secretary of Transportation.

If you have members of your staff with you, would you care to introduce them for the record?

Secretary VOLPE. Yes, sir. With me this morning are: on my left, my General Counsel John Barnum; to his left, Assistant General Counsel for Legislation Thomas Trimarco; and on my right, my Deputy Assistant Secretary for Environment and Urban Systems, John E. Hirten.

**STATEMENT OF HON. JOHN VOLPE, SECRETARY, DEPARTMENT OF TRANSPORTATION; ACCOMPANIED BY JOHN W. BARNUM, GENERAL COUNSEL; THOMAS H. TRIMARCO, ASSISTANT GENERAL COUNSEL FOR LEGISLATION; AND JOHN E. HIRTEN, DEPUTY ASSISTANT SECRETARY FOR ENVIRONMENT AND URBAN SYSTEMS, DEPARTMENT OF TRANSPORTATION**

Secretary VOLPE. Mr. Chairmen and members of the Joint Committee.

I appreciate the opportunity to appear before you today to discuss S. 2297 and H.R. 11877, the National Capital Transportation Act of 1971. It is, I think, an indication of the importance of this legislation and the concern of the Congress that you are meeting this morning in joint session.

Since becoming Secretary of Transportation, I do not believe there is anything I have stressed more frequently than the need to achieve for the Nation a balanced transportation system, a system which offers a true modal choice to all our citizens. It is, therefore, especially satisfying for me that our Nation's Capital is moving forward to achieve an efficient and effective public transportation system. For without such a system, "balanced transportation" would have no meaning in the Nation's Capital.

I cannot overemphasize the importance of an efficient public transportation system for this area. METRO will be the heart of the system. It is the keystone of a coordinated transportation system and essential to the effective performance of the Federal Government. Even above that, it is of vital importance to insuring the well-being of the inhabitants of this area. The alternative to such a system is steadily increasing congestion of local streets and highways and the adverse environmental effects that accompany a system that relies almost totally on use of the automobile.

There is a further reason for moving ahead immediately to secure balanced transportation for Washington. Each year the Nation's Capital draws millions of American and foreign visitors. Through-

out 1976, our bicentennial year, it is estimated that a daily average of 100,000 people may visit the city and area. From a purely practical transportation standpoint, it is essential that we increase our people-moving capacity. And perhaps more importantly, we will be able to demonstrate to all that the problems which we face throughout our Nation can be solved here in the Nation's Capital. This is no less true in the field of transportation than it is in other major areas of concern to our Government.

The Department has consistently maintained that mass transportation is an essential part of the multi-modal mix, and we would like to see greater emphasis placed upon it in many metropolitan areas. As is true in the Washington area, efficient mass transit systems can help revitalize the central city by encouraging businesses to retain their downtown locations; they can help tie together the central city and its outlying areas by providing improved access in both directions for purposes of employment, shopping, and entertainment; and they can help reduce traffic congestion which is a source of inconvenience, frustration, and a great deal of wasted time.

#### NEED FOR BALANCED TRANSPORTATION

Fortunately, there is general agreement that balanced transportation is necessary for Washington. This agreement is reflected in actions of both the legislative and executive branches. Congress has made its position clear by passage of the National Capital Transportation Acts of 1960, 1965, and 1969, and by its approval of the Washington Metropolitan Area Transportation Authority Compact. It has demonstrated in the past its support of the concept of a regional subway system financed jointly by the Federal Government and the localities which it will serve.

Likewise, the Executive Branch is fully committed to improving the total transportation framework for the Capital region. As the President emphasized in his recent Bicentennial Message to the Congress:

I am today renewing the commitment of all the agencies and resources of the Federal Government towards maximum progress on the entire transportation system—subway, freeways, bridges, parking, and support facilities . . . Urgently needed now is prompt approval by the Congress of Federal guarantees for Metro revenue bonds—the next essential step to getting the trains running.

The commitment, therefore, has been made. Now is the time to demonstrate that what must be done can be done.

The physical progress of the METRO system is heartening. I visited the system several weeks ago, together with the Minister of Transport of France, who was my guest here for a week, and, to date, 9 miles are under construction and 11 stations are under contract. Further, and equally importantly, we are working closely with WMATA to deal with the "people problems" that accompany a major construction project of this kind, such as taking into account the needs of the elderly and the handicapped in the design of the system, minority contracting and the relocation of businesses. Unfortunately, a new problem has arisen, a financial problem which threatens to halt the progress which has been made.

## FINANCIAL PROBLEMS

The National Capital Transportation Act of 1969 authorized the construction of an Adopted Regional System which had been designed pursuant to the Acts of 1960 and 1965. The original financial plan for the system called for the realization of \$835 million from the sale of unsecured revenue bonds supported by fare box revenues. The balance of the cost, some \$1.7 billion, was to be shared by the Federal Government and the eight participating jurisdictions on a two-thirds Federal, one-third local matching basis.

Since the enactment of the 1969 Act, two principal factors emerged which severely undercut the original financial plan advanced by WMATA. One problem was caused by the combination of severe inflation in the construction industry and the unexpected delays in the METRO construction timetable.

Having been in the construction industry most of my adult life before I went into public service, I can attest to the fact that the period between 1969 and 1971 was the period of probably the greatest rise in construction prices and construction wages of any period I can remember in the last 40 years. So, it is not anything that could have really been foreseen.

Early in 1971, WMATA completed a revised financial plan for the system based upon updated engineering and revenue studies. The analysis showed that, due principally to cost escalations caused by inflationary pressures, the construction cost of the system had increased by \$486 million. Although the studies also indicated that projected revenues for the system were higher than originally estimated, the net system cost had increased by almost \$450 million.

The other equally damaging development was the conclusion of WMATA's financial advisers, securities underwriters, that the absence of additional security seriously impaired the marketability of the METRO revenue bonds. This opinion was based upon rising construction costs for METRO and the resulting cash shortfall in the original financial plan. Further, they took into consideration the uncertainty of the provision of local government shares, including that of the District of Columbia, and the prevailing market conditions and investor attitudes for unsecured transportation revenue bonds.

## FUNDING LEGISLATION

I believe we have in S. 2297 and H.R. 11877 an effective solution to both these unanticipated problems associated with the METRO financing. (1) These measures will assure the orderly financing of the METRO system by authorizing the Federal Government to guarantee up to \$1.2 billion of WMATA revenue bonds. With such a guarantee, WMATA will be able to market these securities and construction of the system can proceed unhindered by further financial uncertainty.

(2) Our proposal provides a mechanism which not only covers \$450 million shortfall in the original financial plan but also remains consistent with the  $\frac{2}{3}$ - $\frac{1}{3}$  Federal-local participation formula for financing the cost of the system. This is accomplished by making

WMATA's bonds taxable instead of tax-exempt, as under the earlier proposal. Making these bonds taxable will produce revenue to the Treasury which will offset the 25 percent interest subsidy payment to WMATA called for by our legislative proposal.

For example, assuming that WMATA issues its guaranteed bonds at 7 percent, the 25 percent interest subsidy payment by the Federal Government would have the effect of reducing WMATA's effective rate from 7 percent to  $5\frac{1}{4}$  percent. Consequently, based upon the same revenue forecasts and with the advantages afforded by Federal guarantees, WMATA will be able to finance \$1.2 billion of bonds at the  $5\frac{1}{4}$  percent rate rather than \$900 million based on the 7 percent rate without a significant reduction in excess debt service coverage. The additional \$300 million of bond sales attributable to the interest rate subsidy, coupled with the Federal guarantee, is counted as the Federal Government's matching contribution to cover two-thirds of the increased net system cost of \$450 million to which I referred earlier. The remaining \$150 million of this additional cost will be made up by the local governments involved and equals the regular one-third share required for local participation.

It should be understood that we are not suggesting that the Government purchase these bonds. Rather, we are, with no additional cost to the Federal Government, making the WMATA issue more attractive to the private investor. We are telling investors that we have faith in METRO and they should, too.

Another point that should not be ignored has to do with the cooperative nature of the whole METRO project. Due to the unique status of Washington as the Capital city and the involvement of a number of local jurisdictions as well as the Federal Government, the accomplishment of such a large project as METRO requires a great deal of cooperation and understanding on the part of many people. I believe that, overall, we have done well in this respect, and that the cooperation of the regional participants has been especially heartening. To reward this extraordinary good faith effort and to make METRO a reality, additional help from the Federal Government is necessary. I believe that this is a proper role for the Federal Government.

The need for, and the congressional commitment to, a true mass transit system for the Washington Metropolitan Area are clear. The enactment of the proposed National Capital Transportation Act of 1971, S. 2297 and H.R. 11877, will ensure that this need is fulfilled. I urge your committees to act favorably upon the proposal as soon as possible.

Thank you very much, Mr. Chairman and members of the joint committees for the opportunity to testify before you today. I would be pleased to answer any questions you or your committees may have.

Representative CABELL. Thank you very much, Mr. Secretary, for your statement.

#### ROLE OF DEPARTMENT OF TRANSPORTATION

Assuming the enactment of this resolution and passage of this statute—what will be the role of the Department of Transportation?

Secretary VOLPE. I suppose the best way to put that, Mr. Chairman, would be to say that the Department of Transportation will serve as a conduit between the Congress and WMATA.

We would be reviewing, on a timely basis, the reports and the progress of WMATA. As the legislation requires, we would not issue or give permission for the issuance of bonds unless we were satisfied that there was a reasonable prospect for WMATA to pay off the bonds.

We have worked very closely with them to this point. We have had, generally, excellent cooperation, and I would hope and believe that this would continue.

Representative CABELL. Am I correct in assuming, then, that your role would be to protect the total Federal interest rather than just to be interested in the METRO system as such?

Secretary VOLPE. Yes. We would be more than just interested in the METRO system as such, although that is a very, very great interest on our part, because we know highways alone are not going to get the job done, and that METRO is absolutely essential.

On the other hand, we would also be serving. I suppose you might say, as the eyes and the ears of the Congress, to transmit to you any information which we felt you ought to have with regard to this situation—such as financial reviews. We would also offer technical assistance and carry out auditing functions. We would act in every true sense in an advisory capacity to the Congress, in addition to the statutory responsibility spelled out so clearly in the Act.

Representative CABELL. Senator Eagleton.

#### NEED FOR SUBSIDY

Senator EAGLETON. Mr. Secretary, I have one basic philosophical question: As a matter of philosophy, is it your belief, speaking generally now of mass transit systems, that it is also inevitable that a subsidy will have to be pumped to any system to make it viable in terms of not having the fares rise to a point of a diminishing use of the product?

By that, I mean 25 percent interest subsidy, or direct appropriation of general revenue dollars, et cetera, but by and large the fare box alone will not be able to carry the system?

I am speaking in the broadest general context.

Secretary VOLPE. Senator Eagleton, let me say that we have been wrestling with this problem for some time. I submitted a report to the Congress last November. We have not discontinued our efforts, however, because I do not believe we have come up with a final solution as yet.

I will be very frank and say to you that if I felt that all we were going to do was to pump money into a system, whether it be an on-going system or a new one, without insuring that we were going to have an efficiently operated system, I, for one, would not be willing to recommend to the Congress that they spend one dime.

On the other hand, we do see some evidences of the light at the end of the tunnel. Some transit systems are operating either in the black or are breaking even. Erie, Pennsylvania, is an example.

We helped to purchase 90 new buses there and helped to build a garage so they could be properly maintained. They have had a 17

percent increase in the patronage on their system since we bought the new buses almost two years ago.

We have found the use of exclusive bus lanes very effective. In the Shirley Highway project, which the local area Congressmen, I am sure, are particularly aware of, the additional bus lane capacity has resulted in the bus patronage going from 1,900 last June to 6,200 at the present time.

That means that we probably have eliminated something like 3,000 automobiles from entering the city. We have a half dozen, or more, of this sort of experiment now going on throughout the country.

I think, as we start to demonstrate these sorts of programs, more and more people other than just the poor and disadvantaged who have no choice, will be attracted to public transportation. It is going to take utilization of these systems by middle income groups, as well as other groups, to prevent the necessity for a subsidy.

We are continuing to look at this. I can only suggest that if we are able to find a method by which we can reward efficiency and not reward inefficiency, then I concur with those who favor subsidies because public transportation is a public necessity.

I certainly will continue to look at this and if, in the next couple of months, we come to a point where I believe we do have something that is constructive and that I believe, as a man who is supposed to guard the taxpayers' dollars, I can submit to the Congress we will be ready to do so.

Senator EAGLETON. Thank you, Mr. Secretary.

I have been in contact with the Montreal transit people and I think Montreal has a very attractive, modern—apparently, to the naked eye—efficient transit system. They are fighting desperately to keep the fare to 30 cents. They are about to come to the point that in order to keep it at that level there will have to be an input of general revenue dollars from the local governmental area and the Greater Montreal Metropolitan Area. I support that concept. I am not being quarrelsome with you. I support the concept there is going to have to be infusion of public money into public mass transit systems.

May I ask one other question, and then I must depart. You can supply the figures later, or the Treasury gentlemen can.

On page 4 of your statement, you state the net system cost had increased by almost \$450 million. That was as of early 1971, I believe. What further net increase in cost, as we are now in early 1972, has occurred?

Secretary VOLPE. I think WMATA can supply a better answer to that. I do know that the business they have contracted out is within one-half per cent of their budget estimate, which is very good.

Representative CABELL. Mr. Fauntroy.

Delegate FAUNTROY. Thank you, Mr. Secretary, for a very careful and constructive statement. I am sure that it helps us a great deal in doing what I think we are going to do, and that is support this measure.

#### OTHER GOVERNMENT SUBSIDIES

I have two questions. The first is: Would you not agree that a public investment in mass transportation of this nature, not only in the District of Columbia but across the country, might not yield divi-

dends in terms of actual cash return but in terms of services that are, as you indicate, indispensable?

In that regard, I wonder if you would care to compare for our benefit the extent to which we do make public investment in other means of transportation, for example, the air transportation, and what we can expect the long-run dividends from that kind of an investment to be?

Secretary VOLPE. I think you would be comparing, Delegate Fauntroy, two relatively different concepts. Everybody does not have to use aviation to get around. Even the well-to-do do not have to use aviation.

I think we have a responsibility at all levels of government—I am not talking about the Federal Government alone—to insure that public transportation survives. I believe, unless public transportation survives, the cities that decide to let it die will die themselves.

I think that they will become congested, not only with the congestion of the vehicular traffic, but also from fumes—although we are making great progress in the reduction of the amount of those fumes—I believe that this is a public investment that needs to be made.

The question comes solely, I think, Congressman, to how you divide up the responsibility and the financial commitments that should be made at the various levels of government. The Federal Government has shown increasing interest. I commend the Congress on passing, on a bipartisan basis, President Nixon's Urban Mass Transportation Act of 1970 which, for the first time, authorized contract authority and allowed the cities to plan on a long-range basis, rather than yearly appropriations. This way, they are assured of a continuity of funds.

You can see the results already in various places, like Atlanta, where they have voted favorably in connection with a rapid transit system. This would not have been possible had the Transit Authority not been able to tell the citizens that the Federal Government had contract authority and there would be a continuity of funds.

I think it is purely a question of who pays how much and what division, rather than "Is it necessary?" I agree with you entirely that it is absolutely essential and necessary.

Delegate FAUNTROY. An extension of this question has to do with the extent to which we now make a public investment in the airline industry.

Do we make any investment, as a people?

Secretary VOLPE. The only investment we make, as far as the airlines are concerned today, is in the small communities, and I think the total is only about—if I remember correctly—\$50 million to \$60 million across the entire country. The commercial airlines, as such, are not subsidized. As a matter of fact, the Airport-Airways Act of 1970 provided for increased taxation to take care of the additional expenditures that would be made under the terms of that Act.

As far as I can remember, at least, there is no subsidy to the airlines because we assess the passengers primarily. The airlines, who pass the tax on to the passengers, themselves cover the cost of the additional construction at present airports and new airports, better navigational systems and upgrading our present systems. As the aviation miles increase, we will be in a position to be ready to handle those capacities

rather than to have to try to catch up, as we had to do very, very rapidly in 1969 and 1970.

Delegate FAUNTROY. Finally, Mr. Secretary, we are aware of the extent to which we subsidize the farmers of our Nation in the public interest. We are aware of the extent to which, for example, oil depletion allowances enable us to support that vital segment of our economy. It would be very helpful if, in support of the obviously correct position that we need to make a public investment in mass transportation, we had available for the record the extent to which we have made an investment—while in a limited form of public transportation, a relatively vital one—in the aviation field. If you will provide that for the record.

Secretary VOLPE. I would be very happy to submit it for the record. (Subsequently, the following was submitted for the record:)

For fiscal year 1973, the President's budget request provides that capital expenditures for establishment and improvement of air traffic control and navigational facilities, grants-in-aid for airport development and associated Research and Development programs will be funded entirely from aviation user tax revenues. Therefore, no Federal appropriation from general tax revenues for these programs is required.

The 1973 budget also includes \$54 million for subsidy payments to subsidy-eligible certificated air carriers who have demonstrated a statutory need for such subsidy. This appropriation is made to the Civil Aeronautics Board from General Fund revenues of the Treasury.

In addition to the appropriation request for capital expenditures, the 1973 budget also includes about \$1.0 billion for operation and maintenance of the air traffic control and air navigation system. These expenses are funded by appropriations from General Fund revenues.

Representative CABELL. Mr. Nelsen.

Representative NELSEN. Thank you.

#### HIGHWAY PROGRAM

I notice your reference to a balanced transportation system.

We have had considerable debate on the Floor of the House on the highways and the transit system that you are speaking of today, feeling that both should move together. And finally we did move, as you know, to release some funds. Do you feel that the highway part of this system is now moving as it should?

Secretary VOLPE. It is moving as rapidly as the Department of Transportation and the D.C. Highway Department, are able to move consistent with the statutes that the Congress has enacted and by which we must abide.

Of course, in this case, I suppose I might say we are partners. I do not know what kind of partners, but we are partners. We have worked and done everything we possibly could do to bring about the construction of the freeway system that was feasible and which the Congress asked us to build and, in some cases, asked for our thoughts concerning.

One case that I am sure you are familiar with is the Three Sisters Bridge, and we have filed with the Supreme Court for a review of that particular decision by the Court which we did not agree with.

I can provide for the record, Congressman Nelsen, if you would like, a complete status report which I get from the Federal Highway Administrator each month. Although I am not supposed to look at each

individual project's progress, this is the Capital City and the President expressed to me on a number of occasions his desire that I give as much time as possible to see to it that progress is continued on all modes of transportation here in the Capital City.

But I will provide for the record, if you would like, a complete record of the actual situation as it stands today in the highway program.

Representative NELSEN. I think that would be very good. I asked the question, really, because we may pass a bill out of the committee, but we still must go out on the Floor of the House. There has always been a great debate as to whether or not there has been foot-dragging, and what can be done and what should be done, in order to move the balanced transportation system, as you indicated.

Of course, I am concerned that when we do get to the Floor we will have satisfied all the things that we need to meet, and if there are things we need to do to insure a smooth procedure from here on in, we want to do them. This is what I am concerned about, and this is my purpose in the question. I am well aware of what you have done. I have been in contact with you, but I thought the record ought to show. I think you should supply all the information that you have for the record, so that we will have it in the hearing record.

Thank you, Mr. Chairman.

(The material requested follows:)

U.S. DEPARTMENT OF TRANSPORTATION,  
Washington, D.C., March 1, 1972.

Memorandum:

To: Hon. John A. Volpe, Secretary of Transportation.

From: E. H. Swick for F. C. Turner, Administrator, Federal Highway Administration.

Subject: Progress on D.C. Interstate Highway Segments as of February 29, 1972.

#### *Three Sisters Bridge*

A petition for a Writ of Certiorari was filed with the Supreme Court during the month of January. Opponents of the bridge filed a brief on February 16, urging the Court to deny the Government's petition. The Court has not ruled on the matter to date.

#### *Potomac River Freeway*

The National Capital Planning Commission's consultant, Wallace, McHarg, Roberts and Todd (WMRT) is at work on land use studies for the Georgetown Waterfront. The Highway Department's consultant, Sverdrup and Parcel, has prepared preliminary engineering drawings for four alternate design concepts, and has provided those drawings to WMRT for its use in preparing alternate corridor development plans. Alternate plans and a 4(f)/Environmental Impact Statement are to be completed by the end of March 1972, after which a design public hearing will be held and a single development concept selected.

The work of WMRT is being periodically reviewed by the Interagency Coordinating Committee, through which we are represented by Messrs. Hirten and Hall.

#### *South Leg of the Inner Loop (Lincoln Memorial and Tidal Basin Area)*

Preliminary drafts of an Environmental Impact Study and an Environmental Impact Statement have been reviewed and are being finalized. It is anticipated that the Draft Environmental Impact Statement will be released and circulated for comments during the month of March. It is expected that a design public hearing will be conducted during the month of April.

#### *Center Leg of the Inner Loop (West of Capitol)*

Construction is in progress. Contract PS&E for the K Street bridge have been approved and the project has been advertised for bids. Design is continuing

and an Environmental Impact Statement is being prepared for the air rights housing project between H Street and K Street, Northwest.

*East Leg of the Inner Loop (RFK Stadium Area)*

Design studies are in progress.

*North Central Freeway*

*Northeast Freeway*

*North Leg of the Inner Loop*

*East Leg of the Inner Loop (portion north of Bladensburg Road)*

These segments which were included in the D.C. Restudy are inactive at present, pending review by the Congress.

Representative CABELL. Mr. Broyhill.

Representative BROYHILL. Mr. Chairman, I would like to follow through on Mr. Nelsen's question.

### THREE SISTERS BRIDGE

Mr. Secretary, when do you anticipate some response or action by the Supreme Court on your appeal of the Three Sisters Bridge matter?

Secretary VOLPE. I will ask my General Counsel, Congressman Broyhill, but I think I know what his answer will be.

Representative BROYHILL. Certain other things depend upon the Three Sisters Bridge, such as Route 66 and the access to Dulles Airport, and it is almost like sitting and waiting for the other shoe to drop.

Mr. BARNUM. Congressman, I am sure you are aware of the fact that the respondents in the Three Sisters Bridge case have filed their brief in opposition to the petition for certiorari with the Supreme Court, and it is now entirely in the hands of the Supreme Court.

Representative BROYHILL. I understand. Can you anticipate when they will act on the appeal?

Mr. BARNUM. No. We do not intend to file at this time, at least, any reply to the respondents' brief. So, the matter is ripe for determination by the Court. Normally, the Court clears up all such petitions for certiorari before the end of the term, which will be in June. Obviously, we hope they act substantially before that.

You realize, of course, this is merely the certiorari-petition stage, which requires normally four justices to agree to hear the case. And assuming that four justices agree to hear the case, we would be then briefing the case at greater length, probably for hearing next fall.

Representative BROYHILL. I agree with Mr. Nelsen. I hope that issue is resolved by the time this bill gets to the Floor and I am hopeful we can get this bill to the Floor soon, because I know the Authority needs it in order to proceed expeditiously with construction.

Secretary VOLPE. May I add to that just a further comment? We are not just standing still awaiting that decision by the Supreme Court. In order to be sure that we have an environmental impact statement that would satisfy anybody and everybody that wanted to examine it, with funds provided primarily by my Department, we are working with HUD and the National Capital Planning Commission is now, as you probably know, working on an environmental plan and a layout for the Georgetown water-front which also ties into I-66.

We are also working on developing design hearings for other portions of the freeway projects in the city. So, we are not just sitting still

waiting for that action, because we recognize that that is but one step. It does determine to a great degree what will happen, but we are proceeding on the basis that we just cannot stand still and, therefore, are developing the other material we need by way of the environmental impact statements, the material needed for the design hearings, and so on, so that those can be held just as quickly as possible.

Representative BROXHILL. Very good.

Mr. Secretary, I would also like to commend you for bringing out the interest of the Federal Government in this program. I make reference to the fact that the functioning of the Government depends upon a better transportation system, and the fact that we anticipate a hundred thousand tourists here per day during the bicentennial, which is certainly going to cause havoc if we do not have some way of transporting these people. So, the Federal Government does have an interest here by virtue of being the principal industry in this area.

#### MANAGEMENT OF SYSTEM

Now, along with that—and this also touches upon Senator Eagleton's question and I hope the WMATA people will not jump when I ask this question, because they are anxious to get this legislation through for the moment. But in light of the recognition of the fact that public transportation in the urban area will not pay its own way now—and I am talking about the general bus transportation and I think that fact has been pretty well established—I will ask you whether or not we should do something rather quickly here on an interim basis in order to prevent surface transportation from coming to a halt or deteriorating further until we get the rapid rail system into being?

Now, in some of the areas, particularly in the suburbs, the bus companies are having to do away with certain services which are not paying for themselves. They may not have any other choice if they are operating under private ownership and have no other sources of revenue. There are bills pending now to afford some relief to these companies. There is one bill to authorize an amendment to the Compact that will permit the Authority to take over the private bus operations; another one would provide a subsidy for these privately owned companies.

Since we have already had the announcement that certain services are going to be discontinued, and have the constant threat of the whole system grinding to a halt, as the Secretary of Transportation, do you think that in this legislation, we should do something about keeping this bus system in operation until this rapid rail system is finished?

Secretary VOLPE. Congressman, I think this is really a matter of—I suppose we could call it—strategy. I have put into the record already the fact that it is my opinion that in order to operate a total regional system for the Washington Metropolitan Area, that the total regional system, including bus transportation which, after all, in most cases will be feeder systems into the rail rapid transit, ought to be under a single management.

Some people have proposed coordinated management. I suppose that might be possible, but I have seen so much coordination in my lifetime, both in industry and in government, that I think sometimes coordination results in more delay than if you did not coordinate.

I am not saying it cannot be done. I am just saying from my own personal point of view—I am not speaking now for the Administra-

tion—that I believe a single management for the operation of a total public transportation system in the Greater Washington Area would be preferable. I agree with you that something has to be done, not six months or a year from now, but in the very near future, to salvage the present number of people using the bus systems, because I think you would agree with me, and I think the members of the committee would agree with me, that once you allow a patron who utilizes buses to find some other means of transportation, it is rather difficult to attract him back to the bus.

Now, it is true that if you give him a brand new bus, as we have done on the Shirley Highway, and those buses are air-conditioned and have anti-pollution kits on them, so that they do not fume and make a lot of noise, it helps a great deal to attract patrons to the service. It would be my hope that within 60 days some proposals may be forthcoming that would either join in with proposals that are now before the Congress or perhaps modify them and help to resolve what I know is a very, very tough problem.

#### MINORITY EMPLOYMENT

Representative BROYHILL. Just one more question, Mr. Chairman.

Mr. Secretary, I know that you are a great leader in the field of civil rights. I know you have an outstanding record in that area, and I believe the majority of the people may want to do something about insuring that minority groups are getting their fair share of all public contracts. But in light of the financial difficulties that are being experienced in the construction of this subway system, do you feel that we should sacrifice what might be economy and efficiency in proceeding with this construction in order to meet these social objectives that we are also trying to meet?

I have heard various reports coming from contractors and subcontractors and members of the Authority that this has been somewhat of a deterrent in the progress of this construction, and in meeting time schedules which should be done in the efficient construction of this project.

Secretary VOLPE. It is true, Congressman Broyhill, in almost anything we do in life, that you can go to an extreme in one way or the other. We have had some discussions with WMATA from time to time. Sometimes they have agreed with us 100 per cent; other times, we have had some minor differences. I think, overall, they have done a reasonable job in trying to give minority employees and minority contractors a part of the work.

Representative BROYHILL. I know, contractors, yes.

Secretary VOLPE. The fact is—provided the minority contractors that are engaged are sufficiently well equipped with some training that on occasions has to be provided, I think they can undertake the job without slowing down the work.

Now, you will slow down the work if somebody insists, "Well, the \$25-million job has got to go to Firm X," whether they are qualified or not. This would slow down the job.

When I started in business, I did not start with a \$25-million job; I started with a \$1,397.00 job. I can remember the figure as though I made out the estimate this morning. I made all of \$34 on the job, as a matter of fact.

But the fact is that I think WMATA is increasingly giving great effort in this area, and I think, as a matter of fact—I am not speaking for them; they will speak for themselves—that they may have an announcement in the not-too-distant future that will show how far they have progressed in this area without jeopardizing, I think, the completion of the system which is so desperately needed.

We ought to have had the subway by now. When I was here 16 years ago, it was on the drawing board, and, you remember, 20 years ago, it was first talked about.

Representative BROYHILL. I appreciate your statement, Mr. Secretary. I think there has been some misunderstanding, perhaps some misinterpretation that this is a social project and that that, rather than efficiency, should have the first priority. But I think we can meet both objectives. I think that by diligence and concern, we could provide a maximum number of jobs to minority workmen or minority contractors, but I do not think we should ignore the fact that these are public funds and we must consider a proper limitation of those funds when there is a deadline to meet.

I appreciate your statement.

Representative CABELL. Mr. Gude.

Representative GUDE. Thank you, Mr. Chairman.

Mr. Secretary, this has all been very helpful. I would just like to say that I want to express my deep appreciation for the fact you would take your time, as the Secretary of Transportation, to come here and speak on behalf of the Administration and show the wholehearted and full support you are giving to METRO. We are so grateful for the support we have received from you the latter part of last year. Thank you very much.

Representative CABELL. Mr. Secretary, we appreciate your taking your time to come here and testify.

You make reference in your statement to your part in the partnership, but that qualifies as a limited partnership, does it not?

Secretary VOLPE. I think it is quite a limited partnership.

May I make just one closing observation, Mr. Chairman?

#### FINANCING PRIORITY

I would hope that your committees and the Congress will consider the bill before you act this time independently of other considerations which I am sure are very, very important. I do not think that as important as those other areas of concern are, we should allow those other concerns to interfere with the pushing forward of this METRO financing legislation just as rapidly as possible, because without it, METRO will never begin operations on July, 1974. And July, 1974, will be 22 years after we started planning for this; so, I would like to make that date.

Representative BROYHILL. Mr. Chairman, may I respond to the Secretary by saying that, as sponsor of those other measures, I do not propose to combine them with this present bill. I fully agree with the legislative strategy at this time that we must move with this bill at this time as a separate measure.

Secretary VOLPE. I would be prepared to meet on any occasion in connection with these other areas, if the committee would like me to speak on them.

Delegate FAÜNTROY. Mr. Chairman, I want to commend the Secretary, particularly for those little closing words of wisdom. I trust that each of us in the Congress will seize the pearls of knowledge as they have fallen from his lips.

Representative CABELL. I am sure that you gentlemen need to get back to your jobs, and the committee will excuse you at this time.

However, I hope that in the event additional questions might occur to the members of the committee, they will be submitted to you for answering and inclusion on the record.

Secretary VOLPE. I might also say, that Secretary Connally would have been here this morning himself, but he is testifying at another hearing. He has a very able representative here. If he were not at the other hearing, he, too, would have been here, personally. But he is well represented, I can assure you.

Thank you very much.

Mr. CABELL. Without objection, the report of the Transportation Department on this legislation, to Chairman McMillan, will be included in the record at this point.

(The report referred to follows:)

OFFICE OF THE SECRETARY OF TRANSPORTATION,  
Washington, D.C., December 10, 1971.

HON. JOHN L. McMILLAN,  
*Chairman, Committee on the District of Columbia,  
House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: This is in response to your request for the views of this Department concerning H.R. 11877, a bill

"To amend the National Capital Transportation Act of 1969 (83 Stat. 320) to provide for Federal guarantees of obligations issued by the Washington Metropolitan Area Transit Authority, to authorize an increased contribution by the District of Columbia, and for other purposes."

H.R. 11877 is a proposal that the Department of Transportation, Washington Metropolitan Area Transit Authority and the District of Columbia government transmitted to Congress on June 10, 1971.

The Department of Transportation recommends the enactment of this legislation, and would welcome the opportunity to appear before the Committee to present oral testimony in support of it.

The Office of Management and Budget has advised that enactment of H.R. 11877 is in accord with the President's program.

Sincerely,

JOHN W. BARNUM.

Representative CABELL. We call at this time for testimony the Honorable Jack Bennett, Deputy Under Secretary for Monetary Affairs, of the Treasury Department.

Mr. Bennett, will you introduce the members of your staff?

**STATEMENT OF HON. JACK BENNETT, DEPUTY UNDER SECRETARY FOR MONETARY AFFAIRS, TREASURY DEPARTMENT; ACCOMPANIED BY FRANK CAVANAUGH, ASSOCIATE DIRECTOR, OFFICE OF DEBT ANALYSIS, TREASURY DEPARTMENT**

Mr. BENNETT. First, I would like to confirm what Secretary Volpe said, that just last night Secretary Connally asked me to convey to you his regrets at not being able to be here, since he is testifying on the Gold Bill all morning. He did ask me to do my best to make clear that the Treasury Department fully supports the National Capital Transportation Act which is before you.

The Treasury Department, and in particular Mr. Frank Cavanaugh, Associate Director of the Office of Debt Analysis, who is with me this morning, have worked closely with the Department of Transportation and with the Washington Metropolitan Area Transit Authority (WMATA) to develop the financing plans which would be implemented under the legislation before you.

Revenue bond financing of the METRO was provided for in the WMATA Compact and was authorized by the Congress in the 1969 Act. The possibility of a Federal guarantee of the bonds was recognized in the Compact; the Compact specifically permits a Federal guarantee so long as such guaranteed issues are approved by the Secretary of the Treasury. Yet, until now, the Congress has not been asked to authorize a Federal guarantee of the bonds, and it was expected that the bonds would be issued on the same basis as most other municipal bonds, that is, without a Federal guarantee and with the interest on the bonds exempt from Federal income taxation.

#### FINANCIAL PROBLEMS

Since the enactment of the 1969 Act, however, WMATA has encountered two major obstacles to its contemplated borrowing arrangements. First, as Secretary Volpe testified, WMATA's revised financial plan last year showed that the estimated net cost of the METRO would be almost \$450 million higher than the net cost assumed in 1969. It is my understanding the latest estimate is still within a half of a per cent of the estimate a year ago. Second, WMATA was advised by its private financial consultants that in their opinion, the Authority's bonds could not be marketed without either a Federal guarantee or some form of pledged taxes by the participating local jurisdictions. Even if the additional \$450 million of costs were fully offset by increased Federal and local government grants, we were advised that investors could not be attracted to unsecured transit revenue bonds at anything like reasonable rates of interest.

Originally, it was planned that some security for the bondholders would be provided by service contracts with each of the participating jurisdictions, but it was found that such security could not be provided under the existing Constitution of Virginia. I understand that the possibility of developing some form of pledge of local taxes to secure the transit bonds was then considered but had to be ruled out because of the serious legal problems and the delays—perhaps in terms of years—which would be encountered in gaining the necessary approvals by the eight participating local jurisdictions. Moreover, it was realized that a guarantee by the Federal Government, as compared to various tax pledges by the participating local governments, would clearly be a more effective means of attracting investors and thus reducing the interest rate which the Authority would be required to pay on its bonds. The decision was made, therefore, to request authority for Federal guarantees.

#### TAXABLE BONDS

In keeping with established congressional and Administration policies, the proposed legislation provides that the interest on the guaranteed obligations to be issued by the Authority after enactment of the legislation shall be subject to Federal income taxation.

A similar provision appears in three Acts passed by the Congress in 1970 to provide for Federal guarantees of taxable municipal bonds for rural water and sewer facilities (P.L. 91-617), medical facilities (P.L. 91-296), and new communities (P.L. 91-609). Without this provision the Federal Government would be in the position of guaranteeing tax-exempt bonds.

The Treasury Department in a number of reports to Congress has opposed tax-exempt bond guarantees for four fundamental reasons:

1. The guarantee of tax-exempt obligations is an inefficient form of subsidy since the Federal tax revenue loss probably exceeds the interest savings to the borrower resulting from the tax exemption.

2. The guarantee of tax-exempts disproportionately benefits investors in the higher Federal income tax brackets and thus fosters inequities in the Federal income tax system.

3. The guarantee of tax-exempt obligations heightens the competition for the limited amount of funds available to state and local borrowers from the market for tax-exempt securities and raises the cost of financing other local projects for which direct Federal credit aid is not provided.

4. Such guarantees conflict with Federal debt management policy since they would create a class of tax-exempt securities which the Federal Government itself is prohibited from issuing by the Public Debt Act of 1941.

The Congress, by its actions has given evidence of agreeing with these Treasury reasons.

#### PENDING LEGISLATION

In order to offset the additional interest cost to WMATA from taxable bond financing, the bill provides for payment by the Secretary of Transportation of 25 per cent of the net interest cost on the Authority's obligations. This Federal interest study is expected to be offset by additional Treasury tax receipts resulting from the use of taxable, rather than tax-exempt, bond financing of the METRO.

The 25 per cent direct interest subsidy, coupled with the Federal guarantee, will assure that WMATA's net borrowing rate will be in line with the rates on the highest quality tax-exempt municipal bonds. Because of the reduced borrowing rate, it is estimated an additional \$300 million of METRO bonds can be supported from system revenues, and there will still be sufficient revenues in excess of debt service requirements to provide an adequate margin of safety to protect the Federal Government's interests as guarantor. Thus, the proposed combination of a Federal guarantee and interest subsidy on the bonds will be sufficient to make up for \$300 million of the \$450 million shortfall in WMATA's revised financial plan. While WMATA's total borrowing will increase, from \$900 million to \$1.2 billion, there should be no significant change in the required fare structure or in the financial soundness of the system.

Mr. Chairman, let me divert for a few moments and attempt to address myself to two of the questions you also asked earlier.

#### TREASURY'S COMMITMENT

One was how many dollars is it anticipated the U.S. Treasury must pick up in order to meet the bond commitment which the Department

of Transportation will be guaranteeing; the other was what is the difference between the anticipated revenue after initiation of operations and the operating and debt-servicing costs.

I do not want to pretend that the Treasury is expert in forecasting ridership and other technical bases of the forecast, but we have reviewed the financial forecast, and on our understanding of the technical facts we find it reasonable.

On the basis of those financial projections, the obligations under the bonds will be covered about 1.2 times, giving a margin of safety. If those projections are borne out or even nearly borne out, there will be no necessity whatsoever for the Federal Government to make good payments on any of the bonds to be issued by the Transit Authority.

To put the same thing another way: Over the life of these bonds, it has been estimated that this project will generate, in addition to meeting its cost and repaying the bonds and paying interest, something on the order of \$1.4 billion over and above those requirements. That would be on the order of \$15 million a year in some of the earlier years, rising on up toward \$100 million a year in later years. That is a margin of safety.

Beyond that, you probably recognize the bill itself provides that the guarantee cannot be issued until the Secretary of Transportation is satisfied that the Government is undertaking "an acceptable financial risk to the United States."

The legislation further provides that if at any time the Secretary of Transportation decides action is necessary to protect the interest of the United States, he can direct such prudent action.

I hope that is a straightforward answer to those two questions.

Representative CABELL. I am very glad you have put that in the record at this point.

Mr. BENNETT. Thank you.

#### COST-SHARING FORMULA

To maintain the present cost-sharing formula, under which the local governments assume one-third of the net costs of the METRO and the Federal Government assumes the remaining two-thirds, the local government should pay \$150 million of the estimated \$450 million increase in the net cost of the system. This additional local payment is provided for in the proposed legislation by the requirement in section 101 for a local matching contribution not less than 50 per cent of the \$300 million amount of additional borrowing.

#### BOND MARKETING

In the drafting of this proposed legislation the interested Federal agencies and WMATA have sought to provide the most efficient marketing of the METRO bonds. To this end, an essential provision in the bill is the authority in section 101 for the Secretary of Transportation to borrow from the Secretary of the Treasury if at any time the moneys available to the Secretary of Transportation from appropriations are insufficient to enable him to discharge his guarantee and interest subsidy payment responsibilities. Such borrowings from the Treas-

ury are not expected to be necessary. Yet the borrowing authority is essential to assure the lowest possible market interest rate on the METRO bonds. That is, investors will be willing to purchase the METRO bonds at low interest rates because of the assurance that funds will always be available for the Secretary of Transportation to make timely payments of any amounts required under his guarantee and interest subsidy contracts.

In conclusion, Mr. Chairman, on behalf of the Treasury, I should like to urge your support for the proposed National Capital Transportation Act as it lies before you.

I would be happy to attempt to answer any questions you may have.

Representative CABELL. Thank you, Mr. Bennett.

Of course, as soon as you assume—and when I say “you,” I am speaking of the United States Treasury—the obligation of guaranteeing those bonds, while it is a contingent liability it is a potential liability nevertheless, and, as a banker—if I may use that term on this—this liability is on you, too—What part does the Treasury contemplate that they will play in the matter of policing this liability?

#### TREASURY RESPONSIBILITY

Mr. BENNETT. I might mention, firstly, that the guarantee literally, will be issued by the Secretary of Transportation, but, under the legislation, only with the approval of the Secretary of the Treasury, and it will be, naturally, anticipated that the primary responsibility of the Secretary of the Treasury would be with respect to the adequacy of the proposed method and timing of the securities rather than to basic technical judgment of the performance of the Transit Authority. I do not think we would attempt to substitute for his expert judgment in that area.

#### AUDIT

Representative CABELL. Do you have any built-in provision, either the Secretary of Transportation or your Department, for a complete audit?

When I use the term “audit,” in this sense, I do not mean just an adding machine audit that verifies that the monies have been expended. I am talking about an audit of the practices, an audit of the methodology used in the operations of that transit system.

Mr. BENNETT. Well, the legislation, of course, provides the Secretary of Transportation has to impose terms and conditions and they have to be approved by the Secretary of the Treasury, to protect the interest of the United States in these bonds. With respect to the “audit,” of course, it is generally true of auditors today, that they are attempting to move out of the simple adding machine auditing into functional type auditing. Such an audit would be, certainly, an appropriate concern of the conditions to be imposed by the Secretary of Transportation.

Representative CABELL. Thank you.

Mr. FAUNTROY?

Delegate FAUNTROY. Thank you, Mr. Chairman.

Thank you for your testimony.

Representative CABELL. Mr. Broyhill.

Representative BROYHILL. I saw some charts on this thing. We had a preliminary presentation with the Secretary of Transportation, and I lost my numbers a little bit.

#### FEDERAL GUARANTEE OF BONDS

We are authorizing a total of \$1.2 billion in Federally-guaranteed bonds?

Mr. BENNETT. Yes, sir.

Representative BROYHILL. And the Treasury will pay into the system an additional \$300 million as an interest subsidy?

Mr. BENNETT. No, sir. I am sorry. The subsidy will be paid over the years as the interest becomes due. There is no initial \$300 million contribution.

Representative BROYHILL. I understand. It will be paid as we go along, but it will be paid as part of the interest on the bonds.

Mr. BENNETT. When the interest on the bonds is payable by the Transit Authority, the Department of Transportation, from appropriated funds, will pay that 25 percent.

Representative BROYHILL. Considering the issuance of \$835 million in bonds. Now, are we talking of issuing \$1.2 billion in Federally guaranteed bonds, with \$300 million over a period of years being paid by the Federal Government into the interest funds, and the community is putting up another \$150 million?

Mr. BENNETT. Yes.

Representative BROYHILL. Making a total of \$1.650 billion?

Mr. BENNETT. Well, the total being borrowed is \$1.2 billion.

Representative BROYHILL. Right.

Mr. BENNETT. And on top of that, \$150 million. So, that makes \$1.350 billion of system costs, apart from the interest operating costs, which is the market interest rate minus the subsidy.

I think you have to recognize there is a little bit of judgment required to balance the two-thirds/one-third. The communities are putting up, near the beginning, say, in 1975 or 1976, \$150 million cold cash then. The two-thirds contribution by the Government is a package. It is a package of a guarantee of \$1.2 billion, which provides a saving to the project in interest costs, and it is the interest subsidy. But we recognize, of course, that on the interest subsidy we will get it back.

Representative BROYHILL. Now, if there is no default, the Government will not be called upon to make good the guarantee. The net effect of this legislation is that it will cost the Federal Government nothing more than the original legislation. The original legislation, authorized the issuance of tax-exempt bonds?

Mr. BENNETT. That is right.

Representative BROYHILL. But these will be tax producing bonds. So, if there is no default on the part of the Transit Authority, in the final analysis, this legislation should cost the Federal Government no more than would the existing law.

Mr. BENNETT. Leaving aside any contribution that goes by the way of the District of Columbia, you are exactly right.

Representative BROYHILL. This does not have any effect on the debt limit, does it?

Mr. BENNETT. This guaranteed bond will not be under the Federal debt limit.

Representative BROYHILL. That is all.

Representative CABELL. Mr. Gude.

Representative GUDE. No questions.

Representative CABELL. Mr. Bennett, I have some questions that were left by Senator Eagleton who, as you know, had to go to the Floor of the Senate.

I will give you this, or read it into the record, and, if you will, prepare the answers and submit them at your earliest opportunity.

Mr. BENNETT. Right.

#### SALE OF BONDS

Representative CABELL. As to the matter of competitive bidding on the bonds, should this requirement be written into the contemplated legislation?

You do not need to answer that at the moment.

Mr. BENNETT. I will be happy to, if you want, or I can wait.

Representative CABELL. Well, fine.

Mr. BENNETT. The nature of the bonds would have to be approved by the Treasury. We are, in general, firm believers in competitive bidding. Therefore, there is a very strong presumption it will be competitive bidding. But, on the other hand, in light of circumstances in the market at the time, a situation could arise when some form of other procedure would be appropriate.

I would be inclined to leave a little discretion there with the Secretary of the Treasury.

#### INTEREST ON BONDS

Representative CABELL. The second question is: What is the assumption of what a reasonable interest rate for these bonds will be at which they will be offered?

Mr. BENNETT. If they were being offered today—and, of course, they are not—it would be on the order of 7 percent or maybe just a fraction higher before deducting the 25 percent, bringing them down to the neighborhood of five and a quarter.

Representative CABELL. But that would not be a deduction on the face of the coupon, so to speak?

Mr. BENNETT. No, sir.

Representative CABELL. That would be an internal transaction?

Mr. BENNETT. Guaranteed bonds issued today by Federal agencies are quoted as of last night in the range of 6.98, 7.26. This, we hope, will be a highly qualified, federally guaranteed obligation.

Representative CABELL. It is your better judgment, then, or your considered judgment, that approximately 7 percent would be what those bonds would settle upon?

Mr. BENNETT. We think it will be lower. We think long-term interest rates are coming down.

Representative CABELL. You think, or hope, you might even get a little premium; is that right?

Mr. BENNETT. Yes.

## SHORT-TERM NOTES

Representative CABELL. Will the authority given WMATA include power to issue short-term notes if the bond market is unfavorable at the time they need an addition?

Mr. BENNETT. This legislation does not specify the maturity of the obligation.

Representative CABELL. In other words—

Mr. BENNETT. Shorter term. We have been thinking in long term, 25 to 40 years. But if the market conditions make it otherwise necessary, there is some flexibility.

Representative CABELL. You feel there is flexibility written into the bill that is before us?

Mr. BENNETT. As I understand it.

Representative CABELL. That would give them the authority to issue some shorter term?

Mr. BENNETT. Subject to the approval of the Secretary of the Treasury, and there is a presumption, something of this type: if it is a long-term project, it ought to be long-term financed.

Representative CABELL. I think these are generally referred to as bond anticipation notes that would be relatively short term, or—

Mr. BENNETT. I do not believe this legislation removes that flexibility.

## BENEFIT OF TAXABLE BONDS

Representative CABELL. Would you provide then—and I am sure you will get this up and submit it at a later date—a detailed analysis of the cost-benefit ratio to the Government of making these bonds taxable?

Mr. BENNETT. Comparing the alternative? Yes, sir.

Representative CABELL. Yes.

(The information requested follows:)

OFFICE OF THE SECRETARY OF THE TREASURY,  
Washington, D.C., March 27, 1972.

HON. EARLE CABELL,  
District of Columbia Committee,  
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: When I appeared before your Committee on March 1, 1972, on H.R. 11877, you requested that I supply for the record answers to four questions raised by Senator Eagleton. I am pleased to furnish the enclosed replies.

Thank you for the courtesy shown me as a witness before your Committee and for your support of this important legislation.

Sincerely yours,

JACK F. BENNETT,  
Deputy Under Secretary for Monetary Affairs.

Enclosure.

1. Q. Should H.R. 11877 be amended to require competitive bidding on bonds sold by the Washington Metropolitan Area Transit Authority?

A. While the Treasury Department generally encourages competitive bidding, we do not recommend a legislative requirement for competitive bidding on the WMATA bonds. Such a requirement could prove costly to WMATA and to the Federal Government, since it is possible that under certain market conditions

the bonds could be sold at a lower interest cost on a negotiated basis, depending upon the maturities and amounts of the bonds in each sale. H.R. 11877 provides sufficient flexibility for WMATA to sell its obligations on either a competitive or negotiated basis and also assures protection of the Government's interest by requiring approval by both the Secretary of Transportation and the Secretary of the Treasury of each issue of guaranteed obligations. The Treasury is constantly monitoring the market for other Federal and Federally guaranteed obligations and will be in a position to advise WMATA with respect to the interest rate and other terms and conditions of WMATA's issues as well as the most efficient method of sale.

2. *Q. What is the assurance that a reasonable rate of interest will be obtained for the WMATA bonds?*

A. A reasonable rate of interest would be assured on the WMATA obligations by the provisions in H.R. 11877 for a guarantee of the obligations by the Secretary of Transportation. The guarantee would be backed by authority for the Secretary of Transportation to borrow from the Secretary of the Treasury in order to discharge his responsibilities under guarantee contracts. Such a guarantee arrangement would assure investors in WMATA obligations of timely payment of principal and interest and would thus attract investors to these obligations at reasonable rates of interest. Similar provisions in other Federal loan guarantee programs have assured a ready market for the guaranteed obligations at rates of interest in line with the rates paid on direct Federal agency securities.

3. *Q. Will the authority given WMATA include the power to issue short-term notes if the bond market is unfavorable?*

A. H.R. 11877 does not specify the maturity of the WMATA obligations, and short-term financing would be permitted under the bill. The bill also provides that obligations which are issued solely for the purpose of refunding existing obligations previously guaranteed under the bill may be guaranteed without regard to the \$1.2 billion limitation on guaranteed obligations. Thus, while it is generally desirable to arrange promptly for the permanent long-term financing of such long-term projects as the METRO, the bill provides sufficient flexibility for whatever short-term financing may be appropriate in light of WMATA's cash needs and current conditions in the bond market.

4. *Q. Could you provide a detailed analysis of the cost-benefit ratio to the Government of making the WMATA bonds taxable?*

A. While it is difficult to place a dollar value on the total benefits resulting from taxable, rather than tax-exempt, financing of the WMATA bonds, including the benefits from increased Treasury tax receipts, improved tax equity, and reduced pressures on the tax-exempt bond market, the benefits to the Federal Government are expected to equal, or possibly exceed, the cost of the proposed Federal interest subsidy of 25 percent on the WMATA bonds.

Looking first at WMATA's cost-benefit ratio, WMATA would currently be about as well off issuing either (1) tax-exempt bonds with no direct Federal interest subsidy or (2) taxable bonds with a 25 percent interest subsidy. Under current market conditions the average interest rate on guaranteed WMATA bonds of 30 to 40 year maturities would be about  $5\frac{1}{4}$  percent on a tax-exempt bond and 7 percent on a taxable bond<sup>1</sup>, and the 25 percent Federal interest subsidy on the taxable bond would reduce the net cost to WMATA to  $5\frac{1}{4}$  percent. While the relationship between taxable and tax-exempt bond yields varies with market conditions, and is difficult to ascertain because of the lack of precisely comparable data, the following table indicates that long-term (30 year) tax-exempt yields have been roughly 25 percent below yields on comparable taxable issues in recent years and, on average, over the past decade.

<sup>1</sup> The latest (week ending March 10, 1972) Salomon Brothers averages of yields on new issues of 30-year bonds were 5.20 for prime and 5.25 for good grade tax-exempt issues, and 7.25 for Aa (good grade) industrials with deferred call provisions. While no averages are computed for 30-year Aa (prime) industrials with call protection, because of insufficient data, the yields on such issues should be fairly close to the yields on the WMATA bonds and would currently average possibly  $\frac{1}{4}$  percent lower than the  $7\frac{1}{4}$  percent yields on Aa deferred call issues.

AVERAGE YIELDS ON NEW ISSUES OF 30-YEAR BONDS<sup>1</sup>

Averages of 1st of month averages	Aa utilities (deferred call)	Good municipals	Percent of municipals below utilities
1960	4.73	3.80	20
1961	4.52	3.70	18
1962	4.36	3.45	21
1963	4.33	3.40	21
1964	4.46	3.50	22
1965	4.57	3.45	25
1966	5.45	3.90	28
1967	5.87	4.00	32
1968	6.61	4.60	30
1969	7.75	5.85	25
1970	8.83	6.50	26
1971	7.74	5.68	27
Average	5.77	4.32	25

<sup>1</sup> "An Analytical Record of Yields and Yield Spreads," Salomon Bros., New York, N.Y.

Looking at the benefit-cost ratio from the standpoint of the Federal Government, the cost of the 25 percent subsidy is estimated to be offset, or more than offset, by the increased tax receipts to the Treasury from the use of taxable rather than tax-exempt bond financing. The amount of the increased Treasury tax receipts would depend upon the average tax brackets of investors in municipal bonds, and precise figures are not available.

There have been a number of studies in recent years attempting to estimate the average tax bracket of investors for the purpose of calculating the additional Treasury revenues from substituting taxable for tax-exempt bonds. The most extensive study was done by Professors David J. Ott and Allan H. Meltzer for the Brookings Institution in 1963<sup>1</sup>; they estimated an overall average tax bracket of 41-43 percent. The lowest estimate—25 percent—was made by the Investment Bankers Association in a study presented by the IBA in Senate testimony on the Tax Reform Act of 1969.<sup>2</sup>

The Treasury Department is currently reviewing those studies in the light of the present structure of the municipal market and the marked changes in that market in recent years. While the Department is not prepared at this point to supply an estimate of the dollar amount of the Treasury revenue gain from taxable financing of the WMAT bonds, the Department believes that it will be sufficient to offset the cost of the 25 percent subsidy. In addition, there will be significant public benefits from improved tax equity and reduced pressures on the volume of tax-exempts and thus on the market rates which municipalities will be required to pay on their borrowings for projects not directly assisted by the Federal Government. Consequently, the Treasury Department has concluded that the total public benefits will significantly exceed the costs of taxable, rather than tax-exempt, bond financing of the METRO.

Representative CABELL. Are there further questions of Mr. Bennett?

Thank you very much, Mr. Bennett and Mr. Cavanaugh. I am sure the committee will be glad to excuse you at this time. I imagine you have some other obligations.

Without objection the report from the Treasury on this legislation to Chairman McMillan, will be included in the record at this point.  
(The report referred to follows:)

<sup>1</sup> David J. Ott and Allan H. Meltzer, "Federal Tax Treatment of State and Local Securities" (Washington Brookings Institution, 1963), p. 67

<sup>2</sup> Investment Bankers Association testimony in U.S. Senate, *Tax Reform Act of 1969*. Hearings before the Committee on Finance on H.R. 13270, part 4. (Gov't. Print. Office, Washington, D.C., 1969), p. 316.

THE GENERAL COUNSEL OF THE TREASURY,  
Washington, D.C., January 24, 1972.

Hon. JOHN L. McMILLAN,  
Chairman, Committee on the District of Columbia,  
House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Reference is made to your request for the views of this Department on H.R. 11877, the "National Capital Transportation Act of 1971".

The bill would authorize the Secretary of Transportation to guarantee, and enter into commitments to guarantee, bonds and other evidences of indebtedness and the interest thereon issued with the approval of the Secretary of the Treasury by the Washington Metropolitan Area Transit Authority under title III of the Washington Metropolitan Area Transit Regulation Compact. Up to \$1,200,000,000 of obligations could be guaranteed. The interest on all obligations of the Authority would be made taxable. The Secretary of Transportation would be authorized, upon request by the Authority, to pay one-fourth of the net interest cost, including fees, commissions, and other costs of issuance, on obligations issued by the Authority. If monies available to the Secretary were insufficient to enable him to discharge his responsibilities for making guarantees and paying the interest supplement, he would be authorized to borrow from the Treasury.

The bill was proposed by the Department of Transportation, the District of Columbia, and the Washington Metropolitan Area Transit Authority. This Department also assisted in drafting its provisions. It would provide needed assistance in solving the transportation problems faced by the Nation's Capital. The bill would implement the President's proposal in his April 7, 1971 message on the District of Columbia that the Federal Government guarantee the revenue bonds of the Washington Metropolitan Area Transit Authority.

Therefore, the Department would urge prompt, favorable action on H.R. 11877.

The Department has been advised by the Office of Management and Budget that there is no objection to the submission of this report to your Committee and that enactment of this bill would be in accord with the program of the President.

Sincerely yours,

ROY T. ENGLETT,  
Acting General Counsel.

Representative CABELL. We have now Mr. Graham Watt, the Deputy Mayor-Commissioner, appearing instead of Mayor Washington, who I understand, is somewhat incapacitated.

Mr. WATT. Yes, Mr. Chairman and members of the committee, Mayor Washington has finally succumbed to the flu; he is at home. He had planned to be with you this morning, and he asked me to extend to you his sincere regrets at not being able to be here.

STATEMENT OF GRAHAM W. WATT, ASSISTANT TO THE  
COMMISSIONER OF THE DISTRICT OF COLUMBIA

Mr. WATT. I might say, Mr. Chairman, by way of introduction that although I come to the table alone, I am not at all lonesome, because, as a Presidential appointee, I feel a kinship to the administration as represented here by Secretary Volpe and Mr. Bennett, and, as a representative of the mayor of the city of Washington, of course, I feel very close to this committee and share with you frequently our concern for the city and its citizens. As a member of the WMATA, I feel very close to the representatives of the Transit Authority who will be appearing before you next to talk with you in greater detail about the progress of that undertaking.

I think it would be appropriate, Mr. Chairman, for the record to show the statement I am about to make is Mayor Washington's statement, which I am submitting on his behalf. It is fairly brief.

Mr. Chairman and members of the committees. I am pleased to appear before you today to testify in support of the proposed "National Capital Transportation Act of 1972," which, incidentally, was submitted to the Congress subsequently by the Department of Transportation, the Government of the District of Columbia, and the Washington Metropolitan Area Transit Authority.

This legislation is needed to complete the financing plan for the regional rail rapid transit system under construction to serve the Washington Metropolitan Area. I strongly urge enactment of this legislation to assure financing for the completion of METRO because the new transit system is vital to the economic well-being and social vitality of the District of Columbia and its metropolitan region.

METRO will mean many things for Washington: new development, both commercial and residential; expanded employment opportunities; improved access to work, business, retail, recreational, entertainment, and cultural centers; and strengthened ties among the various jurisdictions in the Washington area. I believe that METRO will greatly assist our efforts to create a viable regional cooperation which will stimulate the health and vitality of center city and surrounding jurisdictions alike.

#### FINANCIAL GAP

In order to construct the METRO system, the original financial plan called for three sources of fundings: revenue bonds to be issued by the Transit Authority; and Federal and local direct contributions to the system, to be shared on a two-thirds Federal, one-third local matching basis. However, since the development of the plans for METRO, a combination of increasing construction costs and higher interest rates has resulted in a financial gap of almost \$450 million in the original financing plan.

This legislation is designed to meet that financial need through an increase in the Transit Authority's borrowing ability of approximately \$300 million and through increased contributions from the participating local jurisdictions of approximately \$150 million. Thus, the legislation before you today is extremely important because it will complete the financial plan necessary for the construction of the METRO system.

#### BOND GUARANTEE

The most significant aspect of this proposal is the authorization for a Federal guarantee of the obligations issued by the Washington Metropolitan Area Transit Authority as part of the financial plan for the METRO system. Those bonds, under the financial plan, would raise \$1.2 billion of the approximately \$3 billion needed to meet the construction costs of the transit system. This guarantee is essential to enable the Transit Authority to market their bonds and to expedite the sale of the bonds in today's securities' markets.

In addition, the legislation provides that the METRO bonds will become taxable obligations so that there will be a flowback to the

Treasury from the taxes upon interest paid on the bonds. In light of the taxable nature of the bonds, the legislation further provides that there will be a 25 percent interest rate subsidy to be provided by the Federal Government in order to reduce the total cost of the borrowing to a level which will allow the Transit Authority to borrow the full \$1.2 billion which is essential to the financing plan of the METRO system.

I want to stress again that the purpose of this Federal guarantee, together with the proposed interest-rate subsidy, is to assure the orderly financing of the METRO system. With this orderly financing assured, the system can be completed as projected and at the least cost to the Federal Government and the local participating governments.

I strongly support this proposal because it would provide the means for the Transit Authority to market its obligations which are needed for METRO's financing plan.

#### DISTRICT'S CONTRIBUTION

I also support the legislation because it recognizes the need for additional local contributions, consistent with the original Federal-local sharing of the costs of the system. Title II of the legislation would authorize an increase in the local contribution of the District of Columbia Government toward the cost of the transit system from \$216.5 million to \$269.7 million—a total increase of \$53.2 million. This increased contribution is necessary to meet the expanded costs of the transit system and it is important to note that comparable increases will be made in the contributions of the other participating local jurisdictions. Of the currently authorized \$216.6 million, the District has already had appropriated \$123.8 million for its share of the METRO construction costs. This sum has been paid to METRO as our contribution to date.

Title III would adopt, on behalf of the District of Columbia, several amendments to the Washington Metropolitan Area Transit Authority's compact relating to borrowing authority.

The METRO system, as will be made evident during the course of these hearings, is well on its way to becoming a reality. I believe that the system will not only be one of the most advanced in the world, from the standpoint of its operations, but also will be a well-designed addition to the community as a whole.

METRO is the result of years of work and dedication by a host of officials and local citizens; by Presidents and members of Congress alike; by leaders of all the participating local jurisdictions; by Federal officials and the employees of the Washington Metropolitan Area Transit Authority; and by local citizens and organizations from the entire metropolitan area. I think that the completed METRO system will justify that work and dedication and that all who have had a part in the project may be proud of their efforts.

The legislation before you today is needed to complete the METRO system. Enactment of these proposals would be consistent with the nearly two decades of congressional, Presidential, and local planning and support for the rail rapid transit system for the Nation's Capital.

I strongly urge your favorable consideration of this legislation.

Representative FAUNTROY (temporarily presiding). Thank you, Mr. Watt.

Mr. Broyhill.

#### DISTRICT'S SHARE

Representative BROYHILL. Will this additional \$53.2 million, as a part of the whole \$150 million put up by the locality, be put up over a period of years?

Mr. WATT. Yes, sir; it would. We have a schedule of contributions for the District of Columbia, as well as the other participating jurisdictions, which provides each year the amount of the local contribution which is required by METRO to meet its construction and funding schedule. That, of course, provides the opportunity for WMATA to draw down the Federal two-thirds matching.

Representative BROYHILL. Would you anticipate any difficulty, so far as the District of Columbia's portion is concerned? Can you divide that into the normal budget process that you are experiencing now, considering the Federal payment presently authorized? A total of \$190 million, isn't it?

Mr. WATT. Yes, sir.

#### FEDERAL PAYMENTS TO THE DISTRICT

Representative BROYHILL. Do you anticipate any necessity of changing that authorized Federal payment, because of this \$53.2 million? I am not asking whether you anticipate increases in other items, because I imagine you will be in here with such an increase.

Mr. WATT. Mr. Broyhill, our 1973 appropriation requests, which is now being heard by the City Council prior to being transmitted to the Congress, contains \$33.5 million as the 1973 District of Columbia Government contribution to METRO.

That is a part of the total 1973 District of Columbia budget, which is based upon the \$190 million Federal payment authorization. It is based on favorable action on the Mayor's request to the City Council for a 30 cent increase in the property tax rate and upon no other revenue authorization in 1973. The budget you will get will be a balanced budget, based upon the existing revenue authorization.

Representative BROYHILL. So we can tell our colleagues that this \$53.2 million additional payment for the District of Columbia would not necessarily mean an additional Federal payment to cover it?

Mr. WATT. That is correct.

Representative BROYHILL. I think that is very good, Mr. Watt. It will help us to carry the adoption of this legislation forward.

Representative CABELL. Mr. Fauntroy.

Representative FAUNTROY. No questions, thank you.

Representative CABELL. Mr. Gude.

#### ADDITIONAL TAXES FOR METRO FINANCING

Representative GUDE. I certainly appreciate your warm support, not that I did not anticipate it. But the Governor of Maryland has asked the State Legislature to provide a 2 cent—not 3 percent—gas-

line tax to support the METRO financing in the suburban areas. I wondered if the city had given any thought to this proposal as to whether there might be a possibility of this being done in the District of Columbia.

Mr. WATT. Mr. Gude, our contribution to WMATA is contained in our budget as part of our capital improvement program. And as such is financed by the District of Columbia as our other capital improvement through Treasury borrowings, which we pay back to the Treasury with interest over the term of the borrowing.

So our \$33.5 million, which is payable to WMATA in 1973, is presently a part of the \$150 million capital improvement program which is a part of the 1973 budget. As I say, by the Mayor, and now pending before the City Council. To be financed that way it does not require additional revenue.

Representative GUDE. If this provision is enacted in Maryland, how would the gasoline tax levied in Maryland approach that of the District of Columbia?

Mr. WATT. It will raise the Maryland gasoline tax above that of the District of Columbia.

Representative GUDE. The city administration has not given any consideration to this as a way of approaching the financing?

Mr. WATT. We have not felt the need to finance our METRO contribution in this way, since we have been able to accommodate it, if you will, within our total capital improvements program.

Representative GUDE. Thank you, Mr. Chairman.

Representative CABELL. Thank you, Mr. Watt.

Without objection, the report of the District Government to Chairman McMillan on this legislation will be included in the record at this point.

(The report referred to follows:)

THE DISTRICT OF COLUMBIA.  
*Washington, D.C., February 28, 1972.*

HON. JOHN L. McMILLAN,  
*Chairman, Committee on the District of Columbia, U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: The Commissioner of the District of Columbia has for report H.R. 11877, a bill "To amend the National Capital Transportation Act of 1969 (83 Stat. 320) to provide for Federal guarantees of obligations issued by the Washington Metropolitan Area Transit Authority, to authorize an increased contribution by the District of Columbia, and for other purposes." H.R. 11877 is identical to draft legislation submitted to the Congress on June 10, 1971, jointly by the Commissioner, the Secretary of Transportation, and the Chairman of the Board of Directors of the Washington Metropolitan Area Transit Authority.

The bill, which may be cited as the "National Capital Transportation Act", consists of three titles. Title I would authorize a Federal guarantee of obligations issued by the Washington Metropolitan Area Transit Authority as part of the financial plan necessary for the regional rail rapid transit system. Under the Washington Metropolitan Area Transit Regulation Compact, the Transit Authority is authorized to issue revenue bonds for purposes of financing the transit system. It is estimated that such bonds will provide \$1.2 billion of the approximately \$3.0 billion construction cost of the system, with the remaining amount to be shared by the Federal, State, and local governments. The Federal guarantee authorized by title I of H.R. 11877 will expedite the sale of the Transit Authority bonds and will reduce by one-fourth the net interest cost on the bonds.

Title II of the bill authorizes an increase in the local contribution of the District of Columbia Government toward the cost of the transit system from \$216.5 million to \$269.7 million, or a total of \$53.2 million. This increased con-

tribution is necessary to meet the expanded costs of the transit system, and comparable increases will be made in the contributions of the other participating local jurisdictions.

Title III of the bill would adopt, on behalf of the District of Columbia, several amendments to the Washington Metropolitan Area Transit Regulation Compact relating to the Transit Authority's borrowing authority.

The need to provide additional funds for the regional transit system has arisen primarily from two factors: the rapidly escalating construction costs for the system and the difficulty of marketing the Transit Authority's revenue bonds. H.R. 11877 is designed, through the Federal guarantee of the revenue bonds and the increase in the District's contribution to the system, to meet the need for such additional funds.

It is the Commissioner's belief that the enactment of H.R. 11877 would be consistent with the nearly two decades of Congressional, Presidential, and local support of the rail rapid transit system for the Nation's Capital.

The Commissioner of the District of Columbia urges early consideration and favorable action on H.R. 11877.

The Office of Management and Budget has advised that enactment of H.R. 11877 would be in accord with the program of the President.

Sincerely yours,

GRAHAM W. WATT,  
*Assistant to the Commissioner*  
(For Walter E. Washington, Commissioner).

Representative CABELL. I think we will have time to hear from Mr. Joseph Fisher, Chairman of the Board, WMATA. I believe you have Mr. Jackson Graham with you.

**STATEMENT OF JOSEPH L. FISHER, CHAIRMAN, BOARD OF DIRECTORS, WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY; ACCOMPANIED BY JACKSON GRAHAM, GENERAL MANAGER; JOHN KENNEDY, GENERAL COUNSEL; WILLIAM HERMAN, DIRECTOR OF PLANNING; SCHUYLER LOWE, EXECUTIVE OFFICER AND COMPTROLLER**

Mr. FISHER. Mr. Chairman and members of the Committee.

As you say, Jackson Graham, our General Manager, is here to my left. Schuyler Lowe, Executive Officer and Comptroller is to his left. John Kennedy, General Counsel, is here to my left and William Herman, Director of Planning is at the far right of the table from me.

We appreciate, of course, the chance to be here and talk. We at WMATA consider absolutely vital and important the building and completion of the METRO System in this area.

We do support, of course, the two bills, H.R. 11877 and S. 2297, which have been introduced as companion bills in the Congress for the purpose of assuring the marketability of the revenue bonds of the Authority in support of the Regional Rapid Rail Transit System and to assist in meeting the increased costs which have resulted from the severe inflation in the construction industry, more refined estimates, delays and the effect of current interest rates. The Authority is particularly appreciative of these joint Hearings, for they once again demonstrate the strong and continuing interest of the Congress in the mass transit objective for the National Capital and its environs.

It may be helpful to review briefly the history of this project, its current status, and the nature of the problem we are here to discuss today.

It was in 1952 that the Congress first addressed itself to the emerging transportation crisis in the National Capital area for in that year it approved the National Capital Planning Act calling for a study of the problem.

In 1960, the Congress created the National Capital Transportation Agency as an interim agency to move plans forward and to serve until a regional body could be formed. In 1965, the Congress authorized the construction of a 25-mile system which was to become the nucleus of the 98-mile Regional Transit System which the Congress approved on December 9, 1969.

Throughout this long period, the Congress has taken an active position of leadership and has provided the policy guidance for this great project. It has structured the form of the agency responsible for its development, set forth the pattern of financing, and has authorized a very substantial Federal contribution. For all of this, we of the Authority and the eight participating local governments we represent are deeply appreciative.

And at this point, I am proud to add, the participating local governments have actually contributed \$268 million of their formal \$573 million pledge under a capital contributions agreement.

It was one of the minor miracles of our time, I think, when more or less simultaneously a couple of years back, all of these local jurisdictions upon vote of their people agreed that we should provide this local financing, our share of the system.

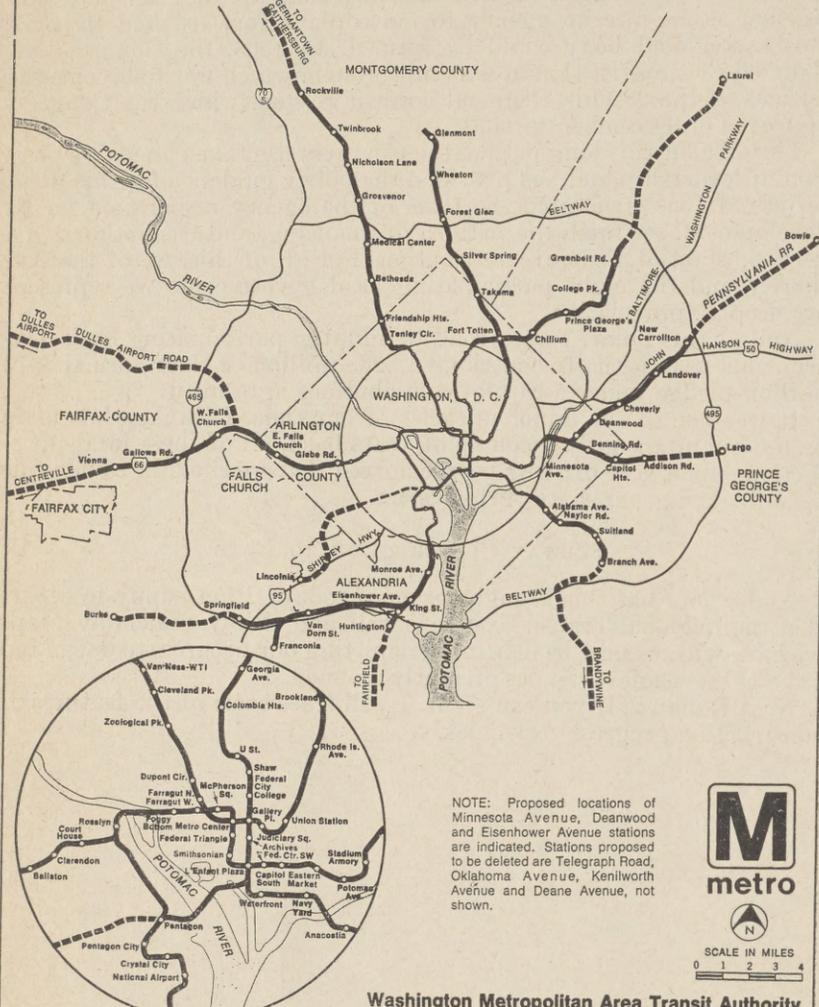
#### SUBWAY CONSTRUCTION TO DATE

And where has this brought us as of today? I am happy to report that the Regional Transit System is well, and visibly, underway. Maps we have with us may be helpful in depicting our progress to date. Map 1 shows the whole system as presently planned.

Next is map 2, if you can see it. I will trace some of the features of construction progress very quickly.

# REGIONAL RAPID RAIL TRANSIT SYSTEM

Adopted March 1968. Revised February 1969 • June 1970. Authorized by Congress December 1969.

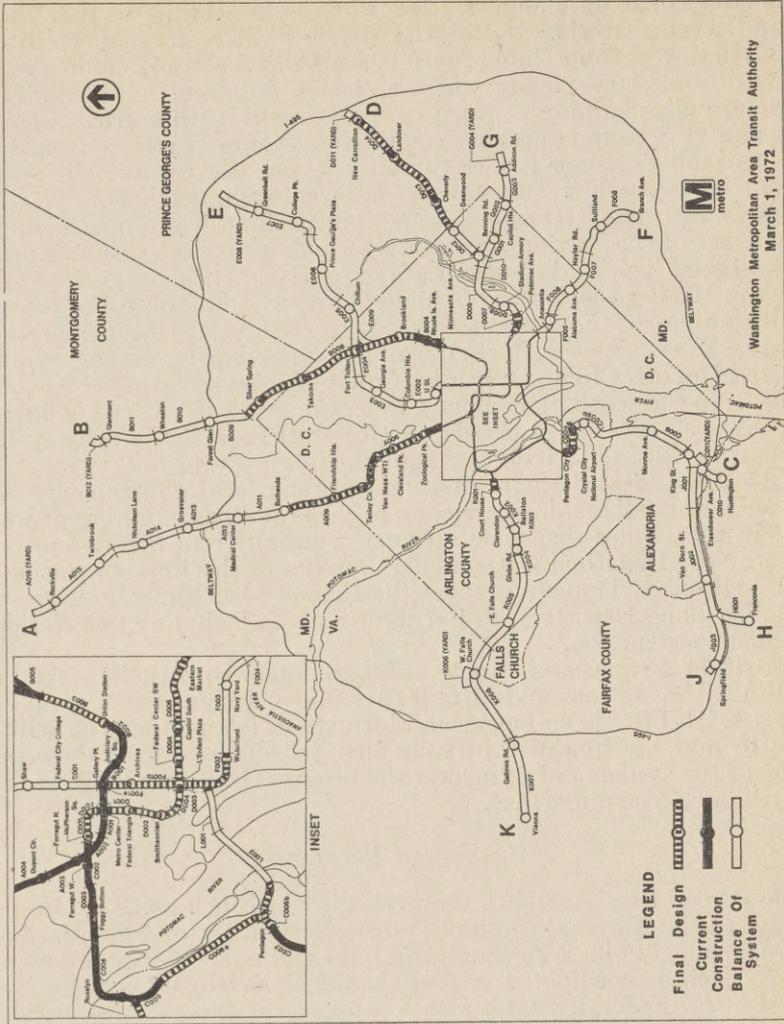


NOTE: Proposed locations of Minnesota Avenue, Deanwood and Eisenhower Avenue stations are indicated. Stations proposed to be deleted are Telegraph Road, Oklahoma Avenue, Kenilworth Avenue and Deane Avenue, not shown.



Washington Metropolitan Area Transit Authority

1/72



To the north of Union Station work is underway on the Rhode Island Avenue station and on the system's yard and shop facilities. South and west from Union Station, a cut and cover section of subway leads to Judiciary Square where a station is taking form under the various courts buildings. Much of the structural work from there to 7th and G Streets is nearing completion. Along G street, from that point to the Treasury at 15th Street, it is now decked over with work advancing beneath on two stations and connecting sections.

From 15th and G Streets, a 150-ton machine has tunneled under the corner of the Treasury property—which we are being sure is properly shored up—and under Lafayette Park enroute to Farragut Square. Mining then proceeds under Farragut Square to K Street.

Beginning at the Rock Creek intersection with the Connecticut Avenue section of the Rockville route, tunneling is moving rapidly toward Dupont Circle. Over a half mile of solid rock tunnel has been mined. To the south of Dupont Circle, Connecticut Avenue is largely decked over as work proceeds on two stations and the subway line connecting with the Farragut Square tunnel.

Last June 17th, the participating Virginia local governments conducted a groundbreaking ceremony to celebrate the beginning of work in Virginia. Since that time a tunnel running from the system portal near the Iwo Jima statue under Rosslyn to the Rosslyn station is well underway. Tunneling under the Potomac has begun and the subway line along Eye Street to Farragut Square, including two stations, is under construction.

In all, 11 stations and 9 route miles are under construction. And an additional 25 stations and 27 miles are under design contract. So you can see, METRO is no longer an abstraction. I hope that you will be able to find the time within your busy schedules to visit these portions of the system and to inspect the progress being made. We would be delighted to arrange that.

#### FINANCIAL PROBLEMS

Now to address myself to the problem which brings us before you today. In the National Capital Transportation Act of 1965, the Congress included in its statement of findings and purposes the following:

Such a coordinated system should be developed cooperatively by the Federal, State, and local governments of the National Capital region as part of a balanced system of transportation utilizing to their best advantage highways and other transit facilities, and the cost of improved mass transit facilities should be financed, as far as possible, by persons using or benefiting from such facilities and their remaining costs should be shared equitably among the Federal, State, and local governments.

Accordingly, the financial plan approved in support of Public Law 91-143 which authorized the 98-mile Regional Transit System provided for the sale of \$835 million in revenue bonds. This represented approximately one-third of the estimated cost of the system. In the latter part of 1970, as a condition of selling our revenue bonds and as a matter of continuing review, the Authority ordered a re-study of construction costs and an updating of revenue estimates. At that time we had had considerable experience with bids on construction and could observe the effect of the unprecedented rate of construction cost escalation, that Secretary Volpe told about earlier.

The results of these studies revealed that the system cost would exceed the original estimate by approximately \$500 million, increasing from \$2.495 billion to \$2.980 billion. Since revenue projections also increased somewhat, the net effect was that it was going to require about \$450 million more than originally estimated to build the system. We have with us three charts that spell out the financial plan in some detail.



Washington Metropolitan Area Transit Authority

## BOND ISSUES AND GRANTS NEEDED TO MEET TOTAL PROJECT COST

IN MILLIONS OF DOLLARS

TOTAL COST OF SYSTEM*	2,980.2
NET INTEREST DURING CONSTRUCTION.	<u>66.3</u>
TOTAL PROJECT COST	3,046.5
REVENUE BOND ISSUE**.	(882.0)
DISTRICT OF COLUMBIA MID-CITY ALTERNATE	<u>(3.0)</u>
NET PROJECT COST	2,161.5
FEDERAL SHARE (2/3)	1,441.0
GRANTS.	1,147.0
INTEREST SUBSIDY SUPPORTED BONDS	294.0
LOCAL SHARE (1/3)	720.5

\* INCLUDES ESCALATION FACTOR OF 7% PER ANNUM

\*\* EXCLUSIVE OF FUNDED BOND RESERVE



Washington Metropolitan Area Transit Authority

## ESTIMATED ALLOCATION OF REQUIRED MEMBER GRANTS

IN MILLIONS OF DOLLARS

REQUIRED GRANTS *	<u>723.5</u>
DISTRICT OF COLUMBIA *	269.7
VIRGINIA.	204.9
ALEXANDRIA	.39.9
ARLINGTON COUNTY	.76.1
FAIRFAX COUNTY.	.84.7
FAIRFAX CITY	3.2
FALLS CHURCH.	1.0
MARYLAND.	248.9
MONTGOMERY COUNTY	137.9
PRINCE GEORGE'S COUNTY	111.0

\* INCLUDES 3.0 MILLION PAYMENT FROM THE DISTRICT OF COLUMBIA FOR THE MID-CITY ALTERNATE.



## ESTIMATED INCOME STATEMENT FOR 1990

IN MILLIONS OF DOLLARS

TOTAL FARE BOX REVENUE . . . . .	195.5
NON-FARE BOX REVENUE . . . . .	<u>8.3</u>
ADJUSTED GROSS REVENUE . . . . .	203.8
OPERATING AND MAINTENANCE EXPENSES . . . . .	<u>(107.2)</u>
NET REVENUE BEFORE DEPRECIATION . . . . .	96.6
DEPRECIATION EXPENSES . . . . .	<u>(15.3)</u>
NET REVENUE AFTER DEPRECIATION . . . . .	81.3

A second development which became apparent was that the proposed sale of revenue bonds could not be accomplished without additional assurance to the investor. Our financial consultants had concluded that some form of tax backup or guaranty would be necessary to attract investors. An additional problem associated with the sale of bonds involves the current rate of interest demanded by the market. Our original projections were an average of 5 percent on tax-exempt bonds. The current estimate is an average of 7 percent on taxable bonds.

The METRO Board of Directors explored each of these problems in depth. Although the original financial plan included the provision of \$535 million for anticipated cost escalation, the current situation pointed to a new requirement of \$855 million. In addition to the cost directly attributable to the cost of construction itself, our earlier estimates of the cost of trackwork, escalators, vehicles and the like had proven to be low. All of the possible means of reducing system costs were carefully explored. In so doing, the Board was forced to the conclusion that the available means would not only seriously detract from the quality of the system but also diminish ridership. In short, design changes of a magnitude sufficient to lead to the necessary short-term savings could well prove illusory in the long term.

The original financial plan assumed the sale of \$835 million in bonds supported by the revenues of the system and service contracts with each of the participating jurisdictions. Unfortunately, the Virginia Supreme Court ruled that the execution of service contracts by the Virginia participants would constitute open-end debt and would not be permissible without State constitutional amendments.

After exploring the effect of the court decision with our financial advisors and with 16 of the Nation's leading underwriters, it became clear that there was no possibility of marketing our revenue bonds within the existing conditions. Moreover, the interest rate assumptions

which had been considered reasonable when developed in 1968 had been proven optimistic in today's market place. This in turn resulted in a reduction in the amount of funds available for construction of the system and consequently, further diminished their salability.

#### BOND GUARANTY

In recognition of the problem, the President, on April 7, 1971, in his message on the District of Columbia proposed a Federal guaranty of the Authority's revenue bonds to expedite their sale. As a condition of the guaranty, in accordance with established Congressional and Administration policy, the bonds would become a taxable security. This in turn, would provide a revenue flowback to the Treasury from the taxes upon interest paid. In recognition of the conversion of our bonds from their tax-exempt to a taxable status, the President has proposed an interest subsidy of 25 percent. This, coupled with the Federal guaranty, will be sufficient to cover the issuance of an additional \$300 million in bonds. By the time these additional bonds are marketed, the participating local governments would be required to arrange for a 50 percent matching contribution of the additional amount required. This will preserve the two-thirds Federal, one-third local matching formula.

In arriving at the proposal before you, the administration and the eight participating local governments explored each of the alternatives available. The key element of a workable solution of the problem was one which would assure the timely sale of revenue bonds. This could be accomplished only through a backup which would satisfy the potential investor. The choice was that of a suitable taxing support or that of a Federal guaranty.

Because of the numerous problems associated with the coordination of legal actions among the eight jurisdictions involved, the need for State constitutional amendments, and the amendment of the Interstate Compact under which the Authority operates, it was obvious that a taxing mechanism could not be arranged soon enough to avoid a hiatus in the funding of construction requirements. Consequently, the Office of Management and Budget, together with the Departments of Transportation and the Treasury, developed the proposal now before you. The Authority is deeply appreciative of this proposed solution for it provides the full faith backup of its securities by the Federal Government within terms and conditions which will assure the completion of the system on a schedule best calculated to minimize its cost.

#### PENDING LEGISLATION

The bill under consideration is patterned along the lines of a number of Congressional authorizations designed to further Federal objectives at the least direct cost to the taxpayer. These have been cited by the Treasury Department. Among these are the Medical Facilities Construction Act, and the Housing and Urban Development Act. The bill contains six basic features:

First, it provides for a Federal guaranty of the Authority's revenue bonds.

Second, the guaranty is conditioned upon the conversion of the Authority's securities to a taxable obligation.

Third, the interest subsidy of 25 percent of the rate applicable to the Authority's obligation will be sufficient to cover the debt service of an additional \$300 million of bonds, thus bringing the total to \$1.2 billion. With no additional outlay from the Federal Government, as Congressman Broyhill brought out.

Fourth, as a condition of this additional \$300 million in Federal assistance, the participating jurisdictions will be required to pay in \$150 million thus preserving the Federal two-thirds, local one-third matching formula.

Fifth, provision is made for the payment of the District of Columbia share of the increased local contributions, and

Sixth, the bill includes Compact amendments required to arrange the issuance of its obligations.

The proposed financial plan has three fundamental advantages. It will allow the immediate sale of bonds at the most favorable interest rate and thereby avoid any serious disruption to the planned construction schedule. It will allow up to 3 years for the local governments to consummate the necessary legal steps to provide for their increased shares. At the same time, the Federal interest will be protected since the sale of the additional \$300 million in bonds will be conditioned upon the development of suitable matching arrangements to preserve the Federal-local matching formula.

The Authority is most encouraged by the testimony already offered this morning. Again, this evidences the solid support which four Presidents have given the mass transit objectives.

We trust that the Congress will find the proposal consistent with the goals and standards which it has set over the past two decades. And if the Congress so finds, the work which is now so well underway will move without further interruption to its scheduled conclusion. A work that, in the words of the Congress, is essential for the "effective performance of the functions of the United States Government located within the region, the comfort and convenience of the residents and visitors to the region, and the preservation of the beauty and dignity of the Nation's Capital." A work that in the words of the President "will become a proud symbol of the quality of American life and the reach of America's aspirations."

Thank you very much, Mr. Chairman. We are ready to try to answer any questions that you may have now or in subsequent submissions.

#### LAND ACQUISITION POLICY

Representative CABELL. Mr. Fisher, I would like to discuss with you a little bit your land acquisition policy. Are your acquisitions confined to that property which is absolutely essential for the operation of the METRO system or are we getting into a situation where you are getting land for speculation?

Mr. FISHER. No. We are confining our acquisition to land and properties absolutely necessary for the construction of an efficient, safe METRO system.

Representative CABELL. There have been a number, not just scattered, but a number of complaints that have come before this Committee,

alleging that WMATA is buying under condemnation considerably more land than is needed. Even to the point at some of these stations they are contemplating a rather large business complex that could be rented to provide additional revenues to various business and commercial firms. Is any of that contemplated in your land acquisition program?

Mr. FISHER. No, I do not think so, sir. There will be in some of the underground stations such activities. But the underground facilities are not enlarged in any way for this purpose.

Representative CABELL. I am sure you are familiar with the groups of small business people—I think they have a suit pending, or are filing a suit, with reference to this condemnation of property for the alleged purpose of tying in somewhat with RLA. These businesses are being dispossessed and are not, as a consequence, going to be able to profit from their own businesses that this increased traffic would probably bring them. Do you have anything contemplated that would mean surface buildings that would be available for rent?

Mr. FISHER. No. I would ask the General Manager to comment on that.

Mr. GRAHAM. I think there is no basis whatsoever about these reports that we are going beyond what we are strictly limited under law, under the Compact. If you are referring to the Downtown G Street merchants, I think that problem is with the RLA, rather than with the Authority, because in that area downtown we strictly confine ourselves to the requirements for the system and for the entrances to the system.

Representative CABELL. So definitely, any such proposal or plan to capitalize on the adjacency of these METRO stations is being done by RLA and you have no plans in that line?

Mr. GRAHAM. That is correct, Mr. Chairman.

#### WMATA OPERATIONS CONTROL CENTER BUILDING

Representative CABELL. With reference to that, I think you have under construction contemplated a rather large office building, do you not?

Mr. FISHER. That is correct.

Representative CABELL. Primarily for housing your own operations. Now, is that being overbuilt in order that you can have rental places for offices and so forth?

Mr. GRAHAM. We have under construction a building we term the "Operations Control Center Building," and its primary mission is operational rather than administrative. One basement of this building will be entirely given over to the electronic controls and computers which will guide all of the trains. Part of another basement is given over to revenue collection and sorting activities each night in the non-operating hours between 1:00 and 5:00 a.m. Special revenue collection trains will deliver money to this activity in that basement and they will be given cartridges to restock the machines in the stations throughout the system.

Now, we did decide as a matter of economics to build the building to the zoning standards of the area. This means in the portion of the building that is not required by our offices, we will lease those parts

and it will help amortize the cost of the building within less than 10 years.

Representative CABELL. By the same token, that means you are having rental space that will be in competition with taxpaying office buildings?

Mr. GRAHAM. Yes, sir, to the extent of the staff that will be housed in that building, I think this is so.

Representative CABELL. I mean offices that you have for just general record purposes, that while it might provide revenue to you, you are competitive to privately owned office buildings that pay taxes into the District funds.

Mr. GRAHAM. The rents are taxable, Mr. Chairman. All of that space we lease out would be taxable.

Representative CABELL. They would be taxable?

Mr. GRAHAM. Yes, sir.

Representative CABELL. That is the rent would be taxable but not the building taxable on an ad valorem basis; is that correct? There would be no ad valorem taxes accruing to the District Treasurer?

Mr. LOWE. Yes, there will. There will be the equivalent at least, Mr. Chairman. Whenever a basically tax-exempt organization such as WMATA engages in a moneymaking type activity, then we would have to pay the usual taxes.

Now, the other factor about these excess three floors, this is based upon our immediate range requirements. We will be occupying approximately five of the eight floors above ground in this building. However, this building is going to be in use for 50/75 years or longer, and as the Metropolitan area grows, as the system expands, we probably will end up occupying all of the building. We would have been very short-sighted to have constructed a building for our immediate short term requirements in contradistinction to the potential long term requirement.

Representative CABELL. Am I correct in that the space occupied by WMATA is not taxable?

Mr. LOWE. That is correct.

Representative CABELL. How many parking spaces are you providing for the operation?

Mr. GRAHAM. About 200, Mr. Chairman. A small part of the requirement, of course. If everyone were to drive their car, to the Authority—

Representative CABELL. Will that be surface or will that be within the building?

Mr. GRAHAM. That will be one of the lower basements.

Representative CABELL. It will be strictly off-street then?

Mr. GRAHAM. Yes, sir.

Mr. FISHER. We hope, Mr. Chairman, our own employees will want to ride METRO.

Representative CABELL. That is my question, frankly. If we are going to do everything possible to put people on public transportation, get them off the street, isn't that a good place to start?

Mr. GRAHAM. Yes. Actually these spaces, of course, help the attractiveness of the leased out space that is planned within the building. We deliberately did not put this building over a station of the METRO system. It is within walking distance of stations of the system. It does sit over a line of the system, between two stations.

Representative CABELL. I will switch the order of questioning here, because I am sure Mr. Broyhill wants to make the quorum call if he can.

Do you have a question?

Representative BROYHILL. No, other than to just commend Mr. Fisher and the representatives of the Authority for their excellent summary of what this thing is all about.

I do have a quick one, Mr. Chairman.

Mr. FISHER. As to the 900 or rather the additional \$300 million you referred to in the statement, the legislation provides for the guarantee of the whole \$1.2 billion. But you refer to the additional \$300 million. Those bonds are to be issued somewhat simultaneously with the additional \$150 million that the community will put up. Is this the last \$300 million of the \$1.2 billion or—

Mr. FISHER. Yes, it is.

Representative BROYHILL. So the requirement of \$150 million will be put up by the community about the time the last quarter of the \$1.2 billion?

Mr. FISHER. Yes. We think it will be several years for local communities, including our own to get themselves ready for this, plan it in their own financial plans.

Representative BROYHILL. I realize that. Of course, that tied up with my question to Mr. Watt, as to the \$52 million the District of Columbia is putting up, it will give them some time to work that into their budget without the additional Federal payment aspect.

Mr. FISHER. Yes, exactly.

Representative CABELL. Mr. Fauntroy.

Delegate FAUNTROY. No questions, Mr. Chairman, except to say I am very pleased to meet Mr. Fisher for the first time since assuming his new responsibility as Chairman of the Board. It is good to see the staff and Mr. Jackson Graham of WMATA on this occasion.

Representative CABELL. In the absence of any objection, the Chair would like to place your fact sheet book in the record, and without objection, it is so ordered. I am sure that there will be additional questions generated by a study of your fact sheet. I would like to make it possible for any member of the Committee to submit written questions to you that you can in turn answer for the record, if you will.

(The fact sheets referred to appear in the appendix.)

Mr. FISHER. We will be very pleased to do so.

Representative CABELL. Also, without objection, we will include in the record your letter to Chairman McMillan reporting on this legislation.

(The letter referred to follows:)

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY,  
950 SOUTH L'ENFANT PLAZA, SW.,  
Washington, D.C., January 28, 1972.

Hon. JOHN L. McMILLAN,  
*Chairman, Committee on the District of Columbia,*  
*House of Representatives, Washington, D.C.*

DEAR MR. McMILLAN: This is in response to your request for the views and recommendations of the Washington Metropolitan Area Transit Authority with respect to H.R. 11877, a bill "To amend the National Capital Transportation Act of 1969 (83 Stat. 320) to provide for Federal guarantees of obligations issued by the Washington Metropolitan Area Transit Authority, to authorize an increased contribution by the District of Columbia, and for other purposes."

Title I of the bill would amend the National Capital Transportation Act of 1969 by adding three new sections, the net effect of which would be to authorize the Secretary of Transportation to guarantee, upon such terms and conditions he may prescribe, payment of bonds and other evidences of indebtedness and the interest thereon issued with the approval of the Secretary of the Treasury by the Washington Metropolitan Area Transit Authority; to authorize the Secretary of Transportation to make payments to the Authority in amounts equal to one-fourth of the net interest cost on obligations issued by the Authority after enactment of the bill; and to authorize appropriations to the Secretary of Transportation in amounts necessary to enable him to discharge his responsibilities under guarantees issued by him and for interest payments required.

The aggregate amount of guaranteed obligation would be limited under the bill to \$1,200,000,000 with the further limitation that such obligations may not be outstanding in an aggregate principal amount in excess of \$900,000,000 unless the local governments provide matching capital contributions, or enforceable commitments to make such contributions by the end of the fiscal year in which such excess obligations are issued, in an amount not less than 50 per centum of the excess above \$900,000,000. Obligations issued to refund previously guaranteed obligations would not be covered by these limitations.

The interest on all obligations issued by the Authority after enactment of the bill would become subject to Federal income taxation.

Section 102 of the bill provides that guaranteed obligations issued by the Authority shall be lawful investments and exempt from laws administered by the Securities and Exchange Commission to the same extent as securities issued by the United States; that commercial banks may invest or deal in such guaranteed obligations; and that District of Columbia building, building and loan or savings and loan associations or Federal savings and loan associations may invest in such guaranteed obligations.

Title II of H.R. 11877 would authorize the District of Columbia share of increased local contributions toward construction of the Adopted Regional System in the amount of \$53,200,000.

Title III of the bill would enact on behalf of the District of Columbia and provide Congressional consent to certain amendments of the Washington Metropolitan Area Transit Authority Compact eliminating an existing six percent interest ceiling on borrowings of, or bonds issued by, the Authority.

The financial plan approved in support of the National Capital Transportation Act of 1969, which authorized the 98-mile Regional Transit System and a Federal contribution toward its construction, provided for the sale of \$835,000,000 in revenue bonds. This represented approximately one-third of the estimated cost of the System. Thereafter, as a pre-condition to the sale of the revenue bonds and as a matter of continuing review, the Authority ordered a re-study of construction costs and an updating of revenue estimates. At the time, considerable experience with bids on construction was reflecting the unusually high rate of construction cost escalation.

The results of these studies revealed that the System cost would exceed the original estimate by approximately \$500,000,000. However, revenue projections had also increased, so that the net effect was an estimated overrun of approximately \$450,000,000 to build the System.

A second development which became apparent was that the proposed sale of revenue bonds could not be accomplished without some improved assurance to the investor. The Authority's financial consultants concluded that some form of tax backup or guarantee would be necessary to attract investors. An additional problem associated with the sale of the bonds involved the then current high rate of interest demanded by the market. The original projection was for an average interest rate of 5 percent. The current estimate is an average rate of 7 percent.

In recognition of these problems, on April 7, 1971 the President, in his message on the District of Columbia, proposed a Federal guarantee of the Authority's revenue bonds to facilitate their sale. As a condition of the guarantee, and in accordance with established Treasury policy, the bonds would become a security subject to Federal income tax. This would provide a revenue flow back to the Treasury from the taxes upon interest paid. In recognition of the conversion of the Authority's bonds from their tax exempt to a taxable status, the President proposed an interest subsidy of twenty-five percent. This would be sufficient to provide the debt service for the issuance of an additional \$300,000,000 in bonds. By the time these additional bonds are marketed, the participating local jurisdictions

would be required to arrange for a fifty percent matching contribution of the additional \$300,000,000 in bonds. This would preserve the two-thirds Federal, one-third local matching formula. In arriving at the proposal embodiment in H.R. 11877, the Administration and the eight participating local governments explored each of the alternatives available. The key element of a workable solution to the problem was one which would assure the timely sale of revenue bonds. This could be accomplished only through a backup which would satisfy the potential investor. The choice was that of a suitable taxing support or that of a Federal guarantee. Because of the many problems associated with the coordination of legal actions among the eight jurisdictions involved, amendment of the Interstate Compact under which the Authority operates, as well as the potential need for State constitutional amendments, it was obvious that a taxing mechanism could not be arranged soon enough to avoid a hiatus in the funding of construction requirements. Consequently, the Office of Management and Budget, together with the Authority and the Departments of Transportation and Treasury, developed the concept set forth in H.R. 11877 as the means of best assuring the timely sale of bonds and the accomplishment of the System on a schedule best calculated to minimize its cost.

The proposed financial plan has three fundamental advantages. It would allow the immediate sale of revenue bonds at the most favorable interest rate and thereby avoid any serious disruption to the planned construction schedule; it would allow up to three years for the local governments to accomplish the legal steps to provide for their increased shares; and at the same time, the Federal interest will be protected since the sale of the additional \$300,000,000 in bonds would be contingent upon suitable matching arrangements to preserve the Federal-local matching formula.

For all of the foregoing reasons, the Authority urges favorable consideration of H.R. 11877.

Sincerely,

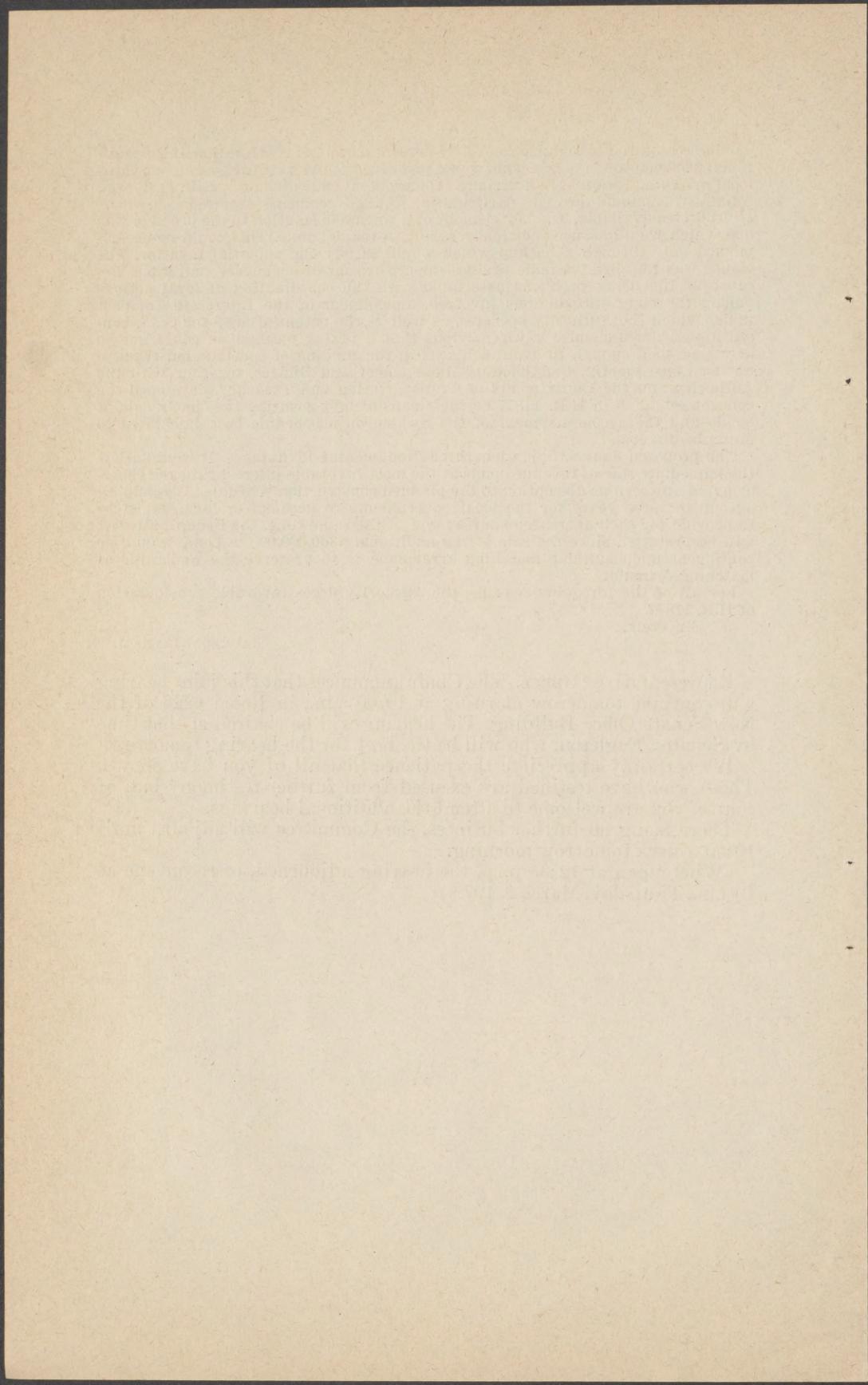
JACKSON GRAHAM.

Representative CABELL. The Chair announces that this joint hearing will continue tomorrow morning at 10:00 a.m., in Room 6226 of the New Senate Office Building. The hearing will be chaired at that time by Senator Eagleton, who will be the host for the hearing tomorrow.

We certainly appreciate the patience that all of you have shown. Those who have testified are excused from further testimony but, of course, you are welcome to attend the additional hearings.

There being no further business, the Committee will adjourn until 10:00 o'clock tomorrow morning.

(Whereupon at 12:35 p.m., the hearing adjourned, to reconvene at 10 a.m., Thursday, March 2, 1972.)



## FEDERAL GUARANTEE OF BONDS FOR NATIONAL CAPITAL REGION SUBWAY SYSTEM

THURSDAY, MARCH 2, 1972

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE DISTRICT OF COLUMBIA,  
SUBCOMMITTEE ON BUSINESS, COMMERCE, AND  
FISCAL AFFAIRS,  
AND U.S. SENATE,  
COMMITTEE ON THE DISTRICT OF COLUMBIA,  
*Washington, D.C.*

The joint committee met at 10 a.m., pursuant to notice, in room 6226, New Senate Office Building, Senator Thomas F. Eagleton (chairman of the Senate committee) presiding.

Present: Senators Thomas F. Eagleton and Charles McC. Mathias, Jr.; Representatives Earle E. Cabell; Arthur A. Link; Ancher Nelsen; Joel T. Broyhill; Gilbert Gude; and Delegate Walter E. Fauntroy.

Also present:

Senate Committee on the District of Columbia—Robert Harris, staff director; E. Winslow Turner, counsel; and Carolyn W. Johnson, minority staff director.

House Committee on the District of Columbia—James T. Clark, clerk; Hayden S. Garber, counsel; and Leonard O. Hilder, legislative assistant.

Senator MATHIAS (temporarily presiding). The committee will come to order.

I am glad to be able to welcome Chairman Hahn to a Republican committee on the Hill for a change. It is a pleasure to welcome not only Chairman Hahn but all of you to this second day of joint hearings on S. 2297 and H.R. 11877, which, of course, is legislation to provide a Federal guarantee for Metro bonds and for other purposes. This legislation is the next essential step in financing the construction of the 98-mile regional Metro system. The bills answer our two urgent needs: assuring that Metro bonds can be marketed at reasonable costs and providing additional funds required because of the cost escalation in the past few years.

Senate bill 2297 was introduced last year by four members of the Senate: Senator Spong and his colleague Senator Byrd; my colleague, Senator Beall and myself.

There is a certain symbolism in this joint action which I think emphasizes the regional unity which the entire committee enjoys; it is a unity which is expressed, not only here on Capitol Hill but actually throughout the entire National Capital Area. The people and their governments in all the jurisdictions in the region have made substantial

financial commitments to build tracks which in some cases will not even reach their own neighborhoods for several years. They have worked together on each point of legislative decision in a common effort—call it lobbying if you will—which has had impressive results and has been crucial in keeping Metro on the track.

The Metro system is essential to a sensible attack on the tremendous and complicated transportation problems of the region, but Metro's trains do more than just carry people from place to place; the system will, and in fact already has begun to forge a strong bond between the central city and the surrounding suburbs. It will promote the sense of regional cooperation which we will need to tackle other challenges of regional growth and change in the years ahead.

The legislation before us today has been carefully devised as a sound and prudent answer to the system's current financial needs. I know that my colleagues in the Senate committee and our counterparts in the House will examine the bills' provisions in detail to insure that this is really the best way to secure the greatest benefit at the lowest cost. I intend to do my part to carry out this review expeditiously so that Congress can act with dispatch and meet its own responsibilities to keep Metro moving ahead.

The Senator from Virginia, Mr. Spong.

#### STATEMENT OF WILLIAM B. SPONG, JR., U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator SPONG. Thank you, Mr. Chairman.

Initially, I would like to second your opening statement this morning; and, second, I would like to say how pleased I am to have this opportunity to testify in support of S. 2297 to provide a Federal guarantee of Metro revenue bonds.

In setting the governing financial policy for this project, Congress declared, "The costs of the necessary facilities should be financed as far as possible by persons using or benefiting from such facilities and the remaining costs shared equitably among the Federal, State, and local governments". This standard is incorporated in the Compact as Section 16.

#### CONTRIBUTIONS BY PARTICIPANTS

In conformance with this standard the Authority's financial plan estimates that revenue bonds would be sold to provide approximately 30 percent of the cost of the regional system, with the balance of approximately \$1.7 billion to be contributed as grants by the Federal Government and the local political subdivisions on a two-thirds to one-third matching basis. Such contributions are essential not only to provide the portion of the costs to be borne by the participating Governments but also to make the Authority's revenue bonds salable. The Capital Contributions Agreement provides assurance to the bond purchaser that the participating Governments will make the capital contributions required by the financial plan. Without such assurance the bonds would not be salable. It is, therefore, clear that Congress intended by the Capital Contributions Agreement to encourage both public and private investment.

## NEED FOR BOND GUARANTEE

Mr. Chairman, two situations have arisen which jeopardize Metro's ability to market its revenue bonds.

The first of these is lingering uncertainty that the Congress will make timely appropriation of the District of Columbia share of Metro's cost. In the last session, impounded D.C. Metro funds were finally released and the Congress adopted an amendment which I offered renewing its commitment to help finance the Metro system. That appropriation removed the immediate impasse which threatened to derail the entire Metro project and I am personally confident that a similar situation will not again develop. However, the experience has created problems in the bond market in which Metro must seek its private financing. For that reason, a Federal guarantee of these bonds would be most useful.

The second problem relates to the constitutional situation in Virginia which makes it extremely difficult for jurisdictions to assume the contingent liabilities needed to back Metro bonds. There have been two test cases on this matter. The first was in September 1969, the *Fairfax County Board of Supervisors v. Carlton Massey* in which the Supreme Court of Appeals of Virginia ruled that the Metro service agreement entered into by the county was unconstitutional.

As a result of this ruling, Metro officials revised the service agreement and in a 1970 case, the *City of Falls Church v. Harry E. Wells*, the Supreme Court of Appeals held it to be constitutional. However, the service agreement had been so watered down that Metro's bond counsel advised it was not sufficient assurance to make Metro bonds salable. I might also add here, Mr. Chairman, the open-ended nature of such a commitment has also been a factor and in my judgment it too might impair the salability of these bonds.

Mr. Chairman, I ask that copies of the 1969 and 1970 cases, as well as a letter from the Metro financial advisor, be made part of the record.

Since those court cases, Virginia has adopted a new constitution. Article 7, section 10, of that constitution does change the debt situation insofar as independent cities are concerned. It is my understanding that such cities now would be able to assume a contingent liability in pursuance of an agreement under an interstate compact without having that liability counted against their debt limit. Counties, however, are treated differently. I am advised that it would be necessary for participating Virginia counties to conduct a referendum before entering into the required service agreement. At best, this is a cumbersome and uncertain process.

In summary, Mr. Chairman, I believe a Federal guarantee of these bonds is the best approach to assure sale of Metro bonds in the open market. Although there is a Federal subsidy of the interest rate involved in this legislation it is offset by the fact that these bonds will be taxable. So, assuming no default, this guarantee should be at no cost to the Federal Government, but it would protect the substantial Federal investment in the project and assure its expeditious completion.

Again, Mr. Chairman, I'll ask that the documents that I refer to in my statement with regard to the Virginia situation be received in the record.

Senator MATHIAS. Without objection, these will be part of the record. (The documents referred to follow:)

Present: All the Justices

[Record No. 7214]

BOARD OF SUPERVISORS OF FAIRFAX COUNTY

v.

CARLTON C. MASSEY, COUNTY EXECUTIVE OF FAIRFAX COUNTY

OPINION BY JUSTICE LAWRENCE W. PANSON

Staunton, Virginia, September 5, 1969

[Record No. 7215]

CITY OF FALLS CHURCH

v.

HARRY E. WELLS, CITY MANAGER OF THE CITY OF FALLS CHURCH

ORIGINAL PETITION FOR A WRIT OF MANDAMUS

These cases are before us under the original jurisdiction of the court upon separate petitions for writs of mandamus filed by the Board of Supervisors of Fairfax County (County) and the City of Falls Church (City), petitioners, pursuant to § 17-96, Code of 1950, 1966 Repl. Vol., to compel Carlton C. Massey, County Executive, and Harry E. Wells, City Manager, respondents, to execute on behalf of their respective County and City a contract designated "Transit Service Agreement" (Agreement), to which Washington Metropolitan Area Transit Authority (Authority) and other public bodies of Virginia, Maryland, and the District of Columbia are also parties.

The Authority was created as a body corporate and politic by the Washington Metropolitan Area Transit Authority Compact (Compact), an interstate agreement between Virginia,<sup>1</sup> Maryland,<sup>2</sup> and the District of Columbia,<sup>3</sup> as an agency and instrumentality of each of the signatory parties thereto, to plan, develop, finance, and provide improved transit facilities and service for the Washington Metropolitan Area Transit Zone (Zone). The Zone encompasses the District of Columbia; the counties of Arlington and Fairfax, and the cities of Alexandria, Falls Church and Fairfax in Virginia and Montgomery and Prince George's counties in Maryland.

In contemplation of the Compact the General Assembly of Virginia adopted the Transportation District Act of 1964 (ch. 631, Acts of 1964, p. 935, codified as §§ 15.1-1342 through 15.1-1372, Code of 1950, 1964 Repl. Vol.). It authorizes the creation of transportation districts to cooperate and participate with an agency such as the Authority in planning and financing an interstate regional transit system. In order to take advantage of this Act, the Northern Virginia Transportation District, consisting of the counties of Arlington and Fairfax and the cities of Alexandria, Fairfax and Falls Church, was created by Chapter 630, Acts of 1964, p. 933.

The Authority has adopted a mass transit plan for the Zone. It proposes to construct a combination subway and surface rapid rail system, 97.7 miles in length, with stations to serve the most densely populated areas of the Zone.

The estimated cost of constructing the transit system is \$2,494,600,000. Funds are to be obtained from the following sources: The Authority will issue tax-exempt gross revenue bonds in the amount of \$835,000,000; the federal government will contribute \$1,147,044,000; and political subdivisions in the Zone

<sup>1</sup> Acts of 1966, ch. 2, p. 5, amending ch. 627, Acts of 1958.

<sup>2</sup> Annotated Code of Maryland, 1957, Art. 41, § 317.1, *et seq.*

<sup>3</sup> Resolution of Board of Commissioners adopted Nov. 15, 1966.

will contribute the sum of \$573,522,000.<sup>4</sup> Of this amount, \$149,900,000 will come from political subdivisions in Virginia.<sup>5</sup> The shares of the County and City are \$61,900,000 and \$800,000, respectively. The County and City have authorized the issuance of general obligation bonds in these amounts, and have entered into a capital contributions agreement with the Authority for the payment of these sums during the estimated ten-year construction period.

Article VII, § 16, of the Compact declares as a policy that, "as far as possible, the payment of all costs shall be borne by the persons using or benefiting from the Authority's facilities and services, and any remaining costs shall be equitably shared among the federal government, the District of Columbia, and the participating local governments in the Zone."

Article VII, § 18(a), of the Compact, and Code § 15.1-1357(b)(3) of the Transportation Act authorize the County and City to enter into contracts with the Authority to contribute to the capital for construction and/or acquisition of facilities, and for meeting expenses and obligations *in the operation of such facilities*. See also, Code § 15.1-1359, as amended, 1968 Cum. Supp.

The Transit Service Agreement states in its preamble, *inter alia*, that the Authority's engineering studies estimate that fare box receipts and other transit system revenues will be more than sufficient to pay debt service and reserve on the Authority's transit revenue bonds as well as to meet operating and maintenance expenses, but it is nevertheless considered that the financing of the transit system on favorable terms requires each of the political subdivisions to agree to make payments for services to be provided by such transit systems.

Under the Agreement, the County and City will underwrite their proportionate shares of any deficits incurred in the operating expenses of the transit system by making monthly service payments in advance to the Authority, beginning with the first day of the fiscal year next succeeding the initial operation date and ending June 30, 2040. The Agreement defines "operating deficiency requirement" and "operating expenses" as follows:

"Operating Deficiency Requirement shall mean, for any Fiscal Year, the amount, if any, by which Operating Expenses for such Year exceed the Revenues for such Year remaining after provision is made for the debt service and reserve requirements for such year with respect to Transit Bonds.

"Operating Expenses shall mean all the expenses of operating and maintenance of the Transit System, including but not limited to, renewals and replacement of the facilities of the Transit System and interest on temporary borrowings to meet expenses of operation and maintenance of the Transit System, and payments to reserves for such expenses as may be required by the terms of any contract of the Authority with or for the benefit of the holders of Transit Bonds."

Each year the Authority is required to make a complete review of its financial condition, rate and fare structure, and the procedures, schedules and standards of transit service. On the basis of such data the Authority shall determine the transit service to be provided and the rate and fare structure for the ensuing year. The Authority is also required to determine whether the estimated revenues of the transit system, after making provision for debt service and reserve requirements for that year on the Authority's transit revenue bonds, will be sufficient to cover the cost of operation and maintenance incurred. The extent to which the revenues are insufficient for this purpose is the "operating deficiency requirement" for the ensuing year. There is then added to or subtracted from the estimated "operating deficiency requirement" such amounts as are required to adjust for the difference between results of operations for the preceding year. The "operating deficiency requirement" as thus adjusted constitutes the aggregate service payment.

The aggregate service payment is allocated among the political subdivisions in the Zone in accordance with a prescribed formula. The amounts thus allocated constitute the service payment to be made by each political subdivision. The Authority is required to advise each political subdivision of its monthly service payment at least nine months before the beginning of the Authority's fiscal year. After the end of each year an adjustment is made to reflect the obligation of each political subdivision on the basis of the actual operating deficiency. If there is no operating deficiency for a particular year, the service payments are returned.

<sup>4</sup> The total amount exceeds the estimated cost of construction, but this is not unusual.

<sup>5</sup> Counties of Arlington and Fairfax, and the cities of Alexandria, Fairfax and Falls Church.

The obligation of each political subdivision to make its service payment is conditioned upon transit service being rendered to it. If no transit service is rendered in any particular year, no service payment is required for that year. And if the Authority furnishes any political subdivision less than 85 percent of the service, measured in train miles or number of trains, previously determined by the Authority for a particular year, the amount of the service payment is reduced in accordance with the service actually furnished for that year. Service payments shall be applied by the Authority only to the payment of its operating expenses and temporary borrowings to meet operating expenses, and shall not be applied to any other purposes.

Under the financial plan of the Authority, gross revenue derived from the operation of the transit system will be pledged to secure the payment of the principal and interest to the holders of transit bonds in accordance with the terms of the bond indenture. See also § 44 of the Compact.

The questions presented are:

- (1) Will the obligations of the County and City under the Agreement constitute debt or indebtedness within the meaning of §§ 115 (a) or 127 of the Constitution of Virginia, or §§ 7.03 or 7.06 of the charter of the City of Falls Church?
- (2) Will the obligations of the County and City under the Agreement constitute a grant or loan of credit, in violation of § 185 of the Constitution of Virginia?
- (3) Does the Agreement comply with the Compact and the Transportation Act of 1964?

#### I.

Sections 115 (a) and 127 of the Constitution of Virginia are designed to control indebtedness of localities, but each approaches the problem in a different way. Section 115 (a) limits county debt by requiring a referendum approved by the qualified voters. Its pertinent language follows:

"No debt shall be contracted by any county \* \* \* except in pursuance of authority conferred by the General Assembly by general law; and the General Assembly shall not authorize any county \* \* \* to contract any debt except to meet casual deficits in the revenue, a debt created in anticipation of the collection of the revenue of the said county \* \* \* for the then current year, or to redeem a previous liability, unless the general law authorizing the same provisions be made for the submission to the qualified voters of the proper county \* \* \* for approval or rejection by a majority vote of the qualified voters voting in an election \* \* \* and such approval shall be a prerequisite to contracting such debt."

Section 127 limits the indebtedness of cities and towns to eighteen percent of local taxable real estate values. Its pertinent provisions follow:

"No city or town shall issue any bonds or other interest-bearing obligations for any purpose, or in any manner, to an amount which, including existing indebtedness, shall, at any time, exceed 18 percentum of the assessed valuation of the real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes \* \* \* and provided further, that in determining the limitation of the power of a city or town to incur indebtedness there shall not be included the following classes of indebtedness:

"(a) Certificates of indebtedness, revenue bonds or other obligations issued in anticipation of the collection of the revenues of such city or town for the then current year: provided that such certificates, bonds or other obligations mature within one year from the date of their issue, and be not past due, and do not exceed the revenue for such year.

"(b) Bonds authorized by an ordinance enacted in accordance with section one hundred and twenty-three, and approved by the affirmative vote of the majority of the qualified voters of the city or town voting upon the question of their issuance, at the general election next succeeding the enactment of the ordinance, or at a special election held for that purpose for a supply of water or other specific undertaking from which the city or town may derive a revenue \* \* \*."

Section 7.03 of the Falls Church charter applies the limitation of § 127 of the Constitution to the issuance of "bonds and notes." Section 7.06 of the charter prescribes the procedure for the issuance of bonds and requires that bond ordinances be approved by a referendum.

Petitioners recognize that while § 127 refers to "bonds or other interest-bearing obligations," the language includes any unconditional obligation requiring the payment of money and has the same meaning as "debt" as used in § 115 (a), and

that the Falls Church charter provisions rest upon the same determination. See, *Button v. Day*, 205 Va. 629, 642, 139 S. E. 2d 91, 100 (1964).

Hence the paramount inquiry here is whether by executing the contract designated "Transit Service Agreement" the County and City will incur debts in violation of the constitutional limitations.

Petitioners say that to constitute a debt within the meaning of constitutional limitations, there must be a present obligation; and that since the Agreement requires the County and City to make the service payments when, as, and if transit service is rendered; and then only if available revenues of the transit system are inadequate, this creates nothing more than a contingent liability and not a present indebtedness.

Petitioners rely on the principle that a local government may lawfully contract for necessary services such as water, electricity, or sewerage, over a period of years and agree to pay therefor in periodic installments as the services are furnished. In such cases the amounts to be paid as the services are rendered under such contracts do not give rise to a present indebtedness of such local governments, and such contracts are not rendered invalid by the fact that the aggregate of the installments exceeds the debt limitation. *Walla Walla v. Walla Walla Water Co.*, 172 U.S. 1, 19, 20, 19 S. Ct. 77, 43 L. ed. 341 (1898); *Struble v. Nelson*, 217 Minn. 610, 15. N.W. 2d 101, 104 (1944); 64 C.J.S., Municipal Corporations, § 1852(b), p. 374; 38 Am. Jur., Municipal Corporations, § 463, pp. 144-146; Annotation, 103 A.L.R. 1160, 1161, and the numerous cases there cited.

We do not think, however, that the principle relied on is applicable in the present cases. Our examination of the authorities cited by the petitioners did not reveal a single case in which the local governments underwrote or guaranteed the deficit incurred in the operation of the facilities furnishing the services under their contracts.

Petitioners give much weight to the dictum in *Button*, *supra*, 205 Va. at 644, 139 S. E. 2d at 101, supporting their contention that where the obligations of the County and City are contingent upon the furnishing of essential services they would not constitute a present debt. There a tripartite agreement between the City of Newport News, the Peninsula Ports Authority of Virginia and the Chesapeake & Ohio Railway Company, which was to lease and operate the port facilities, provided that the authority would "urgently request" the General Assembly to appropriate an amount equal to fifty percent of the annual amortization of the authority's bonds; but, in the absence of such appropriations, the city would pay such amount. We held that by the tripartite agreement the city became primarily obligated for payments on the authority's bonds and a present debt was created, though it was payable in future installments; and that this debt, not authorized by a referendum, would exceed the debt limitation of § 127, thereby making the agreement invalid.

It is true that in *Button* we said: "It is not a contract to furnish water, electricity or other public service utilities to the city, the furnishing of which is a condition of the obligation." This dictum was a mere recognition of the general rule that a continuing service contract, for which the municipality agrees to pay in installments as the service is furnished, does not create a present debt for the aggregate amount of all the installments throughout the term of the contract within the meaning of constitutional limitations of municipal indebtedness. However, it cannot be concluded from the dictum in *Button* that all contracts which are called service agreements are in fact such, irrespective of the provisions contained therein.

Although the County's and City's contract is designated a "Transit Service Agreement," the label placed upon it does not necessarily make it such. The obligations of the County and City under the Agreements are for more than just payments for transit service. They agree to pay that amount by which the "operating expenses" exceed the revenues from the transit system after provision is first made for debt service and reserve requirements for the revenue bonds issued by the Authority. The "operating expenses" include all the expenses of operation, maintenance, renewals and replacement of the facilities of the system, interest on temporary borrowings to meet expenses of operation, and payments to reserves for such expenses as may be required by the terms of any contract of the Authority with or for the benefit of the transit bond holders. The payments to be made by the County and City guarantee the con-

tinued operation of the transit system during the life of the contract, which expires June 30, 2040, since the operating revenues are pledged to the payment of the transit bonds. While it is true that the payments required of the County and City do not go directly to the payment of debt service, their obligations to pay the "operating expense" deficit in effect amount to making payments on the Authority's bonds. The obligations of the County and City to underwrite and guarantee an unknown "operating expense" deficit of the transit system are fixed and absolute and constitute a present debt within the meaning of the constitutional limitations on County and City debt or indebtedness.

There are no facts in the record, by stipulation or evidence, to show that the County's obligation under the Agreement can be paid out of current revenues or that there has been an election by the people of the County authorizing the obligation to be incurred. In the case of the City, there is nothing showing the value of its taxable property, or what is the aggregate amount of its indebtedness, or the amount of its constitutional debt limit.

Thus we hold that the obligations of the County and City under the Agreement constitute debt or indebtedness within the meaning of the Constitutional prohibitions of §§ 115(a) and 127 and under the charter provisions of the City of Falls Church.

## II.

Respondents say that the Agreement violates the credit clause of § 185 of the Constitution of Virginia in that the County and City lend their credit to a private contractor who will operate the transit system, to the holders of the transit bonds, and to residents outside the jurisdictional limits of the County and City.

Section 185, so far as pertinent, reads as follows:

"Neither the credit of the State, nor of any county, city, or town, shall be directly or indirectly, under any device or pretense whatsoever, granted to or in aid of any person, association, or corporation \* \* \*."

In *Almond v. Day*, 197 Va. 782, 790, 91 S. E. 2d 660, 667 (1956), we said: "Whether or not a transaction contravenes the 'credit clause' in § 185 depends upon its animating purpose and the object that it is designed to accomplish."

In *Holston Corp. v. Wise County*, 131 Va. 142, 157, 158, 109 S. E. 180, 184 (1921), the county agreed to guarantee payment for crushed stone furnished on credit to any contractor to whom the county might award a contract for road work. We held that the contract or guarantee did not grant the credit of the county to or in aid of any person, association or corporation because the contract was solely for the benefit of the county.

In *Button v. Day*, 208 Va. 494, 158 S. E. 2d 735 (1968), the Virginia Industrial Authority was created to guarantee loans to stimulate development of industry, a public purpose, solely through guaranteeing payment of future default of a private debtor with no public ownership involved. We held that since the objective of the Authority was to enable a private firm to obtain loans on public credit when not available on the private firm's credit, it was impermissible under § 185.

Here the publicly conceived, owned and controlled Authority was created under the Compact as an instrumentality and agency of Virginia, Maryland and the District of Columbia to solve the transportation needs of northern Virginia and the entire Washington, D.C. metropolitan area. Courts of other States have recognized that an authority created and vested with power to establish and maintain subway or street railway projects in a large metropolitan area, in the interest of health, safety and public welfare, exercises a governmental function for public purposes. See, *People v. Chicago Transit Authority*, 392 Ill. 77, 64 N. E. 2d 4 (1945); *Cleveland v. City of Detroit*, 322 Mich. 172, 33 N. W. 2d 747 (1940); *Sun Printing and Pub. Ass'n v. Mayor of New York*, 152 N. Y. 257, 46 N. E. 499 (1897).

We have held that payments of money by the State and a city to aid an authority in exercising its governmental function do not violate § 185. *Button v. Day*, *supra*, 205 Va. at 639, 139 S. E. 2d at 98; *Harrison v. Day*, 200 Va. 764, 775, 107 S. E. 2d 594, 601 (1961).

The mere fact that others might incidentally profit from the operation, financing and use of a facility established by an authority for a public purpose, in the exercise of a governmental function, does not destroy its public purpose. *Harrison v. Day*, 202 Va. 967, 972, 973, 121 S. E. 2d 615, 619 (1961); *Development Authority v. Coyner*, 207 Va. 351, 357, 150 S. E. 2d 87, 93 (1966); *Almond v. Day*, *supra*, 197 Va. at 791, 91 S. E. 2d at 667.

Thus we hold that the Agreement of the County and City does not extend the credit of the County or City "to or in aid of any person, association or corporation" within the letter or spirit of the credit clause of § 185.

Respondents say that the Agreement does not comply with the Compact and the Transportation Act of 1964 because the Authority is given no right to issue gross revenue bonds. We do not agree. Section 44 of the Compact gives the Authority the right to issue either gross or net revenue bonds.

Having held that the obligations of the County and City under the Agreement constitute debt or indebtedness within the meaning of the constitutional limitations of §§ 115(a) and 127 and under the charter of the City of Falls Church, we deny the writs of mandamus.

*Writs denied.*

Present: All the Justices

[Record No. 7377]

BOARD OF SUPERVISORS OF FAIRFAX COUNTY

v.

CARLTON C. MASSEY, COUNTY EXECUTIVE OF FAIRFAX COUNTY

OPINION BY JUSTICE LAWRENCE W. PANSON, RICHMOND, VIRGINIA,  
APRIL 27, 1970

[Record No. 7378]

CITY OF FALLS CHURCH

v.

HARRY E. WELLS, CITY MANAGER OF THE CITY OF FALLS CHURCH

ORIGINAL PETITION FOR A WRIT OF MANDAMUS

As a sequel to our decision in *Fairfax County v. County Executive*, 210 Va. 253, 169 S.E.2d 556 (1969), holding that the obligations undertaken by the agreements of Fairfax County and the City of Falls Church with the Washington Metropolitan Transit Authority to underwrite their proportionate shares of the deficits incurred in operating expenses of the Authority's proposed public transit system constituted debt or indebtedness within the meaning of §§ 115(a) and 127 of the Constitution of Virginia and the charter provisions of the City, the Authority made basic changes in its plans for financing the transit system and has submitted new agreements which the Board of Supervisors of the County and the Council of the City have adopted.

The new agreements provide that the County and City will make transit service payments to the Authority based on the number of train miles operated within the County and City and the number of their residents using the system. The respondents, Carlton C. Massey, County Executive, and Harry E. Wells, City Manager, have refused to execute the new agreements, and the County and City are here under the original jurisdiction of this court upon separate petitions for writs of mandamus to compel the County Executive and City Manager to execute the new agreements on behalf of their respective County and City.

The legislative background, the mass transit plan, and the original financial plan for the construction and operation of the transit system are set out in *Fairfax County v. County Executive*, *supra*, and need not be repeated here.

The Authority's new financial plan eliminates the requirements of the original plan that the County and City underwrite their proportionate shares of the deficits incurred in operating the transit system. The new agreements provide that in consideration of the transit service to be provided by the Authority, the County and City shall pay to the Authority annually, beginning in the first year of full operation of the transit system (estimated to be 1980) the sum of:

"(i) an amount equal to 1¼ cents for each Transit Trip by a resident of the County [or City] during such Fiscal Year, as determined by the Authority in accordance with Section 3.2, plus.

"(ii) an amount equal to twenty cents for each Train Mile within the County [or City] during such Fiscal Year, as determined by the Authority in accordance with Section 3.3."

The number of transit trips is based on surveys of the ridership of the system which are required to be made annually in accordance with certain designated procedures approved by the Authority. A transit trip is defined as the use of the system by a resident of a political subdivision to travel from one place in the zone to another. (The zone encompasses the District of Columbia; the counties of Arlington and Fairfax, and the cities of Alexandria, Falls Church and Fairfax, in Virginia; and Montgomery and Prince George's counties in Maryland.) (The number of train miles is based on the Authority's records. Train miles are defined as the total number of miles traveled in revenue service by all trains of the system during a fiscal year within the boundaries of a political subdivision. Thus the obligations of the County and City are dependent upon the furnishing of transit service.

The estimated cost of construction of the transit system and the amounts to be obtained by grants or contributions are the same as under the Authority's original financial plan. The Authority, however, will issue net revenue bonds in the amount of \$880,000,000, an increase of \$45,000,000, to fund the initial part of a bond reserve, the balance of which is to be funded from transit service revenues.

The sole inquiry here is whether the County and the City will incur a debt or indebtedness in violation of §§ 115(a) and 127 of the Constitution of Virginia by executing the new agreements.

The pertinent provisions of § 115(a) of the Constitution are:

"No debt shall be contracted by any county \* \* \* except in pursuance of authority conferred by the General Assembly by general law; and the General Assembly shall not authorize any county \* \* \* to contract any debt except to meet casual deficits in the revenue, a debt created in anticipation of the collection of the revenue of the said county \* \* \* for the then current year, or to redeem a previous liability, unless in the general law authorizing the same provision be made for the submission to the qualified voters of the proper county \* \* \* for approval or rejection, by a majority vote of the qualified voters voting in an election, on the question of contracting such debt; and such approval shall be a prerequisite to contracting such debt \* \* \*."

The pertinent provisions of § 127 of the Constitution are:

"No city or town shall issue any bonds or other interest-bearing obligations for any purpose, or in any manner, to an amount which, including existing indebtedness, shall, at any time, exceed eighteen per centum of the assessed valuation of the real estate in the city or town subject to taxation, as shown by the last preceding assessment for taxes \* \* \*."

Petitioners argue that since the new agreements provide for payment of annual charges for transit service actually rendered, the obligations assumed by the County and City do not constitute debt or indebtedness within the meaning of § 115(a) or § 127.

In *Fairfax County v. County Executive*, *supra*, 210 Va. at 260, 169 S.E.2d at 561, we recognized a rule respecting service contracts, "that a continuing service contract, for which the municipality agrees to pay in installments as the service is furnished, does not create a present debt for the aggregate amount of all the installments throughout the term of the contract within the meaning of constitutional limitations of municipal indebtedness." See cases collected in Annot. 103 A.L.R. 1160 (1936); 15 McQuillin, *Municipal Corporations*, § 41.37 at 388 (3d Ed. 1970). So this court has recognized the peculiar nature of service contracts.

The service contract rule is not limited in its application to municipalities. It has also been applied to a service contract entered into by a county. *Appalachian Electric Power Co. v. State Road Commission of West Virginia*, 117 W.Va. 200, 185 S.E. 223, 225 (1936).

Respondents argue, however, that the stated rule can save only the City's case, governed by § 127 of the Constitution, and not the County's case, governed by § 115(a). They say that if the aggregate amount of all installments under the City's contract is not counted, the City may be able to bring itself within the permissible debt limit of § 127, eighteen percent of the assessed value of real estate in the City. But if the County's contract creates any debt, present or future, the contract violates § 115(a). Under § 115(a) a county cannot, without approval of the voters (which has not been obtained) contract indebtedness in any amount except (1) debt to meet a casual deficit in the revenue, (2) debt created in anticipation of collection of the revenue for the current year, or (3) debt to redeem a previous liability.

However, the rule that arises out of the peculiar nature of service contracts does save such contracts from invalidity under § 115(a) as well as § 127. This rule recognizes that a commitment for services to be paid for only after the

services are rendered is *not* a commitment for debt or indebtedness within the meaning of constitutional limitations or prohibitions. Rather this commitment is to honor each year the account payable incurred for services rendered that year.

In *American-LaFrance v. Arlington County*, 164 Va. 1, 9, 178 S.E. 783, 786 (1935), the county gave the manufacturer of fire engines its notes payable over three years for the unpaid balance of the purchase price of fire fighting apparatus and equipment. We held that the installment purchase created an absolute and unconditional obligation in clear violation of § 115 (a), and that an approval by a majority of the citizens voting on the question "is a prerequisite to the power of the board of supervisors to create an obligation for any purpose, payable at some future time beyond the termination of the current fiscal year." (Emphasis added.)

Obviously in *American-LaFrance* we were not dealing with a service contract where payments are made annually as the service is rendered. As pointed out in *Barnes v. Lehi City*, 74 Utah 321, 343, 279 P. 878, 886 (1929), "such contracts [service contracts], being for services to be paid for periodically, are merely arrangements to pay for current expenses as they are incurred." Or, as said by the Massachusetts court: "[A service contract] is in effect a cash transaction, where the payments are made *pari passu* with the accumulation of the yearly service which determines the amount to be paid." *Smith v. Town of Dedham*, 144 Mass. 177, 10 N.E. 782, 787 (1887).

The question before us, then, is whether the new agreements may be properly characterized as contracts for continuing services to the County and City, falling within the rule or doctrine relating to service contracts.

The service contract doctrine had its genesis many years ago in contracts of municipalities with private companies to furnish water and electricity. With the growth of population, the need of urban areas for increased services, and the broadened concept of responsibility of local governments to provide community services, the service contract doctrine has been applied to a variety of municipal services other than to water and electricity. For example: *Meier v. City of Madison*, 257 Wis. 174, 182, 42 N.W. 2d 914, 918 (1950), involved a forty-year contract between the city and a hospital association requiring the city to pay the hospital \$75,000 annually to care for indigents. For a similar agreement, see *State v. City of Miami*, 150 Fla. 270, 276-77, 281, 7 S.2d 146, 149, 151 (1942). In *Macon Ambulance Service, Inc. v. Snow Properties, Inc.*, 218 Ga. 262, 270, 127 S.E.2d 598, 603 (1962), a private ambulance company entered into a contract with a hospital commission created by city charter to provide ambulance service for the city's indigent patients. In *Toomey v. City of Bridgeport*, 79 Conn. 229, 64 A. 215 (1906), the city contracted with a private party to remove garbage from dwellings within the city. In *Hall v. City of Baltimore*, 252 Md. 416, 424-25, 250 A.2d 233, 238-39 (1969), there was a lease and lease-back arrangement with the city for the construction and use of a building.

The General Assembly of Virginia declared, in Acts of 1966, Ch. 2, p. 6, that a decade of studies has established that a regional system of improved and expanded transit facilities is essential to alleviate the present and future traffic congestion in all parts of the area comprising the District of Columbia and parts of Maryland and northern Virginia.

More specifically, the General Assembly authorized the County and City to enter into contracts with the Authority for financial participation in the construction and operation of the transit system. Section 15.1-1359, Code of 1950, 1964 Repl. Vol., as amended.

The record in the present case shows that the agreements of the County and City with the Authority are for an essential public service for the benefit of their residents; that the obligations of the County and City to pay for the transit service are conditioned upon the service being rendered; and that their obligations are to pay over a period of years in periodic annual installments as service is rendered.

We hold that the new transit service agreements of the County and City with the Authority meet all the criteria of the service contract doctrine. The agreements of the County and City to pay in yearly installments for the transit service rendered their residents during those years do not create a debt or indebtedness within the meaning of §§ 115(a) and 127 of the Constitution of Virginia.

The petitions for writs of mandamus are granted, and the writs will issue as prayed.

*Writs of mandamus awarded.*

DILLON, READ & Co. INC.,  
 KUHN, LOEB & Co.,  
 New York, N.Y., January 4, 1971.

WILLIAM I. HERMAN, Esq.  
 Director, Office of Planning, Washington Metropolitan Area Transit Authority,  
 Washington, D.C.

DEAR MR. HERMAN: This will confirm the text of the telegram dispatched on December 30, 1970:

"Washington Metropolitan Area Transit Authority  
 950 South L'Enfant Plaza, S.W.  
 Washington, D.C. 20024

We reaffirm our views that the Authority's revenue bonds cannot be marketed in the foreseeable future without either a tax backup or a Federal guarantee to support such bonds. Conditions are such that a straight transit revenue bond issue under present circumstances and backed only by a limited service agreement would, in our opinion, be impossible to market.

Kuhn, Loeb & Co.  
 Dillon, Read & Co., Inc."

Very truly yours,

KUHN, LOEB & Co.

Representative CABELL. Mr. Chairman, I have no questions, but it adds a great deal of weight for a man of the interest and the stature of the Senator from Virginia in his very enthusiastic support of this measure.

Senator SPONG. I thank you very much.

Delegate FAUNTROY. Mr. Chairman, I have no questions either, save to add my commendation and thanks to this clear statement which helps us justify this to both Houses.

Senator MATHIAS. I join the other members of the committee in thanking the Senator.

Senator SPONG. It is a pleasure to be here.

Senator MATHIAS. The Chair will now call a panel to the table, consisting of Gilbert Hahn in his capacity as president of the Metropolitan Washington Council of Governments; Mr. William Gullett, the County Executive of Prince George's County, Maryland; Mr. Joseph Alexander, chairman of the Northern Virginia Transportation Committee; and Mrs. Idamae Garrott, at this time in her capacity as Chairman of the Washington Suburban Transit Commission.

All of these distinguished public servants wear so many hats, they will have to specify precisely—

Mr. RHOADS. I am Lee Rhoads, the vice chairman of the Northern Virginia Transportation Committee. I am here in substitution for Joseph Alexander who was called off on other urgent business and couldn't appear.

Senator MATHIAS. We are sorry that he can't be here; we are happy to have you, sir.

Mr. Hahn, do you want to lead off?

#### STATEMENT OF GILBERT HAHN, JR., PRESIDENT, METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

Mr. HAHN. Yes.

Mr. Chairman, Chairman Cabell, Mr. Fauntroy, it is an honor and pleasure to appear at this joint meeting of the Senate and House District Committees. In my capacity as president of the Metropolitan Washington Council of Governments, I do so in order to emphasize the strong support of the 15 member jurisdictions of the Council of Governments for the legislation authorizing a Federal guarantee of the bonds to be issued by the Washington Metropolitan Area Transit Au-

thority. A resolution expressing this was passed unanimously by the Council's Board at its meeting on February 14. I attach a copy.

Mr. Chairman, I was very taken by your remarks in introducing the meeting. The strengthened bonds, our kind of bonds, as well as the bonds we seek today, have been clearly demonstrated to me in my two years as Chairman and now president of the Council of Governments. I'm not only appearing for myself but also for Martha Dennino, present chairman, who would have been here today except that she is out of the city.

Symbolized by the fact that we have Mrs. Garrott here, who you well know from Montgomery County, Mr. Gullett from Prince George's County, and Mr. Lee Rhoads, representing the Northern Virginia Transportation Commission, I have never seen a time in which the joint efforts of the 3 million citizens of this region have gathered together, not only in this project but in so many others to bring this about.

I would like to submit the rest as my testimony which you have and which is in writing as well as my separate written statements as Chairman of the City Council of the District of Columbia, if that's agreeable.

Senator MATHIAS. Without objection, your full statements will appear.

(The prepared statements and resolution follow :)

PREPARED STATEMENT OF GILBERT HAHN, JR., PRESIDENT, METROPOLITAN  
WASHINGTON COUNCIL OF GOVERNMENTS

It is an honor and a pleasure for me to appear at this joint meeting of the Senate and House District Committees in my capacity as President of the Metropolitan Washington Council of Governments. I do so in order to emphasize the strong support of the fifteen member jurisdictions of the Council of Governments for the legislation authorizing a Federal guaranty of the bonds to be issued by the Washington Metropolitan Area Transit Authority. A resolution expressing this was passed unanimously by the Council's Board of Directors at its meeting on February 14. I attach a copy of this resolution, although I believe it has already been sent to the members of these committees.

The Council's resolution reflects the views of the citizens of the member jurisdictions. Citizen recognition of the need for Metro has been demonstrated by their acceptance of the WMATA compact. COG members have also indicated their willingness to accept the additional obligations called for in this legislation.

We are now at a point where Metro construction is visible in many parts of the District of Columbia, has been initiated in Virginia and before many months will start in Maryland. At the same time, inability to sell Metro bonds threatens to delay and perhaps halt this building. Delay means added expense. Stopping the work would be a serious setback to the progress of every part of this region.

On the other hand, a Federal guaranty, which under the terms proposed, maintains the two-thirds Federal/one third local division of the net project cost, will assure the success of this joint effort.

The Council of Governments asks that you act favorably on this legislation at the earliest possible time.

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS

RESOLUTION CONCERNING LEGISLATION PROVIDING FOR FEDERAL GUARANTEES OF OBLIGATIONS ISSUED BY THE WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

WHEREAS, the Metropolitan Washington Council of Governments (hereinafter called "Council") has strongly supported the completion of a rapid rail transit system for the Washington Metropolitan Area and has worked to obtain the release of the District of Columbia's contribution to METRO from the Congress; and

WHEREAS, the local governments and citizens of this metropolitan area have continued to express their commitment at the polls and through appropriations, to the construction of the METRO; and

WHEREAS, to assure the marketability of the obligations to be issued by the Washington Metropolitan Area Transit Authority for the financing of a substantial part of the METRO system it is necessary to obtain a Federal guarantee; and

WHEREAS, legislation has been introduced in the Congress which would authorize the Federal guarantee of the WMATA obligations: Now, therefore, be it Resolved, By the Board of Directors of the Metropolitan Washington Council of Governments, that:

(1) The Council of Governments strongly supports the legislation which would provide for the Federal guarantee of obligations issued by the Washington Metropolitan Area Transit Authority.

(2) During this session of Congress, the Council of Governments urges the enactment of such legislation which is critical for financing the METRO system.

(3) Copies of this resolution be transmitted to the appropriate Congressional Committees and members of Congress.

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PREPARED STATEMENT OF GILBERT HAHN, JR., CHAIRMAN, DISTRICT OF COLUMBIA CITY COUNCIL

On behalf of the District of Columbia City Council, I endorse fully the legislation to authorize a Federal guaranty of the bonds needed to assure the construction of Metro. The Council also supports the increase in the District's share of the net project costs.

There is no single project of greater importance to the future growth of the District of Columbia. The completion of a rapid transit system serving the District and the surrounding suburbs is essential to maintaining the District as the intensively developed center of the Metropolitan area. It is essential for the expansion of employment opportunities for the citizens of the District. It is essential for making the District a better place to live in and to visit. It is the key-stone of the City's plan to achieve a balanced transportation system.

It is also important that the construction of Metro be carried out as rapidly as possible. This follows from the reasons mentioned above and also from the goal, set by President Nixon to have a part of the system available for the Bicentennial visitors.

From the beginning the WMATA financial plan envisaged the sale of a substantial amount of bonds to be serviced by the system's earnings. That is still the plan but it has now become clear that a Federal guaranty is required to make such bonds marketable. The legislation before you will provide that guaranty and assure the completion of this project that is so necessary to keeping this a City of which the Nation can be proud.

The Council joins with Mayor Washington in urging early approval of this legislation.

Thank you for this opportunity to appear before the joint committee.

Senator MATHIAS. Mrs. Garrott, would you like to proceed at this time?

STATEMENT OF MRS. IDAMAE GARROTT, CHAIRMAN,  
WASHINGTON SUBURBAN TRANSIT COMMISSION

Mrs. GARROTT. Senator Mathias, members of the Committee: the Washington Suburban Transit Commission, which represents the governments of Prince George's and Montgomery Counties, Maryland, very much appreciate this opportunity to come before you in your joint consideration of the proposed amendments to the National Capital Transportation Act of 1969. This Commission was created by the Maryland General Assembly on May 4, 1965, in order that Prince George's and Montgomery Counties would have an effective means of

coordinating their transit objectives and cooperating with the Washington Metropolitan Area Transit Authority.

Our Commission has been heavily involved in the affairs of the Authority ever since its inception. We have been involved, because the future social and economic well being of the National Capital area is so intimately related to what we plan for the transportation of its citizens, its visitors, and its goods. To this end, we have pledged our support and contributed our tax dollars.

Metro will have a tremendous impact upon our community planning, not only in our State but also as it relates to our sister State of Virginia and to the Nation's Capital.

I, for one, am very grateful Senator Spong gave his testimony.

We have, we feel, in our county and on the committee, reached a crossroad in our ability to serve the inhabitants and the visitors to our area. We must move, and move rapidly, to achieve the benefits of the Metro System. This Congress, as the Congresses before it, I am sure, will continue to support this crucial goal. What we are talking about here, is the means of avoiding any further delay.

We, of Montgomery and Prince George's Counties in Maryland, are solidly behind Metro. More recently our Governor has announced his intention to further assist us in meeting its cost. We look forward to the building of a system which we can all one day view as a living testimonial to the foresight and the determination of an enlightened political partnership.

Thank you very much for this opportunity to come and express the support of our Commission and our local governments.

Senator MATHIAS. Thank you very much, Mrs. Garrott.

Mr. Rhoads?

#### STATEMENT OF LEE RHOADS, VICE CHAIRMAN, NORTHERN VIRGINIA TRANSPORTATION COMMISSION

Mr. RHOADS. Chairman Mathias and other members of the Committee: my name is Lee Rhoads; I am vice mayor of the City of Falls Church, Virginia. I have been an elected official in Northern Virginia for more than twenty years. I am also a past board member of the Washington Metropolitan Area Transit Authority. I am Past Chairman and present Vice Chairman of the Northern Virginia Transportation Commission. I serve on the Council of Governments and on the National Capital Regions Transportation Planning Board. I appear before you today representing the Northern Virginia Transportation Commission in support of the proposed amendments to the bill, the bill that provides for Federal guarantees for bonds.

The Northern Virginia Transportation Commission is a Virginia State agency; it is composed of elected officials from the cities of Alexandria, Fairfax, my city of Falls Church, also the Counties of Arlington and Fairfax, and a representative of the Virginia Department of Highways.

The Northern Virginia Transportation Commission is charged with the responsibility of developing a balanced and coordinated transportation system necessary for the orderly growth and development of the Northern Virginia Transportation district, which constitutes the counties and cities I mentioned above. The Commission appoints from

its members, who are elected officials, the Virginia members of the Board of Directors of the Washington Metropolitan Area Transit Authority, on which I had the pleasure of serving for about 4 years.

The Northern Virginia Transportation Commission is involved on a day-to-day basis with the transportation problems of Northern Virginia and with the construction of the regional mass transit system. We work in balanced transportation such as express busways on highways, improving bus service, such as the Shirley Express that you are familiar with, improving and preserving the operation of the Virginia bus lines.

#### SUPPORT OF VIRGINIA JURISDICTIONS

We, in Virginia, strongly support goals of mass transit and balanced transit. We realize through studies and our own touch with the people that the economic and social objectives which are sought cannot be achieved without the mobility of our citizens, both locally and nationally, and the tying together of the central city and the suburbs.

As we say in Virginia, we have come a long way since the General Assembly of Virginia created this commission, largely under the guidance of the late Senator Charles Fenwick, and with all the support of all of our Virginia governors and public officials. We have been able to come a long way because the Congress of the United States has sat beside us and provided the guidelines. We are proud of the fact that over 70 percent of our citizens in Northern Virginia pledged their support when the necessary bond referendums were placed before them. My little City of Falls Church led the way with 76% of our voters supporting this and pledging financial support. We are sure that the additional support which will be required to meet the matched Federal assistance would also be forthcoming and I assure you that because I have worked with the budget of our local jurisdiction for more than 20 years, and I have 4 more years to go, that I can guarantee it. The proposal before you does not decrease our commitment—it merely allows the lead time necessary to structure a means of support.

As you have perhaps noted, we are now beginning to receive assistance from the State of Virginia as well as our local efforts for our transportation objectives, for balanced transportation and mass transit are both gaining more and more recognition at the Federal level and it is also true in Virginia.

The Northern Virginia Transportation Commission was most happy recently to conduct a groundbreaking in Virginia. This was done last June. It was a proud day for us. It was also a testimonial to the faith of our people who have contributed their financial support for over 5 years. My city has never been late in payment and I think that's true of most of the other jurisdictions. Fairfax was late one time and early the next year. The City of Alexandria is a little late right now but the mayor has assured me they are going to make their contribution as soon as they get a little detail straightened out. Today, there is a tunnel being mined under Rosslyn and a station below the surface. On the other side of the Potomac a connecting tunnel under the river is beginning. We are now on our way.

I have had the opportunity to visit and study the transportation problems of capitals and metropolitan areas all over the world. Our Nation's Capital must one day reflect the best that is in man and the

vision of his future. It must also be the repository of his heritage and the showplace of his institutions. Each year increasing millions of our citizens come to see their Capital and to visit the showplaces of their government, such as they do to Paris, London, and other places. When our transportation system is finally realized it will multiply the capacity, not only of our local citizens but visitors from all over this nation and from all over the world, to view the historical foundations of this government.

In closing, speaking for the Northern Virginia Transportation Commission, we express grateful appreciation for all the assistance which the Committee has given this enterprise and we will continue to honor our commitment to our partnership with you. We strongly support and ask the approval of this legislation.

I thank you.

Senator EAGLETON (presiding). Thank you very much, Mr. Rhoads. Does anyone have questions of Mr. Rhoads?

Senator MATHIAS. Off the record.

(Discussion off the record.)

Senator MATHIAS. On the record.

Mr. Gullett, I saved for last; he speaks for the great giant of the Metropolitan Area, the vast growing—

Senator EAGLETON. Giant Foods?

Senator MATHIAS. Giant Foods is in Prince George's County, along with a good many hundreds of thousands of other people.

Representative BROYHILL. I thought you were describing Northern Virginia.

Senator MATHIAS. I think Prince George's is bigger and growing faster.

Senator EAGLETON. Senator, is this the Gullett I hear on the radio who has such harmonious relations with his council? Is that the one?

Senator MATHIAS. This is the Gullett you hear about on the radio who is making great progress—bringing about efficient and effective administration of Prince George's County.

Senator EAGLETON. We are pleased to have progressive Mr. Gullett with us.

#### **STATEMENT OF WILLIAM W. GULLETT, COUNTY EXECUTIVE, PRINCE GEORGE'S COUNTY, MD.**

Mr. GULLETT. Senator Eagleton and gentlemen of the Committee, there is one area in which we are all united and that is all the governments of this area are well-united behind this movement.

As County Executive for Prince George's County, I appear here today to urge the District Committees to support the proposal that pledges the full faith and credit of the Federal Government as the underlying guarantee for the Washington Metropolitan Area Transit revenue bonds. I also urge that the Federal Government subsidize the financing expense associated with the Transit Revenue bonds at not less than 25% of the net effective interest cost on such bonds.

My personal concern in this regard is that the failure to market transit revenue bonds would result in a substantial curtailment of the Transit System as presently designed that could have an adverse im-

pact on the rail transportation envisioned for Prince George's County.

The approved program calls for 14 miles of track along four major routes and 12½ stations to be constructed in the County. Obviously, any reduction in Transit resources of the magnitude of \$1.2 billion would in all probability result in a critical impairment of the Prince George's County system.

I would like to call your attention to the fact that the rapid transit system designed for Prince George's County was affirmatively voted upon by the residents of the county in 1968. Incidentally, Prince George's County was not the only jurisdiction in the Metropolitan Area that brought the Transit issue to referendum. The successful vote for Mass Transit was predicated, quite obviously, on 14 route miles, in addition to the 12½ stations contained in the proposed transportation plan. Any deviation in the final Mass Transit System that results in less rail facilities than called for in the original proposal would, in my judgment, be unacceptable to the government of Prince George's County.

In my opinion, the inability of the WMATA to market the bonds would most certainly create fiscal constraints that would necessitate major changes in the total system design. I am further convinced that the major economy adjustments to the Transit System would occur in Prince George's County and the other suburban jurisdictions that are participating members of WMATA.

Again, I wish to emphasize that any significant reduction in the Transit System for Prince George's County will be vigorously opposed by my office. I am sure that view is shared by other suburban jurisdictions.

A substantial change in the dimensions of the Transit System with respect to route miles and stations in Prince George's County may, in fact, constitute a breach of the Metro Compact that would be subject to legal recourse. In the original capital contribution agreement, Prince George's County committed itself to \$86.6 million as its share of the Mass Transit System. I think if we look at Prince George's County, total bonded indebtedness right now is \$213 million, and this debt really includes capital outlays for schools, roads, hospitals, health facilities, libraries, parks, police, and fire—everything.

We look at that figure of \$213 million and compare it to an ultimate contribution of \$111 million to Transit, I think the significance of the Mass Transit investment becomes readily apparent.

Certainly the residents of Prince George's County deserve and are entitled to the full measure of transportation facilities agreed upon in the Compact Agreement.

In conclusion, the metropolitan mass transit system represents an ambitious program for Prince George's County, and commits a considerable portion of the resources of the County Government. Aside from the direct benefit that accrues to Prince George's County in the area of transportation, mass transit as presently designed will also have a significant impact on the economy of the County. It is anticipated that the proposed Transit System's stations will stimulate economic activity and consequently increase the commercial and industrial assessable base of the County Government.

This was undoubtedly one of the principal reasons that motivated the residents of Prince George's County to vote for the Mass Transit

System. I think this is probably a polite way of saying we are the prime bedroom community of the Metropolitan Area. For this reason, the completion of the Mass Transit System, as approved by the voters of Prince George's County, is vital to the economic vitality and viability of the County.

Again, in the interest of all concerned, I implore the District Committees to support full Federal Government guarantee of mass transit revenue bonds. With respect to the 25% interest subsidy, it is important to note that the entire interest subsidy will be utilized to offset the increased cost of the Federal Government's share of the Transit System. In other words, the interest subsidy requested of the Federal Government is necessary to maintain the original distribution of the cost at  $\frac{2}{3}$  Federal and  $\frac{1}{3}$  Local.

I wish to express my deepest thanks for the opportunity to speak on this most important subject.

Senator EAGLETON. Thank you.

Mr. HAHN. We appear here as members of all of the 15 governments, representing the 3 million people of this region, united behind this most important of all pieces of legislation, and we are ready to answer any questions that the Joint Committee may put to us.

#### FURTHER SUBSIDY NEEDED?

Senator EAGLETON. I have one question I would like to pose to each of the four witnesses.

Under the proposal we have before us, the Federal Government will subsidize to the tune of 25 percent. Further, the Federal Government will pledge its full faith and credit behind the bonds, a not insignificant factor. Looking down the road through this decade, crystal ball gaze, when Metro is in and running, do you—each of you—or do you not envision that there will have to be a further subsidization by the Federal Government and/or local governments to make Metro run at fares reasonable enough for the public, including the low income sector of the public to use? Mr. Hahn.

Mr. HAHN. That is, of course, impossible to answer. We have from the professional staff their present view that the sum presently obligated will be enough to build a system. We have to say that everyone sees what is presently happening to fares of all kinds of mass transportation systems. In "COG" we have taken the view that the single most important thing we have to solve is not to lose riders and to provide ways in which people can get in and out of cities. We have committed ourselves on a local basis to solve these problems.

Senator EAGLETON. Do you subscribe to the notion, in order for any mass transit system to be productive, to be utilitarian in nature, fares have to be reasonable to modest?

Mr. HAHN. Yes.

Senator EAGLETON. Mrs. Garrott, what is your crystal ball prediction in terms of further subsidization, once Metro is in, in terms of operating revenues?

Mrs. GARROTT. The Washington Suburban Transit Commission has been looking into the whole matter of fare subsidies. We have not taken a formal position on the Commission. However, I believe I can say truthfully that a consensus exists that fares must be modest.

The Montgomery County Council, on which I serve and of which I am the immediate past president, has taken a position in favor of fare subsidization. We have not spelled out where those subsidies should come from.

I believe that our present council would be willing to vote local subsidies out of local tax funds. We also are very much interested in pursuing the matter of subsidies with our Maryland State Department of Transportation. We have thought it premature, however, to raise that question with them because it is a new department. It is very much involved now with a bill for a consolidated transportation program which would assist with capital costs of rapid rail transit. But I do believe that our Council is strongly behind subsidies and I know that the Suburban Transit Commission has considered subsidies and is very much in favor of modest fares.

SENATOR EAGLETON. Mr. Rhoads?

MR. RHOADS. Mr. Chairman, I have studied bus systems, commuter transit as well as rapid rail here and abroad. In this country over 100 bus systems have gone out of business because the cost rose too high and in trying to raise the fares they drove away their customers. Also about 90 bus systems in this country have been taken over by public bodies to keep from going under. In Akron, I believe, the bus system closed down for about 4 months and then was taken over by a public body and in that time they lost about one-half of their riders and they haven't gained them back.

#### FARE SYSTEM

In the various places that I have been and studied the fare system is very important. There are two things that you need: (1) a reasonable fare and (2) good service. Sometimes good service will help you out, such as in our Shirley Highway System and in our two other systems; one being the Reston one.

In Atlanta the fare is going to be 15 cents for the next 7 years; Mexico it is about 7 cents; Japan it is about 8 cents, and in Germany it is very reasonable. I would say that there may be one or two bus systems in this country—I know of one or two—that are actually operating in the black. The only system I've seen in the world which not only operates in the black and pays off its capital investment and returns a profit is the one in Hong Kong. That's a fantastic system. They put people on with shoehorns to get them in there, and that is the only one I know of that can do it. I think you can guess the reasons why.

SENATOR EAGLETON. High density population in a small geographic area to traverse?

MR. RHOADS. That's right. And the way Hong Kong has built up, they have to do it. They have feeder bus lines as well as buses. I am sure that the American Transit Association, Institute of Rapid Transit have appeared before the committees of the Congress pointing out that this is no longer a quick profit deal. The only place where it is left is Hong Kong.

REPRESENTATIVE BROYHILL. Isn't the Northern Virginia Transportation Commission proposing some sort of a subsidy for some of these local bus companies that shut down some of their runs because of lack of revenue?

MR. RHOADS. Congressman Broyhill, I know you are asking this to get it in the record because you know the answer. You've been our

friend and have helped for a long time. The AB&W Bus Line which runs through Alexandria, the red busses, is presently operating in a program known as the Shirley Express Busway Project. Now, that is put on by a combination of the Northern Virginia Transportation Commission, the local governments, the Virginia Department of Highways, and the Department of Transportation.

At the present time we do have quite a bit invested in that project. It is largely Federal money at the present time. Also the WV&M, which is a bus line that serves my particular city and the Arlington area, is in a desperate financial situation. They have been losing money for 2 or 3 years and they have asked to cut back service. Its president told me that if they didn't have something by July 1 they would have to go out of business.

We are working hurriedly and desperately to do something. The Northern Virginia jurisdictions are going to do something. We have some assurance from the State. Until the Bill is signed, I don't know what help we are going to get from the State but I am sure they will help us. But the Northern Virginia jurisdictions do have a plan and we are going to keep that bus line running. We hope to improve the service and we are going to try to acquire their capital, their buses, and eventually the company. The red bus line to Alexandria would be in the same situation but for this express project.

Representative BROYHILL. I think this is an excellent example of how the community can suffer and will suffer if this transportation subsidy is not provided. Quite obviously, we cannot provide it any longer on a fare-box-revenue basis. If these companies do not get a subsidy, they will have to shut off some service and we can't permit that to happen. I know the Commission is doing all it can to help relieve the situation, but I wanted you to bring it out for the Committee this morning.

Mr. RHOADS. Mr. Broyhill, I know that you have received many more letters than I have, but I receive a very large number of letters from people—young people, old people, working people—who say "For God's sake, do something to save us. We cannot afford to have this public service go out."

Senator EAGLETON. Thank you, Mr. Rhoads.

Speaking of letters, I glanced at some of my mail, and that is why I was a bit late. I have a beauty this morning, it starts off "Dear Stupid," Did you ever get any "Dean Stupids"?

Representative BROYHILL. I have had some that I couldn't mention here in the Committee this morning.

Senator EAGLETON. Mr. Gullett, would you comment on my general question? Looking to the future, in terms of the necessity for subsidization in order to operate a mass transit system: Would subsidization come from the Federal Government and/or local participants?

Mr. GULLETT. I feel very strongly it is important to maintain ridership, to maintain service, and, as you say, to keep the fares reasonable. I completely agree with that and I am in complete agreement: if the time comes for the necessity for subsidy. I would back it. I think our people would back it. If we look at the decade ahead, I think the Federal Government is going to have probably a great influence on whether that comes to pass or not, whether a subsidy is needed, what they want to do with air pollution, and what we do with parking lots

in the District of Columbia and things like that are going to have an effect on ridership. If we get our Metro System built, or as we are building it, and as we are creating this bus line, I think we have to work together to get the best possible system of ridership, and increase that ridership and get people out of the automobiles and if it is necessary for subsidy to do that. I am all behind it.

Senator EAGLETON. We appear to be in agreement that subsidization that is reflected in the instant bills, H.R. 11877 and S. 2297, is only the beginning of what the Federal Government may have to do in order to make this system function. I feel very strongly we may as well face up to the fact, to make a system work and to have the riders use it, there will have to be subsidization in terms of operating expenses. If I am right in that assumption: "What kind of governmental mechanism is going to exist to make certain that the Metro operates efficiently, effectively, and at reasonable rates? How are we going to bring about the utopian result of having it run well, conveniently, and with no wasted cost?"

Anybody want to try that?

Mr. Hahn?

Mr. HAHN. To the extent that the Council of Governments has approached the problem, subsidies, as you have heard from each of my colleagues, should primarily come from the local governments. This, I think, is the necessary mechanism.

Senator EAGLETON. As to the District of Columbia's share thereof under the present circumstances, it is to come from the local government, it will come from us, so there will be a Federal financial input, I suspect.

Representative BROYHILL. May I make a comment on that? I think the Chairman brought up a very excellent point, because as time goes on, if we find that the law of diminishing return does set in and we can't get the fares from the riders of the subway within their ability to pay for the system, so we are going to have a problem. I think the Senate has already taken a very good action in that direction, and is ahead of the House on that particular program. Not ahead on many, but on that one you are ahead. You put into a housing bill, I believe, a multimillion-dollar subsidy program with  $\frac{2}{3}$  Federal grants and  $\frac{1}{3}$  local grants, in order to subsidize these local transit systems, because it is being recognized that the riders cannot pay the full operating costs of the system. So if this should happen in this Metro system—we hope it won't—but if it does we will have to face up to it. That program will have to operate the system and retire these bonds.

Senator EAGLETON. I think Mr. Rhoads wants to make a comment.

Mr. RHOADS. I just want to say briefly that the financing of the Mass Transit System has been also a part of my study and everywhere except Hong Kong there has been a subsidy in some form. Now, this subsidy takes place in many different ways, both from the Federal, District, and the local people. I can give you numerous examples but I won't take your time.

Senator EAGLETON. Mrs. Garrott wants to comment.

Mrs. GARROTT. You asked a question of how could we be sure that we got economical operation if there is subsidy. I know that the elected officials in our two Counties go over our budget very, very carefully.

This is true of the Transit Commission budget and will even be truer when there is local subsidy. Even for Federal subsidy our governments check very carefully. For example, we recently rejected some Federal funds that we could have received for bridges because after every member of our County Council went out and examined the road situation, and we took our experts with us, we decided that certain funds did not need to be spent. The fact that local officials will be voting these subsidies, it seems to me, will be one of the finest checks that you will have.

Mr. HAHN. Mr. Chairman, in the sense that we would be in the future talking about subsidies out of the general operating fund of the District of Columbia, of course, by far the largest portion of those bear upon local taxes rather than the Federal contribution.

Senator EAGLETON. Sixty percent local and 40% Federal is roughly the breakdown at the present time.

Representative CABELL. I have two questions I would like to ask. I will direct them initially to Mr. Hahn but will invite responses from other members of the panel.

#### UNIFORM FARES

In the light of some rather disruptive occurrences within the past week, would you have any objection to a provision being written into this Act that would require that the Transit Authority post and publish a uniform rate from which there could be no deviation? In other words, there would be no cut rates and there would be no free rides. If any governmental subdivision wanted to treat its citizens differently than the everyday rider, they would be liable for any such reducer rate fares or free as the case may be? Could you find any objection to that in light of having to protect the income of the Transit System in order to make it as viable as possible?

Mr. HAHN. I believe you are referring to the bus fares within the District of Columbia. As you know, the Council acted immediately to put on a regulation requiring payment of the fares. I'll digress if I may. It had been my opinion from the time that Trial Judge Stewart first decided the case, I believe in April, holding at that time the Transit Commission's regulation was inoperative, that we should pass such a regulation. The Transit Commission preferred to stand on its own regulation. I really think this is an isolated case in that the normal process of law in the District of Columbia and in the region are adequate to set the fares and enforce them.

Representative CABELL. Could you see any objection to it if that were nailed down and made rather specific? Now, there are a number of jurisdictions, a number of groups, who are lobbying rather strenuously, either for free rides or for reduced rate rides. If any subdivision wants to extend that service to their customers, then let that be the obligation of that governmental subdivision rather than it come out of the fare box revenues of the Transit System itself.

Mr. HAHN. Well, on the face of it, Mr. Chairman, I don't have any disagreement with you on principle. A publicly owned system such as this—whether it is publicly or privately owned—everybody must be required to pay the posted fare. I don't have any particular view as to how we should go about enforcing it. Just that I'm in agreement with you—it should be done.

Mrs. GARROTT. Our Transit Commission does not have a position on this. However, I certainly would support it and I am sure the Montgomery County Council, of which I am a member, would support it, the published fares with no deviation, with one exception: it is the position of our Montgomery County Council that on a Metropolitan basis there should be a reduced fare for our elderly citizens—those over 65 years of age. I would hope that perhaps in publishing the fares that their needs could be taken into consideration.

Representative CABELL. That could be handled, I think, so long as it were the action of the Board itself. In other words, try to keep it from being so broad it would just apply to everybody.

Mr. RHOADS. Chairman Cabell, I would not object to such provision. I would have to see how it is worded, but I think there are a couple of factors that you should consider in your deliberation. One is: I believe in a stable fare and I believe everybody ought to pay the fare, but I believe that fare ought to be reasonable or one that they can pay. There is one possible exception, and that has to do with school children. Now, I don't know if you are familiar with Fairfax County, but I think Fairfax County maintains probably the biggest bus fleet in the world—I don't know in the world—but it is certainly a tremendous one. A lot of times those buses are setting idle and not being used.

In San Francisco the school children do ride the public transit system. They do not have these yellow buses that go around and sit vacant half the time. They do ride the public transit system. I think they may have a special fare but even the regular fare is very reasonable. As I recall, it is 20 to 25 cents.

In the Metro System, you talk about a stable fare. What is presently being considered is having a basic fare which would cover, say, the first 3 or 4 miles traveled but then as you go farther out there would be rises in the fare because of the distance traveled.

I consider that to be within your meaning of a stable fare.

If local jurisdictions or if some State has a program to aid the elderly or the handicapped, and want to make some provision, I think they should be able to do that, but they should support it and not come out of the Federal Government—

Representative CABELL. I am in complete accord with your premise, I believe. I am in complete accord with the premise that the fares have got to be kept at a reasonable rate; otherwise, we reach a point of no return. It becomes contraproductive. But I am addressing my question primarily to any special situation that might arise.

For instance, if Prince George's County—we'll take that as an example—or Fairfax, or whatever—if they could see where they could use the Metro more economically than they can operate their own bus systems or at least cut back on their number of buses, then the balance of the members of the compact should not have to bear the cost because it would require some extra buses, some extra service, but that should be an obligation of the particular governmental entity which was requesting this lower fare.

Mr. HAHN. Mr. Cabell, I am not an expert on the Compact and what is in it. I am sure that some of the other witnesses here could answer that question, but I would be reasonably certain that it would be a violation of the Compact for one of the jurisdictions to set up a fare different than the one required by the entire system.

Representative CABELL. I want to make it clear; I am not trying to write in the final provisions. I am talking about a general principle involved that would still be in keeping with the terms of the Compact, where it is recognized that there must be reasonable fares uniformly enforced in order to maintain the integrity of the bonds and the liabilities that the taxpayers have to pay.

Mr. HAHN. I think we are in agreement with you, sir, given reasonable fares and the exceptions, such as Mrs. Garrott spoke to, for senior citizens, and the like, that the system and the member jurisdictions should compel the payment of the fare uniformly throughout the system, however that may be done.

Representative CABELL. May I add also that even though it may be found necessary or even expedient to write this into the Act itself, I do want to make some legislative history in these hearings as to what is the intent and the general feeling of the interested parties in these two subjects, the first of which we are discussing now and the second of which I'll bring up when we complete this one.

Representative BROYHILL. Mr. Chairman, if you gentlemen recall, I think my colleague, Mr. Cabell, made an excellent point. For years there has been a subsidy for the transportation of school children in the District of Columbia. A few years ago, the Congress passed legislation that provided that the District Government would pay for the cost of that reduced fare, rather than the transit system itself. So I think it would be proper, Mr. Cabell, if we would provide reassurance here that there would not be a raid on the rates of this system. If any community wanted to provide a reduced rate, then that community should make up the difference in cost to the system.

Mr. HAHN. I would believe, Mr. Broyhill, that is covered by the Compact and almost certainly an obligation that the system has to contract to the bondholders with completely, irrespective of what may be done here by guarantee.

Representative BROYHILL. Mr. Chairman, I would like to refer back to a comment made earlier when we were talking about the subsidies in general and what could be done in the event that the fare box didn't produce enough revenue to pay off these bonds and also operate the system. It is certainly hoped and expected that this high speed, comfortable, convenient, efficient system is going to attract a sufficient number of riders at a reasonable rate to pay for the system out of the fare box. We are merely talking about what should be done if we are in error in our estimates and if we don't have enough fare revenues to pay for the system. I was out this morning to the site of the subway station in Rosslyn, one that we dedicated last summer in a ground-breaking ceremony. I was impressed with the progress that had been made up to this point. With that type of efficiency carried through the system's construction and operation, I am confident these estimated figures are going to hold up and that we will have sufficient revenue in the fare box to pay for these bonds. If we're wrong, however, then we must have something to fall back on.

Senator EAGLETON. Mr. Cabell has another question.

Representative CABELL. If anyone else wanted to respond to this particular subject, I would be glad to hear it before I propose my second question.

Mr. RHOADS. I would like to, if I could, just mention one example. In the City of Atlanta, about 4 years ago, they tried to get public support of a transit system and it failed. They have been working since then and now it has been approved by the State General Assembly and by the local governments and by the voters, but it was done on this basis, and I think this is probably the real reason why it was approved. The people were afraid that the fares would be fluctuating and rising and they were also concerned about subsidies for particular groups or areas or so forth. The Mayor of Atlanta and his supporters down there worked out a plan where they would have a flat 15 cent fare for the next 7 years. Now, with a flat 15 cent fare you don't have to make any concessions to anybody. Now, starting after the 7 years, I think, it can rise on the rate of 5 cents a year. This is also made possible by the fact that the General Assembly, the voters, and the local governments did approve a 1 cent sales tax in the service area and that makes it possible for them to assure this fare and also to avoid long-term loans. So I think that the stable fare, as you have proposed, is a good thing.

Representative CABELL. I would like to make one thing clear for the record, that what caused my concern, the reason I raised this question for the record, is that there is a very strong movement on foot, whether it is campaign talk or what I am not capable of judging, that recommends that all riders of public transit be given free rides. Well, I would hesitate if that sort of thing isn't eliminated, precluded, I would hesitate to bring this bill out on the floor and try to sell it to the House.

Mr. RHOADS. I agree with you completely. I think where it has tried, it has been a failure.

Mr. HAHN. All I can say is in the recent cases, the City Government responded instantly, restored a law requiring the legal fare to be paid.

#### NO-STRIKE PROVISION

Representative CABELL. My second question is triggered by the fact that if the Metro System is to be successful, if it is to serve its purpose, it's got to be dependable. If we are successful in selling the general riders on the premise of riding the Metro, doing away with their cars, getting away from as much personal transit as possible, could you find any objection to a provision that would provide to preclude or at least deter the type of work stoppage that would just bring this whole system to a grinding halt? Again, I do not have specific wording; I am talking about a principle, where employees would be precluded or very definitely deterred from creating a crippling, chaotic work stoppage that would undo all the good that had been attempted by this bill that is before us, and on which the faith and credit of the United States will stand pretty heavy.

Mr. HAHN. I don't really feel capable of responding to that question. The Transit Authority which has the responsibility for operating the system I think is in a better position to answer that.

Senator EAGLETON. Would you care to answer that as a citizen? Take one of your hats off. You wear many hats, Mr. Hahn.

Mr. HAHN. I wear many, many hats and the hair doesn't grow, I suppose, because of it.

Mr. RHOADS. Mr. Cabell, may I speak to that? I cannot speak officially for either the Transit Authority or the Northern Virginia Trans-

portation Commission, but I'm speaking as both a citizen and a student of this thing. I think it is most essential that we have everything we can to assure this.

I don't know that you can guarantee it to be fool-proof but you have had trouble. Well, in several cities: Japan, France, and even other places; Russia doesn't have any trouble, they get along quite well. But I think that this is more important and a tie-up of the Transit System is a terrible thing.

Mr. GULLETT. Mr. Cabell, the ultimate work stoppage is prohibited in Maryland for public employees and I assume this is a public facility of that type. We are in fact adopting a labor code in Prince George's County that does prohibit strikes by public employees. At some future time that might be amended to prohibit strikes on the part of those public employees employed in public safety—police, fire, and so forth. I think the lawmakers have to decide, the experts have to decide if this is indeed that type of facility. It would certainly appear to border on it. At least the Metro System would appear to border on that type of facility, being a very, very important thing for the public benefit and something that would have to keep operating I would think.

Representative CABELL. Recognizing the fact that particular States do have such prohibitions against work stoppages by public employees, I think that it might be well to define that within this, because it is an interstate compact, and then dealing with the District; in my opinion it might be well to include some safeguards against that because of the interstate nature of this company.

Mrs. GARROTT. The Washington Suburban Transit Commission doesn't have an official position, nor does the Montgomery County Council on this. I think that it is self-evident, however, that work stoppages have to be avoided or we would have chaos, as Executive Gullett has said. We have a State law which prohibits strikes in our schools. I know that when we deal with things that are such basics as public transportation, it would really be most advisable not to have work stoppages.

Representative CABELL. I want to apologize for using so much time on this but since this is a joint House-Senate hearing, I did want something to get into the record on this subject because then the question of conflicts for us could arise in conference, and they could say this has never been discussed in the hearing and therefore we eschew any responsibility for it. Thank you for allowing me that time.

Senator EAGLETON. We certainly don't want to eschew anything.

I yield at this time to Representative Nelsen.

Representative NELSEN. Thank you.

#### FARES

I was one of the authors of the subway enabling legislation and I recall it was quite a struggle to bring that bill to the floor and to get it passed. I was interested in the observation of Mr. Cabell, referring to the fact that some suggestions or hints have been made that there should be no fares on the subway system. It seems to me that we have run into so many delays in this whole proposition that this would be one more, because if there are to be no fares charged, there certainly is going to have to be by another Federal payment. The city's tax base is taxed to its limit and I see no chance to get a great amount of addi-

tional tax revenues out of the District budget itself. This then would mean that you would have to go to the House and request more Federal payment if people are going to ride on the bus for nothing. Again, as I stated, this puts another obstacle in the way of the kind of enthusiasm to help this thing along, and I am surprised that statements like that can be made; they do not show very good judgment in my opinion.

#### DISTRICT'S POSITION

One other thing that has caused great delay and additional cost has been the great debate that has gone on about the balanced system, the highway and the subway, and it seems to me in the past there has been some difference of opinion between the City Council's position and the position that the Appropriations Committee has taken on proceeding with both systems, having in mind that the Congress first passed the highway legislation then we passed the transit legislation.

Is the City Council in agreement with what we are doing now? Are you in agreement or do we still have this contest going on which again will cause some problem on the Floor of the House as far as proceeding with this very Bill is concerned? I think we can get it out of the Committee, but I don't know what the feeling will be when we get on the Floor, so may I ask, Mr. Hahn, do you feel now that the City Council and the Appropriations Committee are sort of tuned together so that we can proceed?

Mr. HAHN. That is my opinion, Mr. Nelsen. The City, which includes the Mayor and the Council, is in full compliance with both the Highway Act of 1970 and the Highway Act of 1968, Sections 23. We have, in my opinion, the President, the Department of Transportation, the Mayor, and the Council, come together with a plan that I hope and trust and believe has put to rest permanently these disagreements over what constitutes a balanced transportation system.

Representative NELSEN. It has caused a good deal of delay. Yesterday Mr. Volpe was before us? I asked him the question, has he done everything he could, and he claims it is now in the courts and he's done everything he should do. So I hope that we do not have this feeling on the Floor that there's an attempt made to stop part of the balanced system.

Mr. HAHN. The Mayor and I make the same claim, we have done all that we could do and that we are in full compliance.

Representative NELSEN. I hope this works out well.

Off the record.

(Discussion off the record.)

Senator EAGLETON. Mr. Link?

Representative LINK. Thank you, Mr. Chairman.

#### FARES

We hear a great deal in regards to the proposed fares, we hear reference made to the necessity to keep them modest, to keep them reasonable, and so my observation is in the form of a rather broad question, and I won't direct it to any individual particularly; you may all respond if you choose to, but when you are referring to a modest

rate or a reasonable rate, are you referring to a rate that is a percentage of what would be a full cost, and, if so, on what basis is that modest or reasonable rate determined? Is it in relation to the income or ability to pay of those who use the system or is it in relation to, let's say, private auto transportation, or probably even the willingness or unwillingness of riders to pay full cost? What are we talking about?

Mr. HAHN. In terms of fare for the subway, for the Metro, it is constructed to pay the on-going costs of operating the subway, and also the costs of the interest and retirement of the bonds that are necessary to build it.

Mrs. GARROTT. Mr. Link, the mileage fare system that has been adopted allows the passenger to ride for the first 3 miles for 20 cents with additional charge of 5 cents for each additional mile, which I think is a modest sum. The bus zone fare charge is 20 cents then for the first 3 mile zone and 15 cents for each additional zone, which approximates 3 miles. There are no free transfers of privileges allowed in the fare system between bus, rail or bus, and bus. I think that there may be some discussion of this further, as time goes by. Our own County Council in Montgomery County would like to relieve traffic congestion, counting as much as possible, perhaps during consideration of some kind of subsidy which might mean that, for example, a person from Rockville could go into the City by transit for something less than the fare that is specified. I think this would have to be spelled out in the future and it would have to be something to tax its citizens for.

Representative LINK. Thank you.

Mr. RHOADS. I said a moment ago the only place I know where they have tried free, where the fares didn't work, is in Rome. You probably read it in the paper the other day, the City of Chicago is considering having a downtown loop, which is similar to our Minibuses here in the City of Washington, which would be free, but all transit going out would be charged.

Now, the system that I have studied, tried to avoid this question of having to pay one fare on the bus and another fare on the rail, and it takes time, it really doesn't work out. You don't have to go far to see this in operation. Toronto is one of the good examples. The City of Hamburg is another example.

Now, I hope that we can work out in the Metro System here in Washington a free exchange between the buses and rails. It depends on who owns the buses at that time. If it's still privately owned we have to work some deal with them. If we own them we probably can make a free exchange basis. As Mrs. Garrot had pointed out, the fare system being considered now is 20 cents I think for the first 3 miles and then, as you go out in segments beyond that, it will increase and these zone things are worked out on an average of air mile and actual rail distance for the incremental steps. Does that answer your question?

Representative LINK. Well, it certainly indicates that a great deal of attention has been put into the establishment of your fares in relation to mileage and then the additional fare that would be imposed for additional mileage and I think there is indication that some goals in addition to merely the concern of getting the passenger from where

he is to where he wants to go is to relieve congestion. It still leaves me a little bit uncertain as to at what point do we say that fares are reasonable and what point are they not reasonable? Is it at a point when riders decline the use of the service or is it based on the cost of using this transportation on a daily basis in relation to the income of the majority of the riders. Obviously, the ability to pay varies greatly between many individuals, and some may for economic reasons be entitled to a much lower fare and some may be able to pay full cost. This is the point that bothers me.

Mr. RHOADS. Mr. Chairman, maybe I didn't fully answer it. If you can spare the time I would like to speak a little more directly to your question. I don't think that we are trying to give away anything, and I think that wherever this has been tried, it didn't work out. I could give you some examples of that, but the fare structure that is proposed for the Metro is designed to follow the direction and policy guidance of Congress to cover the full operating costs of the system and to retire the bonds that we are talking about, and so it is not designed to be a give away.

Mr. HAHN. Perhaps I could help here, Mr. Link. The original concept of the bonds was as revenue bonds, and the fares were so-constructed that the bonds would be retired out of the fare box and they have been so-constructed. As you have heard from the early testimony yesterday and today, for reasons that are out of control of the subway system, the bonds still couldn't be sold on that basis without the Federal guarantee. Even with the Federal guarantee the fare structure is still such that it is calculated to meet the operating expenses and pay the interest and retirement charges on the bonds.

Mr. RHOADS. If I may supplement Mr. Hahn's statement, the Compact, which is our authority, and has been approved by Congress and by the General Assembly of the two States involved, speaks specifically to this point. It is very brief and for the record I would just like to say it sets forth the standards of adequate service and reasonable fares shall be fixed so as to result in revenues which will: (1) pay the operating expenses and provide for repairs, maintenance, operation and depreciation of the transit system owned or controlled by the Authority; and, (2) to provide for payment of all principal and interest on outstanding revenue bonds, and other obligations and for payment of all amounts to sinking funds and other funds as may be required by the terms of any indenture or loan agreement. So the Board of WMATA is bound by this to assure that we do have a fares system that will provide for all of these loans.

Representative LINK. The fares, providing for these costs that you have just enumerated, would be reasonable fares?

Mr. RHOADS. Yes. I am currently not on the Board but I worked on the Board of the Authority for some years and I sweated through this. I do know that the system that they have planned is designed to meet these standards, and I feel that it will.

I have seen the successful operations in many cities where they didn't do this thing. The only thing we are not providing for here, out of the fare box, are profits and a certain amount of capital. We are providing some of the capital through our bonds and so forth, but we are getting donations of capital from the local governments and from the Federal Government.

Now, the one exception is always Hong Kong.

Mrs. GARROTT. Mr. Link, just using Montgomery County as an example; the fares in Silver Spring would be 45 cents, the fare in Bethesda 40 cents, the fare to Rockville 80 cents. This, I think, seems to be a reasonable fare which would carry out what Mr. Hahn and Mr. Rhoads have said. However, I think it would be the thinking of our County that at some point we might urge a subsidy, to be very frank and honest with you, because of rather intolerable traffic congestion, which occurs down-County. Our Council and our delegation to the General Assembly recently rejected the idea of three underpasses on Connecticut Avenue, which we think would split our very fine community, and create great problems for us. It is very possible that if there isn't all of the ridership that we would think could be created to reduce those problems, such as Connecticut Avenue, that just in the interest of preserving our environment, we might urge a subsidy of our local tax funds.

Representative LINK. If I might indulge the patience of the rest of the Committee: the Chairman, and those who are testifying here, let me make a general observation: as a relatively newcomer, serving my first term in the Congress, I salute everyone who is putting forth their efforts toward the early completion of an efficient, rapid, mass transit system. I think this is number one priority. As one who has been driving daily to my office, from River House, across from the Pentagon, I fully appreciate and realize the need for this, and my interest in serving on this Committee and being concerned with this is the early completion and the ultimate success of this system. I think it is vital. I think it is essential to the Washington Metropolitan Area.

Mr. HAHN. Speaking for the 3 million citizens of this region, we thank you for these sentiments very much.

Senator EAGLETON. Mr. Gude?

Representative GUDE. Thank you very much.

I certainly apologize for being late, I particularly want to welcome my representative in Montgomery County, but we are the victims of where we can't be at two Committee hearings at once. I certainly appreciate your unanimous support we have here.

Mr. Hahn, speaking on behalf of the Council of Governments, I think, shows the unified support we have from the jurisdictions involved. I would like to commend Mrs. Garrott for bringing up the question of the senior citizen's fares and I agree with Mr. Cabell, that to talk about the subsidy in the context of this legislation is not the time and place to consider it. Several weeks ago when my colleague from Virginia, and my colleague from Maryland talked about the need for subsidy for the bus systems, I wholeheartedly supported them, and mentioned that I felt also that we should have substantial support for reducing senior citizens' fares during rush hours and no fares at all required during non-rush hour. But I do believe that to the extent this is done, this is a policy that's got to be adopted by the jurisdiction involved and they are going to have to make this decision. To this end I should think that the Council of Governments can perform a great service in trying to get a unified policy for our metropolitan area with regard to senior citizens' fares, because it is so vital that they be able to move around and continue to be part of our community.

As the number of senior citizens grow, we want them to continue to be able to be part of the community and contribute to it. They can't do it if they are not able to ride on transit, and to this end the system is so well-designed that it is not going to be like these cartoons or comedies of what happened to a man who tried to get on the New York subway and he was trampled and looked like a floormat by the time he was finished. This system will be something senior citizens can ride in comfort and convenience. Thank you all.

Mr. HAHN. Thank you for making that part of the record. As you already knew, of course, we are concerning ourselves with just this subject matter. We do thank you for putting it on the record.

Representative GUDE. Thank you.

Delegate FAUNTROY. Mr. Chairman, may I first say that it is just beautiful to see representation of the 15 jurisdictions in the Metropolitan Area all together at one table. As a former member of the Board of the Washington Metropolitan Area Transit Authority and Chairman of it for a brief period, I have long-seen the value of this kind of cooperation. I certainly feel that WMATA is, and this cooperative efforts here is, a constructive example of what Mrs. Garrott says, a living testimony to the foresight and determination to engage in an enlightened political partnership. It is beautiful to see.

We have had a good bit of discussion on fares and rates and I wonder if you would care to comment—what would be the regulating authority? Who would determine what the rates would be on the subway system?

Mr. HAHN. WMATA, I believe; not only I believe, I know.

Delegate FAUNTROY. So that we would have the same cooperative basis for legislative decision that we have had for the collective decision to pursue a Metropolitan Transit System.

Representative CABELL (presiding). Were there any further comments before we excuse the panel?

(No response.)

Representative CABELL. Thank you very much for your very fine responses and for your interest.

It gives me a considerable amount of personal pleasure to introduce our next witness, a long-time friend, a former constituent, and his family are still constituents of mine; he is a man who has served his country for many years with considerable distinction and though he has retired once, he is continuing his civic interests by serving as President of the Federal City Council. It is my pleasure to introduce the Honorable George C. McGhee.

**STATEMENT OF GEORGE C. MCGHEE, PRESIDENT, FEDERAL CITY COUNCIL; ACCOMPANIED BY MILES COLEAN, CHAIRMAN, TRANSPORTATION COMMITTEE**

Mr. MCGHEE. Thank you very much, my former Mayor. I appreciate your kind words.

Members of this Joint Committee: I am George McGhee. I am president of the Federal City Council. Here with me today is Miles Colean, who is Chairman of the Council's Transportation Committee.

Mr. Chairman, with your permission I have a short statement, somewhat repetitive of the statements brought before this Committee. With your sufferance, I will give my statement:

The Federal City Council is a non-profit, non-partisan organization of business, professional, and education leaders working for better community development in the Nation's Capital.

For more than 15 years the Council has actively supported a mass transit system as an integral part of a balanced transportation network for this area. We lent support to the original studies conducted in the 1950's indicating that such a system would be needed. We continued these efforts in seeking authorization for the original 25 mile system in 1965 and for the 98 mile region-wide system in 1969.

In a statement made by the Council in January of 1968 endorsing the 98 mile regional rail rapid transit system, we said, "This hearing comes at a time when the future of a balanced transportation system is at a crossroad." We feel that such a statement is no less true today, as we urge members of both the House and Senate District Committees to take prompt action on the legislation before you. We feel that it provides not just the best, but at this stage the only way of assuring the continuance of Metro construction. The future of Metro is indeed at the last "crossroad." If these Metro bonds cannot be sold on the market this spring, Metro would not survive. There would not even be money to fill up the holes dug and repave the streets which are torn up. They would probably still be here when the Bicentennial year arrives.

#### BOND GUARANTEE

Because these bonds require a backup to make them marketable, and because of the unique character of the Washington Metropolitan Area Transit Authority, we endorse the guarantee terms of the present legislation as the only alternative to additional federal grants. We strongly support the concept of a taxable security which will provide revenue to the United States Treasury to offset any potential loss.

We also back the provisions for a 25% interest subsidy to WMATA to allow it to service additional bonds, thereby alleviating the need for future federal grants or loans. We believe this provision will have strong appeal to all members of Congress. Officials from the Treasury Department have already cited precedents for this approach in other areas.

There is a significant additional feature which we believe will be well received all across the Nation. When these bonds are sold on the market they will be sold nationwide. Purchasers from all states will share in the returns from these bonds. Moreover, all states which have an income tax will benefit directly through taxes on interest paid. We believe Americans will, moreover, attain genuine satisfaction from being able to assist their Nation's Capital in this important way.

Because of the unique situation in which WMATA finds itself, the bond guarantee in this act provides the only possible approach. The only other comparable agency is BART (Bay Area Rapid Transit) in San Francisco. Although BART encompasses several jurisdictions it is confined to one state, whose legislature has given it a regional taxing power to back up its bonds. In the national capital area three major

jurisdictions are involved, two states and the District of Columbia, apart from many counties and municipalities. In Virginia, a change in the state's constitution would be required for a service tax to back up the Metro bonds. The District has only limited powers to tax—no power to issue revenue bonds, let alone guarantee full faith and credit.

I would also like to point out that while this legislation provides for a guarantee of \$1.2 billion, all of the bonds will not be issued at one time but over a five to six year period.

In addition, we feel it significant that since December of 1970, when WMATA's revised cost-estimate showed need for additional \$450 million due primarily to the year's delay in starting construction, expenditures have averaged within  $\frac{1}{2}$  of 1% of the revised estimate. This is an exceedingly good track record for a construction project of Metro's magnitude.

In conclusion, we cannot emphasize too strongly how much the whole future of our Capital City depends upon the success of this legislation. Only the Metro can provide adequate transportation for District residents, workers and Capital visitors. Efforts being made to beautify the City, eliminate the increasing traffic congestion and prevent further pollution of our air are all dependent upon the success of Metro. The future livelihood of the City is of course also directly involved. Without a rapid transit system the central city will never regain its economic viability. No one needs to point out to members of the House or Senate District Committees the problems for any city of a diminishing tax base.

All of the Members of Congress present give many hours of their time helping the Capital City with its problems. For this we are grateful. We have every reason to believe that you will continue to assist by approving this legislation, thereby assuring the success of Metro.

Thank you, Mr. Chairman.

Representative CABELL. Thank you, Mr. McGhee, for your fine testimony and for the interest and time that you are spending in your efforts.

Mr. Link?

Representative LINK. No questions, thank you.

Representative CABELL. Mr. Fauntroy?

Delegate FAUNTROY. No questions.

Of course, Mr. McGhee, we want to thank you for the supportive statement and to commend you for the fine work of the Federal City Council, not only for the City but really for the entire region.

Representative CABELL. Mr. Gude?

Representative GUDE. No questions.

Representative CABELL. I will say one thing: your testimony was certainly clear, to the point, and didn't raise any controversy, so I would say that you have been a very successful witness.

Mr. MCGHEE. Thank you. I am pleased. It is a pleasure to be with you.

Representative CABELL. The Chair calls on Richard Steen, Chairman of the Transportation Committee of the Metropolitan Board of Trade. Mr. Steen?

**STATEMENT OF RICHARD E. STEEN, CHAIRMAN, TRANSPORTATION COMMITTEE, METROPOLITAN WASHINGTON BOARD OF TRADE; ACCOMPANIED BY CLARENCE ARATA, EXECUTIVE DIRECTOR, BOARD OF TRADE**

Mr. STEEN. Good morning, Mr. Chairman. My name is Richard Steen, the volunteer chairman of the Transportation Committee of the Metropolitan Washington Board of Trade.

Representative CABELL. Would you identify your associate for the record, please?

Mr. STEEN. Clarence Arata, the Executive Director of the Board of Trade is with me.

I am President of Lewis & Thomas Saltz, headquartered at 1409 G Street, Northwest, Washington, D.C. Our firm has been in business in Washington since 1936.

It is my pleasure and privilege to appear here today in support of H.R. 11877 and S. 2297, proposed legislation to amend the National Capital Transportation Act, not only on behalf of the Board of Trade but also in my capacity as a businessman in this city.

All of you are well aware of the intense interest that the Board of Trade has evidenced over the years in the orderly growth of the city and the national capital region. And never more strongly has that interest been shown than in its efforts in support of a balanced transportation system, very logically including the ultimate completion of the Metro system.

While I was not chairman of the Board's committee at the time, it is my understanding that from the outset in the early '50's the Board was in support of a regional rapid transit system. We recognized then, as now, that the purposes of this entire metropolitan area could best be served by an integrated rapid transit network, not only to serve the center city but the suburban areas as well.

Over the past many months, since the work on Metro actually got started, I have taken on a personal and business interest in the progress of Metro. It so happens that our principal place of business is located on G Street, perhaps the most affected street along the Metro system. I can speak with personal conviction and by observation of the adverse effect this construction has had on business in the downtown area.

I think that I can be classed as the Metro ombudsman for the downtown merchants, whether on G Street or elsewhere. And believe me, gentlemen, my daily rounds along the torn-up streets have presented me with many comments, most of which were of a rather uncomplimentary nature.

But I now feel that many of those comments are behind us and the general attitude of my fellow merchants is one of "Let's get on with it; the worst may be over, and we can see some light ahead."

Again speaking personally and for the Board of Trade, we appeal to you and to the Congress to expedite the passage of these Bills so that construction on the system can keep its pace and stay on the schedule drawn up for it by WMATA.

We well remember the trauma experienced by most of us in the city last fall when it was uncertain that the funds for Metro would be

released. At that time we could see near-catastrophe without those funds. Fortunately, you in the Congress caused the release of the necessary dollars.

Not only are the commercial benefits great, but so are the social benefits. The inter-transportation of workers to jobs and again to their homes is one of extreme concern to all of us attempting to build a better region. We recognize that it is not always possible to have employment within easy reach of one's home. And the Metro will provide the means by which we can have well-balanced housing in all sections of our metropolitan area—a result so highly sought by many of us.

All of us are looking eagerly towards 1976—the Bicentennial year. Metro will provide our visitors and our residents alike a quick and economical means of transportation throughout this area. For example, some visitors could be housed in Silver Spring and take the Metro directly to Dupont Circle. Others could find parking space in the stadium/Armory area and go directly to National Airport. We could exhibit to our guests that year—Americans and foreigners—the finest rapid transit system in the world.

Finally, I would like to say to you our opinions on what the system would do for the city at the key stops along the route. Without question those areas surrounding the major Metro stops would be immediately upgraded, affording developers the opportunity to plan and build truly magnificent business areas, housing developments and colorful shopping plazas, walkways and garden type restaurants and specialty shops.

It is no secret to you gentlemen that with this type of imaginative development, highly attractive to tenants and builders, will greatly increase the tax returns over those now coming from the intersections and the streets involved.

We feel that you will be doing a great service to yourselves, as the literal custodians of this great federal city, and to those of us who live and work here by enacting this very necessary legislation. I thank you very much.

Representative CABELL. Thank you.

#### EMINENT DOMAIN

In your envisioning the encouragement of developers and so forth to upgrade these areas where there is going to be a definite acceleration of traffic, it is contemplated that along the line of this improvement so-called, that the powers of eminent domain would be used extensively in order to provide these developments that you envision?

MR. STEEN. I would envision they would be used very selectively, that the preference would be to use private investment means, wherever and whenever possible.

Representative CABELL. I think it is very obvious why I asked that question. While I certainly favor urban development, urban rehabilitation, I regret very much to see, as many small independent businessmen are put out of business by the wholesale use of the power of eminent domain, that takes away from him his business homestead, and generally the development is of such magnitude and of such cost that he can't even become a tenant and continue his business, that is one thing that I have somewhat of a phobia about, is giving the small busi-

nessman, who has built this country to where it is now, putting him in a position to where he can be put out of business arbitrarily.

Mr. STEEN. We agree with you completely. We want to do everything we can to help a small businessman in that situation. We are well-aware of our construction problems along this area, where many small businessmen have been penalized and we do everything we can to assist them, to speed construction as fast as possible, to help them in any way that we can.

Representative CABELL. Mr. Link?

Representative LINK. No questions, thank you.

Representative BROYHILL. None.

Delegate FAUNTROY. Mr. Steen, it certainly is most appropriate for you to be Chairman of the Transportation Committee of the Board of Trade and to testify here on the Board's behalf. I am very happy that you mentioned in the body of your testimony the fact that your business is right on a street where subway construction has been going on and is going on, and you have lived through perhaps the worst of the effect of that process on a business struggling to maintain itself while awaiting the great value of the system itself and I would simply say thank you and urge that you, with the other merchants along the route, would form a missionary society and be prepared to go to Northern Virginia and Prince George's County and Montgomery County when that period comes for those merchants and assure them if they will hold on a little while longer joy will come.

Mr. STEEN. I think there is a special place in heaven for people like myself. We have a store on G Street, one on Connecticut Avenue. It is like an atomic bomb hit it. If we ever reach Chevy Chase it will be directly in front of that store. If Mayor Daley continues with his subway plans in Chicago we will be directly in front of the new Chicago subway station. We are presently completing the San Francisco subway, which is about two blocks from our San Francisco store. I don't believe that any one individual should be burdened with this kind of construction problem indefinitely.

Delegate FAUNTROY. The heavier the cross, the brighter the crown.

Mr. STEEN. That is what I tell my stockholders.

Representative CABELL. You have certainly charismatic quality, that you can forecast development accurately anywhere in the United States. Were I in the retail business any more and wanted to get some locations for expansion, could I employ you as a consultant as to where the growth is going to be?

Mr. STEEN. It will be an honor to work for you. Thank you very much.

Representative CABELL. The Chair at this time calls Mr. David Grinnell, Committee of 100 on the Federal City. Mr. Grinnell?

#### STATEMENT OF DAVID GRINNELL, COMMITTEE OF 100 ON THE FEDERAL CITY

Mr. GRINNELL. Good morning, Mr. Chairman, members of the Committee:

My name is David Grinnell and I am a resident of Washington, D.C. I am appearing here today as the representative of the Committee of 100 on the Federal City. Our Committee is one of the longest established groups which concerns itself with the preservation and improve-

ment of the total environment of the Washington Metropolitan area.

Our Committee is on record as being wholeheartedly in favor of the Metro Rapid Transit System, and if a Federal guarantee will expedite the sale of bonds in the suburbs and insure the progress of the greatly needed community service, the Committee of 100 on the Federal City would like to be on record as favoring this measure.

Thank you.

Representative CABELL. Thank you, Mr. Grinnell. It certainly does add to the record, the support of your organization, and the support of those citizens, and on behalf of all of us who are sweating out the possibility of a record vote, I want to thank you for the succinct and appropriate testimony that you have given. You have certainly given your approval and endorsement in no uncertain terms. Thank you very much.

Mr. Link?

Representative LINK. I just want to join the Chairman's commendation for a precise and to the point statement. Thank you very much.

Representative BROYHILL. Ditto.

Representative CABELL. Thank you, Mr. Grinnell.

The Chair at this time calls Mrs. Harriet Hubbard, representing the Dupont Citizens Association.

Will you come forward?

#### STATEMENT OF MRS. HARRIET B. HUBBARD, DUPONT CIRCLE CITIZENS ASSOCIATION

Mrs. HUBBARD. Thank you, Senator.

No one has spoken today that really represents the citizens of Washington. I hope that you will pay attention to us.

As you know, Mr. Hahn is not an elected person, and people on the Board of Trade do not represent the District citizens. They do not represent the District citizens.

The Federal City Council and the Board of Trade have taken part in all those plans which have led this City to the brink of disaster and make it look as if it were a bomb-struck area. Therefore, I would like to make the following comments on the plan for financing the subway.

Our subway system, although it is the most expensive the world has ever seen, is not necessarily the best. It is poorly designed; and I hope it is not too late to stop the funding until some of the more important defects of its planning, and of the chaos of planning in this Metropolitan Washington area, are rectified.

In the first place, the subway was designed to serve a certain very large area—the Washington Metropolitan Area, which seems to be getting larger every day. It is important to define this area. Will it not be enlarged if we build the outer beltway? Aren't we faster and faster becoming just another piece of bankrupt megalopolis, where people are going farther and farther, spending more and more time and money on transportation, taking an enormous chunk out of their lives and pocketbooks on transportation, only to find out that they have spent all this money and time that they are less well-off than they were before they spent it?

The area of the planned subway system is too large. It must be reduced.

I ask the Congressman and Senators here involved to make sure of two things before funding any more subway construction. Both steps are essential to the financial success of the subway. One is that the outer beltway not be built, and that we have no more freeways inside the city of Washington. The constant threats by the government that these might be built have antagonized the citizens, and made us wonder as to the sincerity of those in authority over us. We would also insist on a promise that no more parking for automobiles be built in the District in the downtown area. Every mile of freeway, and every additional parking space make the subway potentially less viable financially, and the District that much farther away from economic autonomy and independence.

We also feel that the order of building the subway routes should be changed, and that the subway to Dulles should be built first, and the route to National abandoned, until such a time as the land use of National Airport is changed from that of an airport to something else, preferably housing. National Airport does not comply with the safety and other standards that the FAA has set up for airports. The Citizens of Washington are sick and tired of all of the terrible noise of the airport. Although I live at T Street, the noise of the airplanes wakes us up every morning. People in western Washington, around Georgetown, Watergate, and Foxhall Road are annoyed by having grease dropped on them, and by the terrible noise. Dulles would be much closer to financial success if the traffic from National were transferred there.

We note that the surrounding areas—the counties and States, are reluctant to obligate their taxes to pay for the subway. This is because they have well-founded doubts as to the subway having enough riders to support it. The subway should not be built beyond the District line, except for the route to Dulles; the part in the District should be built.

Mass transportation into the District from Maryland and Virginia can be provided by reviving the railroad routes and right-of-ways, and by express bus routes. They are right there, those good railroad lines.

The financial success of mass transportation depends on the density of the area through which mass transportation passes. This is a lesson our planners should have learned long ago from the Europeans, especially the Swiss, who are the best transportation planners in the world. Transportation is a function of land-planning, as they have shown, and not the reverse.

Here, in Washington, we have a declining density. It is now less than 20 per acre. Only in a few small census tracts does the density approach what sufficient, normal city density should be—that is between 80 and 100. We have thousands of acres covered with tacky one story buildings, parking lots, and other eyesores, a situation which has been allowed to continue unchecked.

We must increase the land density in Washington to at least 80 per acre.

Though I mentioned the Swiss above, it is the French who have the best subway system in the world, one which should be a model for us. You will note in Paris that the land area of the city is very much like ours, about 40,000 acres. The subway plan is a spiderweb.

Our present subway plan has, as you know, a subsidiary bus system. But this bus system is very poorly designed—it is supposed to be a feeder bus system.

In Paris, when they built the subway, they built the radials first but they were much shorter, and the loops, originally bus lines, were the routes of the later subway lines.

I submit the Paris plan herewith. Greater Paris has 8 million in an area that is much, much smaller than our Metropolitan Washington Area. The City of Paris has 5 million. And, I can tell you, the people who know how to design for these sizes and conceptions know much more about it than what you see here.

We can be sure that without this greater density which I am recommending the subway will never pay. The bus system designed as a feeder will never work. That is because it will still be easier, and as a matter of fact the unique solution, to use the automobile. If houses are built so that people are locked in without the automobile, they will use the automobile.

One thing we should learn from Paris is that it is too big. The land area is too large though the density is right. And now that it is too big, all the efforts of the planners there to reduce the size have failed. Here we do not have these problems yet. But, if you finance the subway system as it is presently designed, we will eventually have something even more monstrous than Paris.

The solution of our problem should make itself evident to you if you consider what the distribution of population would have to be if you took out the automobile, except for luxury purposes.

Please remember that the legal mechanisms which Europe already has had for centuries for controlling the distribution of population on the land do not even exist here as yet.

Another good reason for not funding the subway in its present huge design is that funding it would deal a terrible blow to the national needs for developing the new laws we need.

Another reason for not funding the subway in its present form is that the coordination of population with the water supply and the power supply for the region has not been done. How many people will the Potomac Basin support with water? How about the sewage problems? How about the power supply? The scattering and uncontrollable size of the region will lead to enormously greater demands than this region can meet.

You will note in European cities that the enormous drain on the ground water and river resources have led to a crisis that can be met only by tapping some of the great rivers running far underground. We do not even know if we have anything like that here.

As to the financial success of mass transportation systems: those in Switzerland are always self-supporting, and even make money for the owners, which are sometimes city governments, sometimes the national government, and sometimes private operators and cooperatives. This is because the country is poor in power, and was forced by poverty to do the excellent planning it has done.

In Paris, the subway today is two-fifths subsidized. A fare is 15 cents but costs 25 cents. The rest is made up from a tax subsidy which is always a matter of dispute. Members of the French Congress are

always being criticized for subsidizing a local city subway, whereas they do nothing for other cities, or very little. As a matter of fact, the rationale for national spending on city mass transportation has never been fully worked out, even in Europe.

This is something you should consider here. If you guarantee these bonds as requested, what policy are you actually backing? How far, in the future, will you go to pay for subway operating expenses? I have been given various figures on the cost of a subway ride. I have been told that when all the costs are paid, and the full system is built, that the cost of a ride will turn out to be somewhere in the neighborhood of \$1.20. Others have said the cost of a ride will be ten times that much.

In either case, the cost would involve a continual operating subsidy, presumably from the Congress. Therefore, if any subsidy is contemplated on a continuing basis, it is all to the taxpayers' interest to see a mass transportation system designed here that will come as close to paying its own way as possible, and that will have to be in a denser, more compact and certainly no larger area than the District of Columbia is now.

Senator EAGLETON (presiding). Thank you very much, Mrs. Hubbard.

Any questions from any members of the Committee?

Representative CABELL. Mrs. Hubbard, you made some rather startling observations, and I might take issue with them per se.

In the compilation of some of your forecasts, has that been purely within your own group or have you sought the assistance of any recognized land planners, others who might be more accurate?

Mrs. HUBBARD. I am writing a book on European Land Law which will be finished in about 5 years. But in connection with that, I have been working very hard here in the District for at least 2 years with all the governmental authorities that are involved in this planning, the National Capital Planning Commission, COG, WMATA, the City Council, and all of our little friends around here.

Representative CABELL. Of course we recognize that there are certain land use laws that have been in effect in Europe for many, many years that were inherited from the days of the Monarchy and from absolute power. Frankly, if I may express a personal opinion, I don't think that the American public will ever accept the rigid controls—

Mrs. HUBBARD. Good land laws are not a matter of politics, it is a matter of physics and geometry—it has nothing to do with politics.

Representative CABELL. I was bringing in the philosophic angle.

Mrs. HUBBARD. Philosophically it does. We only have 24 hours in a day, there is so much this and so much that, and to work it right, it's really not a matter of what you will accept or what you won't, it just will work better and Americans love efficiency.

You should go to Switzerland and see how great that is.

Representative CABELL. As long as it doesn't interfere with our comfort. Have you ever presided at a zoning hearing where there was fine land planning proposed and then found out what the response of the people involved was, or even those two miles away? It is a rather traumatic experience when you try to change the habits of the American public, I can assure you.

Mrs. HUBBARD. In Europe there was a time when these lands laws did not exist, too. A thousand years ago, for example, there was free

land in Europe. I mean there was a time when these laws did not exist, and the countries which have the best ones today are Sweden and Switzerland. They have the best codes. And, really, it is a matter of really just using your head, you know, about how you want it to work. It will work better if you do it their way.

Representative CABELL. Thank you very much. I have no further questions or comments.

Senator EAGLETON. Congressman Link?

Representative LINK. No; thank you.

Senator EAGLETON. Congressman Fauntroy?

Delegate FAUNTROY. No; thank you.

Senator EAGLETON. Thank you, Mrs. Hubbard.

Our final witness is Mrs. Irene Hill, President of the League of Women Voters of the National Capital Area. Mrs. Hill?

**STATEMENT OF MRS. IRENE B. HILL, PRESIDENT, LEAGUE OF WOMEN VOTERS OF THE NATIONAL CAPITAL AREA; ACCOMPANIED BY MRS. MABLE GRANKE**

Mrs. HILL. I would like to identify Mable Granke who has been directly involved in a transportation study for the League of Women Voters for a long time and actively involved in promoting the Metro System for Washington.

The League of Women Voters of the National Capital Area is an inter-League organization representing eight local Leagues in the Washington metropolitan area. We are here today to support the companion bills, S. 2297 and H.R. 11877, which provide for federal guarantees of obligations issued by the Washington Metropolitan Area Transit Authority and authorize an increased contribution by the District of Columbia.

We commend the Senate and House Committees on the District of Columbia for holding joint hearings to expedite action on this essential legislation.

Members of the League of Women Voters of the National Capital Area have been interested and involved in transportation since 1962. As a result of continued study, we support a coordinated transportation system which includes rapid rail transit in this metropolitan region. We believe also that it should be public policy to spend some public money to finance transportation systems, with local jurisdictions contributing to the financing.

We are beginning to see our long support for a subway in Washington bear fruit with the present construction of the Metro. Both the federal government and the local jurisdictions have supported this mass transportation system and have contributed substantially to it.

The proposal being considered today will enable the federal government to act in a positive manner by continuing its support of mass transit. The League firmly believes that adequate transportation is an urgent need in the urban-suburban areas of our country. More specifically, League members in the national capital area believe it is a basic necessity for the citizens who live here and for the visitors who come to Washington.

Financial undergirding of the authorized rapid rail system (Metro) offered in this bill will help provide an essential prop needed for the

City and suburbs of this growing metropolitan region to develop an adequate and integrated public mass transportation system. An integrated system must cover all phases of mass transportation including surface bus travel and pedestrian walkways. A transportation system must also serve all groups of people: young and old; poor and affluent; commuters; mid-day shoppers; visitors—everyone. We must provide for those who cannot afford an automobile and we would be wise to provide for the growing numbers who would prefer not to drive a car in the city.

As you know, the citizens of our Washington metropolitan area have supported local self-taxing measures to finance Metro. We now seek your support in a sound fiscal investment by prompt enactment of the bills before you, S. 2297 and H.R. 11877. And we thank you for the opportunity to appear here today.

Senator EAGLETON. Thank you very much, Mrs. Hill. We appreciate your presentation.

We will place your statement of position on transportation in the record.

(The statement follows:)

LEAGUE OF WOMEN VOTERS OF THE NATIONAL CAPITAL AREA  
TRANSPORTATION IN THE CONTEXT OF COMMUNITY PLANNING

The League of Women Voters of the National Capital Area has studied transportation in the metropolitan area since 1962. A summary of the League positions reached as a result of study, collective experience and area-wide deliberations over the past nine years are listed below.

*Transportation Planning Goals*

The League supports a coordinated metropolitan transportation system which provides speed, convenience and economy to the user and to the larger community. It should be public policy to encourage use of mass transit, to promote and improve present and proposed mass transit systems, and to discourage auto commuting.

The League supports the use of public funds and influence to direct regional development in a way that makes mass transit economical and reduces the need for costly transportation.

*Public Service Objectives*

The League supports the concept that there should be some form of transportation for all. Service should be convenient, frequent, regular and economical; scheduling information and route maps should be easily available.

Air pollution should be reduced through promotion of mass transportation systems and the concomitant decline in the auto congestion which causes pollution.

*Financing*

It should be public policy to spend some public money to finance public transportation systems, with contributions from local jurisdictions. The League supports public ownership of buses as well as metro rail transit facilities if necessary to provide a realistic alternative to private auto use and to avoid expensive duplication of management.

The League supports full public disclosure of the costs of transportation service, including highway use, with cost-benefit information.

The League supports eventual general revenue financing of mass transportation and immediate modification to extend the use of earmarked funds to general transportation needs.

The League supports several measures to encourage use of mass transit; low fares; public investment if necessary to increase resources for bus and rail transit to improve service; reduction of subsidies to auto use such as tax favors which support parking and free parking for employees paid out of public funds; investment of public funds in shelters and information services.

*Public Oversight*

The League supports consolidation of local decision-making boards into fewer agencies with more provision for citizen review and influence; appointment of citizen members to decision-making boards as consumer advocates and residents of the jurisdiction involved; open meetings of all regulatory and public management boards; public participation in determining the information needed to evaluate transportation proposals; and compulsory paid publication in general circulation newspapers of proposals on which public review is to be held.

Senator EAGLETON. Do any members of the Committee have any questions for Mrs. Hill?

(No response.)

Senator EAGLETON. My thanks to all the witnesses that have been here this morning, as well as yesterday on the House side, for a very interesting, able and useful presentation.

That concludes then, ladies and gentlemen, the public hearings on these two companion pieces of legislation. The record will remain open for ten days, so that any other individuals or groups wishing to file statements will have the time to do so and there are some written questions Representative Cabell wishes to propound to government officials, and, likewise, some that I have to propound. We will have time to get those answers and make them part of the record.

(The following material was received for inclusion in the record:)

AMERICAN ASSOCIATION OF RETIRED PERSONS,  
NATIONAL RETIRED TEACHERS ASSOCIATION,  
Washington, D.C., February 24, 1972.

Mrs. ALLAN B. FAY,  
Washington, D.C.

DEAR Mrs. FAY: Executive Director Bernard E. Nash has asked me to convey to you the position of the American Association of Retired Persons as lending itself in full support to your efforts to achieve inclined elevators to make the Washington Metro system useful to older and handicapped persons. You indicate that for a capital investment of approximately one and one-half percent of the total transit system cost a far larger percentage of the public would be able to take advantage of this transportation.

Every member of the Congress, we should hope, would understand the value of this incremental investment in the Washington Metro system as a means of determining the practicality of this additional expenditure in serving people regardless of age or physical handicaps.

Please let us know if there are specific things you might want us to undertake in support of this position.

Sincerely,

JAMES F. SULLIVAN,  
Special Assistant to the Executive Director.

ARCHITECTURAL BARRIERS PROJECT,  
Washington, D.C., February 29, 1972.

Senator THOMAS F. EAGLETON,  
Chairman, Subcommittee on Fiscal Affairs, Senate Committee on the District of Columbia, Washington, D.C.

DEAR SENATOR EAGLETON: As you and your committee jointly consider with Mr. Cabell and the House committee a federal guarantee of Washington Metropolitan Area Transit Authority revenue bonds, we respectfully wish to call to your attention certain laws expressing the intent of Congress that the rapid transit system be fully accessible to and usable by all citizens. Public Law 90-480 applies to all buildings and facilities financed in part or whole by federal funds, P.L. 91-205 applies specifically to the National Capital Transportation Agency, now WMATA, P.L. 91-453 applies to all Urban Mass Transit systems.

Escalators are impossible, difficult or dangerous for many persons to use: for those with problems of mobility, of co-ordination or eye-sight, with small children

or large packages. Other persons are afraid to use them so will not use the rapid transit system if there is no alternate means of access.

After several years' study of elevators, ramps, funiculars, involving federal departments and independent experts, the WMATA Board adopted a resolution in August 1970 approving the concept of an inclined elevator as proposed by the Potomac Valley Chapter of the American Institute of Architects. According to a statement by Mr. Warren Quensted of WMATA, inclusion of these in the system would cost about \$44 million, plus another million for research and development. This amounts to 1½% of the system's overall estimated cost of \$3 billion. Other experts consider this a highly inflated estimate, but even if it were not, it is a small percentage in comparison to the percentage of persons who will be denied use of the "public" transportation system if elevators are not included.

Millions are to be spent on purely aesthetic features in the stations and on WMATA's own building. Will there be special funding for these items or do they come out of the general appropriations or bond revenues? Accessible, usable means of public transportation to a job, a doctor, a store, civic activities are more vital and integral parts of a transit service than visually pleasing designs.

A federal guarantee of revenue bonds is backed by the tax monies of all citizens. A reciprocal guarantee by WMATA that it will at once proceed on the research and development phase of the inclined elevators and then install these promptly so that as stations are completed each will be fully usable, is called for. As tax-paying citizens we urge that your committees insist on this.

The following organizations have assured me that they fully support the inclusion of inclined elevators in every station and total accessibility of the system. The national societies are concerned not only with local residents but with the many visitors to our nation's capital.

American Veterans' Committee, D.C. Chapter  
 B'nai B'rith  
 Easter Seal Society of the District of Columbia  
 Easter Seal Society of Virginia  
 Health and Welfare Council of the National Capital Area  
 League of Women Voters of the National Capital Area  
 Maryland Easter Seal Society  
 Metropolitan Congress of Citizens  
 Multiple Sclerosis Society, Washington, D.C., Chapter  
 Muscular Dystrophy Associations of America, Greater Washington Chapter  
 National Federation of the Blind of the District of Columbia  
 The National Foundation  
 National Paraplegia Foundation  
 Paralyzed Veterans of America  
 United Cerebral Palsy of Washington, D.C.  
 United States Council for the World Veterans, Foundation  
 Washington Building Congress  
 Washington Heart Association  
 Washington Planning and Housing Association

Sincerely yours,

JANET W. FAY  
 (Mrs. Allan B. Fay.)

GEORGETOWN UNIVERSITY HOSPITAL,  
 3800 Reservoir Road, NW.,  
 Washington, D.C., March 1, 1972.

Senator THOMAS F. EAGLETON,  
 Chairman, Subcommittee on Fiscal Affairs, New House Office Building, Wash-  
 ington, D.C.

DEAR SENATOR EAGLETON: We of the D.C. Medical Society in support of the countless aged and handicapped persons of the Metropolitan Area plus those thousands who annually visit the Capitol of these United States wish to emphasize for you and your committee the need for Metro Transit Authority to comply with the provisions as specifically stated in Public Law 90-480 and Public Law 91-205. In these laws provision have been made assuring that facilities constructed with Federal Funds shall be designed and constructed so as to be accessible to and usable by the elderly and physically handicapped.

Inasmuch as yours, a committee of the Federal Government, will be given consideration to guaranteeing the Metro Revenue Bonds, it is felt that pressure should be exerted on the Metro Transit Authority to assure that some of the monies now available for use will be spent on installing the inclined elevators at each subway stop as was originally planned.

Thank you for any consideration you can give to this matter.

Sincerely yours,

MARGARET M. KENRICK, M.D.,  
*Secretary, Medical Society of District of Columbia.*

PRINCE GEORGES COUNTY COURTHOUSE,  
*Upper Marlboro, February 29, 1972.*

HON. THOMAS F. EAGLETON,  
*U.S. Senate,  
Washington, D.C.*

DEAR SENATOR EAGLETON: As Chairman of the County Council of Prince George's County, I wish to express my wholehearted support for H.R. 11877. This legislation is vital to the citizens of Prince George's County and the entire metropolitan area.

Please indicate my support to your fellow committee members. The passage of H.R. 11877 is imperative if the Washington area is to achieve the development of a mass transit system.

Sincerely,

WINFIELD M. KELLY, Jr., *Chairman.*

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS,  
*1225 Connecticut Avenue, NW., Washington, D.C.  
February 28, 1972.*

HON. THOMAS F. EAGLETON,  
*Chairman, Senate District of Columbia Committee, New Senate Office Building,  
Washington, D.C.*

DEAR SENATOR EAGLETON: At its February meeting, the Board of Directors of the Metropolitan Washington Council of Governments unanimously endorsed a resolution in support of legislation providing for Federal guarantees of obligations issued by the Washington Metropolitan Area Transit Authority.

On behalf of the Board of Directors, I am pleased to enclose a copy of this resolution and to urge the early enactment of this important and critical legislation.

Sincerely yours,

WALTER A. SCHEIBER, *Executive Director.*

METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS, WASHINGTON, D.C.

**RESOLUTION CONCERNING LEGISLATION PROVIDING FOR FEDERAL  
GUARANTEES OF OBLIGATIONS ISSUED BY THE WASHINGTON  
METROPOLITAN AREA TRANSIT AUTHORITY**

WHEREAS, the Metropolitan Washington Council of Governments (hereinafter called "Council") has strongly supported the completion of a rapid rail transit system for the Washington Metropolitan Area and has worked to obtain the release of the District of Columbia's contribution to METRO from the Congress; and

WHEREAS, the local governments and citizens of this metropolitan area have continued to express their commitment at the polls and through appropriations, to the construction of the METRO; and

WHEREAS, to assure the marketability of the obligations to be issued by the Washington Metropolitan Area Transit Authority for the financing of a substantial part of the METRO system it is necessary to obtain a Federal guarantee; and

WHEREAS, legislation has been introduced in the Congress which would authorize the Federal guarantee of the WMATA obligations,

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE METROPOLITAN WASHINGTON COUNCIL OF GOVERNMENTS THAT:

- 1) The Council of Governments strongly supports the legislation which would provide for the Federal guarantee of obligations issued by the Washington Metropolitan Area Transit Authority.
- 2) During this session of Congress, the Council of Governments urges the enactment of such legislation which is critical for financing the METRO System.
- 3) Copies of this resolution be transmitted to the appropriate Congressional Committees and members of Congress.

NATIONAL PARAPLEGIA FOUNDATION,  
NATIONAL CAPITAL AREA CHAPTER,  
Bowie, Md.

Senator THOMAS F. EAGLETON,  
*Chairman, District of Columbia Subcommittee on Fiscal Affairs,*  
*Washington, D.C.*

DEAR SENATOR EAGLETON: We wish to go on record in full support of S. 2297 and HR 11877 providing for federal guarantee of the bonds of the Washington Metropolitan Area Transit Authority and an increase in the District of Columbia contributions to the system.

We would appreciate it if you and your committee could receive the necessary assurances from each member of the Board of Directors of the Washington Metropolitan Area Transit Authority that the laws of the United States and the laws of the states of Maryland and Virginia will be followed concerning accessibility to the handicapped regardless of any so called special legislation for funding of elevators.

We are in opposition to any special legislation to provide separate funding of the necessary facilities required by virtue of the standards applicable under Public Law 90-480 and Public Law 91-205. We feel that separate funding can only lead to higher cost to the taxpayers of the region and the nation.

Although we are not experts in transit planning it is our opinion that the \$44 million figure given by the Transit Authority for providing a mix of inclined elevators and conventional vertical elevators is somewhat high.

Consider if you will the following facts:

(1) In San Francisco BART'S current cost estimates for providing elevators in all 38 stations is \$8 million, or an average of \$210,000 per station. The most expensive station in BART, which needed extensive remodeling since the station was already built when the decision to provide elevators was made, cost \$324,000. Even if every station in the METRO cost as much as the *most expensive* one in BART, the cost for all 86 stations in METRO would be \$28 million. It seems the planners of METRO are unable to do it here for less than the most expensive situation in BART.

(2) In Stockholm, Sweden the actual cost of providing an inclined elevator in stations was approximately \$40,000. With \$40 million one could purchase 1,000 of these.

(3) Westinghouse charges \$39,000 for an elevator 10 stories high providing stops at all 10 floors. With \$40 million over 1,000 of these could be bought.

(4) Westinghouse also charges \$18,000 for a hydraulic elevator serving 3 floors. With \$40 million over 2,000 of these could be bought.

(5) No allowance has been made in the Transit Authority's estimate for 32 escalators that would not be required if the inclined elevator was provided.

Now we recognize that there are some other cost associated with providing the elevators, however, the elevators do represent the bulk of the cost.

The particular problem which separate funding would create might best be illustrated by the following example.

Suppose that in a particular station two possible configurations exist. Each one providing comparable service to the general public and those in need of the elevator facilities. The costs, however, are as follows:

	Basic station	Elevator facilities	Total cost
Plan A.....	\$10,000,000	\$300,000	\$10,300,000
Plan B.....	10,060,000	100,000	10,160,000
Difference between plans.....			140,000

Under plan A the cost of the station exclusive of the so called "facilities for the handicapped" is \$10 million and that of the "facilities for the handicapped" is \$300,000. On the other hand, plan B cost \$60,000 more for the basic station but the "facilities for the handicapped" cost \$200,000 less. Might not the transit planners be tempted to opt for plan A if they felt that additional funds would be provided rather than choose plan B which is actually \$140,000 less. Of course, the Transit Authority would deny that such a thing would ever happen. But its likelihood would be greater under separate funding.

Concerning the particular form of achieving accessibility, we would like to state that the mix of inclined and vertical elevators would provide much better service for all unable to use the escalators. According to the Transit Authority's inflated estimates such a system could be provided for \$45 million, i.e., \$1 million for development of the inclined elevator and \$44 million for subsequent installation of the inclined and vertical elevators. We see no need to spend an additional \$15 million on an all vertical elevator system, particularly since it will provide inferior service.

Again we would like to express our support of the rapid transit program and its financing under S. 2297 and H.R. 11877. But please, do not make us have to come and beg for Congress for additional funds for our needs as cripples and handicaps have had to do for centuries. Have we no rights?

Sincerely yours,

RICHARD W. HEDDINGER,  
*Chairman, Architectural Barriers Committee.*

DOWNTOWN PROGRESS,  
NATIONAL CAPITAL DOWNTOWN COMMITTEE, INC.,  
*Washington, D.C., March 10, 1972.*

Hon. THOMAS F. EAGLETON,  
*U.S. Senate,*  
*Washington, D.C.*

DEAR SENATOR EAGLETON: In response to your invitation, we offer our strong support for Congressional action to provide a Federal guarantee for \$1.2 billion in METRO revenue bonds. This guarantee is vital to assure that funds will be available for the full 98-mile METRO system is completed as planned. This full system must be built if pressing Federal, metropolitan, and local needs and objectives are to be met.

The METRO regional rapid rail transit system is focussed on Downtown Washington between The White House and the Capitol. Eight of the 86 stations in this system are located in that area, and two are nearby in the Federal Triangle and at Union Station where the National Visitor Center is to be located. More than 110,000 persons presently work in the vicinity of these 10 stations. More than 160,000 persons are projected to be working in this area by the time METRO is fully operational. Many of these persons are and will be Federal employees. In addition, nearly 20 million persons from the several states and from foreign countries now visit Washington annually. This number is likely to reach 35 million by 1976, the Bicentennial Year.

Subway construction within and adjacent to Downtown is well underway with construction funds already assured. Congressional action to guarantee revenue bonds is necessary to assure that METRO construction proceeds beyond Downtown and its immediate surroundings into the region. We urge you to provide the Federal guarantee needed for the \$1.2 billion in METRO revenue bonds.

We would appreciate this letter being made a part of the record of the joint hearings held by the Senate and House District Committees on March 1, 1972.  
Sincerely,

ANDREW PARKER, *President.*

PREPARED STATEMENT OF THE AMERICAN TRANSIT ASSOCIATION

The American Transit Association (ATA) represents both public and privately owned local transit systems that carry 85% of the people using public transportation throughout the United States. The Association endorses the companion bills, H.R. 11877 and S. 2297, which would provide a Federal guaranty and an interest subsidy on revenue bonds issued by the Washington Metropolitan Area Transit Authority (WMATA) for construction of the 98 mile regional rapid rail transit system.

ATA agrees with the Administration and WMATA that this legislation is vital in order that construction of the Metro system can continue on schedule.

The two new factors which make this legislation necessary are (1) a sharp increase in construction costs over original estimates, and (2) the conclusion of WMATA's financial consultants that the proposed sale of revenue bonds cannot be accomplished without additional assurance to the investor.

ATA is firmly convinced that construction of the Metro will prove a great benefit to the people in the area it serves.

Washington stands as a special symbol as the seat of our Federal government, and the fact that the Metro was authorized and supported by the Congress gives it national meaning and importance. It is not just one isolated transit system. It will serve as a showcase for building and modernizing transit systems in other large metropolitan areas.

The National Capital's new rapid rail system, when integrated with the area's bus system, will become an efficient and economically sound method of moving people.

In all discussions of the myriad problems of our large cities, the need for adequate public transit is always recognized. Washington is one of the cities leading the way in a bold and positive program to provide such service. The Metro must go forward in the battle against congestion and air pollution.

At long last, governments at the local, state and national level are giving priority consideration to local public transportation. There is recognition that modern efficient public transportation must be made available. Congress in passing the multi-billion dollar capital improvement legislation for urban mass transit in 1970 indicated its awareness of the problem and the need for prompt action.

The Metro will serve as an example to other communities of what can be accomplished.

The enactment of the pending legislation to guarantee the revenue bonds for the Metro will make possible completion on schedule of this great project. The American Transit Association respectfully urges prompt enactment of this legislation so that Metro will become a reality.

HOUSE OF DELEGATES,  
Annapolis, Md., March 7, 1972.

HON. GILBERT GUDE,  
226 Cannon Building,  
Washington, D.C.

DEAR CONGRESSMAN GUDE: The Montgomery County Delegation wishes to take this opportunity to commend you for your efforts to provide an adequate public transportation system in the Washington Metropolitan Area.

As elected representatives of the citizens of Montgomery County we have supported local contributions to the construction of the Metro System. The effort was long and hard to secure release of the District of Columbia share of Metro funds. Now, the next step must be the Federal guarantee to assure the marketability of the obligations to be issued by the Washington Metropolitan Area Transit Authority.

It is the wish of the Montgomery County Delegation to go on record in strong support of H.R. 11877 which bill makes provision for the Federal guarantee. We further urge the prompt enactment of this Bill during this session of Congress.

Sincerely,

WOODROW M. ALLEN.	S. RUFFIN MADDOX, Jr.
MARTIN S. BECKER.	Mrs. LUCILLE MAURER.
ALEXANDER BOLLING BELL.	JOSEPH E. OWENS.
CHARLES A. DOCTER.	DONALD B. ROBERTSON.
DEVIN J. DOOLAN.	L. LEONARD RUBEN.
Mrs. HELEN L. KOSS.	S. FRANK SHORE.
LAURENCE LEVITAN.	C. LAWRENCE WISER.
JOHN S. MCINERNEY.	EUGENE J. ZANDER.

PREPARED STATEMENT OF JAMES J. MUSCATELLO

I am James J. Muscatello, I am a businessman located at 614 12th Street, N.W., in Washington, D.C., and I have been in business in the District of Columbia for 26 years.

I am chairman of the Board of BASYAP—Businessmen Affected Severely By the Yearly Action Plans, Inc.

The businessmen who are the members of our city-wide small business organization are principally located at 12th and G Streets, and at 7th and G and F Streets, Northwest. They are located adjacent to two of the largest stations in the Metro system, and, of course, they have borne the brunt of Metro construction due to the fact that the streets are narrow, and the construction of the stations has required the almost complete disruption of our streets, for extended periods of time.

Our stores and businesses have suffered a catastrophic loss of business due to the Metro construction.

Jackson Graham, general manager of Metro, has told the Committees of Congress that in any major construction, such as has taken place where we are located, that some eggs must be broken in making an omelette.

Probably nowhere else in the nation has construction taken place which has—in the building of a subway system—had the disastrous effect which the METRO construction has had on the small businessmen at 12th and G, and 7th and G and F Streets, NW.

Congress has taken care of farmers, of Lockheed, of the Penn Central, and it has been charged that the Justice Department has taken care of ITT.

But small businessmen are not helped by anybody—and the Federal Government and Congress have joined together in displacing small businessmen with a vengeance.

On the actual record, despite the concern expressed by the Congress about small businessmen, it is clear that Congress spends most of its time dreaming up ways to effectively get rid of small businesses, and the Federal Government spends most of its time and talent kicking small businessmen out of their places of business.

Urban renewal has destroyed 50,000 small businesses nationwide. In the District of Columbia Southwest urban renewal project 750 small businessmen were kicked out and failed and Big Business was brought in.

In the downtown urban renewal project covering a square mile area of Washington's commercial core, 2,500 small businessmen are to be removed by urban renewal despite the due process guarantees of the 5th and 14th Amendments.

Of course, this is illegal, and there is a grave Constitutional issue involved, but the Federal Government is proceeding as though there was nothing like due process, or equal justice, or equal protection of the laws for small businessmen.

METRO has not helped the situation, it has hurt small businessmen who have only one entrance to their stores, and not hurt Big Stores which have entrances on four sides.

So, we have had a most devastating experience with METRO, with most of our businesses off 50 percent to 75 percent during the past year.

Our customers have been faced with physical danger, despite the health and safety laws of the District and the Nation.

Further, our customers have been faced with noise conditions which have been unbearable and many of our customers have left and have not returned.

Also, our customers have had to face conditions of air pollution—as well as noise pollution—and the contractors have paid little or no heed to our complaints. These are all subject to lawsuits.

Altogether, our relations with METRO have been this: we have tried to survive, and METRO seems intent on breaking eggs which—in this case—happens to be us, the small businessmen.

There is no use blinking these facts, and they must be taken into consideration in assessing whether METRO is a good credit risk. We doubt that METRO is a good credit risk. For one thing, if it were, there would be no need for Treasury guaranteed bonds, such as are contemplated in H.R. 11877 and S. 2297.

Further, if METRO is a good credit risk the Maryland-Virginia-District of Columbia governments would be happy to pledge their own taxes to pay for METRO. They are not, they will not.

We see no justification at all for the voters of the entire nation to be required by Congress to pay for Treasury-guaranteed interest on the METRO bonds when the areas to be benefitted won't pledge their taxes to pay for METRO.

In fact, we strongly protest the use of Federal-guarantees to make METRO bonds salable, this is an imposition on the taxpayers of the nation and businessmen, large and small, throughout the length and breadth of this great country.

Just where is this Treasury-guaranteed bonds nonsense going to end, how much of it can we stand before there is a taxpayers' revolt?

What is happening is that boondoggles that won't pay their way are being built because the Treasury guaranteed bonds, for instance, the Kennedy stadium which some Members of Congress are now demanding be provided rent-free to any baseball team which will play in it. If baseball is provided rent-free use of Kennedy Stadium then how can anyone, or any other team, be charged for its use? Who is going to pay the interest on the Treasury-guaranteed bonds? None of the bonds have been paid off, to date.

For that matter, who is going to pay the interest on the Treasury-guaranteed bonds for the new \$200-million-dollar convention center-sports arena which President Nixon surprisingly called for in his recent Message to Congress on the American Revolution Bicentennial without providing the required "justification determination," without which this project is illegal under the Public Buildings Act of 1959.

We call for a taxpayers revolt against such boondoggles here in the Nation's Capital. The Kennedy Arts Center is another boondoggle with \$20 million in Treasury-guaranteed bonds to pay for a parking garage to house 1,600 cars.

Very, very few taxpayers, at most a handful will ever use the \$20 million parking garage of the Kennedy Arts Center which they are helping pay for, and, we ask, why should they pay for it?

For that matter, why should the Congress require the nation's taxpayers to pay for urban renewal projects in the commercial core of the Nation's Capital which would be able to renew itself if the cloud of urban renewal was removed? How much of this kind of boondoggle will the American taxpayers take, or stand still for?

It isn't the small businessmen who are pushing for these programs in Washington, it is Big Business, groups like the Board of Trade, Downtown Progress, and the Federal City Council, together with the leading newspapers, the *Washington Post*, the *Evening Star*, and the *Washington Daily News*, and the radio-TV stations like *WRC-NBC*, *WTOP-CBS*, *WMAL-ABC*, and *WTTG-Metromedia*, and a handful of Congressmen.

We want to make this clear to small businessmen and taxpayers everywhere in the United States, we oppose these projects.

And we call on every citizen to help us save hundred of millions of dollars in taxes. What is needed in the Nation's Capital are jobs, small businesses, and an enlarged tax base—and not more and more boondoggles paid for by the nation's taxpayers who should insist that their taxes be used to pay for needed improvements back in their own home towns and cities.

We have been astounded at the failure of farmers, and doctors, and lawyers, and other people in all walks of life, and their professional organizations such as the American Farm Bureau, the National Grange, the American Bar Association, the American Medical Association, and many other groups to protest the waste of tax funds in the Nation's Capital. Why do they remain silent, which prompts the second question, why do the taxpayers remain silent? Perhaps they don't know these facts.

Anyone who wants to help in a taxpayers revolt should write to us at: BASYAP, 614-12th Street, N.W., Washington, D.C.

Help us defeat the plan to provide a Treasury guarantee for the \$1.2-billion dollars in METRO bonds, and all other Treasury-guaranteed bond projects.

We need your help, and if you remain silent, you, the American taxpayers, then you deserve to pay for such boondoggles as the Kennedy Stadium, the Kennedy Art Center, the convention-sports center which will cost a minimum of \$200-million, and the METRO which is reliably estimated to cost a minimum of \$6-billion but started out costing only \$400-million. The Treasury-guaranteed bonds are what has made the tenfold increase in METRO costs possible.

Other things which have been responsible for the bloated cost of METRO is an insurance policy which pays employees constructing it for accidents suffered while playing softball while off duty, see attachments.

Other things which have contributed to the bloated-tenfold increase in the cost of METRO are accidents, which METRO is trying to cover up.

METRO is trying to silence critics, anyone who speaks out against its policies, despite the requirements of the "Occupational Safety and Health Act of 1970", and the Industrial Safety Act of the District of Columbia (55 Stat. 738, as amended, 84 Stat. 1930; D.C. Code, Secs. 36-431 through 442). METRO is ignoring its own "Construction Safety Manual."

We include, herewith, as part of our testimony, newspaper articles, and letters, and other items which show how the laws of the land have been flouted by METRO and are contributing to its huge cost.

In order to protect the American taxpayers, and the employees who are constructing METRO, and the investors who are expected by Congress to pay for METRO and put their hard-earned money in METRO, we demand an immediate investigation of METRO in all its aspects, including its failure to abide by the health and safety laws adopted by the Congress over the years.

We think it is high time that an outraged public, the investors, and the employees were considered by the Congress in matters as fundamental as this, as well as in all treasury-guaranteed-bonds projects.

Thank you.

WASHINGTON, D.C., March 7, 1972.

Re Hearings on H.R. 11877 and S. 2297

HON. EARLE CABELL,

*Chairman, Business, Finance, and Fiscal Affairs Subcommittee, Committee on the District of Columbia, House of Representatives, Washington, D.C.*

DEAR CHAIRMAN CABELL: We are submitting to you herewith for inclusion in the printed Hearings the attached excellent statement on H.R. 11877, and S. 2297 prepared by our executive secretary, George Frain, and presenting our views of the proposal to help pay for the METRO by Federally guaranteed bonds.

We urge the Senate and House District Committee, as well as your Subcommittee, to carefully consider the arguments against the adoption of H.R. 11877 and S. 2297 advanced in Mr. Frain's statement.

We also want to commend you for your publicly expressed concern over the fate of small businesses at the subway stop areas. You have consistently shown an outstanding grasp of the hearbreak and financial ruin which face all of the small businessmen at the downtown subway stops due to urban renewal and the METRO project.

Again, please include this letter and the attached statement in the printed hearings on H.R. 11877 and S. 2297—the Bills which would finance METRO with Federally-guaranteed bonds.

Respectfully yours,

JAMES J. MUSCATELLO, *Chairman of the Board.*

BASYAP—Businessmen Affected Severely by the Yearly Action Plans, Incorporated.

PREPARED STATEMENT OF BASYAP—BUSINESSMEN AFFECTED SEVERELY BY THE YEARLY ACTION PLANS, INC.

Good morning, Mr. Chairman and members of the Joint Committee. My name is George Frain, and I am executive secretary of BASYAP—Businessmen Affected Severely by the Yearly Action Plans, Incorporated.

We believe it behooves the Members of your Joint Committee to very carefully examine every aspect of the proposals contained in H.R. 11877, and S. 2297, to see

if they are in the national interest. If these Bills are in the national interest, this should be easy of demonstration.

Senator Thomas F. Eagleton, chairman of the Senate District Committee, has predicted that Washington's future combined subway and bus system will need operating subsidies. He has said he would support subsidies of this kind to keep fares low.

We believe this frank recognition by Chairman Eagleton is to be commended, it is a refreshing change from the repeated claims by METRO officials and other proponents of the subway system that METRO would pay its own way from fares.

Senator Eagleton cited the experience of the D.C. Transit system and other big-city transit operations, and he said, according to the newspapers, that any city fare above 30 cents would be self-defeating in the present economy.

D.C. Transit, which METRO hopes to take over, is currently seeking to increase its 40-cent city fare to 50 cents.

As a matter of fact, the Senate voted, on March 2, 1972, to initiate a major new program of federal operating subsidies to hard-pressed urban transit systems.

The Senate Banking Committee's studies of the subject disclosed that urban transit operating deficits around the country have by now reached a level of more than \$360 million a year. Over the past decade the number of cities forced to initiate operating subsidies has increased by 400 percent. At least 35 cities are at this moment grappling with the subsidy issue. According to the Senate Banking Committee, "the 108 systems which are currently subsidized will almost certainly increase to the point where every large city transit system will be publicly owned and heavily subsidized."

It is clear that the Administration of President Nixon is right when it says that the federal government should not get into the business of handing over endless dollars to support inefficient transit operations. Where would such subsidies end, if ever?

In view of the Senate Banking Committee studies, and the Senate vote of March 2 in support of Federal subsidies, we think your Joint Committee must reject the view of METRO and Treasury Department officials that METRO will pay its way.

Furthermore, we question the choice of the federal guarantee of METRO bonds over some form of pledged taxes by the participating local jurisdictions.

Why should the federal guarantee of Metro bonds be more in the national interest than some form of pledged taxes by the participating local jurisdictions which will use the METRO most and, therefore, benefit most from METRO?

One can certainly see why officials of Maryland, Virginia, and the District of Columbia would infinitely prefer Federally-guaranteed bonds over pledged taxes. They get all the benefits without paying for anything but a fraction of the cost. But, in Heaven's name, why should Members of the House and Senate from the 50 States from Texas, to Alaska, to Hawaii, to Washington State, to Maine, to Florida and Missouri—whose constituents will in all but a handful of cases never ride the subway and thus never benefit from it—vote, or be expected to vote, for Federal guarantee of bonds that their constituents will have to pay for in perpetuity? It doesn't make sense to us. METRO officials and some Members of Congress, the press reports say, have predicted that a strong effort will be made by some congressmen to defeat the Federal guarantee of METRO bonds. In view of the fact that the Federal Government has not guaranteed the bonds of any other subway in the United States, why should it guarantee the bonds of METRO? Where will the Federal bond guarantee nonsense end once it begins?

The *New York Times* reported on January 30, 1972 that at least a dozen cities are now planning or building rapid transit lines, and it listed San Francisco, Pittsburgh, Atlanta, St. Louis, Minneapolis-St. Paul, Baltimore, Buffalo, Honolulu, Miami, Detroit, Dallas, and Denver. Los Angeles and "many other cities are taking a look at the idea", the *New York Times* said, and it added:

"All of the cities making plans are counting on Washington to pay two-thirds of the costs under the Urban Mass Transportation Act of 1970, which authorized \$3.1-billion in Federal matching grants for transit lines.

"But the Department of Transportation does not have nearly enough money under this program to provide the two-thirds share for all cities planning transit systems, as well as multibillion-dollar requests for aid from cities such as New York, Boston and Chicago that want to expand existing lines."

Your Joint Committee must look at this entire matter very carefully, to see what kind of precedent this Federal guarantee of METRO bonds will establish which will lead to similar requests for Federally-guaranteed bonds in every city

in this nation, every city, that is, which is planning, building, or contemplating building rapid transit and subway lines.

I would like to include the entire *New York Times* report as part of my remarks because it is an excellent run-down of the current situation nation-wide.

This article points out the lack of a strong downtown core makes it extremely difficult to make rapid transit and subway systems pay for themselves, and it cites Los Angeles as an example. As the *New York Times* says:

"Dr. Lyle C. Fitch, president of the Institute of Public Administration in New York, wrote recently:

"The scatteration of residences and activity centers in suburban developments requires random access transportation which can take different members of households to different places at different times.

"The only transportation medium produced thus far to meet these requirements is the private automobile, which, along with its cousin the truck, was responsible for the dispersal in the first place."

No one likes mass transit, and subways, and commuter trains, and express buses more than I do, and no one is more dependent on them than I am.

I worked as a legislative assistant on Capitol Hill, and worked with Rep. William B. Widnall to get the subway—the 25-mile subway system costing \$431 million—through the House of Representatives after the original 98-mile system was defeated. Now the subway is back to a 98-mile system and its cost has ballooned up from \$431 million to something that is very close to \$6 billion.

If one were to deposit \$6 billion in the bank, we have been told, and figured the cost of the METRO on the basis of the actual cost to construct and run it then very soon the facts would emerge that the real cost of a single ride on the METRO would be in the neighborhood of \$12 per rider. Now, you might figure that that cost is high, and that METRO will, indeed, pay for itself, but you would have to use moonshine figures. We believe the real cost is being withheld from the voters.

I would like to put forward a proposal for a workable, economically feasible program, and one which would not require Federally-guaranteed bonds. My proposal is very simple, and it is this six-point program:

1. Return to the 25-mile bobtailed line adopted by Congress in 1965.
2. Use express buses, and commuter trains outside of the District of Columbia.
3. Adopt a program to increase the residential density in the District of Columbia from the present 20 per acre to 100 per acre, the accepted standard in most major American and European cities. After such residential density is achieved, then a longer rapid-transit line would pay for itself, or very nearly do so.
4. Maintain the present historic height limits in the District of Columbia, and locate the high-rise buildings in the suburbs, to be reached by commuter trains and buses.

A bobtailed 25-mile subway system in the District of Columbia would cost no more than \$500,000,000.00—a tenth of what the presently-planned 98-mile system would cost. Oh yes, I would add a 5th point and a 6th point to my economically feasible system, they are:

5. Force METRO to divest itself of all of its land acquisitions—it is now the largest land holder in the District of Columbia aside from the Federal Government itself. The *Evening Star* reported on January 16, 1971, that the METRO has acquired 50 major pieces of property in the District of Columbia, thereby taking them off the tax rolls. The New York City subway system was built without anything like the land acquisition program of METRO which saved New Yorkers billions of dollars.

Here are some additional savings which your Joint Committee could make in the METRO system to make it economically viable: 6. Adopt Chairman Cabell's proposal to prevent crippling strikes, and to make clear there will be no free riders, and also, eliminate the luxury items in METRO which METRO officials themselves say could save up to \$459 million, according to a news report in the *Sunday Star* of January 17, 1971.

These luxury items included: (A) digging the subway tunnels at shallower levels with estimated savings of \$10.7 million;

(B) Simplifying the escalator system and reducing it, with an estimated saving of \$57 million;

(C) Deletion of station air conditioning with an estimated savings of \$16.7 million;

(D) Major construction technique changes with an estimated savings of \$90 million.

(E) Other major steps to save millions of dollars. For instance, why should METRO pay \$225 per square foot for land on Connecticut Avenue near the Mayflower Hotel, and \$235 per square foot for land nearby. This figures out at \$10,000,000.00 an acre for land—and it clearly wasn't needed to build the METRO system but was purely for land speculation purposes.

(F) Stop all efforts to take over the \$55 million D.C. Transit System which is one of the few privately-owned, well-managed bus systems in the Nation, today. Now the fact is that many Members of Congress are deeply concerned about the METRO-SUBWAY being built in the Nation's Capital. For instance, the vote in the House of Representatives on May 11, 1971 on the METRO was 170 Ayes, and 219 Noes, with 43 Members not voting.

Congressman Clarence Long of Maryland made the following points:

1. The subway started out costing about \$400.6 million, now the total cost is close to \$5 billion, with the Federal Government paying most of the total cost. Rep. Long predicted the cost would run even higher, to \$6 billion, and cited facts to prove it.

2. The New York City subway system was built a long time ago at very little cost and that original cost of construction is practically written off. That is the main part of the cost of any subway system. Even with a 30-cent fare, New York City cannot take in enough revenue to pay its operating costs. The subway is operating at a \$120-million annual deficit. Last year, Chicago, with a 45-cent fare, had a \$28-million operating deficit on its 157-mile system.

3. The answer to Washington's transportation crisis is better traffic management; a ban on cars in the city to force people to ride buses; a more efficient bus system.

4. The D. C. subway-METRO is the biggest public works project in history—bigger than the SST and four times the cost of the Aswan Dam.

5. It will cost the people of Congressman Long's Congressional District \$100 for every family and, he said, "This project will yield little or no benefit to the ordinary person around the country." This includes Texas, and all 50 States.

6. The reality is that no city can plan and construct a subway system unless the Federal Government pays most of the bill. The city of Seattle is dragging its feet. Los Angeles is dragging its feet. San Francisco has had financial problems with its mass transit system.

The *New York Times* article of January 30, 1972 makes an extremely interesting report of the views of Professor George Hilton, an economics professor at the University of Los Angeles, who is extremely critical of the efforts of cities such as Los Angeles, Atlanta, Baltimore which are planning to build rail systems, and what he says applies with equal force to the District of Columbia-Maryland-Virginia subway known as METRO. Professor Hilton says:

"There is just no market for it. It's just wishful thinking that you can go back into the past when the central business district served the whole area and people didn't have cars. All the forces in cities today are for diffusion.

"What they're doing is making a huge investment in a declining market. Every place you look, the number of trips into the central business district is the most rapidly declining segment of urban transportation."

We believe that your Joint Committee should carefully look into the way the Federally-guaranteed bonds are being used in Washington to build projects which are not economically feasible. For example, the Kennedy Stadium, the Kennedy Art Center garage, and now the proposed convention center-sports arena, were built, or like METRO, are being planned to be built with Federally-guaranteed bonds. Ditto the Convention-Sports Complex.

Now that the \$5-billion dollar METRO is going to be built with Federally-guaranteed bonds, it is clear the taxpayers are the patsies, and the fall guys, in these projects.

This use of Federally-guaranteed bonds to build, and charge the American taxpayers with the cost of the Federal guarantees of "red-ink elephants" is a sucker's game for the taxpayers, and another tax shelter for the investors. So the taxpayers get taken both coming and going.

In the light of all this information, we have to advise you that we strongly oppose both H.R. 11877, and S. 2297. This is our official, firm position.

Finally, I question the statement by Richard E. Steen that he can be "classed as the METRO ombudsman for the downtown merchants on G Street". If anyone

is to be classed as "the METRO ombudsman for the downtown merchants on G Street" it is James J. Muscatello of 614-12th Street, N.W., owner of Muscatello's Civilian and Military Tailors. I include correspondence and news articles on the lack of safety, and lawsuits, which make METRO a poor financial risk, and include letters to President Nixon and Secretary John Volpe of DOT written by Mr. Muscatello urging consideration of the affected small businessmen, suggesting help for them, and urging that employees and the public be protected for safety, and also urging that the cost of METRO be reduced and making a number of suggestions for reducing the cost of the subway.

Mr. Muscatello's ombudsman role is recognized by Thomas Airis and Dana Wallace of the D.C. Department of Highways and Traffic, by Deputy Police Chief Osterman, and by METRO itself.

For instance, METRO invited James Muscatello to be present at the topping out ceremonies on the G Street Subway recently, and the newspapers and TV showed him to be there along with the Rev. Jerry Moore, and Councilwoman Haywood, both of the D.C. City Council.

METRO publications, as well as the daily press-TV, have recognized the leading role of Mr. Muscatello.

In addition to these, the subway builders and contractors, the Health Department, the Safety officials all work with Mr. Muscatello and recognize his ombudsman role.

Furthermore, the City Council of Washington appointed James Muscatello to its new 23-member Blue Ribbon Panel to investigate the failure of urban renewal officials and the D.C. Redevelopment Land Agency—the local urban renewal agency—to do its job.

Several Members of Congress, including Rep. Gilbert Gude, and Senator Inouye, have met with Mr. Muscatello, and several Members of Congress have been invited by him to tour the area and see for themselves the problems which METRO has forced on the small merchants.

Mr. Muscatello has SBA and DOT officials to try to arrange financing to help the small merchants affected by METRO survive.

He has testified before the D.C. City Council, and Committees of Congress to try to help the small businessmen. He has been in the press, and on TV.

We know of no other city businessman who has worked so hard, or been as diligent, and been so effective as a spokesman for the small businessmen on G Street and elsewhere in the city, or is as widely recognized as an ombudsman.

In fact, the Metropolitan Washington Board of Trade, the Federal City Council, and Downtown Progress represent only the Big Business elements and have done nothing to help small businessmen who have had to fight alone to survive the onslaughts of Big Business, Big Government, Urban Renewal, and METRO, which are totally unconcerned with protecting the public purse and seem only interested in inventing new ways to gouge the poor taxpayers nation-wide. When the small businessmen offered to pay for urban renewal of their area without costing the nation's taxpayers one cent these groups helped defeat the proposal. When small businessmen resisted the \$200,000,000 convention-sports complex, these groups fought to make the nation's taxpayers pay for it.

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WASHINGTON, D.C., May 25, 1971.

Re: DOT Secretary Volpe and the new Subway

The PRESIDENT,  
The White House,  
Washington, D.C.

DEAR MR. PRESIDENT: We know you are faced with decisions in connection with the subway which will insure that it is fair to everyone. In an effort to be helpful here are some points which you and Secretary John Volpe of the Department of Transportation will surely want to carefully study:

1. *Disruption during construction*—It is clear that there is a lot more disruption in the 12th and G Street area—where the major Metro station, the largest in the entire 98-mile system—is being constructed, than there is, say, in San Francisco. The reason is that Market Street in San Francisco is wider than G Street. The problems faced by the merchants in San Francisco in the area where the subway was built are nothing like the merchants face at 12th and G where the station is being constructed from building line to building line.

Jackson Graham, General Manager of METRO, testified before the Subcommittee on the District of Columbia of the House Committee on Appropriations on April 20, 1971 and stated that: "I suppose we go to that old cliché, 'You cannot make an omelet without breaking some eggs.' I should say with respect to the merchants on G Street, they are hurting. We meet with them daily. We do everything we possibly can, consistent with getting the job done, to help get pedestrians and vehicles to these shops."

Jackson Graham went on to say: "We are starting right downtown in the most difficult section of the city. We are starting with cut-and-cover construction. . . . That is the worst possible way of—"

These quotes are from pages 1026 and 1027 of the printed Hearings held by Chairman William H. Natcher's subcommittee.

2. *Disaster Area*—It is clear that the 12th and G Street area, as well as the 7th and G Street area where the second largest station in the entire system is being built, is a disaster area where the merchants are concerned. Business is off from 30-to-50 percent. These merchants have only one store, and they are being forced to absorb these tremendous, frightful losses.

Yet the subway is supposed to benefit everyone—the fact is, however, that not everyone is sharing in the losses. Some 75 merchants are facing the probable complete loss of business as the subway moves ahead.

Certainly, the Congress and the Administration have been unfailingly helpful to other businessmen and farmers facing government construction and displacement. Our merchants need equal aids.

Senator Daniel K. Inoué, Chairman of the Senate D.C. Subcommittee on Appropriations, recently wrote us: "Please be assured that I am familiar with the immediate, intermediate and long-range effects on the merchants and have discussed the matter first-hand with concerned parties. Your cogent remarks merit my careful study and will receive my most sympathetic consideration."

We would deeply appreciate it if you would take this situation up with Secretary John Volpe of the Department of Transportation and see what help you can provide the small merchants who are being chewed up by the bulldozers of the Metro-D.C. Subway at 12th and G Streets, NW.

For instance, would it be possible—and everything is possible—to provide some subsidies to help the small merchants at 12th and G, and elsewhere on G Street including the 7th and G Street area?

How about such a thing as low-interest rate loans, and other assistance? We request you to make recommendations to help us.

3. *Pedestrian traffic*—The master agreement between the Washington Metropolitan Area Transit Authority and the District of Columbia Government provides, among other things, that:

"*Access to business establishments:* In the operations of the Authority's Contractor, special consideration shall be given to the necessity of providing access to business establishments for pedestrians, deliveries and fire-fighting equipment."

It is clear that access to business establishments is not fully or adequately provided for under this provision, and we hereby request you to have a study made to provide adequate access at all times to our business establishments for pedestrians, deliveries, and fire-fighting equipment to minimize the impact on the merchants.

4. *Safety standards*—We believe, on the basis of our observations, that safety standards as far as the workmen, and the pedestrians, are concerned are not fully or adequately enforced—certainly not at 12th and G Streets, NW.

Many people have complained to us about the laxness of the safety conditions which imperil both the pedestrians and the workers.

We hereby request you to direct the Office of Construction Safety and the Bureau of Labor Standards of the U.S. Department of Labor to make a study and make recommendations regarding safety in the 12th and G Street area. Further, we request you to have the Federal Government rigidly enforce the safety regulations established by law in the 12th and G Street area.

We do not think that the METRO-WMATA has shown the concern which it should and must as to safety conditions as they affect both the workers employed by the several contractors, and the pedestrians.

It will be entirely too late to take adequate safety steps *after* someone is killed or seriously hurt.

Since "pedestrians, deliveries and fire-fighting equipment" are to have access to the business establishments, it follows that every precaution must be taken as to their safety.

5. *How to Save Money and Tax Funds on Metro*—We believe that sufficient funds can be saved by the following steps to pay for (a) the assistance needed by the small merchants, (b) adequate safety standards, and (c) access by pedestrians, deliveries and fire-fighting equipment cited above, and save millions of dollars in addition:

A. Elimination of the luxury items which METRO officials themselves say could save up to \$459 million according to a news report in the *Sunday Star* of January 17, 1971. These luxury items were reported to include: (a) digging the subway tunnels at shallower levels with estimated savings of \$10.7 million; (b) simplifying the escalator system and reducing its size with an estimated savings of \$57 million; (c) deletion of station air conditioning with a savings estimated at \$16.7 million; and (d) major construction technique changes with an estimated savings of \$90 million.

B. Termination of Metro's excessive land acquisition program. The *Evening Star* (January 16, 1971) reported that the "Subway Is a Big Landlord", and has acquired 50 major pieces of property in the District of Columbia. Metro should be forced to sell this property, and the money should be used to help finance Metro. The *Evening Star* recently reported that Metro's chairman Carlton Sickles has very serious reservations about the Metro property acquisition program.

C. All efforts to take over the tax-paying D.C. Transit System should be discouraged, and efforts to have METRO take over other surface bus systems along with the D.C. Transit System must be terminated. Certainly this bureau should not be heaped on the backs of the nation's taxpayers.

Both Chairman John L. McMillan, and ranking minority member Ancher Nelson of the Committee on the District of Columbia were recently reported by the newspapers as opposed to a take-over of the D.C. Transit System and the other surface bus lines by the METRO at this time. Their position on this matter seems to us to be strongly based on the public interest. They deserve to be supported by you.

D. It is clear that acquisition of real property and the D.C. Transit System, and other surface bus lines now privately owned, by METRO will remove these facilities from the tax rolls, and place the real property in a non-tax-paying category. The nation's taxpayers will have to pay to acquire these properties, and then make up the loss of taxes by further contributions. This sadly, doesn't make sense.

E. We believe many millions of dollars could be saved by terminating at this time the building of a transit system of some 70-miles to serve suburban areas. This would make unnecessary at this time the acquisition—in this period of inflation—of rights-of-way. We suggest and recommend, instead, that METRO be required, in the interest of saving tax funds, to use (A) the existing railroad trackage into and serving the metropolitan area of Washington; and (B) express buses and buslanes.

In this connection, it is important to note that DOT Secretary Volpe in a February 16, 1971 speech to the Council of Governments in Washington, D.C. called for use of the existing railroad tracks, together with express buses on buslanes to solve the current traffic crisis, as it exists in the District of Columbia.

Further, the Senate Public Works Committee in its major study, "Metropolitan Area Pilot Transportation Study" published in October, 1968 called for a commuter railroad program to be instituted within 1-year on a through-routed basis between Baltimore, Maryland and Quantico, Virginia, and between Germantown, Maryland and Monassas, Virginia.

GSA Administrator Robert L. Kunzig called for such a commuter railroad program in a letter he wrote to DOT Secretary Volpe under date of April 8, 1970, the text of which was included in the *Congressional Record* of April 23, 1970 at page E 3555. He cited several studies supporting such a commuter railroad program which have been made over the past ten years.

F. Attached is a report from the *Evening Star* of May 19 with regard to a Maryland investigation into the charge of two insurance firms that one of the five companies which won the lucrative wrap-up insurance contract from METRO "was not in existence when the bid was submitted." Perhaps some funds could be saved by looking into this situation.

Now, the fact is, Mr. President, that many Members of Congress are deeply concerned about the Metro-Subway being built in the nation's Capital. The vote in the House of Representatives on May 11, 1971 on the D.C. Subway was 170 Ayes, and 219 Noes, with 43 people not voting. There were valid reasons on both sides for voting the way they did. For instance, Congressman Clarence Long made the following points; and these are only some of the points he made:

1. The subway started out costing "about \$400.6 million . . . I believe the chairman now has figures that indicate the total cost of this program is going to run to probably \$5 billion, with the Federal Government paying most of it. . . . this is just the beginning. There are going to be more readjustments on these figures."

2. "Already Governor Mandel of my State has balked at releasing suburban Maryland's share of construction costs. The reality is that no city can plan and construct a subway system, unless the Federal Government pays most of the bill. The city of Seattle is dragging its feet. Los Angeles is dragging its feet. San Francisco has had financial problems with its mass transit system."

3. "The New York City subway was built a long time ago at very little cost and that original cost of construction is practically written off. That is the main part of the cost of any subway system. Even with a 30-cent subway fare, New York city cannot take in enough revenue to pay its operating expenses. The subway is operating at a \$120 million annual deficit. Last year Chicago, with a 45-cent fare, had a \$28 million operating deficit on its 157-mile system."

4. "The answer to Washington's transportation crisis is better traffic management; a ban on cars in the city to force people to ride buses; a more efficient bus system."

5. "The D.C. subway system is the biggest public works project in history—bigger than the SST and four times the cost of the Aswan Dam."

6. "It will cost the people in my district \$12 million, about \$100 for every family . . . . This project will yield little or no benefit to the ordinary person around the country."

We believe that all of the items listed in this letter with regard to METRO must be considered by you and Secretary Volpe, since they go to the heart of the METRO problem and provide significant insight into that problem. We would appreciate hearing from you on this matter.

Respectfully yours,

JAMES J. MUSCATELLO,  
*Chairman, Metro-Business Committee.*

[NOTE: No reply ever received to this letter as of March 2, 1972.]

WASHINGTON, D.C., May 26, 1971.

HON. JOHN A. VOLPE,  
*Secretary, Department of Transportation,  
Washington, D.C.*

DEAR MR. SECRETARY: We have received no acknowledgment of our letter to you of May 1, 1971 written on behalf of the Metro-Business Committee which represents the merchants in the Metro impact area at 12th and G Streets and along G Street NW.

We invited you to visit our area and see for yourself what Metro is doing to the small merchants. We repeat our offer at this time, and we would appreciate having an immediate reply as to when you can visit our area.

We note that you have had time to go bicycling in Washington in connection with National Transportation Week. If you can go bicycling, you can visit our area.

Our merchants need help, they are desperate. Business is off as much as 50 per cent. The subway is supposed to benefit everyone—the fact is that only the small businessmen with one store are being forced to absorb the impact. Some 75 merchants are facing the probable complete loss of business as the subway moves ahead.

If we don't hear from you we will be forced to take this matter up with President Nixon and appeal to Congress, including the 219 members of the House of Representatives who voted against METRO on May 11, 1971.

*Safety standards*—We hereby request you to ask the Office of Construction Safety of the Bureau of Labor Standards of the U.S. Department of Labor to

investigate the safety conditions—or lack of them—in the 12th and G Street area. We believe that pedestrians and workers are in grave danger of slipping into holes, and being hurt by the equipment due to the lack of acceptable standards of safety on the job at this construction site. If someone is hurt or killed, it could cost vast sums of money and tie METRO up for months and give it a black eye.

It is obvious that it will be entirely too late to take adequate steps to provide safety for pedestrians and workers *after* someone is hurt or killed.

*Pedestrian and other traffic*—Pedestrians are not being afforded proper and safe access to the business establishments—and this goes for deliveries and fire-fighting equipment.

In other words, the *Master Agreement* between WMATA and the D.C. Government is being largely ignored. That agreement, as testified to by the D.C. Highway Department at hearings held by the D.C. City Council on May 13, 1971, provides that:

*“Access to business establishments:* In the operations of the Authority’s Contractor, special consideration shall be given to the necessity of providing access to business establishments for pedestrians, deliveries and fire-fighting equipment.”

We are desirous of having your views as to the necessity for safety precautions, and adherence to these “Access to business establishment” requirements in the *Master Agreement* between WMATA and the City Government.

*WMATA Testimony to the Natcher Subcommittee*—On April 20, 1971 Jackson Graham, General Manager of WMATA, testified before the D.C. Subcommittee of the House Appropriations Committee in part as follows: “I suppose we go to that old chiche, ‘You cannot make an omelet without breaking some eggs.’ I should say with respect to the merchants on G Street, they are hurting. We meet with them daily. We do everything we possibly can, consistent with getting the job done, to help get pedestrians and vehicles to these shops.”

Since our merchants are the eggs which are being broken to make this omelet, we ask you to declare our area a *Disaster Area* so we can get help—as Congress and the White House has provided help all over the world with tax funds—to help farmers, businessmen, etc., etc., etc. If our small merchants on G Street can be so casually destroyed, other merchants throughout the METRO area will be forced to band together to fight METRO in the courts and in other ways to obtain compensation due them for the losses forced on them by METRO.

Even though you are not one of the eggs which are being broken by WMATA to provide this particular omelet, we should at least be able to expect the same concern for the problems of small business here as this Administration has shown for people all over the world faced with disasters which are no greater than are being faced by the small merchants at 12th and G, NW.

What is the difference between being broken by an earthquake, or other natural disaster, and being chewed up by METRO while it makes an omelet.

The fact is, we thought METRO was building a subway, not an omelet.

We request an immediate reply to this letter.

Respectfully yours,

JAMES J. MUSCATELLO,  
*Chairman, Metro-Business Committee.*

[NOTE: No reply to this letter has been received as of March 2, 1972]

U.S. DEPARTMENT OF LABOR,  
OCCUPATIONAL SAFETY AND HEALTH ADMINISTRATION,  
*Washington, D.C., July 27, 1971.*

MR. GEORGE FRAIN,  
*Executive Secretary, BASYAP, Inc.,  
Washington, D.C.*

DEAR MR. FRAIN: Secretary of Labor, James D. Hodgson has asked that I reply to your letter to the President of June 28, 1971 concerning failure to protect workmen and the public due to construction of the Metro Subway System in the Metropolitan Washington Area.

As you will recall I wrote you on July 1, 1971 that this matter was being investigated by the Occupational Safety and Health Administration. We have met with METRO officials and plan to meet with them again shortly regarding safety and health conditions.

Again, as I stated in my letter of July 1, 1971 the construction and safety and health standards will not be in effect for the Metro Subway System until August 27, 1971. Please rest assured that we are doing everything possible at this time to assure safe and healthful working conditions.

Very truly yours,

GEORGE C. GUENTHER,  
Assistant Secretary of Labor.

BUSINESSMEN AFFECTED SEVERELY BY THE YEARLY  
ACTION PLANS (BASYAP) INCORPORATED,  
Washington, D.C. June 28, 1971.

THE PRESIDENT,  
The White House,  
Washington, D.C.

DEAR MR. PRESIDENT: The Secretary of Labor James D. Hodgson has the responsibility, and the duty, to apply the Safety and Health Regulations issued by him and published in the *Federal Register* on April 17, 1971, to all interstate projects. Such a project is the \$5-billion METRO SUBWAY being constructed in the MD-VA-DC area, 66% of the cost of which is being paid by funds appropriated by the Congress and paid for by the American taxpayers.

Mr. President, you are quoted in a widely circulated poster distributed by the Federal Safety Council, and published by the Government Printing Office, as saying: "Job accidents are a daily American tragedy. They take a cruel toll in life, disabling injury and production. We in this Administration are working hard to reduce this human and economic loss. By setting an example, by preventing accidents and by improving safety practices, the Federal Government can lead the way for private industry. I ask your help in this effort." Mr. President, we are joining you in order to help you in this matter.

Mr. President, the businessmen in the METRO impact area are prepared to go to court to have the Health and Safety Regulations enforced, since the Secretary of Labor James D. Hodgson has not enforced these regulations himself even though he is charged with doing so. There have been accidents on the job. We are told that just last week a workman had his leg broken. Earlier a relative of Rep. Gilbert Gude (R-Md.) was hurt. And on June 17, 1971, the Beef-Feeder's Restaurant was swept by fire which, according to reports, was caused by a welding torch wielded by an employee of a METRO contractor. The loss will run into the thousands of dollars, and the Beef-Feeder's Restaurant will be closed for weeks. A lawsuit against the government and METRO and the contractor may result from this matter.

We request you to require Secretary of Labor James D. Hodgson to assign enforcement officials to the METRO-SUBWAY construction site at once and to, further, require him to strongly enforce the Safety and Health Regulations, which he has himself issued and had published in the *Federal Register*, to protect both the workmen and the public. We would appreciate hearing from you at your earliest convenience.

Respectfully yours,

GEORGE FRAIN,  
Executive Secretary, BASYAP, Inc.

P.S. Failure to enforce the law is a serious matter.

[From the New York Times, Jan. 30, 1972]

DOZEN CITIES PLANNING OR BUILDING TRANSIT LINES

(By Robert Lindsey)

LOS ANGELES, January 29.—After two decades in which American cities all but abandoned construction of new rapid transit systems in submission to the automobile, at least a dozen are now planning or building transit lines.

The \$1.5-billion San Francisco Bay Area Rapid Transit System will open this year. Washington is building a \$3.1-billion transit system. Pittsburgh is spending \$228-million on the first phase of the countywide transit line to operate under remote, computer control.

In Atlanta voters last fall authorized a new transit sales tax to help finance a \$1.4-billion system of subways and express busways. St. Louis, Minneapolis-St. Paul, Baltimore, Buffalo, Honolulu, Miami, Detroit, Dallas, and Denver are in various stages of planning transit systems. Many other cities are taking a look at the idea.

#### NEW EFFORT IN COAST

Even here in Los Angeles, perhaps the quintessential urban expression of the automobile, a new effort is being made to wean citizens away from their cars.

The Southern California Rapid Transit District, in a move that caught most local politicians by surprise, last month unveiled plans for a \$420-million subway-elevated line to run 14 miles from the city's downtown business district into the Watts ghetto. It would be the first arm of a proposed system that would eventually extend throughout Southern California and cost \$3-billion to \$6-billion.

The proposal has touched off a debate here that is raising fundamental questions about the ability of rapid transit systems to decongest many modern American cities, at a time when there is an explosion of civic interest in rapid transit.

All of the cities making plans are counting on Washington to pay two-thirds of the costs under the Urban Mass Transportation Act of 1970, which authorized \$3.1-billion in Federal matching grants for transit lines.

But the Department of Transportation does not have nearly enough money under this program to provide the two-thirds share for all cities planning transit systems, as well as multibillion-dollar requests for aid from cities such as New York, Boston and Chicago that want to expand existing lines.

#### WILL ASK FOR MORE

The department hopes to persuade Congress—and the White House Office of Management and Budget, which has shown some reluctance to permit spending at a pace sought by the department—to authorize an additional \$6.9-billion through 1982 under the program and has indicated it will probably seek much more than this.

In his budget message this week, President Nixon urged Congress to appropriate \$1-billion during the fiscal year that starts July 1 for grants to cities under the program. This fiscal year, Congress appropriated \$900-million, but the Administration's Office of Management and Budget subsequently held obligations to cities under the legislation to \$600-million, bringing protests from transit industry lobbyists and urban Congressmen.

Some transportation department officials have been quietly urging some cities not to undertake costly subway and rail transit projects, saying they do not have the kind of population density, demographic and geographic characteristics and expected market for public transit to justify construction of expensive radial "fixed right-of-way" systems like those of New York or Chicago.

Part of their argument holds that such transit lines—which will cost at least \$30-million a mile here—can be too inflexible once they are laid and are not adaptable to changing patterns in population and living habits.

In some cases, Administration officials have suggested the use of buses on reserved express lanes on highways instead, because they would cost less. This is an argument that rail transit interests say has been fostered by highway lobbyists.

#### CRITERIA PROTESTED

The Administration had drafted and circulated a proposed list of criteria—including certain minimum passenger volumes that would have to be served by a proposed system—that it said it planned to use in deciding whether a city qualified for grants for building subways or above-ground rail lines.

The proposal has drawn blistering protests from the transit industry and big-city lobbyists. As a result, the draft was withdrawn and is now being revised. It has not yet been published in its final form.

"We are against attempts to impose any criteria," said Dr. William J. Ronan, chairman of New York's Metropolitan Transportation Authority, who is president of the Institute for Rapid Transit, the principal lobbying group for pro-rail transit interests.

"Why should there be criteria for rapid transit systems where there are none for [Federal funding of] highways, none for airways or waterways?" Dr. Ronan

asked. He asserted that rail transit systems were by far the most efficient way to move large numbers of people.

#### CALLS CRITERIA NECESSARY

James M. Beggs, Under Secretary of Transportation, said in a telephone interview that the Administration was convinced some kind of criteria were necessary.

"There has to be an analysis of the economics of what has been proposed, some indication of what percentage of the public will ride a system," he said.

"The problem," one Transportation Department officials said when asked about the argument, "is that rapid transit has become too much like motherhood. You can't discuss it rationally, at least in public. If you say, 'Well, maybe some cities don't need rapid transit and are better off simply to rely on the automobile,' you're called a tool of the highway lobby."

Few transportation specialists dispute that rapid transit systems are essential in cities such as New York, Chicago or Washington, where there are relatively dense concentrations of jobs in a central city surrounded by satellite residential areas (and perhaps some jobs for inner-city "reverse commuters") in the suburbs. But many point out that this is not the situation in a growing number of cities.

Dr. Lyle C. Fitch, president of the Institute of Public Administration in New York, wrote recently:

"The scatteration of residences and activity centers in suburban developments requires random access transportation which can take different members of households to different places in different directions at different times.

#### TRACKS TORN UP

"The only transportation medium produced thus far to meet these requirements is the private automobile, which, along with its cousin the truck, was responsible for the dispersal in the first place."

Los Angeles, with its environs, is a classic example of this kind of city. It covers, haphazardly, like a giant crazy-quilt blanket flung to the ground in haste, more than 460 square miles. It is a melange of subdivisions, shopping centers, manufacturing plants, a slightly decaying central business district plus many satellite shopping districts. Surrounding it, spilling over thousands of additional square miles, are scores of separate, independent satellite cities, all of which blend more or less into a single sprawling urban complex.

Once the county had one of the most extensive networks of streetcar and inter-urban mass transit facilities in the nation. But the tracks were torn up after World War II because of falling patronage and, in many cases, a desire to use the right-of-ways for roads to ease growing traffic jams.

Because of its low density and lack of a central core, the city depends on the automobile to such an extent that—at least during rush hours—traffic sometimes all but comes to a halt. At the same time, auto traffic helps create one of the world's worst urban air pollution problems.

Despite the smog and traffic, Southern Californians for the most part seem to be tenaciously married to their automobiles, a fact reflected in the defeat of a 1968 bond issue that would have financed construction of a \$2.5-billion rapid transit system.

#### FROM GASOLINE TAX

This time around, the pro-transit forces do not have to go to the voters. Last year, the California Legislature voted to make gasoline subject to the 5 per cent state sales tax (it was previously exempt) and earmarked most of the revenue for distribution to cities, counties and transit agencies for transit projects.

The Southern California Rapid Transit District hopes to obtain the \$140-million local share needed to qualify for a two-thirds Federal grant by using this new source of revenue. But first it must convince city and county leaders to contribute their share of the revenues, and it is now trying to do so.

The proposed system, using either a conventional rail or a rubber-tired train, would originate in downtown Los Angeles at Union Station and proceed south on an elevated ramp over the Hollywood Freeway. Then it would go underground, pass by the Los Angeles Coliseum and through a predominantly Negro section of the city into Watts. The line would connect with two planned freeways reserved exclusively for transit express buses.

## AID TO LEAVING GHETTO

Backers of the system, including Jack Gilstrap, the district's general manager, recalled that a special commission established after the 1965 Watts riots found that a contributing factor in the disorder was the inability of poor Negroes to reach job opportunities because of few transportation facilities out of their ghetto.

The new line, Mr. Gilstrap said, should meet this need, "and will not only reduce traffic congestion in downtown Los Angeles, but by reducing the number of automobiles in use at a given time, it will substantially reduce air pollution." He has predicted that once Los Angelenos have a choice of riding on a modern transit system rather than fight bumper-to-bumper traffic daily, many will opt for mass transit.

But the project is under fire on several counts. Some city officials argue that, if any transit line is built, the first section should be along the city's fashionable shopping-business thoroughfare, Wilshire Boulevard, where there has been extensive office building construction in recent years.

## FOR BETTER BUS SERVICE

Some critics maintain the new sales tax revenue should be applied to improve the district's existing bus service rather than build a new rail system. Others argue that the money will be wasted because Southern Californians cannot be divorced from their cars.

One opponent, George Hilton, an economics professor who specializes in transportation at the University of California at Los Angeles, calls the project "a fiasco."

"There is just no market for it," he asserted. "It's just wishful thinking that you can go back into the past when the central business district served the whole area and people didn't have cars. All the forces in cities today are for diffusion."

Mr. Hilton, who was also critical of plans of Atlanta, Baltimore and other cities to build rail systems, said: "What they're doing is making a huge investment in a declining market. Every place you look, the number of trips into the central business district is the most rapidly declining segment of urban transportation."

[From the Washington Post, Feb. 22, 1972]

## METRO STILL UNSETTLED ON STATIONS

(By Paul G. Edwards)

Ten years after planning began for stations on the Washington area's Metro rapid transit system, serious problems still must be overcome.

The 98-mile system is to be completed by 1980 and construction is now proceeding on a firm timetable. But station planners are still grappling with the spectre of clogged access roads, stations located beyond normal walking distance from high-density areas, and traffic patterns that will force cars and buses to circle a station before entering it.

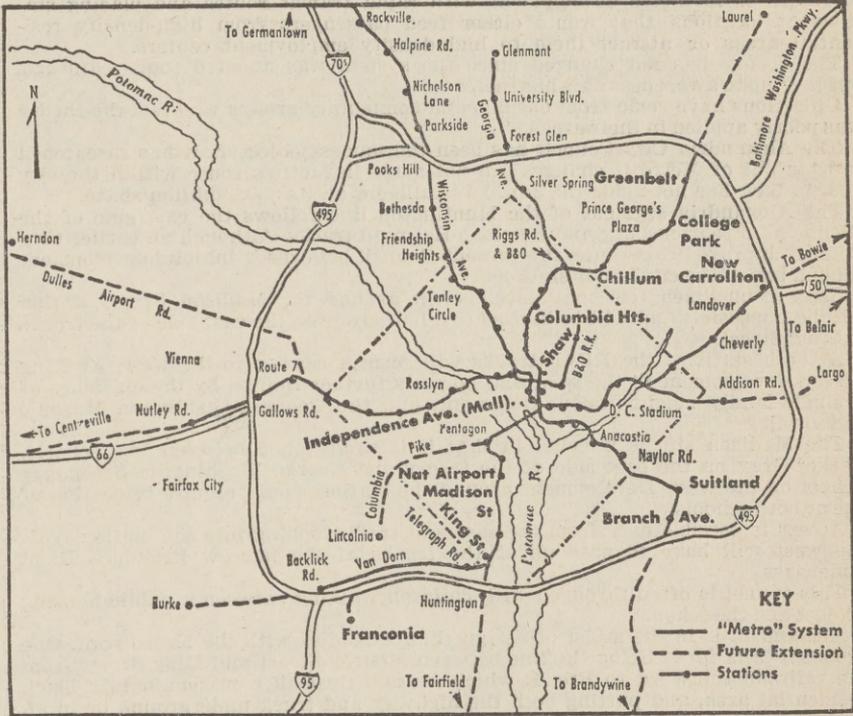
Pressure is beginning to mount to correct the defects as the final design stages are reached for the stations. Changes can still be made, but the high cost of doing so (\$2,000 a foot to move a surface line, many times more for putting lines underground) will have to be borne solely by the local jurisdictions.

Of the 82 stations in the system, about a dozen currently are viewed by planners as posing serious design problems. This number changes as final plans are adopted for some stations and new questions are raised about others scheduled for later construction. The problems result, say the planners, from both public and official indifference in the mid-1960s to the system many felt would never be built.

Among the specific problems:

- At the Suitland station in Prince Georges County, a single, federally owned access road must handle both automobile traffic to the massive Census Bureau complex along with buses and cars to the station.
- At the College Park station on Calvert Road, the access road crosses the main line of the Baltimore and Ohio Railroad at grade level just west of the proposed station. Freight trains will delay pedestrians and cars coming from the west to the single station entrance on the east side of the tracks.

- At Alexandria's King Street station, there is a poorly designed intersection of four major streets. Under present plans, a car or bus approaching the station from the north on Commonwealth Avenue would have to make a right turn onto King and three left turns to enter the station.
- At Alexandria's Madison Street station, the traffic pattern forces traffic to circle Parker-Gray Middle School to reach and leave the station.
- The National Airport station dumps suitcase-carrying passengers beyond easy walking distance from the main terminal.
- The Franconia and Vienna station sites in Fairfax County are in the middle of areas planned for low-density development and just outside of areas planned for high-density commercial and residential uses.



Map shows some of the Metro stations that pose design problems.

These design anomalies exist despite a planning process that began in the early 1960s and exhaustive public hearings on route alignment and station locations in each metropolitan area jurisdiction before the system was adopted in 1968.

Some major changes were made by local governments during this period in both alignments and station locations that had been proposed by the Metro staff and its consultants. But indifference in the mid-1960s let some obvious design faults slip through, planners say.

As the result of a court order, a second round of hearings is being held on each station as it goes into final design. The latitude for changes now, however, is narrow.

At this point, one jurisdiction cannot make changes that would require new station locations or alignments in other jurisdictions. Moreover, any changes made now that add to the cost of the entire system must be borne entirely by the jurisdiction requesting the new design.

This add-on cost agreement among Washington Metropolitan Area Transit Authority members already is having its impact. The Federal Aviation Administration, for instance, would like to put Metro underground at National Airport in order to place the station entrance at the main terminal.

The planned elevated station is northwest of the north terminal and cannot be moved south because the elevated line must curve to miss the terminal building and runways. Stations cannot be located on a curve.

The federal government is the major contributor to the \$3-billion Metro construction fund, but the added cost—\$30 million—of putting the airport segment underground would have to come out of FAA's own budget.

As described by Metro and local government planners, the basic theory of Metro route alignment and station location is simple. It called for splitting corridors of intensive development with rapid transit routes and placing stations at locations that would either feed passengers from high-density residential areas or attract them to high-density employment centers.

The theory has not changed since the system was adopted four years ago, but the public awareness of it has increased.

Objections have come from officials and community groups who feel the theory was poorly applied in their areas.

The Alexandria City Council has been the loudest objector. It has threatened to back out of Metro if changes are not made in Metro's route within the city and, in fact, has not made the Jan. 1 installment on its \$30.6-million share.

The Alexandria segment of the Huntington line follows the east side of the Richmond, Fredricksburg and Potomac Railroad tracks. Although an earlier City Council approved this route, the present Council believes it inhibits development around two of the city's four stations.

Some councilmen feel that development around the Madison Street station will be impossible and will be limited to a half-circle on the east side of the tracks at King Street.

At both stations, the RF&P tracks will form a barrier to the west. At King Street, development to the west and north is further limited by the existence of a single-family neighborhood, Rosemont, and the George Washington Masonic Memorial.

The Madison site is unusual in that it is sandwiched between two schools, Parker-Gray on the east side of the tracks and George Washington Secondary School on the west. Development around the station would require relocation of one or both schools.

Access is possible only from the east and traffic looping into the station from the west will have to pass under the tracks at the narrow Braddock Road underpass.

This tunnel is often thronged with children walking between a public housing project and the schools.

Alexandria is in the midst of design change studies with the Metro staff. One proposal calls for shifting the line between Monroe Street and King Street from the railroad eastward to Rte. 1, which courses through a predominantly black residential area, and putting both the highway and track underground or in an open cut.

The council has been told, however, that this change could add from \$15 million to \$50 million to the city's Metro bill, depending on how much of the line is put underground.

Alexandria's problem with access to stations on railroad rights-of-ways and development around them is shared by other suburbs and the District of Columbia. Metro planners concede that the convenience and economy of following both railroad and planned freeway right-of-ways into the suburbs was purchased at the price of station design headaches.

Both railroads and freeways prove formidable barriers in planning pedestrian and automobile routes to the stations.

Montgomery and Arlington counties avoided many of these problems by placing major segments of their routes underground along major but unlimited access arteries like Wilson Boulevard and Fairfax Drive in Arlington and Wisconsin and Georgia Avenues in Montgomery.

These stations, however, as well as those located on railroad lines or freeways, require street improvements to provide adequate access. Planners and local government budget officials point out that the capital costs of these access road improvements near stations must be borne by the local governments alone although they are a direct result of Metro construction.

The opportunity for intensive development around stations located in existing transportation corridors in Arlington and Montgomery are so great that both jurisdictions have tried to dampen some proposals for fear of creating too much congestion.

"We can't afford to let every station become an intensive development center," said William H. Hussman Jr., Montgomery's deputy administrator and a member of the Washington Suburban Transit Commission.

Arlington planners have already recommended a cutback of previously planned densities in the Jefferson Davis Highway corridor served by Metro stops at Pentagon City and Crystal City.

In Fairfax, Metro routes miss all nine of the planned regional centers in the county, but planners hope to see the Franconia station, in the heart of a low-density area, shifted to the Springfield regional center on Rte. 95.

Few of the Prince George's stations are located at planned or existing intensive development centers. Prince George's Plaza is an exception, but here pedestrians will have to cross Bellcrest Road and East-West Highway after leaving the station to reach the plaza.

The New Carrollton station in Prince George's could develop into a major center, planners feel, if the Metroliner stop there is combined with the Metro station and 100 acres of state-owned land is developed commercially.

Access to the area, however, is complicated by the Penn Central Railroad tracks, limited-access John Hanson Highway and a dispute between Prince George's County and the town of New Carrollton over improvement and maintenance of 85th Road between the station area and Annapolis Road.

Proposals for new development and access improvements around stations got off to a slow start in Washington partly because of the difficulty of assembling large tracts and partly because no city agency was working on station designs until last year.

Finally, a transit development team, headed by planner John Fondersmith, was formed to develop station proposals for the city's WMATA representatives. The team's work has resulted in access improvement to far Northeast stations and provisions for better pedestrian access to possible future developments around stations in commercial areas.

As an example of the latter, Fondersmith persuaded Metro planners to incorporate a mezzanine break in the escalator to the surface from the McPherson Square station. The mezzanine can then provide underground access to future redevelopment on both sides of 14th Street.

Every Metro station will have at least one entrance that opens onto a public sidewalk, but commercial developments, such as department stores, may gain direct access to stations by paying for construction of entrances that meet WMATA specifications. Use of these entrances may not be restricted.

Early in its existence, the WMATA board of directors delegated to its general manager and real estate director the authority to make contracts for the purchase of land needed for track right-of-way and stations. The theory was that the politically appointed board members should be insulated from private interest pressures on Metro land deals.

The board, however, does pass on special property deals with private interests that might affect the functioning of the transit system. Examples are the approved station entrance connecting to Woodward and Lothrop's downtown store and a proposal to let developer Hubert Hoffman retain air rights above the Eisenhower Avenue station in Alexandria in exchange for Hoffman's donation of the station site.

In these instances, the board can consider the financial aspects of the agreement on deciding whether to approve the deal. Final identification of property to be bought and price paid, however, is left to the staff.

Some of the private proposals complicate final station design immensely. An example is the Friendship Heights station on Wisconsin Avenue at the D.C.-Montgomery line.

Commercial links to the station are being sought by landowners on three corners of the Western and Wisconsin Avenue intersection. The Washington Suburban Transit Commission finally adopted a station design that was flexible enough to adjust to several plans for development of the area that must be approved by both D.C. and Montgomery officials.

The flexible plan was adopted before all the development and access questions were resolved to avoid delaying Metro's design and construction timetable.

The expectation is that every suburban jurisdiction will find itself struggling with final station designs in the face of construction timetables as Metro's radial routes reach out from the District.

[From Fortune, February 1972]

## A ROUNDUP OF THE WORLD'S SUBWAYS

*Passengers per year (est.)*

Existing systems:	<i>Passengers per year (est.)</i>	Existing system being extended—	
		Continued	<i>Passengers per year (est.)</i>
Athens -----	85,000,000	Oslo -----	25,000,000
Berlin (East) ----	80,000,000	Paris -----	1,175,000,000
Buenos Aires -----	270,000,000	Rome -----	20,000,000
Chicago -----	160,000,000	Rotterdam -----	30,000,000
Cleveland -----	15,000,000	Stockholm -----	180,000,000
Glasgow -----	20,000,000	Tokyo -----	1,360,000,000
Haifa -----	5,000,000	Toronto -----	150,000,000
Mexico City -----	225,000,000	New systems under construction:	
Montreal -----	130,000,000	Amsterdam -----	50,000,000
Peking -----	( <sup>1</sup> )	Antwerp -----	( <sup>1</sup> )
Philadelphia -----	75,000,000	Brussels -----	10,000,000
Tbilisi (U.S.S.R.) --	60,000,000	Cologne -----	40,000,000
Existing system being extended:		Frankfurt -----	( <sup>1</sup> )
Baku (U.S.S.R.) ---	40,000,000	Hanover -----	15,000,000
Barcelona -----	200,000,000	Helsinki -----	135,000,000
Berlin (West) ----	220,000,000	Kharkov -----	( <sup>1</sup> )
Boston -----	95,000,000	Munich -----	50,000,000
Budapest -----	20,000,000	Prague -----	( <sup>1</sup> )
Hamburg -----	175,000,000	San Francisco ----	50,000,000
Kiev -----	100,000,000	Santiago -----	550,000,000
Leningrad -----	370,000,000	São Paulo -----	510,000,000
Lisbon -----	500,000,000	Sapporo -----	70,000,000
London -----	675,000,000	Seoul -----	40,000,000
Madrid -----	535,000,000	Stuttgart -----	( <sup>1</sup> )
Milan -----	60,000,000	Vienna -----	165,000,000
Moscow -----	1,505,000,000	Washington, D.C. --	350,000,000
Nagoya -----	120,000,000	Yokohama -----	35,000,000
New York -----	1,300,000,000		
Osaka -----	455,000,000	Total -----	12,505,000,000

<sup>1</sup> Not available.

Senator EAGLETON. The committee is adjourned.  
 (Whereupon, at 11:37 a.m., the hearing was concluded.)

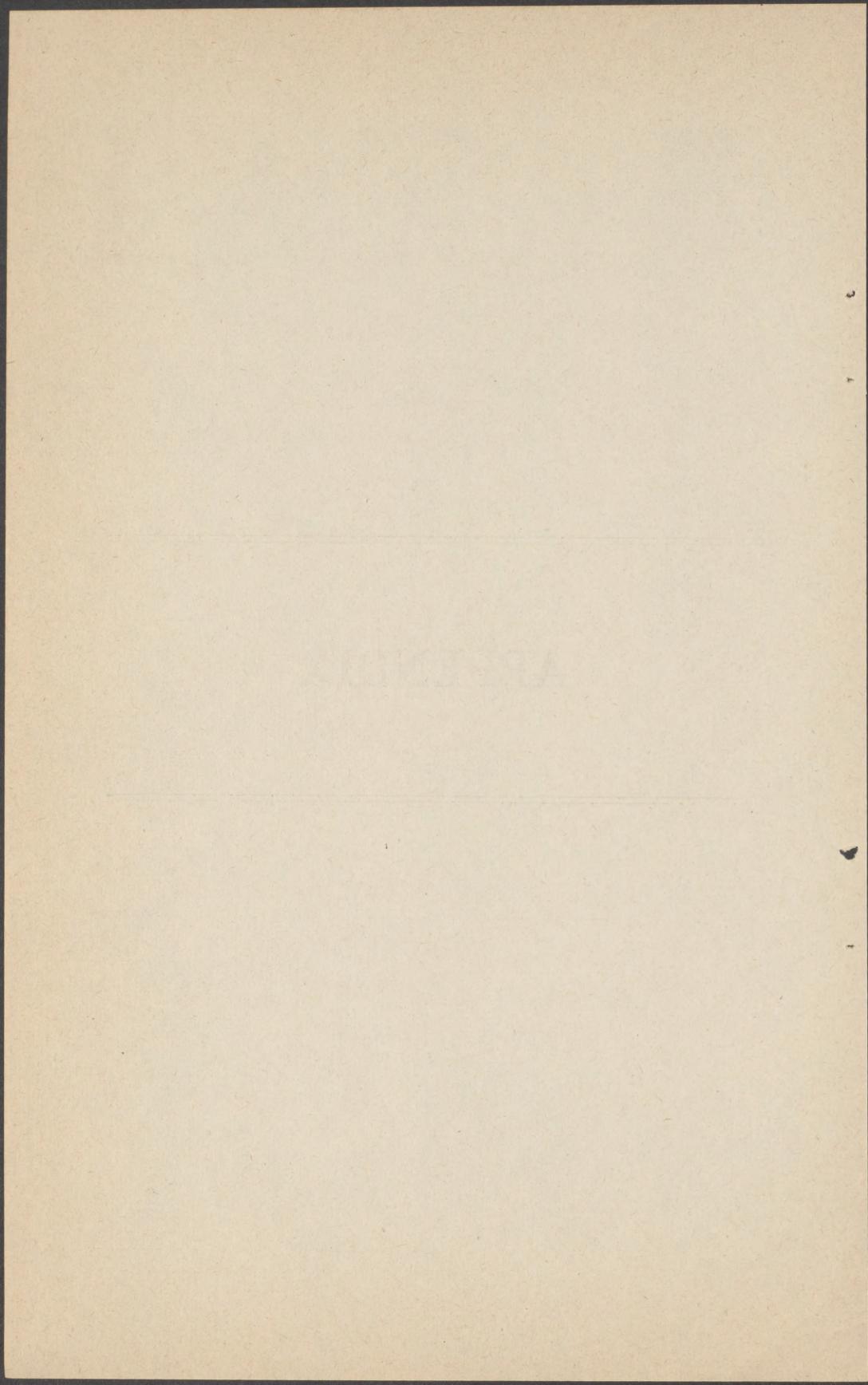
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# APPENDIX

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# WMATA FACT SHEETS

JANUARY 27, 1972.

## STATUS OF FUNDING

*Question. How much money has been made available to the Authority thus far, and from what sources?*

*Discussion:*

Funding of the Authority's capital program, to date, amounts to \$854 million. This includes a \$57 million loan made to the Authority by the Secretary of Transportation.

The \$854 million in capital contributions breaks down into \$80 million from Maryland, \$64 million from Virginia, \$124 million from the District of Columbia, and \$529 million of the appropriated Federal grant of \$725 million plus the \$57 million Federal loan.

(See table attached for status of construction and design and additional funds information.)

### WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY, PROJECT STATUS REPORT

Project data	Miles				Stations				Total
	District of Columbia	Maryland	Virginia	Total	District of Columbia	Maryland	Virginia	Total	
Final design as of Feb. 7, 1972.....	14.27	6.67	4.71	25.65	18	3	3	14	
Construction as of Feb. 7, 1972.....	7.06	0	1.91	8.97	9	0	2	11	

Capital funds received (millions)	District of Columbia	Montgomery County	Prince Georges County	Alexandria	Fairfax County	Arlington County	Fairfax City	Falls Church	Total
	Prior to fiscal year 1972.....	\$51.3	\$30.6	\$24.0	\$8.5	\$17.2	\$14.9	\$0.7	
Fiscal year 1972.....	72.5	18.7	6.9	2.6	10.5	9.1	.2	.1	120.6
Total received Feb. 8, 1971.....	123.8	49.3	30.9	11.1	27.7	24.0	.9	.3	268.0
Matching Federal funds plus Federal loan of \$57,000,000.....									586.4
Grand total to date.....									854.4

Note: Federal funds including the above and amounting to \$725,100,000 have been appropriated through fiscal year 1973, contingent on being matched by local Jurisdiction funds. Prince Georges County owes \$7,800,000 for fiscal year 1972, which will be paid when bonds are sold in the spring. Alexandria will pay when alignment problems are solved \$2,600,000 and Fairfax City 2d half fiscal year 1972 contribution of \$200,000 is due momentarily.

Funds expended	District of Columbia	Maryland	Virginia	Systemwide	Total
Land and land rights .....	\$30,708,745	\$2,842,250	\$4,986,649	\$10,550	\$38,548,194
Engineering and design .....	18,170,028		3,523,413	22,626,180	44,319,621
Construction .....	73,371,907		2,221,637	7,248,885	82,842,429
Project management.....				19,089,062	19,089,062
Total capitalized expenditures Jan. 31, 1972 (statement No. 1) .....	122,250,680	2,842,250	10,731,699	48,974,677	184,799,306

Funds obligated and committed as of Feb. 8, 1972	Obligations	Commitments	Total
Land and land rights .....	\$36,074,849	\$31,071,399	\$67,146,248
Engineering and design .....	61,156,124	1,956,038	63,112,162
Construction .....	407,449,618	239,522,993	646,972,611
Project management.....	6,849,885	3,057,415	9,907,300
Total .....	511,530,476	275,607,845	787,138,321
Available for obligation or commitment.....			67,413,420
Program total .....	511,530,476	275,607,845	854,551,741

JANUARY 21, 1972.

## REVISED FINANCIAL PLAN

*Question. What caused the increase in the estimated cost of the transit system?*

*Discussion:*

The revised financial plan is based upon updated engineering and revenue studies completed early in 1971. These studies are based upon the latest data available, and includes the severe inflationary pressures which have developed in the construction industry and the latest population and employment projections in the region.

The conclusions reached in consequence of these studies were that while capital costs increased by approximately \$486 million, revenues also increased, leaving a resultant net project cost increase of \$441 million. A matter of equal concern developed during this period in a series of discussions with securities underwriters, which lead to the additional conclusion that the Authority's revenue bonds could not be marketed without some form of a tax backup or a Federal guaranty.

*Further Discussion:*

The revised financial plan therefore provides for:

A Federal guaranty of the Authority's revenue bonds.

Conversion of the Authority's bonds to a taxable security in accordance with Treasury policy relating to a Federal guaranty of securities.

An interest rate subsidy of 25 percent of the net interest rate, as a means of assuming \$294 million (two-thirds) of the net project cost increase by the Federal Government and the recognition of the tax earnings by the Treasury on the taxable security. The interest rate is assumed to be an average of 7 percent.

An increase in payments of \$147 million by the eight participating local governments, as a condition of the Federal guaranty of the \$294 million of bonds in excess of \$900 million, to preserve the two-thirds Federal, one-third local formula for funding of the net project cost.

The revised net project cost is \$2,161.5 million to be shared on a two-thirds (\$1,441 million) and one-third (\$720.5 million) basis by the Federal and local governments. Congress has previously authorized \$1,147.0 million with local jurisdictions providing \$573.5 million. The Administration has proposed that its share of the increased cost be met through the payment of an interest subsidy equal to one-fourth of net interest cost which would permit the Authority to sell additional bonds equal to approximately \$294 million. The local jurisdictions have been requested to increase their share by an additional \$147 million, bringing it to \$720.5 million.

Owing to the complexity and the time required to develop a tax backup acceptable to eight local jurisdictions, it is apparent that the sale of bonds cannot be assured in time to avoid disruption of the construction schedule. Consequently, after a series of discussions with the local governments and the Executive Branch of the Federal Government, it was decided that a conversion of the Authority's bonds to a taxable issue as a condition of Federal assistance would be the most expeditious course of action.

NOTE: The bill before the committee provides for a guarantee of "up to" \$900 million of revenue bonds and the funding and guarantee of an additional \$300 million of bonds for net project cost increases, whereas at this time estimates are that only \$882 million of revenue bonds will be required and only \$294 million of net project cost increase will be assumed by the Federal Government. The excess above these amounts would be used only with the approval of the Congress.

## DETAILS OF REVISED FINANCIAL PLAN

[In millions]

	Original	Revised
Total Construction Cost <sup>1</sup> .....	2,494.6	2,980.2
Net Interest During Construction.....	60.9	66.3
<b>Total Project Cost</b> .....	<b>2,555.5</b>	<b>3,046.5</b>
Revenue Bonds Issued (Exclusive of Reserves and Federal Subsidy) <sup>2</sup> .....	(835.0)	(882.0)
District of Columbia Mid-City Alternate Payment <sup>3</sup> .....		(3.0)
<b>Net Project Cost</b> .....	<b>1,720.5</b>	<b>2,161.5</b>
Federal Share.....	1,147.0	1,441.0
Grants.....	1,147.0	1,441.0
Interest Subsidy.....		294.0
Local Share <sup>4</sup> .....	573.5	720.5

<sup>1</sup> Escalation Factors used were 5% for original plan and 7% for revised plan.

<sup>2</sup> Assumed Bond Interest Rates were 5% for original plan and 7% for revised plan. With the 25% interest rate subsidy, the effective interest paid by WMATA under the revised plan is 5.4%.

<sup>3</sup> Under the resolution adopted by WMATA on July 11, 1970, the District of Columbia will provide an additional \$3.0 million for the Mid-City Alternate during fiscal 1972.

<sup>4</sup> Exclusive of D.C. Mid-City Payment.

JANUARY 24, 1972.

## REASONS FOR COST INCREASES

*Discussion:*

Experience gained over the first year of construction indicated that the Authority's original cost projections were being seriously upset by the extraordinary rate of inflation affecting the construction industry. This escalation was beyond expectation owing to three primary causes:

1. Unprecedented wage increases won by the construction unions,
2. Extremely high rates of interest for construction loans and bonds, and,
3. Delays in our construction schedule because of withholding of District of Columbia funds.

Of the \$486 million cost increase, \$323 million was attributable to these factors. The balance of \$163 million was in base year costs, mainly utility relocations, cars and equipment.

*Further Discussion:*

The new financial plan provides for the funding of these increases. It had assumed the appropriation of the District of Columbia share in fiscal 1971. The effect of the ensuing delay in District funding ran about a million dollars a week, or an estimated total of \$25 million for the six months delay. We are hopeful that the battle against inflation will enable us to meet these increases through savings in interest rates on our revenue bonds or in other anti-inflation measures.

METRO CAPITAL COST ESTIMATES, JANUARY 1969-NOVEMBER 1970

[In millions of dollars]

Item	Base-year costs	Escalation amount	Escalated costs
Base estimate.....	1,959.2	535.4	2,494.6
Midcity alternate.....	3.0	.8	3.8
<b>Total prior to reestimate</b> .....	<b>1,962.2</b>	<b>536.2</b>	<b>2,498.4</b>
Increase in base-year costs.....	162.9	44.5	207.4
Increase due to revised escalation factors.....		219.1	219.1
Increase due to revised schedule.....		55.3	55.3
<b>Total</b> .....	<b>2,125.1</b>	<b>855.1</b>	<b>2,980.2</b>

## METRO CAPITAL COSTS

[In thousands of dollars]

	Base-year costs	Escalation	Escalated costs
Structural and finish construction.....	1,587,824	706,420	2,294,244
Rights-of-way <sup>1</sup> .....	200,170	14,830	215,000
Vehicles.....	150,765	48,196	198,961
Engineering and administration.....	186,252	85,771	272,023
Total.....	2,125,011	855,217	2,980,228

<sup>1</sup> Rights-of-way costs adjusted for recoupment.

## METRO INCREASE IN BASE-YEAR COSTS

Item	Millions
Vehicles.....	\$14.5
Escalators.....	5.1
Trackwork and traction power.....	18.0
Train control and comm.....	14.5
Subtotal.....	52.1
WMATA shop building.....	3.1
WMATA shop equipment.....	1.2
Operations control center building.....	3.7
Work in area of WTC.....	1.0
Stations.....	5.6
Glenmont route.....	2.2
Utilities, underpinning, dewatering, maintenance of traffic, miscellaneous.....	76.5
Subtotal.....	93.3
Engineering and administrative costs.....	17.5
Total.....	162.9

## METRO CAPITAL COSTS INCREASES

Description	Capital cost estimate (Jan. 1, 1969)	Increase	Revised estimate of capital costs (Jan. 1, 1971)
Structural and finish construction:			
Base year cost.....	\$1,543.9	\$133.9	\$1,587.8
Escalation.....	418.3	288.1	706.4
Total.....	1,872.2	422.0	2,294.2
Rights-of-way:			
Base year.....	182.2	18.0	200.2
Escalation.....	33.7	(18.9)	14.8
Total.....	215.9	(0.9)	215.0
Vehicles:			
Base year.....	136.2	14.6	150.8
Escalation.....	31.4	16.8	48.2
Total.....	167.6	31.4	199.0
Engineering and administration:			
Base year cost.....	186.9	(0.7)	186.2
Escalation.....	52.0	33.8	85.8
Total.....	238.9	33.1	272.0
Total costs:			
Base year cost.....	1,959.2	165.9	2,125.0
Escalation.....	535.4	319.7	855.2
Total.....	2,494.6	485.6	2,980.2

## NEED FOR REVISION OF FINANCIAL STRUCTURE AT THIS TIME

*Question. Why is it necessary to revise the Authority's financial structure at this time?*

*Discussion:*

In order to assess the consequences of cost escalation experience over the first year of construction, and to update system cost estimates preparatory to going to the bond market, a comprehensive review of capital cost projections was needed. The results of these studies indicated:

- That primarily because of severe and unanticipated escalation, the net project cost of the system would increase by \$441 million.
- Because of the strong demand for capital and the availability of more seasoned types of securities, investors would not be willing to purchase transit revenue bonds without either a tax backup or a Federal guaranty.

The WMATA Compact requires that insofar as possible capital costs are to be paid by the users; therefore, the financial plan has included the issuance of securities in support of approximately one-third of the system cost. Under the revised plan owing to the proposed Federal guaranty and interest rate subsidy, the Authority will be able to finance approximately 40 percent of the system cost.

The cost of the system is directly tied into the timeframe within which it is to be constructed. Consequently, it is imperative that the Authority be in a position to market its revenue bonds beginning in fiscal year 1972.

Owing to the complexity and the time required to develop a tax backup acceptable to eight local jurisdictions, it is apparent that the sale of bonds cannot be assured in time to avoid disruption of the construction schedule. Consequently, after a series of discussions with the local governments and the Executive Branch of the Federal Government, it was decided that a conversion of the Authority's bonds to a taxable issue as a condition of Federal assistance would be the most expeditious course of action.

*Further Discussion:*

The increase in the capital cost is primarily the result of the severe inflationary trend of recent years. \$323 million results from the resultant cost escalation and \$163 million is attributable to increases in earlier cost projections as more refined engineering estimates have become available. These increases are offset somewhat by more favorable revenue estimates. However, the net increase totals \$441 million.

After a careful review of all of the factors involved in the proposed marketing of the Authority's bonds, our financial consultants (Kuhn, Loeb and Dillon Read) advised on December 30, 1970 that it would be impossible to place a straight transit revenue bond issue without a tax backup or a Federal guaranty.

The marketing of transit revenue bonds was considered especially difficult owing to the competition for limited funds by other forms of securities which presented either less risk or which were more familiar to the investor.

JANUARY 24, 1972.

VALIDITY OF REVISED ESTIMATES

*Question. It is claimed that the cost of the System will substantially exceed current WMATA projections. What has been done to assure the validity of the current estimate?*

*Discussion:*

We have been concerned at suggestions and even predictions by some in the House that the cost of the subway will go to \$4 or \$5 billion. We have testified to the fact that we expect to build the approved ARS system at its estimated cost of slightly under \$3 billion. That figure includes a tremendous escalation estimate of \$855 million and we feel that it is sufficient.

Our estimating experience has shown small swings both upward and downward from the estimates prepared in January 1971. On average, however, we have come remarkably close to our estimate at this point in time with some \$486,000,000 in contracts in force. In fact, as of December 30, 1971, we were some \$300,000 below our estimate at this stage in our project. In 11 of 15 major jobs opened since last June, low bids were below our estimates. We expect to build the approved system within our estimate of \$2,980,200,000.

*Further Discussion:*

During November and December 1970 we undertook a study in depth of our first year's experience with construction costs. Each contract awarded was analyzed and de-escalated back to January 1969, our base year. Differences in de-escalated costs were then compared and adjusted upward or downward as necessary to form a new base year price.

Escalation rates for both labor and materials were examined and determined for 1970 and a weighted figure of 7.71% was developed. 1971 appeared to be heavily weighted in favor of increased labor costs due to union contracts already in force, so we arrived at a figure of 10.4% for our escalation in that year. These same union contracts carry into 1972 as well, but the impact is somewhat softened; therefore, we established our rate for 1972 at 8.68%. We treated all succeeding years at slightly descending rates because we felt that as labor in the Washington area came closer to parity with pay scales in New York and Philadelphia the pressures for catch-up union contracts would ease. The escalation rate for the life of the project is equivalent to 7% compounded annually.

We are not yet able to determine the impact of the President's Wage-Price freeze, but we feel that the longer range effects can only be to our benefit. Vigorous measures to break the Cost-Price cycle during Phase II will operate to validate our forecasts of costs over the life of our project. Conversely, if we are inordinately delayed in receipt of funds or if inflation gets out of control again, we may find our forecasted escalation under-estimated.

The attached resolution of May 20, 1971 represents an important self-disciplinary action by the Authority to control costs. I invite your particular attention to paragraph 3, which local jurisdictions have since accepted and implemented in a number of instances.

## WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY

## POLICY FOR ALLOCATION OF INCREASES OR REDUCTIONS IN COST

ADOPTED AT THE MAY 20, 1971 MEETING OF THE BOARD OF DIRECTORS

"WHEREAS, the recent severe inflation in the construction industry has served to increase the cost of the Regional Transit System substantially above original cost estimates; and

WHEREAS, the President of the United States has announced a proposal designed to provide on a two-thirds Federal one-third local basis funds sufficient to cover the cost overrun; and

WHEREAS, certain alterations to the Regional Transit System are from time to time proposed which tend to increase the cost of constructing the System; and

WHEREAS, it is incumbent upon the Board of Directors to establish a policy for the allocation of any such increased costs over and above those which are already accounted for;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Washington Metropolitan Area Transit Authority that the following policy is hereby established to provide for the allocation of increased costs or reductions in costs resulting from changes hereafter made in the Adopted Regional System 1968 (Revised):

1. Those costs which shall be considered as System Costs shall be for facilities in the Adopted Regional System—March 1, 1968, revised February 7, 1969, as defined in the Capital Cost Estimate computed by the General Engineering Consultant (DeLeuw Cather & Company) in December 1970 and shall be deemed to include those changes presented to and agreed upon by the Board as of the date of adoption of this resolution and as reflected in the attached tabulation of additions and deletions.

2. Any changes in facilities determined by the Board to be attributable to engineering considerations, or otherwise determined by the Board not properly attributable to the local jurisdiction in which the affected facilities are located, shall be computed as changes in System Costs.

3. Any changes hereafter made to the System facilities at the request of the local jurisdiction where the change is to take place and which result in increased costs shall be the responsibility of the local jurisdiction in which the changes occur. Such increase in costs shall be borne entirely by that jurisdiction and a commitment to finance those costs shall be made at the time the change is approved. Increased costs resulting from changes requested by an agency of the Federal Government should be borne entirely by the Federal Government.

4. Any reductions in cost arising from changes requested by the jurisdiction in which the change is to take place shall accrue to the credit of that jurisdiction only to the extent of increases charged to it. Reductions in cost beyond that amount shall be considered a reduction in total System Costs."

JUNE 22, 1971.

EXCESS EARNINGS—COVERAGE RELATED

*Discussion:*

WMATA's financial plan includes a minimum coverage requirement of 1.20 after depreciation. As a result of this coverage factor, annual estimated revenue will exceed debt service requirements and result in a revenue surplus. These funds, referred to as excess earnings will be redistributed to the participating governments, including the Federal Government, on the basis of the share each contributed to the project.

Thus, it is planned that the Federal Government will receive an additional return for each dollar it invests. Predicated on our present assumptions the excess earnings will total \$978.6 million. Of this amount, it is estimated that the Federal Government will receive \$652.4 million or two-thirds of the total estimated excess. The balance will be paid to the participating local governments.

NOVEMBER 1, 1971.

ECONOMICS OF METRO

*Discussion:*

Metro will provide direct and indirect benefits to the Washington Region. A study by Development Research Associates of Metro's \$2.5 billion system indicated a benefit cost ratio of 3:1 for this system. The factors used in this study were based on the \$2.5 billion system and while Metro's rate of return would be somewhat lower for our present cost, the difference would not be statistically significant.

A number of "net economic increases" attributable to Metro can be assigned a dollar magnitude. Generally, these quantifiable benefits accrue to specific groups within the region. These groups and their associated present value 1972-2020 benefits are bus riders, \$1.4 billion; motorists using Metro, \$0.9 billion; motorists not using Metro \$0.5 billion and business community, \$0.1 billion for a total of \$2.9 billion. The cost in capital grants, also on a present value basis, totalled approximately \$950 million at that time, thereby producing a benefit-cost ratio of 3:1. Thus for every dollar invested in Metro, more than three dollars will be returned in quantifiable benefits.

There are also a number of nonquantifiable benefits. These benefits are important and should be identified. Metro will facilitate regional growth by linking the center city and outlying areas and encourage an efficient growth pattern. Metro will provide access to employment opportunities for the disadvantaged, provide adequate transportation for the transit dependent, and increase accessibility to educational, recreational, and cultural activities.

JANUARY 24, 1972.

COST ESCALATION PROJECTIONS

*Question. What cost escalation projections has the Authority made?*

*Discussion:*

Our Consultant has undertaken an intensive escalation study to analyze and forecast prices of men, material, equipment and purchased services of the major components of the Metro System for the duration of the project. Construction labor costs in Washington have accelerated at a rapid rate, largely to "catch-up" with labor rates in other major cities. The labor union contracts are generally for a 3-year period, after which we expect Washington's labor rate annual increases to taper off.

Our escalation projections for construction of the Metro System are as follows:

Year:	Rate (Percent)	Year:	Rate (Percent)
1970	7.71	1976	5.51
1971	10.40	1977	5.22
1972	8.68	1978	4.94
1973	6.88	1979	4.70
1974	6.69	1980	4.51
1975	5.77		

This is roughly equivalent to an average annual increase of 7% per annum. This average of 7% results in a total cost for escalation of \$855 million against the \$2,125 million of base year costs.

Our initial escalation forecast in 1967 of 5% per annum was considered conservative at the time.

NOVEMBER 1, 1971.

#### ROLE OF DEPARTMENT OF TRANSPORTATION

*Question. What will be the role of the Department of Transportation under the proposed legislation?*

*Discussion:*

The Department has two basic roles in the affairs of the Authority. Where grants are concerned, owing to the application of the Federal budgetary process, the Department's role is that of a handling agent.<sup>a</sup> This proposed legislation establishes a more comprehensive role with respect to revenue bonds. Under the new role the Secretary must (a) find that the obligation to be guaranteed represents an acceptable risk, (b) develop and enter into an agreement with the Authority designed to protect the Federal interest, and (c) make payments to the Authority as required to meet one-fourth of the net interest cost.

All Federal funds required to carry out the Act of 1969, as amended by this proposed bill, are appropriated to the Department of Transportation. The Secretary controls the grant payments through the Federal apportionment process. Interest payments will be subject to periodic review by the Secretary.

#### PROTECTION OF FEDERAL INTEREST

*Question. Assuming the enactment of the proposed legislation, how will the Federal interest be protected?*

*Discussion:*

Unlike most Federal grant programs, the Authority's program is subject to the continuing review of the Congress and the Office of Management and Budget through the budget process. Although the annual contributions are not a part of the Department of Transportation budget—the Department being simply a handling agent—the Authority is subject to DOT audit. The General Accounting Office also audits the Authority.

The revenue bond portion of the financial program is also subject to detailed Federal review. Bonds guaranteed must meet terms and conditions as prescribed by the Secretary of Transportation. The Secretary of the Treasury must also be assured that the financial plans and practices are consistent with the Federal interest.

The proposed legislation retains the provision that the participating local governments must match the Federal grants in the amount of 50 percent by the end of each fiscal year. The bill further provides that bonds in excess of \$900 million be also matched in an amount of not less than 50 percent in non-Federally contributed funds.

NOVEMBER 1, 1971.

#### ROLE OF TREASURY DEPARTMENT

*Question. What will be the role of the Treasury Department under the proposed legislation?*

*Discussion:*

If appropriations available to the Secretary of Transportation are insufficient to meet his responsibilities under the Act, the Secretary of the Treasury is au-

<sup>a</sup> *Bureau of the Budget Testimony* (National Capital Transportation Act of 1969):

"Representative HOGAN. This amount I suppose will be divided between the budgets of the Department of Transportation and the District of Columbia Government?"

"Mr. HUGHES. No, part of it will be in the District of Columbia budget, the other, the Federal share of the contributions, does flow through the Department of Transportation, as a sort of a custodian or a handling agent. It is not in a technical sense a part of that agency's budget."

"Representative HOGAN. Is it in addition to DOT's budget?"

"Mr. HUGHES. It is a separate appropriation of which DOT is simply the handling agent for payment to the Washington Metropolitan Area Transit Authority, which is a non-Federal entity."

thorized to accept notes or other obligations which the Secretary of Transportation may then issue.

The Secretary of the Treasury will fix the conditions under which such securities are issued. The Secretary of Transportation will subsequently redeem those securities upon the appropriation of funds by the Congress.

Obligations issued by the Authority become subject to taxation.

JANUARY 24, 1972.

#### BOND GUARANTY ARRANGEMENT

*Question. How will the proposed bond guaranty arrangement work?*

*Discussion:*

The proposed legislation authorizes the Secretary of Transportation to guarantee the payment of bonds issued by WMATA with the approval of the Secretary of the Treasury. No guarantee shall be made unless: (1) the Secretary of Transportation finds that the obligation represents an acceptable risk to the United States and an agreement exists between WMATA and the Secretary of Transportation providing for reasonable and prudent action by the Authority should such action be necessary to protect the interest of the United States.

The aggregate amount of obligations which can be issued shall not exceed \$1,200.0 million which is further restricted to \$900 million unless the local jurisdictions have made capital contributions equal to 50 percent of the amount of the excess or entered into enforceable commitments with WMATA to make such contributions by the end of the fiscal year in which such guaranteed obligations are issued.

In December 1970, as well as currently, the Authority financial consultants, Kuhn, Loeb and Company and Dillon, Read and Company, Inc., reaffirmed their view that WMATA's revenue bonds could not be marketed in the foreseeable future without either a tax backup or a Federal guarantee to support such bonds. They also stated that "conditions are such that a straight transit revenue bond issue under present circumstances and backed only by a limited service agreement would, in our opinion, be impossible to market." This situation has not changed.

The bond guarantee by the Federal government provides the necessary support which will permit the Authority to market its bonds and also assist the Authority in maintaining its construction schedule. Any other type of backup would require extensive negotiations and amendment of the transit compact by the eight jurisdictions, which would require several years.

Transportation consultants indicate that Metro will provide sufficient revenue to not only operate the system and provide for replacement of equipment, but also to cover debt service. In order to assure that the estimates are reasonable, WMATA has included a minimum coverage factor requirement of 1.20 in its bonding estimates. In other words, the revenue available for debt service is at least equal to 1.2 times the required debt service. After the year 1990 this coverage factor increases from 1.20 to a high of 4.35 just before the final bond retirement.

JUNE 21, 1971.

#### PRECEDENTS FOR BOND GUARANTY AND INTEREST RATE SUBSIDY

*Question. What precedents exist for the proposed bond guaranty and interest rate subsidy?*

*Discussion:*

It has been the policy of the Federal Government to selectively guaranty bonds where such guaranty avoided the need for Federal outlays and served to induce private capital toward the support of Federal objectives. Over the past several decades, these have increased in number. Currently, some 175 cases exist. Various HUD programs are supported through Federal guaranty of securities. The dollar value runs into the billions.

More recently, the Federal Government has proposed interest subsidies in recognition of the conversion of tax exempt to taxable securities. Two of the most recent are:

The Medical Facilities Construction and Modernization Act Amendments of 1970, which provides bond guaranty and subsidies to local governments for hospital improvements.

The Housing and Urban Development Act of 1970, which similarly provides a Federal guaranty and interest subsidy for financing the New Community Development program.

*Further Discussion:*

During the courses of hearings on the Medical Facilities Construction and Modernization Amendments of 1970, P.L. 91-296, the Committee inquired whether the Governors supported the financial proposal contained therein. Pursuant to this inquiry, a letter dated April 2, 1969 in support of the program was inserted in the records by the National Governors Conference. A series of comments in support of the proposed legislation received from several Governors and a number of State agencies was also inserted in the records.

MEDICAL FACILITIES CONSTRUCTION AND MODERNIZATION AMENDMENTS OF 1970—  
PUBLIC LAW 91-296, JUNE 30, 1970

GUARANTY

SEC. 621. (a) (1) In order to assist nonprofit private agencies to carry out needed projects for the modernization or construction of nonprofit private hospitals, facilities for long-term care, outpatient facilities, and rehabilitation facilities, *the Secretary, during the period July 1, 1970, through June 30, 1973, may, in accordance with the provisions of this part, guarantee to non-Federal lenders making loans to such agencies for such projects, payment of principal of and interest on loans, made by such lenders, which are approved under this part.*

INTEREST SUBSIDY

SEC. 624. (a) Subject to the provisions of subsection (b), in the case of a guarantee of any loan to a nonprofit private agency under this part with respect to a hospital or other medical facility, *the Secretary shall pay, to the holder of such loan and for and on behalf of such hospital or other medical facility amounts sufficient to reduce by 3 per centum per annum the net effective interest rate otherwise payable on such loan. Each holder of a loan, to a nonprofit private agency, which is guaranteed under this part shall have a contractual right to receive from the United States interest payments required by the preceding sentence.*

AMOUNT

SEC. 625. (2) *in the case of loans covered by allotments for the fiscal year ending June 30, 1971, \$500,000,000; for the fiscal year ending June 30, 1972, \$1,000,000,000; and for the fiscal year ending June 30, 1973, \$1,500,000,000.*

TAXABILITY

SEC. 627. (e) *After any loan to a public agency under this part has been sold and guaranteed, interest paid on such loan and any interest subsidy paid by the Secretary with respect to such loan which is received by the purchaser thereof (or his successor in interest) shall be included in gross income for the purposes of chapter 1 of the Internal Revenue Code of 1954.*

HOUSING AND URBAN DEVELOPMENT ACT OF 1970—PUBLIC LAW 91-609,  
DECEMBER 31, 1970

GUARANTY—TAXABILITY—INTEREST SUBSIDY

SEC. 713. (a) *The Secretary (acting through the Community Development Corporation) is authorized to guarantee, and enter into commitments to guarantee, the bonds, debentures, notes, and other obligations issued by or on behalf of private new community developers and State land development agencies for the purpose of financing real property acquisition and land development and to compensate for the use of real property or the removal of liens or encumbrances on such property, pursuant to the new community development programs approved by the Secretary. The Secretary may make such guarantees and enter into such commitments upon such terms and conditions as he may prescribe consistent with the limitations and conditions contained in section 716; except that no obligation of any State land development agency shall be guaranteed under this section if the income from such obligation is exempt from Federal*

*taxation. The Secretary is authorized to make grants to any State land development agency the obligations of which are guaranteed under this section in amounts estimated by him not to exceed the difference between the interest paid on such obligations and the interest on similar obligations the income from which is exempt from Federal taxation.*

#### AMOUNT

*(e) The aggregate of the outstanding principal obligations guaranteed under this section shall at no time exceed \$500,000,000.*

JUNE 22, 1971.

#### REVENUE ADVANTAGE OF TAXABLE BONDS TO TREASURY

*Question. What is the revenue advantage of taxable bonds to the Federal treasury?*

#### *Discussion:*

Under this legislation, the Federal Government will pay to WMATA an interest rate subsidy equal to one-fourth of the net interest cost in WMATA's taxable bonds.

Assuming that the average net interest cost is 7 percent, the Federal Government's cost would be one and three-fourths percent.

Due to the fact that WMATA's bonds will now be taxable instead of tax-exempt as previously planned, the return to the Federal Government in the form of income tax receipts is estimated to be somewhat greater than the cost of the interest rate subsidy.

A non-monetary advantage to the Treasury Department also results from reducing the number of tax-exempt securities entering the market thereby reducing Treasury's competition.

JULY 13, 1971.

#### WHY TAXABLE BONDS

#### *Discussion:*

Treasury Department policy requires that as a condition of a tax guaranty the guaranteed issue become a taxable security. Simply put, this is to avoid a situation where the Federal Government would guaranty a tax-exempt security which would then be in competition in the market with its own taxable security.

The Authority, in solving its financial plight, had two alternatives. One was to obtain a local tax backup for its bonds. The second, was to seek a Federal guaranty.

Owing to the complexity and the time required to develop a tax backup acceptable to eight local jurisdictions, it was apparent that the sale of bonds could not be assured in time to avoid disruption of the construction schedule. Consequently, after a series of discussions with the local governments and the Executive Branch of the Federal Government, it was decided that a conversion of the Authority's bonds to a taxable issue as a condition of Federal assistance would be the most expeditious course of action.

NOTE: See Also "Interest Subsidy."

NOVEMBER 1, 1971.

#### CONVERSION OF BONDS TO TAXABLE SECURITIES

*Question. Why is the Authority converting its tax exempt bonds to taxable securities?*

#### *Discussion:*

Under existing legislation WMATA can issue tax free securities, however, those securities issued under the National Capital Transportation Act of 1971 will be taxable.

Treasury has long maintained the position that the United States Government should not guarantee tax free securities and supported this argument with numerous studies and monographs. The gist of Treasury's argument is that it is an anomaly for the Federal Government to guarantee a debt instrument that is not subject to taxation when its own bonds are subject to taxation. Treasury has also maintained that it could provide an interest subsidy to the issuer of tax free bonds if they would give up tax free privileges which would be equal to the increased cost of taxable bonds.

Since WMATA must have the ability to issue bonds early in calendar year 1972 in order to maintain its operating schedule and since it is also necessary for WMATA to have an additional potential source of revenue other than the fare box in order to market its bonds, then the Federal guarantee of taxable bonds is the route which we must follow.

FEBRUARY 15, 1972.

#### REVENUE BONDS—AUTHORITY FOR SALE

##### *Discussion:*

The concept of selling revenue bonds to finance a part of the cost of constructing the Adopted Regional System—which is an essential element of WMATA's Financial Plan—stems from the Congressional mandate laid down in the National Capital Transportation Act of 1960 and carried forward in the NCTA Act of 1965 and the Compact itself, that “. . . the cost of improved mass transit facilities should be financed, as far as possible, by persons using or benefiting from such facilities and their remaining costs should be shared equitably among the Federal, State, and local governments.” The proposed sale of bonds which will be repaid from fare-box revenues of the System, fulfills this mandate.

Specific authorization for the sale of revenue bonds by WMATA is contained in Article IX, sections 27 through 45, which set out the authorization, procedures and certain terms and conditions for such sales.

FEBRUARY 18, 1972.

#### REVENUE BONDS—METHOD OF SALE

##### *Discussion:*

The ultimate decision will be determined largely by the condition of the market at the time of sale. At the present time, there is no apparent reason why the bonds cannot be sold on a competitive basis, and the Authority prefers this method with all other factors being equal. The proposed legislation itself grants to the Secretaries of Transportation and Treasury substantial control over the issuance of bonds. In fact, Treasury must approve all bond issues, including the terms, timing of sale, etc.

In making the final decision, consultations would be held with Treasury and Transportation as well as our financial advisers. It would be the Authority's objective to pursue the course which would assure the lowest interest rate for the bonds.

FEBRUARY 18, 1972.

#### REVENUE BONDS—SUPERVISION OF SALE

##### *Discussion:*

Insofar as the role of the Authority's staff is concerned, the office of Secretary-Treasurer, subject to the direction of the Board of Directors, is charged with the responsibility of marketing the Authority's bonds.

This responsibility will be discharged in consultation with the General Manager, Director of Planning, Comptroller, General Counsel and Financial Consultants.

The proposed legislation grants significant controls over the entire program to the Secretaries of Transportation and Treasury. The Authority would rely heavily on these two offices for advice and recommendations on all phases of the program. Treasury monitors daily various Federal agency issues and would be in a unique position to advise the Authority on all aspects of the program. The Authority would have the constant advice and recommendations of its financial advisers as well as its bond counsel.

FEBRUARY 18, 1972.

#### REVENUE BONDS—COST OF SALE

##### *Discussion:*

If the bonds are sold through competitive bidding, the low bid would be determinant of the cost. The Authority, after consultation with Treasury, Transportation and its financial advisers, would determine whether the cost of sale (spread) was too high, in which case all bids would be rejected. Based upon the advice of our financial advisers, the Authority's financial program includes financial charges associated with the process of marketing bonds totally 1.25

percent of the amount of the bond issues. Thus approximately \$15 million has been included in the Authority's financial program for expenses connected with the issuance of bonds.

If the bonds are marketed through negotiations, underwriters would be selected pursuant to the Authority's procurement regulations, which are patterned after the Federal procurement regulations. The ultimate selection would be made by the Authority's Board of Directors, in open session, with full debate, and in the presence of the news media and public.

The negotiations with respect to the interest rate would be held in conjunction with the advice of Treasury, Transportation and our financial advisers. Treasury is monitoring daily various Federal agency issues with a Federal guarantee and would be completely abreast of the market condition at the time and would be in a unique position to advise the Authority with respect to the reasonableness of the interest rate for the bonds, with a full understanding of the probable margin of profit which would enure to the underwriters.

JANUARY 21, 1972.

#### INTEREST RATE PROJECTIONS

*Question. What interest rates are being projected for the bonds the Authority will market over a period of years?*

##### *Discussion:*

The Authority anticipates issuing its bonds at an average rate of 7 percent.

During the past decade, interest rates for Public Utility Bonds rated Aaa ranged from a low of 4.37 to 8.31 percent. We believe that WMATA's federally-guaranteed bonds would act in a similar fashion or perhaps a point below and that the bond market's return to normalcy would provide WMATA's securities with an average rate of 7 percent or slightly less.

This interest rate could be appreciably lower should the present (January 1972) market trend continue.

FEBRUARY 15, 1972.

#### INTEREST SUBSIDY

*Question. As to the proposed interest subsidy, which it is stated will allow the assurance of additional \$300 million in revenue bonds; how does this work?*

##### *Discussion:*

The Federal Government has, in numerous instances, elected to grant an interest subsidy in cases where tax-exempt issues were converted to taxable securities, such as the case of WMATA, and where that course of action would further Federal objectives with little or no additional cost to the Federal Government.

Since the tax flow-back to the Treasury on such converted issues is sufficient to cover the 25 percent interest subsidy proposed in this legislation it allows the Federal Government to meet an additional \$300 million share of the net project cost without an additional capital grant and thus without additional tax outlay. This amount would be sufficient to preserve the Federal two-thirds local one-third matching formula.

Recent examples of loan guaranty and interest subsidy authorizations are included in: the Medical Facilities Construction and Modernization Amendments of 1970, Public Law 91-296; and the Housing and Urban Development Act of 1970, Public Law 91-609.

##### *Further Discussion:*

During the courses of hearings on the Medical Facilities Construction and Modernization Amendments of 1970, P.L. 91-296, the Committee inquired whether the Governors supported the financial proposal contained therein. Pursuant to this inquiry, a letter dated April 2, 1969 in support of the program was inserted in the records by the National Governors Conference. A series of comments in support of the proposed legislation received from several Governors and a number of State agencies was also inserted in the records.

The National League of Cities is now exploring the desirability of legislation which would provide for an interest subsidy on municipal bonds which pay taxable interest returns.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY, SCHEDULE OF BOND SALES, INTEREST PROJECTIONS <sup>1</sup>

Year ending June 30	Total bonds		Total interest payment	5½ percent WMATA interest payment	1¾ percent Federal interest subsidy
	Issued	Outstanding			
1973	450,429	450,429	33,923	25,442	8,481
1974	334,330	784,759	43,232	32,424	10,808
1975	304,368	1,089,127	65,587	49,190	16,397
1976	80,701	1,169,828	79,063	59,297	19,766
1977	30,172	1,200,000	82,944	62,208	20,736
1978		1,200,000	84,000	63,000	21,000
1979		1,200,000	84,000	63,000	21,000
1980		1,200,000	84,000	63,000	21,000
1981		1,200,000	84,000	63,000	21,000
1982		1,200,000	84,000	63,000	21,000
1983		1,194,010	83,790	62,843	20,947
1984		1,186,157	83,306	62,480	20,826
1985		1,176,254	82,684	62,013	20,671
1986		1,164,190	81,914	60,744	20,478
1987		1,149,851	80,992	59,354	20,248
1988		1,133,198	79,906	59,930	19,976
1989		1,114,021	78,653	58,990	19,663
1990		1,092,184	77,217	57,913	19,304
1991		1,068,126	75,610	56,708	18,902
1992		1,042,805	73,882	55,412	18,470
1993		1,016,154	72,062	54,047	18,015
1994		988,104	70,149	52,612	17,537
1995		958,581	68,133	51,100	17,033
1996		927,509	66,013	49,510	16,503
1997		894,805	63,781	47,836	15,945
1998		860,384	61,432	46,074	15,358
1999		824,156	58,959	44,219	14,740
2000		786,026	56,356	42,267	14,089
2001		745,894	53,617	40,213	13,404
2002		703,655	50,735	38,051	12,684
2003		659,199	47,700	35,775	11,925
2004		612,409	44,507	33,380	11,127
2005		563,162	41,145	30,859	10,286
2006		511,330	37,607	28,205	9,402
2007		456,777	33,884	25,413	8,471
2008		399,360	29,965	22,474	7,491
2009		338,928	25,840	19,380	6,460
2010		275,324	21,499	16,124	5,375
2011		208,381	16,929	12,697	4,232
2012		137,923	12,120	9,090	3,030
2013		81,414	7,677	5,758	1,919
2014		34,966	4,073	3,055	1,018
2015		8,816	1,532	1,149	383
2016		1,853	373	280	93
2017			65	49	16
Total			2,468,856	1,851,647	617,209

<sup>1</sup> Assumes 7 percent interest rate.

JUNE 21, 1971.

## ADDITIONAL BONDS SUPPORTED BY INTEREST SUBSIDY

*Discussion:*

The interest subsidy has the effect of reducing WMATA's effective interest rate from an estimated 7% to 5½%. Consequently, based upon the same revenue forecasts, WMATA will be able to pay debt service on \$1.2 billion of bonds at the 5½% rate rather than \$900 million based on the 7% rate. The additional \$300 million of bond sales attributable to the interest rate subsidy is counted as a matching contribution to the additional \$150 million of contributions being requested of the local jurisdictions.

Since WMATA's bonds will be taxable instead of tax-exempt as under the earlier plan, the Federal Government will recover the amount of the interest rate subsidy. Consequently, it is to the Federal Government's advantage to provide the interest rate subsidy rather than direct capital grants.

NOVEMBER 1, 1971.

## COST AVOIDANCE

Question. What has been done by the Authority to hold down costs?

	<i>Million</i>
Civil -----	\$54.3
Structural -----	51.5
Mechanical -----	24.9
Architectural -----	57.3
Rights-of-Way -----	12.1
Construction -----	.6
	<hr/>
Total -----	200.7
	<hr/>
	<i>Estimated savings</i>
Civil:	
1. Negotiated with utility to delete concrete post support of telephone ducts-----	\$14,855,000
2. Programmed longer rock tunnel contracts to reduce mobilization costs and devised new technique for rock tunnel construction -----	29,000,000
3. Revised horizontal alignment to eliminate underpinning of Teamsters Building-----	175,000
4. Substituted fiber for asbestos cement telephone ducts. (Save \$25 per lin. ft.)-----	1,000,000
5. Resited WMATA Shop to avoid trunk sewer-----	150,000
6. Reduced width of Metro Center Station to reduce underpinning requirements-----	2,300,000
7. Redesigned pavement and underground utilities in RR yard---	10,000
8. Resited substation to public land which eliminated ROW costs, pile foundation and flood wall-----	100,000
9. Eliminated need for construction of WTC power house by utilizing north power house-----	650,000
10. Issued separate excavation contract of Rhode Island Ave. Station to take advantage of contractor availability-----	600,000
11. Reduced width of Federal Triangle, Voice of America, Capitol South and Marine Barracks Stations-----	5,000,000
12. Specifying reusable steel light poles for temporary use in lieu of permanent poles and foundations (existing standard-save \$500 per installation)-----	130,000
13. Negotiated with C&P Telephone Company to purchase and furnish all conduits required in lieu of each contractor purchasing separately (save 50% of conduit cost)-----	(1)
14. Eliminated 30-foot construction shafts at Voice of America and Capitol South Stations and arranged access through stations -----	374,000
	<hr/>
Total -----	54,344,000
	<hr/>
Structural:	
1. Revised K-factor to reduce wall and invert thickness-----	11,563,200
2. Relieved hydrostatic pressure on stations by installing pervious underdrain to pumping station. This also eliminates ground water seepage into station-----	(1)
3. Use raised decking in lieu of flush decking where possible---	1,500,000
4. Eliminated keyed construction joints-----	(1)
5. Revised underground box structures to chorded construction -----	(1)
6. Narrowed widths of cut-and-cover boxes by 2½"-----	400,000
7. Changed platform and structure framing from skew to standard at Rhode Island Avenue Station-----	(1)

See footnote at end of table.

Structural—Continued	<i>Estimated savings</i>
8. Eliminated cantilevered kiss-and-ride roadway at Rhode Island Avenue-----	139,000
9. Platform cantilever reduced in underground stations-----	318,000
10. Eliminated epoxy non-skid surface on street decking by specifying rough wood-----	2,872,000
11. Changed 6-bag cement concrete to 5-bag-----	4,250,000
12. Added columns in ancillary areas-----	12,720,000
13. Eliminated portion of basement storage in WMATA Shop--	200,000
14. Used superelevation on curves to reduce width of structure 2' to 3'-----	400,000
15. Narrowed width of rock tunnel excavation in C005-----	500,000
16. Redesigned Metro concrete girders for aerial structures---	11,455,400
17. Change railroad bridges from rounded concrete to standard steel in B0006-----	250,000
18. Revised design of Pentagon Station entrance to reduce underpinning foundation and tunnel costs-----	4,500,000
19. Obtained approval from Maryland State Roads Commission to use 6 rather than 6½ bags of cement per cubic yard of concrete-----	(1)
20. Modified premissible live load deflection criteria for temporary street decking from 1/800 to 1/600 (D.C. only)-----	(1)
21. Change material specified for water stops (save \$1/lin. ft.)-----	(1)
22. Provide for return air to enter passageway of mezzanine instead of kiosk-----	500,000
Total -----	<u>51,467,600</u>
 Mechanical/Electrical:	
1. Changed 97% copper conduits to wrought iron conduit----	8,600,000
2. Deleted lighted handrails-----	795,000
3. Revised platform from 60-watt to 25-watt-----	172,000
4. Deleted polycarbon lens-----	63,600
5. Reduced cast iron pipe from extra heavy to service grade----	63,600
6. Eliminated boiler in WTC power house-----	8,000
7. Revised "total" cooling concept to "envelope" cooling to reduce operating cost-----	4,800,000
8. Substituted pre-insulated concrete chilled water pipe for standard steel conduit-----	663,500
9. Designed air-conditioning systems for maximum use of stand equipment-----	1,060,000
10. Use direct burial cable in lieu of concrete cable trench on surface and aerial line-----	1,070,000
11. Procure electrical equipment directly from manufacturer (save 10% overhead)-----	4,446,200
12. Eliminated lavatories in all traction power substations (60) located near passenger stations-----	100,000
13. Eliminated partitions around batteries in traction power substations-----	101,000
14. Eliminated at-grade right-of-way lighting-----	929,000
15. Eliminated cover board for direct burial cable-----	200,000
16. Eliminated traction power substation at Michigan Avenue---	500,000
17. Revised specifications on duct insulation to use standard insulation where code permits-----	300,000
18. Deleted "run around reheat systems" in air conditioned stations and eliminated filters from air units-----	1,000,000
Total -----	<u>24,871,900</u>

See footnote at end of table.

Architectural:	<i>Estimated savings</i>
1. Replaced architectural concrete with structural concrete in subway stations.....	5, 500, 000
2. Reduced thickness of granite wall facing on entrances.....	72, 000
3. Revised substation and shop precast concrete wall panels...	581, 000
4. Reduced length of surface station platform canopy.....	760, 000
5. Revised end details of subway station side platforms to run directly into end wall.....	(1)
6. Changed glass balustrade escalator design to standard design for mezzanine to street escalators.....	9, 500, 000
7. Simplified passage tunnels at Dupont and Farragut Stations	250, 000
8. Simplified mezzanine parapets in subway stations.....	158, 000
9. Eliminated curves and bronze railing in side platform.....	240, 000
10. Changed WHATA Shop precast concrete wall panels to concrete masonry with common brick facing.....	162, 300
11. Negotiated with Smithsonian to reduce requirements for entrance at 8th and G Station.....	90, 000
12. Eliminated sand blasting of concrete in subway stations....	477, 000
13. Reduced surface station canopy width by 3 feet.....	70, 200
14. Replaced bronze gates and bronze pylons with baked enameled steel.....	500, 000
15. Reduced WTC shop by one bay, eliminated provision for third floor and changed concrete canopy to steel.....	60, 300
16. Simplified aerial girder design.....	38, 000, 000
17. Changed wall treatment along First Street (1B0032) to formboard concrete.....	60, 000
18. Changed bronze escalator cladding at interior locations to porcelain enamel.....	80, 000
19. Eliminated curved base in passageways.....	700, 000
20. Eliminated bus driver's washroom in Pentagon Station.....	12, 000
Total .....	<u>57, 272, 800</u>
 Rights-of-way:	
1. Advanced acquisition of Dairy-Union Building to avoid underpinning.....	280, 000
2. Advanced acquisition of Harmony Cemetery (escalation)...	250, 000
3. Lot 22, Square 3352, advanced acquisition to prevent construction of 48 unit high-rise apartment.....	500, 000
4. B006 advanced acquisition.....	675, 000
5. Relocated Benning Yard to reduce rights-of-way and structural costs.....	2, 000, 000
6. Relocated Telegraph Road Station and received land donation .....	1, 500, 000
7. Advanced acquisition of Huntington Station site.....	3, 600, 000
8. Shifted entrance of Waterfront Station to new building under construction.....	350, 000
9. Provided retaining walls in lieu of slope easements in selected areas of B006.....	500, 000
10. Negotiated donation of real property interests for west entrance of Farragut West Station.....	500, 000
11. Demolished Howard Clothes Building in lieu of underpinning or fee taking.....	345, 000
12. Negotiated donation of real property interests for L'Enfant Plaza Station.....	294, 000
13. Advanced acquisition of parking lot for Suitland Parkway Station to prevent development.....	500, 000
14. Eliminated underpinning of Union Station west concourse by demolition.....	325, 000
Total .....	<u>12, 119, 000</u>

See footnote at end of table.

Construction:	<i>Estimated savings</i>
1. Substitute AISC requirements for AASHO requirements for the design of the support of excavations and other temporary structures. (D.C. only)-----	(1)
2. Deleted requirement for 3500 psi concrete encasement of soldier piles below grade for undecked support of excavation. (System-wide)-----	(1)
3. Deleted requirement for 12' of concrete below the tip of all soldier piles. (System-wide)-----	(1)
4. Changed requirement for 1/4" thick steel plate duct for air conditioning duct encased in concrete. (System-wide)---	(1)
5. On Sections B001 and A003 decreased lateral earth pressure design criteria resulting in savings on support of excavation -----	(1)
6. Changed requirements for lowering of foundations and temporary support of columns in Criminal Court Building. Section B001-----	5,000
7. Eliminated requirement for temporary roadway; Section B002 -----	5,000
8. Changed invert concrete slab finish from steel troweled to wood float, Section B002-----	1,000
9. Deleted decking requirement at Third Street, N.W., B001--	12,000
10. Redesigned bulkheads at 7th Street portion and east entrance to Gallery Place Station, B001-----	200,000
11. Deleted trailers for resident office facilities, saving land rental, A003-----	20,000
12. Changed reinforcing steel for "D" Street bridge underpinning cut-off wall, B002-----	3,000
13. Deleted requirements for 6 temporary poles and ducts for street lights, B002-----	4,000
14. Negotiated with Park Service for a construction shaft at Farragut Square to permit simpler and less hazardous mining of turnout, A002 and A003-----	250,000
15. Advanced construction of Pentagon concourse shops-----	130,000
Total -----	630,000
Grand total-----	200,705,300

<sup>1</sup> Substantial.

JULY 13, 1971.

#### PROBLEMS ASSOCIATED WITH LOCAL TAXING ALTERNATIVES

*Question: What is being done to assure further tax support from local jurisdictions?*

#### *Discussion:*

Unlike BART, the San Francisco transit system, the Authority does not have a regional taxing power. Thus far, with the exception of Falls Church and the District of Columbia, the participating jurisdictions have resorted to the issuance of general obligation bonds supported by general fund revenues.

Several of these jurisdictions are nearing their limit of bonded indebtedness at this time. Others are digesting recent substantial tax increases. Consequently, additional taxation in support of higher contributions becomes a matter of timing and political expediency.

The Northern Virginia Transportation Commission is exploring the possibility of a Transit District Tax. State legislative authorization will be required. Montgomery County in Maryland has initiated a transit tax. Owing to the

multiplicity of jurisdictions involved, State constitutional limitations, and the range of choices, the development of a tax backup will be a time consuming process. Although there is no lack of interest or of purpose, it is obvious that whatever approach is developed will require several years to accomplish.

Similarly, the creation of authority for a region-wide transit tax for administration by WMATA would require local referenda, State legislative action that also involves constitutional change. The problems of political relationships and expediency would be even more complex.

In short, the problem is being addressed by the participating governments. The proposed legislation recognizes the need of a grace period in which to develop a solution.

NOVEMBER 1, 1971.

#### COST SHARING FORMULA

*Question. What is the basis of the cost sharing formula for the local capital contributions?*

#### *Discussion:*

WMATA's eight local jurisdictions are contributing capital grants totaling \$720.5 million or one-third of net project costs. Together with the bond sales financed from system revenues (excluding the Federal interest rate subsidy), residents of the metropolitan area are paying over half of the total project costs.

WMATA and each of the jurisdictions have previously adopted a cost sharing formula for the local capital grants based on four factors: construction cost, service, estimated 1990 ridership and 1990 population forecasts. Different weights were established for each of the factors for the initial distribution among the Compact signatories. These were construction—40%; service—30%; ridership—15% and population—15%. Although the overall Virginia allocation is based on the above factors, within the state a different weighting system was adopted with each factor being weighted at 25%. These formulae were adopted by WMATA in 1969 and Capital Contribution Contracts were signed by the local jurisdictions in 1969 and 1970.

#### *Further Discussion:*

This formula grows out of four considerations:

1. Proportion that the estimated construction cost within each signatory's area bears to the total estimated construction cost (40 percent of the \$720.5 million of local net project cost is allocated to the three major jurisdictions on this basis).
2. Proportion that service provided—as measured by train miles and number of stations within each signatory's area—bears to the total service provided (30 percent of the \$720.5 million of local net project cost is allocated to the three major jurisdictions on this basis).
3. Proportion that the estimated 1990 ridership originating in each signatory's area bears to the total system ridership (15 percent of the \$720.5 million of local net project cost is allocated to the three major jurisdictions on this basis).
4. Proportion that the estimated 1990 population of each signatory's area bears to the total population of the Transit Zone (15 percent of the \$720.5 million of local net project cost is allocated to the three major jurisdictions on this basis).

For the purpose of computing the ratios in the first two factors, costs attributable to the central employment area, or Modified Sector Zero portion of the System, were separated from the total costs and redistributed among the three jurisdictions. This, in effect, permits Maryland and Virginia and the District of Columbia to share equitably the costs of the essential central employment portion of the system which serves heavy volumes from all three jurisdictions.

JULY 1, 1971.

## COST BY JURISDICTION

[Millions of dollars]

Jurisdiction	Capital cost estimate, Jan. 1, 1969	Revised estimate, Jan. 1, 1971	Percent increase	Dollar increase
District of Columbia				
Montgomery County, Md	\$570.7	\$612.2	+7.2	+41.4
Prince Georges County, Md	269.1	281.1	+4.7	+12.9
Arlington County, Va	152.8	165.2	+8.1	+12.4
Alexandria, Va	191.7	209.0	+9.0	+17.3
Fairfax County, Va	43.9	49.7	+13.2	+5.8
	98.4	104.4	+6.0	+6.0
Subtotal				
Modified sector "G"	1,326.6	1,422.4	+7.2	+95.8
	398.8	458.9	+15.1	+60.1
Subtotal				
Vehicles and nonrevenue facilities	1,725.4	1,881.3	+9.0	+155.9
	233.8	243.7	+4.2	+9.9
Base year cost				
Escalation	1,959.2	2,125.0	+8.4	+165.8
	535.4	855.2	+59.7	+319.8
Metro System, total	2,494.6	2,980.2	+19.4	+485.6

JANUARY 21, 1972.

## ASSURANCES OF LOCAL MATCHING PAYMENTS

*Question. What assurance does the Authority have that the participating local governments will make their matching payments?*

*Discussion:*

Under the revised financial plan, the local jurisdictions must contribute an added \$510 million over and above the \$573 million for which they have contracted. For the most part, local payments have been made in a timely manner. The exceptions being Prince George's, Alexandria, and Fairfax City. The largest of these, Prince George's, has a problem with technicalities concerning the passage of a recent bond issue. This matter is being corrected and the money is expected to be forthcoming sometime in March or April. In addition, Governor Mandel is seeking passage of a 2¢ increase in the state gasoline tax to finance 75% of the Maryland share of Metro. The Northern Virginia Delegation to the Virginia General Assembly is seeking a 1¢ increase in the gasoline tax, part of which will be earmarked to provide state aid to transit in Northern Virginia.

Since the additional contribution of \$150 million will not be needed before 1975, local governments are being asked for good faith pledges for the provision of these funds. This will allow them time to effect necessary financial arrangements.

The interest of the Federal Government is safeguarded in that the added \$300 million of bonds attributable to the interest rate subsidy cannot be issued until the local matching contributions are made.

*Further Discussion:*

So far, the counties of Montgomery and Prince George's plus the City of Falls Church have made good faith pledges. Also, the District of Columbia has supported legislation to provide its added amount, thereby in effect making a pledge. It is anticipated that the other Virginia communities will soon perfect their pledges.

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY—STATUS OF NON-FEDERAL CAPITAL CONTRIBUTIONS  
(JAN. 20, 1972)

Project data	Miles			Stations				Total
	District of Columbia	Maryland	Virginia	Total	District of Columbia	Maryland	Virginia	
Final design as of Jan. 15, 1972	14.27	6.67	4.01	24.95	18	3	3	24
Construction as of Jan. 15, 1972	7.06	0	1.07	8.13	9	0	1	10

WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY—STATUS OF NON-FEDERAL CAPITAL CONTRIBUTIONS  
(JAN. 20, 1972)—Continued

Capital funds received (millions)	District of Columbia	Montgomery County	Prince Georges County	Alexandria	Fairfax County	Arlington County	Fairfax City	Falls Church	Totals
Prior to fiscal year 1972.....	\$51.3	\$30.6	\$24.0	\$8.5	\$17.2	\$14.9	\$0.7	\$0.2	\$147.4
Fiscal year 1972.....	72.5	18.7	6.9	2.6	10.5	9.1	.2	.1	120.6
Total.....	123.8	49.3	30.9	11.1	27.7	24.0	.9	.3	268.0
Matching Federal funds plus Federal loan of \$57,000,000.....									586.4
Grand total to date.....									854.4

Note: Federal funds including the above and amounting to \$725,100,000 have been appropriated through fiscal year 1973, contingent on being matched by local jurisdiction funds. Prince George's County owes \$7,800,000 for fiscal year 1972 which will be paid when bonds are sold in the spring. Alexandria will pay when alignment problems are solved \$2,600,000 and Fairfax City 2d half fiscal year 1972 contribution of \$200,000 is due momentarily.

JANUARY 25, 1972.

DISTRICT OF COLUMBIA SHARE

*Question. Why does the bill provide an increase from \$219.7 million to \$269.7 million as the District's share?*

*Discussion:*

Section 201 of the bill(s) before you would amend the pertinent provisions of the National Capital Transportation Act of 1969 to provide for an increase in the District of Columbia allocated share of the Adopted Regional System from \$216.5 million to \$269.7 million and to increase by a similar amount the Treasury loan authorization and limitation on aggregate indebtedness of the District of Columbia.

The reason for the difference between the two figures in Section 201 amounting to \$50,000,000, is that the authorization of that sum and the equivalent Treasury loan authorization provided for in the National Capital Transportation Act of 1965 for the basic system, was preserved in the 1969 Act.

JULY 25, 1971.

METRO FARE SYSTEM

*Question. What fare system has been used in calculating the revenues which will be available to meet the principal and interest payments on the Authority's bonds?*

*Discussion:*

A mileage fare system on the rail and a zone fare system on the bus has been adopted for ridership and revenue estimating purposes. The fare system on the rail allows the passenger to ride the first three miles for 20 cents with an additional charge of 5 cents for each additional mile. The bus zone fare charge is 20 cents for the first three-mile zone and 15 cents for each additional zone which approximates three miles. There are no free transfer privileges allowed in the fare system between bus and rail or bus and bus. The fares used in the revised Net Income Analysis study are based on 1970 prices and are subject to change when the system is opened.

The approved fares used in the Revised NIA study, for passenger revenue estimating purposes, compare generally with the existing bus system fares for the medium and long trip length riders. However, the Revised NIA fare is less than the existing fare for those passengers who make short transit trips. For example, the Revised NIA fare structure provides for a minimum fare of 20 cents on rail or bus (20 cents for the first three composite miles on rail or 20 cents for the first fare zone of approximately 3 miles in length on bus), while the D.C. Transit charges 40-cent fare for a ride between any two points within the District of Columbia whether these points are one block or 15 miles apart. However, the Revised NIA fare structure does not provide free transfers while D.C. Transit does provide free transfers which will permit passengers to transfer three times (utilize 4 buses) if used within 90 minutes.

JANUARY 24, 1972.

## FARE COLLECTION SYSTEM

*Question. What kind of fare collection system will be used by Metro?*

*Discussion:*

An important factor contributing to the efficient movement of people on Metro is the automatic fare collection facility.

This facility is not an entirely new approach since there are several transit properties presently utilizing varying degrees of automation in their fare collection operations, specifically, the Illinois Central in Chicago, the Port Authority Transit Corporation (PATCO) in Camden and Philadelphia, and the London Transport have installed and are operating these facilities. The BART AFC System is presently being installed and is scheduled for initial operation in the early part of this year.

An AFC System will contribute to reductions in operating costs over the life of the system. It will provide a greater convenience for the patrons and will minimize the effect of cheating on the revenue income of the Metro system.

In short, the fare collection facilities for the Metro system will be developed with the objectives of providing for ease of negotiation by the patrons and maximum security for revenue.

Specifications for the engineering development of the Metro AFC System were prepared by the Office of Operations, and proposals from IBM, Control Data, and CGA (France) were received early in August. A contract for the automatic fare collection design will be negotiated with one of the proposers soon.

*Further Discussion:*

Typical fares from Metro Center are: 20 cents to Rhode Island Avenue, 45 cents to Silver Spring, 30 cents to National Airport, 60 cents to New Carrollton, 45 cents to East Falls Church, 20 cents to the Pentagon, 80 cents to Rockville, 40 cents to Bethesda, 50 cents to College Park, 25 cents to Stadium-Armory and 25 cents to Anacostia.\*

The use of the composite mile fare system reduces the fare for persons making circuitous trips. For example, the fare from the Navy Yard to the Potomac Avenue Station is 20 cents; this trip is less than one mile by auto or bus, yet by rail the trip is nearly five miles long which would result in a fare of 30 cents if only the rail distance were used to calculate fares. The composite mile makes the rail fare more equitable for circuitous trips as it reduces the rail fare for these types of trips and thus makes it more competitive with the auto. For trips in a straight line (where the competition with the auto is both in time and cost) the composite mile does not reduce the rail fare; thus a trip from Michigan Avenue to Takoma Park (an auto and rail distance of four miles) would cost 25 cents. This trip is in a straight line and consequently the airline distance portion of the composite mile does not reduce the fare.

JANUARY 26, 1972.

## COOPERATION WITH AFFECTED BUSINESSMEN AND MERCHANTS

*Question. What kind of program does the Authority have to minimize the effect of construction upon businessmen and merchants along its path?*

*Discussion:*

Disruption of business is a natural consequence of a major construction project. However, the Authority is making every effort to minimize inconveniences to vehicular traffic, pedestrian traffic, merchants, tenants and homeowners and the Authority has developed a positive program to cooperate with businesses which are adversely affected by Metro construction.

The Office of Community Services continues to tell the Metro story via the *Sidewalk Superintendent* as regards present construction and things to come. Additionally, Community Services has provided temporary signs erected at the ends of blocks where subway construction is taking place which indicate which stores are there and open, plus temporary signs erected over individual storefronts bearing the store name. Many other signs are being placed on Metro work sites to protect and inform the populace.

\*Should service be extended to Dulles International Airport, the fare from Metro Center would be \$1.55.

Tours have also been arranged through Community Services giving the average citizen a first hand look at a subway under construction. The reason is quite clear: WMATA believes that an informed public is our greatest ally toward the expeditious completion of the system.

For the day-to-day, hour-by-hour contact with the people which Metro is designed to serve, the Authority has re-assigned one of its Construction Engineers to act as a Construction Coordinator for the entire system. The CC's job briefly is to resolve issues before they become problems. He meets daily with representatives from Citizens' Councils, Board of Trade, Department of Highways and Traffic, merchants, contractors, and others as needed. The CC has one basic objective in mind: to reduce the adverse impact of our work on the people of the community through a meaningful exchange of information and a positive program to minimize any problems which may arise.

JANUARY 26, 1972.

#### METRO'S SIDEWALK SUPERINTENDENT

DEAR NEIGHBOR: Work is moving forward at a rapid pace on construction of Metro Section C-3, extending along four and one-half blocks of Eye Street, N.W., from a point midway between 19th and 20th Streets to New Hampshire Avenue.

Since issuance of the first *Sidewalk Superintendent* on this section some four months ago, several key developments have taken place:

(1) Decking operations have been started in the vicinity of 20th and Eye. Steel beams will be extended across the width of the street to support heavy-timber decking that will carry both vehicular and pedestrian traffic for the balance of the 30-month, \$25.9-million contract. With the decking in place, traffic can flow smoothly on the surface while work on the Foggy Bottom Station (entrance on the northwest corner of 23rd and Eye) and connecting tunnel structure proceeds below.

(2) More than 600 feet of temporary 54-inch sewer line has been installed along Eye Street—from 22nd to New Hampshire Avenue. This is part of the job of relocating utilities—gas, telephone, water, electric power lines and television cables—to insure uninterrupted service during Metro construction activity.

(3) Underpinning work is moving ahead on the George Washington Hospital, Milton Hall, Munson Hall and Calhoun Hall. These four GWU properties, plus three other buildings in the area, will be underpinned to reinforce their foundations and preserve their structural integrity during Metro excavation.

(4) Some 18 plum trees that had to be removed along the construction route have been transplanted to add further to the beauty of the GWU campus. Most of the trees have been located near Calhoun Hall.

#### PARKING ARRANGEMENTS MODIFIED

Parking regulations in the area have had to be revised, in order to facilitate construction.

Until completion of the contract, the contractor, Massman-Kiewit-Early, will use the parking area at 24th and New Hampshire Avenue as an equipment and material storage site. Trailer vans, being converted into storage warehouses and a carpenter shop, were moved onto the lot during the Christmas holidays. The parking lot at 20th and Eye also will be used for storage of materials and assembly of equipment.

One block of Eye Street (between 23rd and 24th), closed to traffic since last October, will remain blocked off until mid-1973.

Parking in the area of GW Hospital and University will be restricted for the next three years, and Eye Street in the vicinity of these buildings will be open to local traffic only.

Specifically, parking will be banned for the duration on both sides of Eye Street between 21st and New Hampshire; on the north side of Eye between Pennsylvania and 21st; on the south side of Eye for 50 feet east of the 21st Street intersection, and on both sides of Eye east of the 20th Street intersection. Parking also will be prohibited on both sides of Pennsylvania Avenue between 20th and 21st.

## INFORMATION MEETINGS HELD

Since construction of the C-3 Section started last August, Metro, its contractor and Bechtel Associates, construction management agent for the transit authority, have held several meetings with the students and faculty of GWU and with residents and businessmen in the community. Purpose of the meetings has been to notify the university and its neighbors, in advance, of all important phases of construction affecting the immediate area.

As part of a continuing program to hold inconvenience to a minimum, the contractor has appointed Cleve R. Amos as Public Relations Officer for the project.

Mr. Amos is available to answer inquiries about the work—and to handle any possible complaints. He may be reached in one of the construction offices at 22nd and Eye or by calling 785-0450. Others available to handle inquiries or complaints are:

Ike Unciano, Bechtel Associates, 22nd and Eye, 467-5697.

Frank Waram, Bechtel Associates, 1625 Eye, Room 125, 833-1726.

This team will complement the work of Metro's own Office of Community Services, whose personnel meet regularly with business, educational, civic and social organizations to discuss various aspects of the Metro program. Arrangements for such meetings can be made by calling Cody Pfanstiehl or John Druck-enbrod at 484-2632.

Cordially,

THE PEOPLE OF METRO.

FEBRUARY 17, 1972.

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 DAMAGE TO BUILDINGS
*Discussion:*

While there are a number of cases of damage to buildings adjacent to METRO construction, in no case has the structural integrity of the building been endangered nor is any direct cost to the Authority involved. All such damage is covered by the insurance coverage of the contractor.

Examples of such damages are those to the Gallery of Fine Arts and to the Juvenile, Civil and Criminal Courts buildings where underpinning operators caused such cracking of interior walls and ceilings. Repair of such damage will cost the contractors concerned in the range of \$10,000 to \$15,000. The District of Columbia Fire House and a building across the street have been damaged. They are both old structures. However damage is not extensive. Other damage involves broken glass and sagging doors on store fronts. Repair cost in each case has been minimal.

JANUARY 1, 1972.

## RESETTLEMENT

*Question. Are the Federal guidelines being followed by Metro in connection with the resettlement of individuals and businesses?*

*Discussion:*

A program of resettlement services and payments is provided to individuals, families, business concerns and nonprofit organizations displaced from their homes or places of business by actions of the WMATA. This program is administered in accordance with the provisions of the Uniform Relocation and Land Acquisition Policies Act of 1970, P.L. 91-646.

Within the District of Columbia, WMATA utilizes the business and family relocation offices of the District of Columbia Redevelopment Land Agency in administering the relocation program. Outside the District of Columbia, relocation services and payments are administered directly by the WMATA staff.

In providing relocation services, WMATA cooperates to the maximum extent possible with regional departments and agencies which administer housing and related programs. In the relocation program, every effort is made to: (1) assure fair and equitable treatment for all persons who must relocate because their residences or places of business are on sites which must be acquired to accommodate the rapid transit system and (2) minimize individual hardships and lessen the impact of resettlement upon family and community life by providing for an orderly relocation program.

## RESETTLEMENT STATISTICS

Completed as of January 1, 1972:		Total Resettlements—1967-1979:	
Families -----	81	Families -----	744
Businesses -----	164	Businesses -----	491

JANUARY 1, 1972.

## ACQUISITION

*Question. What is the current status of your real estate acquisition program?*

*Discussion:*

The quantum of the estate acquired for stations, station entrances, permanent parking facilities, and locations where substantial permanent improvements and other transit facilities are constructed is not based on purely physical requirements but takes into consideration other planning, architectural and operational factors necessary to exercise control over the immediate environment. Generally, where possible, fee estates are acquired.

Action to acquire any interest in real property (whether a fee or a lesser interest) is not initiated until the Director of Engineering certifies to the Director of Real Estate that the interest is necessary to lay-out, construct, operate or maintain the rapid transit system. After a property interest is certified, an appraisal is obtained and acquisition negotiations are started. To the extent possible, all property interests are acquired by voluntary conveyance through negotiations based on fair market value as estimated by the appraisals.

Negotiations with property owners as well as all other acquisition actions are conducted in strict compliance with the provisions of the Uniform Relocation and Land Acquisition Policies Act of 1970, P.L. 91-646.

## ACQUISITION STATISTICS

## Current:

120—Land Acquisitions -----	\$35,606,052
15—Easements -----	1,617,550
13—Leases -----	979,525
2—Permits -----	74,500
22—Government Agreements (Includes Temporary) -----	331,355
Total -----	38,508,982

Total: It is estimated that the total system will require the acquisition of approximately 1,300 parcels valued in excess of \$215,000,000.

	Parcels	Amount
Jurisdiction:		
District of Columbia -----	94	\$27,756,375
Maryland -----	17	2,946,055
Virginia -----	9	4,903,622
Total -----	120	35,606,052

JANUARY 1, 1972.

## APPRAISAL

*Discussion:*

Under normal circumstances, one fee appraisal is obtained for each parcel of property or interest therein to be acquired. Where necessary, second appraisals are obtained. All appraisals are reviewed by staff appraisers and must conform to the "Uniform Appraisal Standards for Federal Land Acquisition".

Services of fee appraisers are procured in accordance with applicable WMATA procurement regulations. Individual appraisers are selected on the basis of their experience, quality of past performance, and general reputation.

Once obtained, appraisal reports are confidential, but the elements of value considered within the report are thoroughly discussed with property owners. In

making appraisals, property owners are invited to accompany the fee appraiser during the inspection of the property, and are requested to provide all information which they consider relevant to the property.

## APPRAISAL STATISTICS

Current:		
1. Appraisals completed:		<i>Parcels</i>
(a) Fee .....		250
(b) Staff .....		35
2. Appraisals in process.....		96
3. No. of Appraisal Contracts.....		88
4. Total Appraisal Fees.....		\$347, 688

Total: Overall it is anticipated that approximately 1,300 parcels will be appraised. The value of these parcels will exceed \$215,000,000.

JANUARY 1, 1972.

## ADVANCE ACQUISITION

*Discussion:*

It is WMATA's policy to make advance land acquisitions provided:

- (a) that sufficient funds are available to finance the purchases;
- (b) that carrying costs will not exceed the expected savings; and
- (c) that an engineering determination has been made that the land is needed for the transit system.

The advance land acquisition technique is utilized by WMATA only in those cases where it is necessary to forestall a sharp escalation in the price of a particular parcel because of speculation or development, or where an economic hardship is suffered by a property owner as a result of WMATA's anticipated future purchase.

In addition to advance acquisitions made directly by the WMATA, regional governments also make advance acquisitions. The cost of these acquisitions is later credited against the regional jurisdiction's capital contribution obligations. The amount credited against the jurisdiction's obligation is equal to the fair market value of the property at the time of transfer.

	Acquired		Underway (parcels)
	Number	Amount	
Advance acquisition:			
District of Columbia.....	7	\$2, 180, 830	0
Maryland.....	4	1, 229, 245	3
Virginia.....	7	4, 663, 122	11
Total.....	18	18, 073, 197	14

<sup>1</sup> Included in total acquisition cost of \$35,606,052.

JANUARY 1, 1972.

## MANAGEMENT

*Discussion:*

Whenever real property is acquired in advance of the time it is needed for construction or other WMATA purposes, attempts are made to utilize the property as follows:

1. Holdover use by former owners or tenants is recognized in accordance with any reservations in purchase contracts or stipulations and judgments in condemnation proceedings.
2. Outleases are entered into with former owners, or their tenants in possession.
3. In the event former owners or their tenants do not desire to remain in possession, the property is advertised for lease or leases negotiated.
4. Buildings and improvements that are unoccupied and have no potential for leasing or other beneficial use are demolished or protected against unauthorized use.

5. Vacant land is maintained consistent with neighboring properties in order not to detract and give cause for complaint.

## STATISTICS

No. of Parcels.....	120
No. of Outleases in Effect.....	55
Total Monthly Rental.....	\$18, 800. 83
Total Rent Paid to Date.....	\$506, 973. 50
Rent Currently Due.....	\$28, 614. 71
Total Expenses Paid.....	\$62, 654. 20

NOVEMBER 1, 1971.

## DISPOSAL

*Discussion:*

The Authority will, in the course of its basic effort to obtain the right-of-way for the transit system and all of its ancillary facilities, come into the possession of property rights which either immediately or sometime after acquisition become excess or not necessary to the operation, use and maintenance of the system.

Disposition of excess property rights, including interim use, will be done at the time and in the manner most advantageous to the Authority and will include retention by the Authority of the necessary use control to prohibit not only the encroachment of undesirable uses but also to insure the creation of uses which complement the transit use.

Disposition will be by either outright sale with controls active through covenants and predetermined plans; lease of rights with controls written into the lease agreement; or joint venture development, if appropriate.

All leases to taxable entities will provide for the lessee's payment of real estate taxes on their lease interests, payable to the appropriate tax jurisdiction.

Of particular importance concerning excess property rights is the condensation of the surface area used for parking and its conversion to higher density land use or the accomplishment of the same end through the development of air rights.

Periodic checks will be conducted by the Authority of the market potential for various selected land uses and each station location will be periodically reviewed in terms of its economic potential to guide the Authority in its specific policy relative to individual stations.

DECEMBER 14, 1971.

## OFFICE OF MINORITY DEVELOPMENT

*Question. What is the purpose of the Office of Minority Development which WMATA has established? What will be its effect upon the cost of construction*

*Discussion:**Discussion:*

The Board of Directors of the Washington Metropolitan Area Transit Authority approved a three-part Affirmative Action Program on February 18, 1971. The program includes Minority Manpower Utilization, Minority Enterprise Development and an Internal Affirmative Action Program for WMATA employees. The February 18 statement, which follows, makes crystal clear the intention of WMATA in this area.

"It shall continue to be the policy of this Authority not only to avoid discrimination among its employees and representatives on the basis of race, creed, color, sex, or national origin, but to take forceful, affirmative steps to assure fair and just treatment of all persons directly and indirectly connected with fulfillment of WMATA's mission to the regional and federal communities."

To implement this policy the Board has established an Office of Minority Development, which, at present, includes a director who is directly responsible to the General Manager and an Equal Employment Officer. This office will be charged with the job of translating the Board's policy into action, a task of no small dimension.

JANUARY 24, 1972.

## WMATA IN HOUSE AFFIRMATIVE ACTION

*Discussion:*

The Washington Metropolitan Area Transit Authority (WMATA), created in 1967, believes in and practices the principles of affirmative action and equal employment opportunity. To further define the affirmative action philosophy of the Authority, past actions, current activities, and innovative ideas were developed into a comprehensive statement of policy, which was adopted by the Board of Directors, on February 18, 1971, to insure that all employees are aware of and understand WMATA's policy. The statement, as adopted by the Board of Directors, constitutes the formal internal WMATA Affirmative Action Program.

The Program contains the steps previously and/or currently being taken to insure that minorities and women are considered in all employment activities and future planning which will emphasize WMATA's equal employment policy. The Program was designed to explore every avenue of employment development to provide greater career potential for the individual and value to the employer. The Program also provides assurance of full consideration to all citizens of the region, for equal employment opportunities within WMATA.

The recruitment policy is designed to achieve a minimum staffing pattern equivalent to the minority population of the region as the major goal of the Program. This staffing policy applies to both professional and non-professional positions and has been placed into practice in recruitment effort for all current and future vacancies.

Under the provisions of the Program, an Equal Employment Advisory Committee was established to further the implementation of the policy. Since the inception of the Program and the Committee in February 1971, the employment pattern is the following:

Total New Employees Since February 1971-----	64	
Professional Personnel-----	40	
Minority Professional-----	12	(30.0%)
Support Personnel-----	24	
Minority Support Personnel-----	17	(70.8%)
Total Minority Employees since February 1971-----	29	(45%)
Total WMATA Employment-----	254	
Total Minority Employment-----	84	(33.1%)

JANUARY 26, 1972.

## MINORITY ENTERPRISE UTILIZATION

*Discussion:*

The Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA) on February 18, 1971 adopted a Minority Enterprise Utilization Program. In the implementation of the program a clause titled "Utilization of Minority Business Enterprise" is included in all WMATA contracts—see the following:

## UTILIZATION OF MINORITY BUSINESS ENTERPRISES

"It is the policy of the Authority that equal opportunity to participate in Authority procurements be provided to minority business enterprises. In order to ensure that a fair proportion of the purchases and contracts for supplies and services for the Authority are placed with minority business enterprises, the contractor agrees to take affirmative action, to the fullest extent consistent with efficient construction of the Metro system to identify qualified minority business firms, solicit bids and quotations from them, and in making awards and purchases give equitable consideration to minority business enterprises."

The Board of Directors of the Washington Metropolitan Area Transit Authority (WMATA) on November 18, 1971 also adopted a policy statement of the Board of Directors on minority enterprise which was as follows:

"WMATA affirms its intention to undertake an aggressive affirmative action program to expand the participation of minority enterprise in all areas of Metro work including professional services, construction, procurement, operations and maintenance.

"In pursuit of this policy, WMATA established the following objectives:

To provide a favorable climate of opportunity for minority enterprises to participate more fully in Metro.

To encourage the creation of additional minority contractor capability through the establishment of new firms and the fostering of the growth of existing minority firms.

To strive for the establishment of more specific objectives for increased minority enterprise participation in the future with the assistance of an independent outside consultant.

To take the initiative toward the establishment of a "Washington Plan" for minority enterprise by the Federal Government to embrace all federally funded construction in the Washington metropolitan area."

One of the most useful tools for encouraging and inciting increased minority entrepreneurship is our recommendation for a "Washington Plan" for minority enterprise. The "Washington Plan" for minority enterprise is an imaginative and innovative approach to the task of increasing minority contractor participation in the construction of the Washington Metropolitan Area Transit System.

*Further Discussion:*

The development and implementation of the "Washington Plan" by the Department of Commerce will enable those minority contractors who to date have found it difficult to obtain jobs with Metro as well as other Federally assisted jobs to become more involved and obtain a more meaningful percentage of work. By identifying and establishing realistic goals that can be accomplished by the minority contractor we have taken the first step in altering the present situation concerning the amount of work presently being accomplished by the minority contractor.

Once this is done the increased level of contracting dollars will allow the minority contractor to invest time and money in these areas of management, technical expertise and other disciplines necessary to make him a more viable participant in the competitive area of construction.

An indispensable element of the overall effort to increase the level of participation of minority businesses in construction of all kinds in the metropolitan area is a well-funded, professionally-managed program of technical, managerial and financial assistance. WMATA first made such a proposal to the Administration in 1970. We understand the idea is under active consideration by the Executive Branch.

JANUARY 26, 1972.

MINORITY MANPOWER UTILIZATION

*Question. What has been the Authority's experience with the Washington Minority Manpower Utilization program?*

*Discussion:*

The Minority Manpower Utilization Program for construction of the system by the Washington Metropolitan Area Transit Authority (WMATA) has been developed to achieve two goals. The first of these goals is to insure adequate manpower to construct the system and to utilize manpower to the fullest extent feasible in the efficient construction of the Metro system. The second goal is to comply with the provisions of the Washington Plan issued on June 1, 1970 by the Office of Federal Contract Compliance, U.S. Department of Labor. The purpose of the Plan is to implement the provisions of Executive Order 11246 and the rules and regulations issued pursuant thereto, requiring a program of equal employment opportunity by Federal contractors and subcontractors and Federally-assisted construction contractors and subcontractors in the Washington Standard Metropolitan Statistical Area (SMSA).

The Washington Plan covers 11 building trades crafts:

- Electricians.
- Painters and Paperhangers.
- Plumbers, Pipefitters and Steamfitters.
- Ironworkers.
- Sheet Metal Workers.
- Elevator Constructors.
- Asbestos Workers.
- Lathers.
- Boiler Makers.
- Tile and Terrazzo Workers.
- Glaziers.

Included in the WMATA Minority Manpower Utilization Program is the training program to comply with the provisions of the "five percent hiring of disadvantaged minority persons clause" which WMATA imposed in the first four WMATA contracts which predate the Washington Plan. It is now reaching the projected level and goals.

I.—MINORITY MANPOWER UTILIZATION  
 REPORT ON AFFIRMATIVE ACTION PROGRAM—JANUARY 1972  
 (Feb. 10, 1972)

Contractor (trades)	Total	Minority	Percent
Bricklayers.....	3	1	33
Carpenters.....	116	14	11
Cement masons.....	14	14	100
Chucktenders.....	27	15	55
Electricians.....	44	7	16
Foremen and supervisors.....	133	49	36
Ironworkers.....	12	3	25
Laborers <sup>1</sup> .....	590	474	81
Lathers.....	3	2	66
Miners <sup>1</sup> .....	164	55	33
Nozzlemen.....	15	1	7
Operating engineers.....	322	52	16
Painters.....	9	7	78
Piledrivers.....	229	37	16
Pipe layers.....	2	2	100
Plasterers.....	3	2	67
Plumbers.....	21	4	19
Rodmen.....	21	6	29
Safety checkers.....	3	1	4
Shifters.....	24	1	4
Sheet metal workers.....	3	1	50
Surveyors.....	33	6	13
Teamsters.....	144	138	96
Walkers.....	14	0	-----
<b>Total.....</b>	<b>1,940</b>	<b>888</b>	<b>46</b>
In addition project build has the following apprentices working on the Metro project under the 5 percent skilled craftsmen clause:			
Operating engineers.....	5	5	100
Carpenters.....	3	3	100
Pile drivers.....	5	5	100
Plumbers.....	3	3	100
Electricians.....	2	2	100
Surveyors.....	1	1	100
Cement masons.....	1	1	100
Waterproofers.....	1	1	100
Truck drivers.....	1	1	100
<b>Subtotal.....</b>	<b>22</b>	<b>22</b>	<b>100</b>
Additional apprentices not under the 5 percent skilled craftsmen clause:			
Operating engineers.....	6	3	50
Carpenters.....	11	2	18
Pile drivers.....	7	4	57
Electricians.....	10	8	80
Plumbers.....	7	3	43
Rodmen.....	1	1	100
Rodmen.....	1	1	100
Cement finisher.....	1	1	100
Ironworker.....	1	0	-----
<b>Subtotal.....</b>	<b>44</b>	<b>22</b>	<b>50</b>
<b>Total work force.....</b>	<b>2,006</b>	<b>923</b>	<b>46</b>
WMATA staff:			
Employees.....	254	81	31.8
Professionals.....	179	35	19.5

<sup>1</sup> Laborers and miners together have 75 trainees working on the Metro project under the 5 percent training clause (Washington Area Laborers Trust Fund).

## II. MINORITY SUBCONTRACTORS, CONTRACTORS, AND PROFESSIONAL SERVICES

	<i>Total dollar value to date</i>
II. Minority subcontractors of prime contractors :	
Peter Kiewit Sons' Co.....	\$455,200.00
Ball-Shea-Norair .....	542,093.00
Norair Engineering Corp.....	278,341.00
S. A. Healy Company.....	10,000.00
Massman-Kiewit-Early .....	47,781.00
George Hyman Construction Co.....	36,465.00
Allied Contractors.....	3,000.00
Intercounty Associates.....	31,291.50
Morrison-Knudsen .....	12,697.00
Granite Construction Co.....	43,721.00
Total .....	<u>1,460,589.50</u>
Minority prime contractors :	
Ferguson Construction Co.....	17,300.00
Robert Mosley Building Construction Co.....	2,700.00
C & C Industries, Inc.....	311,000.00
Total .....	<u>331,000.00</u>
Minority contractors (ex-construction) :	
Appraisal Contracts.....	32,062.00
Demolition Contracts.....	27,575.00
Management Services.....	54,000.00
Total .....	<u>113,637.00</u>
Minority professional services : Fry-Welch Associates, Architects.....	80,000.00
Grand total.....	<u>1,985,226.50</u>
Total from Last Report.....	1,813,639.50

## III. IMPLEMENTATION AND ACTIVITIES OF THE OFFICE OF MINORITY DEVELOPMENT

1. The Office of Minority Development held several meetings and/or conversations with Architect and Engineering firms from Kansas City, Kansas and Los Angeles, California that stated interest in performing design services for the Authority.

2. The Office Director along with other members of the Authority Staff, met with representatives from the Office of Minority Business Enterprise (Department of Commerce) and White House Staff to discuss the implementation of the Authority's proposed Washington Development Plan.

3. The Office Director and EEO Officer were present at the Urban Mass Transportation Seminar held at Howard University on January 17-18. The conference was sponsored by the Urban Mass Transportation Administration (Department of Transportation) for the purpose of discussing minorities and how they relate to the transit industry. The four major topics discussed were the following :

- (a) The Transit Decision-Making Process,
- (b) The Improvement of Transit Services in Minority Areas,
- (c) Citizen Participation, and
- (d) Minority Business Opportunities in Connection with the Construction of Transit Systems.

4. On January 31 in a meeting arranged by Mr. John Burcham, the Office Director and EEO Officer along with Federal Government personnel, Prince George's County Council members and staff representatives and community civic leaders met at the Prince George's County Courthouse to discuss methods and planning to more significantly involve minorities in Prince George's County in the rapid transit industry and all other business opportunities.

5. The Office Director and two members of the Office of Construction Staff attended and participated in the Regional Conference of the National Association of Minority Contractors in Atlanta, Georgia held on January 28-29. The conference agenda included a 30-minute presentation by WMATA. The presentation addressed itself to WMATA and its involvement with the minority contractor community.

6. The EEO Officer attended the Mid-Winter Federal Highway Administration and the State Department of Highways Civil Rights Meetings in Washington, D.C.

7. The EEO Officer attended the Black Congressional Caucus Meeting on the National Black Economic Development in Baltimore, Md.

8. The EEO Officer conducted a meeting with WMATA's contractors to discuss improvements in reporting procedures.

9. The EEO Officer met with the Manpower Administration, U.S. Department of Labor and training groups to discuss a manpower training program to satisfy future Metro needs.

OCTOBER 28, 1971.

#### ENVIRONMENTAL AND ECOLOGICAL MATTERS

*Question. What actions are being taken by the Authority to assure that the construction of METRO will avoid adverse environmental impact upon the community?*

*Discussion:*

The Washington Metro System, in keeping with its location in the Nation's Capital, is to be one of the cleanest, quietest, most modern transit systems in the world. Full consideration is continually being given to environmental and ecological matters. All of our planning, design, construction and operations must meet or exceed all local codes and regulations in each political jurisdiction.

The basic nature of rapid transit; i.e., moving large volumes of people who might otherwise use automobiles, is a great environmental improvement. Much of our System will be constructed by rock and earth tunneling techniques, causing little adverse environmental impact on the surrounding community. The underground operation of the trains will create little or no noise or vibration on the surface or surrounding structures. The stations and trains will be air conditioned and will provide an environment for rail transit riders far superior to that available today on the surface bus operation.

Principal areas of environmental concern are:

1. *Noise and vibration control*—we have required silencers on construction equipment (85 db maximum), will install floating slabs to reduce vibration transmission and in general will keep post-construction noise below the ambient level of the neighborhood.

2. *Erosion and siltation*—the contractors will keep excavations dry through dewatering and as soon as backfilling can be accomplished, will place topsoil and seed or sod.

3. *Flood plains*—running track and stations are sited to avoid flood plains where possible. Where construction is unavoidable in flood plains, we are cooperating fully with local agencies to insure that we will not create a flooding problem. In Maryland, public hearings will be held by the State on flood plain crossings.

4. *Air pollution*—the Metro System, by reason of its all-electric operation, will greatly alleviate the existing air pollution problems of the area.

5. *Beautification*—besides being a most attractive transit system, Metro will generate redevelopment of underutilized and blighted areas.

We are also insuring that buildings adjacent to construction sites will not settle and crack by using underpinning and groundwater recharge techniques.

Additionally, we will soon undertake a systemwide study to ascertain if there is any other impact of Metro upon the ecology of the region.

NOVEMBER 22, 1971.

## DULLES AIRPORT EXTENSION

*Question. What is the current status of the proposed extension of the System to Dulles Airport?*

*Discussion:*

In accordance with Section 7 of the National Capital Transportation Act of 1969 the Authority, under a contract executed with the Secretary of Transportation, undertook a study of the Dulles Airport extension in October 1970. The report, which was completed in July 1971, considered five service alternatives between the Dulles Airport and the 98-mile Authorized Regional System (Metro):

1. Express shuttle service to a transfer station on Metro Route K.
2. Local shuttle service to the transfer station with two intermediate stops.
3. Integrated express service to downtown Washington.
4. Integrated local service (two intermediate stops) to downtown Washington.
5. Express service to a transportation center in Rosslyn.

For each alternative, the report contains an estimate of capital and operating costs, patronage and revenue forecasts, and supporting documentation.

While the consultant's report does not overtly recommend a service alternative, the most attractive alternative in terms of ridership, costs, and revenue is the service directly integrated with the Metro Route K in Fairfax County which is presently under construction. This alternative (including stops at Reston and Leesburg Pike) would have a 1990 daily ridership of more than 30,000. The service would operate on a 15-minute headway utilizing modern, air-conditioned, pollution free, Metro-type rapid transit vehicles and have a minimum travel time from Dulles to Downtown Washington of less than 35 minutes at a fare of \$1.35 from Metro Center to Dulles. The capital cost of this service is \$90 million (escalated) which includes vehicles, but excludes the cost of providing the two intermediate stations. Legislation has been introduced by Senator Spong which would provide Federal funding for this extension.

JANUARY 24, 1972.

## ASSISTANCE TO THE HANDICAPPED

*Question. What is being done by the Authority to assure the availability of the advantages of the System to the handicapped?*

*Discussion:*

The planners of the Metro have been actively pursuing an appropriate solution to this question since 1964. In response to the WMATA Board's concern, the staff provides frequent briefings explaining progress in this area. The designs of the Authority's facilities comply with the "American Standard Specifications for Making Buildings and Facilities Accessible to, and Usable by, the Physically Handicapped" as they apply to construction of facilities. These affect, for example, site grading, width of doorways, non-slip floors, etc. The Metro stations are being designed with escalators from the street level to train platform, thereby providing suitable access for all but the nonambulatory.

In the interest of accommodating the nonambulatory, our staff encouraged a special study under auspices of the President's Committee on the Employment of the Handicapped, which led to a conceptual design of an inclined elevator device to operate parallel to the escalators and capable of installation in lieu of an escalator in appropriate situations. In an effort to obtain financial support of a research and development effort to perfect working designs and technology for this proposed facility, the Authority applied to the Department of Transportation for an R & D grant.

On December 17, 1971, the application was denied on the grounds that (1) the subject study was not considered by the Department to be high enough in priority in relation to other applications for DOT financial support to justify the expenditure and that (2) "the device proposed will lack the national applicability that is so essential to priority in our program."

As a result of the decision by the Department of Transportation, the Authority determined to provide vertical transportation for nonambulatory individuals by means of conventional elevators. However, this solution will require additional

funding since the financial plan for the ARS system does not provide money for this purpose.

*Further Discussion:*

In the Report of the Senate Committee on the District of Columbia which accompanied the Bill which became the National Capital Transportation Act of 1965, Public Law 89-173, the Committee directed the National Capital Transportation Agency—

“to take whatever action may be needed with regard to the future planning and actual construction of the subway to make the system readily accessible to disabled, elderly and other handicapped persons.”

Long before this directive, and at all times since, NCTA and the Authority have consistently maintained a sympathetic awareness of this problem and have diligently sought an acceptable solution.

In the words of the Senate Report, the objective of the Authority is—

“... to make the (subway) readily accessible to disabled, elderly and other handicapped persons.”

To achieve the objective, the Authority has established and encouraged continuous relationship with organizations having concern in this field.

One factor complicating the effort to serve handicapped persons is the fact there is very little reliable information concerning the number of handicapped persons by whom transit service would be utilized. The most reliable information available appears to be that published in May, 1968 by the Public Health Service of HEW, which indicates that 1/10 of 1% of the population require the use of wheelchairs and of those some portion are unable to leave the home. As to those persons, as with the greatest proportion of anticipated patrons of this system, it will be necessary for them to use supplementary means of transport to and from the rail system. Approximately 70% of all persons using the rail system will complete some part of their journey by automobile or bus. Applying these factors, we find something fewer than 500 persons as likely patrons on any given day, and with reasonable distribution throughout the 86 stations of the system use of individual stations will vary from 2 to 17 handicapped persons each day. However, before accepting these figures as definitive, the Authority has commissioned a competent polling organization to survey the population of the region in an effort to establish accurate, specific information as to the number of handicapped persons having need for access to the system to the end that the program will be carried forward as nearly as possible on the basis of reliable information rather than speculation.

There are certain considerations which bear importantly on the Authority's decisions. In the design and operation of the transit system, the Authority has the highest degree of responsibility to provide for the safety of all passengers under all conditions. This responsibility extends to all invitees, whether hale or handicapped, and must be carefully considered in the design of special facilities.

The introduction of nonambulatory persons in wheelchairs, with limited maneuverability and facility of control, into the stream of pedestrian traffic in the system can be dangerous to both the handicapped and to other patrons. The high performance characteristics of the vehicle which we envision, with as little as 10 seconds dwell at stations, will allow very short durations for nonambulatory persons to leave the vehicle or to enter. Further, upon entry they would have little time in which to secure themselves so as not to be propelled into others and to safeguard themselves during periods of acceleration and deceleration at the very high rate of 3 miles per hour per second. In the event of an emergency within the tunnel, requiring that passengers leave the trains via the 24" wide escape walk, nonambulatory patrons might jeopardize not only themselves, but also large numbers of other patrons.

With escalators from street to platform and with acceptance of American Standard Specifications (for Accessibility), access to the transit system is assured for all but an extremely small part of the population. The special design effort is addressed to the possibility of modifying available devices, or designing new, which would even further enhance accessibility. The Authority's efforts will continue to press for the highest possible achievement.

JUNE 21, 1971.

## LABOR PROVISIONS OF CONTRACTS

*Discussion:*

Article XIV of the Compact requires the inclusion of the following provisions in Authority Contracts:

## (1) For Construction:

Laborers and mechanics employed by contractors or subcontractors in the construction, alteration or repair, including painting and decorating, of projects, buildings and works undertaken by the Authority or financially assisted by it, shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the *Davis-Bacon Act*, and every such employee shall be paid not less than 1½ times his basic rate of pay for all hours worked in any workweek in excess of 8 hours in any workday or 40 hours in any workweek.

All such contracts are deemed to be of the character specified in Section 103 of the *Contract Work Hours Standards Act*.

## (2) For Equipment and Supplies:

Such contracts are subject to the *Walsh-Healey Public Contracts Act* which provide minimum wage, overtime pay, and safety and health standards.

## (3) For Operations:

The provisions of Section 13(c) of the *Urban Mass Transportation Act of 1964* are applicable to any contract or other arrangement for the operation of transit facilities owned or controlled by the Authority. This section protects transit employees from adverse effects of the Metro project and continues collective bargaining arrangements in existence when the contract or arrangement is made.

U.S. DEPARTMENT OF LABOR, OFFICE OF THE SECRETARY

WASHINGTON

## DECISION OF THE SECRETARY

This case is before the Department of Labor pursuant to a request for a wage predetermination as required by law applicable to the work described.

A study has been made of wage conditions in the locality and based on information available to the Department of Labor the wage rates and fringe payments listed are hereby determined by the Secretary of Labor as prevailing for the described classes of labor in accordance with applicable law.

This wage determination decision and any modifications thereof during the period prior to the stated expiration date shall be made a part of every contract for performance of the described work as provided by applicable law and regulations of the Secretary of Labor, and the wage rates and fringe payments contained in this decision, including modifications, shall be the minimums to be paid under any such contract by contractors and subcontractors on the work.

The contracting officer shall require that any class of laborers and mechanics which is not listed in the wage determination and which is to be employed under the contract, shall be classified or reclassified conformably to the wage determination, and a report of the action taken shall be sent by the Federal agency to the Secretary of Labor. In the event the interested parties cannot agree on the proper classification or reclassification of a particular class of laborers and mechanics to be used, the question accompanied by the recommendation of the contracting officer shall be referred to the Secretary for determination.

Before using apprentices on the job the contractor shall present to the contracting officer written evidence of registration of such employees in a program of a State apprenticeship and training agency approved and recognized by the U.S. Bureau of Apprenticeship and Training. In the absence of such a State agency, the contractor shall submit evidence of approval and registration by the U.S. Bureau of Apprenticeship and Training.

The contractor shall submit to the contracting officer written evidence of the established apprentice-journeyman ratios and wage rates in the project area, which will be the basis for establishing such ratios and rates for the project under the applicable contract provisions.

Fringe payments include medical and hospital care, compensation for injuries or illness resulting from occupational activity, unemployment benefits, life insurance, disability and sickness insurance, accident insurance (all designated as health and welfare), pensions, vacation and holiday pay, apprenticeship or other similar programs and other bona fide fringe benefits.

*By direction of the Secretary of Labor,*

ALFRED L. GANNA,  
Director, Division of Wage Determinations,  
Workplace Standards Administration.

Decision No. AM-5,971.

Date of decision, November 23, 1971.

Expires March 21, 1972.

Department, agency, or bureau: Washington Metropolitan Area Transit Authority.

Location of project (city or other description): Washington, D.C.

Description of work: Construction of the Metro Rapid Rail Transit System, work includes: open cut and tunneling excavation; subway station, traction station; shop and office building construction; incidental grading, demolition, utility alterations; installation of track machinery, and related construction.

	Fringe benefits payments				
	Basic hourly rates	Health and welfare	Pensions	Vacation	Apprentice trainee
Asbestos workers.....	\$8.05	\$0.25	\$0.15	-----	\$0.015
Boilermakers-blacksmiths.....	7.65	.30	.70	\$0.20	.01
Bricklayers.....	8.35	.37	.18	-----	-----
Carpenters.....	6.94	.20	.16	-----	.07
Cement masons:					
Cement masons.....	6.825	.185	.20	-----	.03
Grinding machine.....	7.075	.185	.20	-----	.03
Electricians.....	7.95	.35	1 + .20	-----	.10
Elevator constructors:					
Elevator constructors.....	7.28	.17	.185	28 1/2	.005
Elevator constructors' helpers.....	5.10	.17	.185	28 1/2	.005
Elevator constructors' helpers (prob.).....	3.64	.17	.185	28 1/2	.005
Field engineers:					
Rodman.....	5.10	.30	.30	-----	.05
Instrument man.....	6.35	.30	.30	-----	.05
Glaziers.....	6.78	.46	.20	-----	-----
Ironworkers:					
Structural.....	7.15	.35	.30	-----	.01
Ornamental and chain link fence.....	7.15	.35	.30	-----	.01
Reinforcing.....	6.70	.15	.25	-----	.02
Lathers.....	7.225	.30	.30	-----	.025
Lead burners.....	5.35	.25	-----	(*)	.01
Line construction:					
Linemen, cable splicer, equipment operator.....	8.31	.15	(*)	-----	(*)
Truck with winch, truck pole or steel handling.....	6.44	.15	(*)	-----	(*)
Groundmen (0 to 1 year).....	5.02	.15	(*)	-----	(*)
Groundmen (1 to 2 years).....	5.93	.15	(*)	-----	(*)
Groundmen (over 2 years).....	6.18	.15	(*)	-----	(*)
Marble setters.....	6.80	.15	.25	-----	-----
Marble setters' helpers.....	6.10	-----	-----	-----	-----
Millwrights.....	7.065	.20	.16	-----	.07
Painters:					
Bruch, paperhangers, tapers, and spray.....	7.05	.41	.15	-----	.03
Steel, structural, sandblasters, swing stage.....	7.38	.41	.15	-----	.03
Piledrivermen.....	7.065	.20	.16	-----	.07
Plasterers.....	6.665	.30	.25	-----	.06
Plumbers.....	7.83	.28	.05	-----	-----
Roofers:					
Composition.....	5.80	.20	.20	-----	-----
Slate, tile mopmen, waterproofer, sprayers, spandrel, and ironite.....	6.30	.20	.20	-----	-----
Helpers.....	4.50	.20	.20	-----	-----
Sheet metalworkers.....	7.50	.545	.545	-----	.04
Soft floorlayers.....	6.94	.20	.16	-----	.07
Sprinkler fitters.....	8.00	.25	.40	-----	.05
Steamfitters, refrigeration and air condition mechanic.....	7.93	.23	-----	-----	-----
Stone masons.....	6.80	.15	.25	-----	-----
Terrazzo and mosaic workers.....	6.85	(*)	.20	-----	-----
Terrazzo workers' helpers.....	5.85	(*)	.20	-----	-----

	Basic hourly rates	Fringe benefits payments			Apprentice trainee
		Health and welfare	Pensions	Vacation	
Tilesetters.....	6.85	(9)	.20	-----	-----
Tile setters' helpers.....	5.85	(9)	.20	-----	-----
Truck Drivers:					
Boom trucks.....	4.10	.22	(7)	(9)	-----
Small dump, water sprinkler, grease and oil.....	3.85	.22	(7)	(9)	-----
Flat, pickup hauling materials, small Euclids, dump over 8 wheels.....	3.95	.22	(7)	(9)	-----
Trailers, low boys, tractor pulls.....	4.15	.22	(7)	(9)	-----
Helpers.....	3.70	.22	(7)	(9)	-----
Carryalls, large Euclids, Euclid water sprinkler, tunnel work underground.....	4.25	.22	(7)	(9)	-----
Mechanics.....	4.00	.22	(7)	(9)	-----
Concrete mixer.....	3.20	.12	.15	(9)	-----
Riggers and welders—receive rate prescribed for crafts performing operation to which welding are incidental.....	-----	-----	-----	-----	-----

<sup>1</sup> Percent.

<sup>2</sup> Holidays: A through F.

<sup>3</sup> Employer contributes 4 percent basic hourly rate for 5 years or more of service or 2 percent basic hourly rate for 6 months to 5 years of service as vacation pay credit.

<sup>4</sup> Holidays: A through F, plus Washington's Birthday and Good Friday (providing employee has worked at least 45 full days during the 120 calendar days prior to the holiday, and the regular scheduled work days immediately preceding and following the holiday).

<sup>5</sup>  $\frac{3}{4}$  percent.

<sup>6</sup> Employer contributes \$37.92 per man per month.

<sup>7</sup> Employer contributes \$4 per week when employee has worked 90 days and works 3 days in any work week.

<sup>8</sup> Holidays: A, D, E, and F (provided the employee works the day before and the day after the holiday).

Note: Paid holidays—A—New Year's Day; B—Memorial Day; C—Independence Day; D—Labor Day; E—Thanksgiving Day; F—Christmas Day.

Laborers	Basic hourly rates	Fringe benefits payments			Apprentice training
		Health and welfare	Pensions	Vacation	
Carloader, choker setter, concrete crewman, corrugated metal culvert pipe layer, crusher feeder, demolition laborer, including salvaging all material, loading, cleaning up, wrecking, driller helper, dumpman, flagman, fence erector and installer, including installation and erection of fence, guard rails, median rails, reference posts, guide posts and right-of-way markers, form stripper, general laborers, railroad track laborer, rip-rap man, scale man, stake jumper, structure mover, including foundation separation, preparation, scribing, shoring, jacking and unloading of structure, water nozzle man, timber bucket and faller, truck loader.....	\$5.19	0.25	0.25	-----	0.03
Combined air and water nozzle man, cement handler, dope pot fireman, nonmechanical, form cleaning machine, mechanical railroad equipment, includes spiker, puller, tie cleaner, tamper, pipe wrapper, power driven wheelbarrow, operators of hand derricks, towmasters, scooters, buggymobiles and similar equipment, tamper or rammer operator, trestle scaffold builders over one tier high, power tool operator, gas, electric or pneumatic, sandblast or gunnite tailhoose man, scaffold erector, steel or wood, vibrator operator up to 4 foot, asphalt cutter, mortar men, shorer and lagger, creosote material handler, corrosive enamel or equal, paving breaker and jackhammer operators.....	5.34	.25	.25	-----	.03
Multi-section pipe layer, non-metallic clay and concrete pipe layer, including caulker, collarman, joiner, rigger and jacker.....	5.39	.25	.25	-----	.03
Asphalt block pneumatic cutter, asphalt roller, walking, chainsaw, with attachment, concrete saw, walking, high scalers, jackhammer (using over 6 feet of steel), vibrator 4 feet and over, well point installers, air trac operator.....	5.44	.25	.25	-----	.03
Asphalt screeder, big drills, cut of 4½ piston or larger, down the hole drills, 3½ piston or larger, gunnite or sandblaster nozzle man, asphalt raker, asphalt tamper, form setter, demolition torch operator.....	5.64	.25	.25	-----	.03
Powderman, master form setters.....	5.84	.25	.25	-----	.03

	Basic hourly rates	Fringe benefits payments			Apprentice trainee
		Health and welfare	Pensions	Vacation	
Brick paver (asphalt block paver, asphalt block saw man, asphalt block grinder, Hastings block or similar type).....	5.965	.25	.25	-----	.03
Miners.....	6.415	.25	.25	-----	.03
Power Equipment Operators:					
35 ton cranes and above, tower and climbing cranes.....	7.335	.30	.30	-----	.05
Backhoes, boom cats, cableways, cranes or derricks, draglines, elevating graders, hoists, elevator (permanent) paving mixers, piledriving engines, power shovels, tunnel shovels, mucking machines, batch plants, concrete pumps, locomotives (standard narrow gauge), power driven wheel scoops and scrapers 50 cubic yards, struck capacity or above, multiple concrete conveyors.....	7.085	.30	.30	-----	.05
Hydrocrane, and all other hydraulic cranes 12 tons or under.....	7.035	.30	.30	-----	.05
Hydraulic back hoers, under 3/4 yard, mounted on tractors.....	6.935	.30	.30	-----	.05
Front end loader (over 3 1/2 cubic yards).....	7.085	.30	.30	-----	.05
Front end loader (over 2 3/4 cubic yards) to and including 3 1/2 cubic yards).....	6.935	.30	.30	-----	.05
Front end loaders (Hi-lift), forklifts.....	6.685	.30	.30	-----	.05
Air compressors (on steel).....	6.755	.30	.30	-----	.05
Air compressors (except on steel), concrete mixers, mechanics and maintenance men, pumps, tunnel mechanics, tunnel motormen, welding machines, well points.....	6.505	.30	.30	-----	.05
Boilers (skeleton), trenching machines, tug boats, well drilling machines.....	6.675	.30	.30	-----	.05
Power driven wheel scoops & scrapers under 50 cubic yards, struck capacity, blade graders, bulldozers, motor graders.....	6.485	.30	.30	-----	.05
Rollers, asphalt spreaders, bull float finishing machines, concrete spreaders, concrete finishing machines, fine graders, form graders, concrete saws.....	6.285	.30	.30	-----	.05
Apprentice engineers:					
Firemen.....	5.625	.30	.30	-----	.05
Truck crane oilers.....	5.505	.30	.30	-----	.05
Oilers.....	5.455	.30	.30	-----	.05
SEWER AND WATER LINES					
Power Equipment Operators:					
Backhoes, cableways, cranes, draglines, power shovels, tunnel shovels, tunnel making machines, of 1 cubic yard or above.....	6.14	.25	.25	-----	.01
Backhoes, cableways, cranes, derricks, draglines, power shovels, tunnel shovels, tunnel mucking machines up to 1 cubic yard and boom cats, elevating graders, hoists, paving mixers, pile driving engines, batch plant, concrete pumps.....	5.89	.25	.25	-----	.01
Trenching machines (above 8'3").....	5.69	.25	.25	-----	.01
Backhoes (hydraulic, under 1/2 cubic yard).....	5.77	.25	.25	-----	.01
Trenching machines (up to 8'3"), boilers skeleton, well drilling machines.....	5.59	.25	.25	-----	.01
Air compressors, tunnel.....	5.56	.25	.25	-----	.01
Front end loaders (high lift).....	5.54	.25	.25	-----	.01
Concrete mixers, power wheel scoops and scrapers, motor graders, tunnel motor men.....	5.44	.25	.25	-----	.01
Mechanics.....	5.42	.25	.25	-----	.01
Bulldozers, hydraulic tampers.....	5.34	.25	.25	-----	.01
Roller.....	5.24	.25	.25	-----	.01
Air compressors, pumps welding machines, well points.....	5.165	.25	.25	-----	.01
Apprentice Engineers:					
Firemen.....	4.70	.25	.25	-----	.05
Truck crane oilers.....	4.55	.25	.25	-----	.05
Oilers.....	4.50	.25	.25	-----	.05
Truck Drivers:					
Dump trucks.....	2.75	.12	( )	-----	
Dump trucks over 8 wheels.....	2.85	.12	( )	-----	
Flat trucks.....	2.85	.12	( )	-----	
Trailers.....	2.95	.12	( )	-----	
Fuel and oil trucks.....	2.75	.12	( )	-----	
Euclids.....	3.10	.12	( )	-----	

	Basic hourly rates	Fringe benefits payments			Apprentice trainee
		Health and welfare	Pensions	Vacation	
PAVING AND INCIDENTAL GRADING					
Cement masons.....	4.35	.22	.10	-----	-----
Power Equipment Operators:					
Concrete spreader operator, finishing machine, roller (rough), compressor, rubber tired loader (1-½ cubic yards, or less), asphalt plant mixer.....	4.10	.22	.10	-----	-----
Loader operator tracks (2-½ cubic yards or less), burner planer, bulldozer, mechanical welder, rubber tired loader (over 1-½ cubic yards).....	4.30	.22	.10	-----	-----
Asphalt spreader, hydraulic backhoe (½ cubic yards, or less), asphalt plant engineer, asphalt roller operator, concrete breaker (machine).....	4.35	.22	.10	-----	-----
Crane operator, concrete paving operators.....	4.50	.22	.10	-----	-----
Shovel operator.....	4.60	.22	.10	-----	-----
Gradall operator (1-½ cubic yards, or less), motor grader, loader operator tracks (over 2-½ cubic yards).....	5.25	.22	.10	-----	-----
G-1000 Gradall operator (over 1-½ cubic yards).....	5.50	.22	.10	-----	-----
Power broom, oiler.....	4.00	.22	.10	-----	-----
Sand setter.....	4.35	.22	.10	-----	-----
Truck Drivers:					
Standard.....	3.85	.22	.10	-----	-----
Tandem.....	3.97	.22	.10	-----	-----
Tractor trailer (capable of moving heavy equipment).....	4.35	.22	.10	-----	-----

<sup>1</sup> \$4.00 per week employer contribution for all employees who have worked continuously 90 days or more and have worked 3 days in any one week.

JANUARY 24, 1972.

GOVERNMENTAL STRUCTURE OF THE WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY, WASHINGTON SUBURBAN TRANSIT COMMISSION, NORTHERN VIRGINIA TRANSPORTATION COMMISSION AND MASS TRANSIT ADMINISTRATION (BALTIMORE)

*Discussion:*

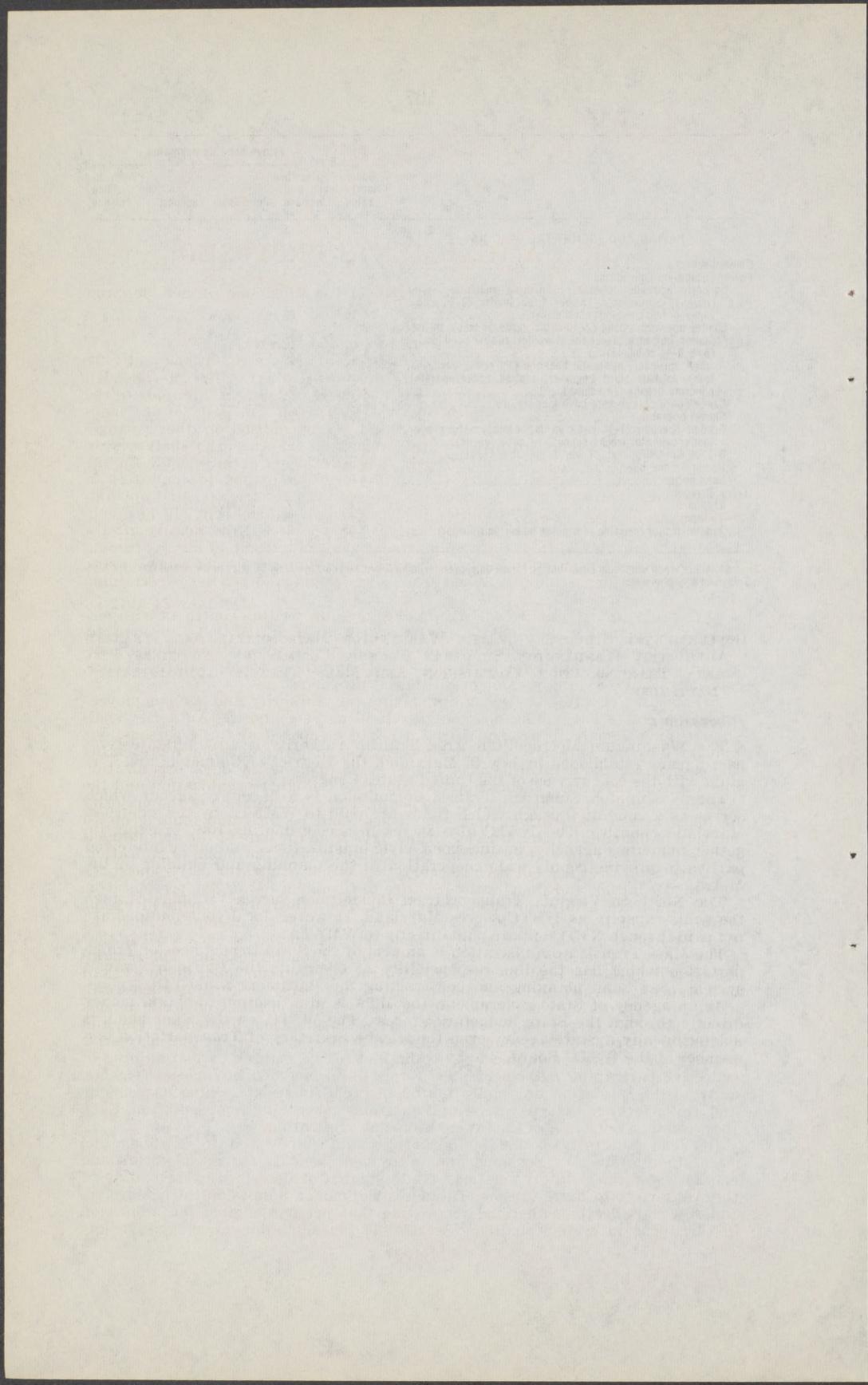
The Washington Metropolitan Area Transit Authority is an interstate compact agency established by law in Maryland, the District of Columbia, and Virginia with the concurrence of the United States Congress.

The Washington Suburban Transit Commission is a bi-county agency which serves as a conduit through which funds are paid to WMATA by the suburban Maryland counties. The WSTC also serves in a coordinating role, bringing together numerous agencies, businessmen, civic organizations, and other interested parties to provide county-wide cooperation in the planning and building of the Metro.

The Northern Virginia Transportation Commission serves Virginia in much the same capacity as WSTC serves Maryland. However, local contributions are not paid through NVTC but are paid directly to WMATA.

The Mass Transit Administration is an arm of the State Department of Transportation which has the line responsibility of operating the Baltimore transit system (bus) and planning and constructing the Baltimore rapid rail system.

As an agency of State government, the MTA is in a position to obtain money directly through the State budgetary process. The WSTC, on the other hand, is not technically a State agency even though the Secretary of Transportation is a member of the WSTC Board.



## LABOR AMENDMENTS PROPOSED

Amend H.R. 11877 by striking "and IX" in the third line of Sec. 301 and inserting in lieu thereof "IX and XIV".

Add a new subsection (d) to read as follows:

(d) Section 66 of Article XIV is amended to read as follows:

"(a) The rights, benefits, and other employee protective conditions and remedies of Section 13(c) of the Urban Mass Transportation Act of 1964, as amended (49 U.S.C. 1609(c)), as determined by the Secretary of Labor, shall apply to the operation by the Washington Metropolitan Area Transit Authority of any mass transit facilities owned or controlled by it and to any contract or other arrangement for the operation of transit facilities. Whenever the Authority shall operate any transit facility or enter into any contractual or other arrangements for the operation of such transit facility the Authority shall extend to employees of affected mass transportation systems first opportunity for transfer and appointment as employees of the Authority in accordance with seniority, in any non-supervisory job in respect to such operations for which they can qualify after a reasonable training period. Such employment shall not result in any worsening of the employee's position in his former employment nor any loss of wages, hours, working conditions, seniority, fringe benefits and rights and privileges pertaining thereto.

(b) The Authority shall deal with and enter into written contracts with employees as defined in Section 152 of Title 29, United States Code, through accredited representatives of such employees or representatives of any labor organization authorized to act for such employees concerning wages, salaries, hours, working conditions, and pension or retirement provisions.

(c) In case of any labor dispute involving the Authority and such employees where collective bargaining does not result in agreements, the Authority shall submit such dispute to arbitration by a board composed of three persons, one appointed by the Authority, one appointed by the labor organization representing the employees, and a third member to be agreed upon by the labor organization and the Authority. The member agreed upon by the labor organization and the Authority shall act as chairman of the board. The determination of the majority of the board of arbitration, thus established shall be final and binding on all matters in dispute. If after a period of ten days from the date of the appointment of the two arbitrators representing the Authority and the labor organization, the third arbitrator has not been selected, then either arbitrator may request the Federal Mediation and Conciliation Service to furnish a list of five persons from which the third arbitrator shall be selected. The arbitrators appointed by the Authority and the labor organization, promptly after the receipt of such list shall determine by lot the order of elimination, and thereafter each shall in that order alternately eliminate one name until only one name remains. The remaining person on the list shall be the third arbitrator. The term "labor dispute" shall be broadly construed and shall include any controversy concerning wages, salaries, hours, working conditions, or benefits including health and welfare, sick leave, insurance or pension or retirement provisions but not limited thereto, and including any controversy concerning any differences or questions that may arise between the parties including but not limited to the making or maintaining of collective bargaining agreements, the terms to be included in such agreements, and the interpretation or application of such collective bargaining agreements and any grievance that may arise and questions concerning representation. Each party shall pay one-half of the expenses of such arbitration.

(d) The Authority is hereby authorized and empowered to establish and maintain a system of pensions and retirement benefits for such officers and employees of the Authority as may be designated or described by resolution of the Authority; to fix the terms of and restrictions on admission to such system and the classifications therein; to provide that persons eligible for admission in such pension system shall not be eligible for admission to, or receive any

benefits from, any other pension system (except Social Security benefits), which is financed or funded, in whole or in part, directly or indirectly by funds paid or appropriated by the Authority to such other pension system, and to provide in connection with such pension system, a system of benefits payable to the beneficiaries and dependents of any participant in such pension system after the death of such participant (whether accidental or otherwise, whether occurring in the actual performance of duty or otherwise, or both) subject to such exceptions, conditions, restrictions and classifications as may be provided by resolution of the Authority. Such pension shall be financed or funded by such means and in such manner as may be determined by the Authority to be economically feasible. Unless the Authority shall otherwise determine, no officer or employee of the Authority and no beneficiary or dependent of any such officer or employee shall be eligible to receive any pension or retirement or other benefits both from or under any such pension system and from or under any pension or retirement system established by an acquired transportation system or established or provide for, by or under the provisions of any collective bargaining agreement between the Authority and the representatives of its employees.

(e) Whenever the Authority acquires existing transit facilities from a public or privately owned utility either in proceeding by eminent domain or otherwise, the Authority shall assume and observe all existing labor contracts and pension obligations. When the Authority acquires an existing transportation system, all employees who are necessary for the operation thereof by the Authority shall be transferred to and appointed as employees of the Authority, subject to all the rights and benefits of this Title. These employees shall be given seniority credit and sick leave, vacation, insurance and pension credits in accordance with the records or labor agreements from the acquired transportation system. Members and beneficiaries of any pension or retirement system or other benefits established by the acquired transportation system shall continue to have rights, privileges, benefits, obligations and status with respect to such established system. The authority shall assume the obligations of any transportation system acquired by it with regard to wages, salaries, hours, working conditions, sick leave, health and welfare and pension or retirement provisions for employees. It shall assume the provisions of any collective bargaining agreement between such acquired transportation system and the representatives of its employees. The Authority and the employees, through their representatives for collective bargaining purposes, shall take whatever action may be necessary to have pension trust funds presently under the joint control of the acquired transportation system and the participating employees through their representative transferred to the trust fund to be established, maintained and administered jointly by the Authority and the participating employees through their representatives. No employee of any acquired transportation system who is transferred to a position with the Authority shall by reason of such transfer be placed in any worse position with respect to workmen's compensation, pension, seniority, wages, sick leave, vacation, health and welfare insurance or any other benefits, than he enjoyed as an employee of such acquired transportation system.

## (Labor Provisions)

Maryland House Bill No. 265—By the Montgomery and Prince George's County Delegations.

## CHAPTER 766

## A BILL ENTITLED

AN ACT to repeal and re-enact, with amendments, Sections 317-1(g), 317-5(a), 317-21, 317-35, 317-39, 317-51, ~~317-56(e)~~, 317-66, 317-79, and ~~318-82(a)~~ 317-82(A) of Article 41 of the Annotated Code of Maryland (1965 Replacement Volume and 1970 Supplement), title "Governor—Executive and Administrative Department," subtitle "Washington Metropolitan Area Transit Authority Compact," AND TO ADD A NEW SECTION 317-56 (E) TO SAID ARTICLE AND SUBTITLE, TO FOLLOW IMMEDIATELY AFTER SECTION 317-56(D) THEREOF, to permit the Washington Metropolitan Area Transit Authority to perform charter service, to operate its facilities directly or by contract, to operate buses and to acquire any transit company by condemnation; to eliminate the six per centum interest limitation imposed on the revenue bonds and temporary borrowings of the Washington Metropolitan Area Transit Authority; to permit an alternate for a director appointed by the District of Columbia to act in the absence of either of the Directors representing the District of Columbia; to establish labor standards governing public operation of transit facilities by the Authority; to authorize the District of Columbia, the Northern Virginia Transportation District and the Washington Suburban Transit District and component governments to contract with the Authority to provide subsidized transportation at reduced rates; to state the intention of the General Assembly with respect to operation of integrated bus and subways systems by the Authority; and dealing generally with the definition of powers granted the Washington Metropolitan Area Transit Authority under the Compact.

- 1 SECTION 1. *Be it enacted by the General Assembly of Maryland,*
- 2 That Sections 317-1(g), 317-5(a), 317-21, 317-35, 317-39, 317-51,
- 3 ~~317-56(e)~~, 317-66, 317-79 and ~~317-28(a)~~ 317-82(A) of Article 41 of
- 4 the Annotated Code of Maryland (1965 Replacement Volume and 1970
- 5 Supplement), title "Governor—Executive and Administrative

EXPLANATION: *Italics indicate new matter added to existing law.*

**[Brackets]** indicate matter stricken from existing law.

CAPITALS indicate amendments to bill.

~~Strike out~~ indicates matter stricken out of bill.

6 Departments," subtitle "Washington Metropolitan Area Transit  
7 Authority Compact," be and they are hereby repealed and re-enacted  
8 with amendments, AND THAT A NEW SECTION 317-56(E) BE  
9 AND THE SAME IS HEREBY ADDED TO SAID ARTICLE AND  
10 SUBTITLE, TO FOLLOW IMMEDIATELY AFTER SECTION  
11 317-56(D) THEREOF, AND to read as follows:

1 317-1.

2 (g) "Transit services" means the transportation of persons and  
3 their packages and baggage by means of transit facilities between  
4 points within the zone [and includes] *including* the transportation  
5 of newspapers, express and mail between such points *and charter*  
6 *service which originates within the zone but does not include taxicab*  
7 *[sightseeing or charter] service or individual-ticket-sale sightseeing*  
8 *operations; and*

1 317-5.

2 (a) The Authority shall be governed by a Board of six Directors  
3 consisting of two Directors for each signatory. For Virginia, the  
4 Directors shall be appointed by the Northern Virginia Transporta-  
5 tion Commission; for the District of Columbia, by the [Com-  
6 missioners] *City Council* of the District of Columbia[.]; *from*  
7 *among its members, the Commissioner and the Assistant to the*  
8 *Commissioner of the District of Columbia; and for Maryland, by*  
9 *the Washington Suburban Transit Commission. In each instance the*  
10 *Director shall be appointed from among the members of the appoint-*  
11 *ing body, except as otherwise provided herein, and shall serve for a*  
12 *term coincident with his term on the body by which he was appointed.*  
13 *A Director may be removed or suspended from office only as provided*  
14 *by the law of the signatory from which he was appointed. The*  
15 *appointing authorities shall also appoint an alternate for each Direc-*  
16 *tor, who may act only in the absence of the Director for whom he*  
17 *has been appointed an alternate, except that, in the case of the*  
18 *District of Columbia where only one Director and his alternate are*  
19 *present, such alternate may act on behalf of the absent Director.*  
20 *[and e] Each alternate shall serve at the pleasure of the appointing*  
21 *authority. In the event of a vacancy in the Office of Director or*  
22 *alternate, it shall be filled in the same manner as an original*  
23 *appointment.*

1 317-21.

2 The Board may borrow, in anticipation of receipts, from any  
3 signatory, the Washington Suburban Transit District, the Northern  
4 Virginia Transportation District ~~of~~ OR any component thereof, or  
5 from any lending institution for any purposes of this Title, including  
6 administrative expenses. Such loans shall be for a term not to exceed  
7 two years and at [a rate of interest not to exceed six percent per  
8 annum] *such rates of interest as shall be acceptable to the Board.*  
9 The signatories and any such political subdivision or agency may,  
10 in its discretion, make such loans from any available money.

1 317-35.

2 Bonds shall bear interest at [the rate of not to exceed six percent  
3 per annum] *such rate or rates as may be determined by the Board,*

4 payable annually or semiannually]; provided that such interest rate  
5 limitation shall not be applied to any bonds which are payable solely  
6 from contributions or other payments to be made by the federal  
7 government].

1 317-39.

2 The Board may fix terms and conditions for the sale or other  
3 disposition of any authorized issue of bonds. The Board may sell  
4 bonds at less than their par or face value but no issue of bonds may  
5 be sold at an aggregate price below the par or face value thereof if  
6 such sale would result in a net interest cost to the Authority calcu-  
7 lated upon the entire issue so sold [of more than six percent per  
8 annum] *in excess of the applicable rate determined by the Board,*  
9 *payable semiannually, computed with relation to the absolute matur-*  
10 *ity of the bonds according to standard tables of bond values; [pro-*  
11 *vided that such limitation on the net interest cost shall not be applied*  
12 *to any bonds which are payable solely from contributions or other*  
13 *payments to be made by the federal government.] deducting the*  
14 *amount of any premium to be paid on the redemption of any bonds*  
15 *prior to maturity.* All bonds issued and sold pursuant to this title  
16 may be sold in such manner, either at public or private sale, as the  
17 Board shall determine.

1 317-51.

2 [The Authority shall not perform transit service, nor any of the  
3 functions, such as maintenance of equipment and right of way nor-  
4 mally associated with the providing of such service, with any transit  
5 facilities owned or controlled by it but shall provide for the perform-  
6 ance of transit service with such facilities by contract or contracts  
7 with private transit companies, private railroads, or other persons.]  
8 Any facilities and properties owned or controlled by the Authority  
9 [other than those utilized in performing transit service.] may be  
10 operated by the Authority *directly* or by others pursuant to contract  
11 or lease as the board may determine. [All operations of such facili-  
12 ties and properties by the Authority and by its contractor and  
13 lessees shall be within the zone.]

1 317-56.

2 (e) *The Authority may acquire the capital stock or the transit*  
3 *facilities of any private transit company and may perform transit*  
4 *service, including service by bus or similar motor vehicle, with transit*  
5 *facilities so acquired or with transit facilities acquired pursuant to*  
6 *Article VII Section 20. Upon acquisition of the capital stock or the*  
7 *transit facilities of any private transit company, the Authority shall*  
8 *undertake the acquisition, as soon as possible, of the capital stock or*  
9 *the transit facilities of each of the other private transit companies*  
10 *within the zone requesting such acquisition. Lack of such request,*  
11 *however, shall not be construed to preclude the Authority from*  
12 *acquiring the capital stock or the transit facilities of any such*  
13 *company pursuant to Section 82 of Article XVI.*

1 317-66.

2 [It shall be a condition of the operation of the transit facilities  
3 owned or controlled by the Authority that the provisions of Section

4 10(c) of the Urban Mass Transportation Act of 1964 (49 U.S.C.  
5 1609(c) ) shall be applicable to any contract or other arrangement  
6 for the operation of such facilities.]

7 (a) The rights, benefits, and other employee protective condi-  
8 tions and remedies of Section 13(c) of the Urban Mass Transporta-  
9 tion Act of 1964, as amended (49 U.S.C. 1609(c) ), as determined  
10 by the Secretary of Labor, shall apply to the operation by the  
11 Washington Metropolitan Area Transit Authority of any mass transit  
12 facilities owned or controlled by it and to any contract or other  
13 arrangement for the operation of transit facilities. Whenever the  
14 Authority shall operate any transit facility or enter into any con-  
15 tractual or other arrangements for the operation of such transit  
16 facility the Authority shall extend to employees of affected mass  
17 transportation systems first opportunity for transfer and appoint-  
18 ment as employees of the Authority in accordance with seniority, in  
19 any non-supervisory job in respect to such operations for which they  
20 can qualify after a reasonable training period. Such employment  
21 shall not result in any worsening of the employee's position in his  
22 former employment nor any loss of wages, hours, working conditions,  
23 seniority, fringe benefits and rights and privileges pertaining thereto.

24 (b) The Authority shall deal with and enter into written con-  
25 tracts with employees as defined in Section 152 of Title 29, United  
26 States Code, through accredited representatives of such employees or  
27 representatives of any labor organization authorized to act for such  
28 employees concerning wages, salaries, hours, working conditions, and  
29 pension or retirement provisions.

1 (c) In case of any labor dispute involving the Authority and  
2 such employees where collective bargaining does not result in agree-  
3 ment, the Authority shall submit such dispute to arbitration by a  
4 board composed of three persons, one appointed by the Authority,  
5 one appointed by the labor organization representing the employees,  
6 and a third member to be agreed upon by the labor organization  
7 and the Authority. The member agreed upon by the labor organiza-  
8 tion and the Authority shall act as chairman of the board. ~~the~~ THE  
9 determination of the majority of the board of arbitration, thus  
10 established shall be final and binding on all matters in dispute. If  
11 after a period of ten days from the date of the appointment of the  
12 two arbitrators representing the Authority and the labor organiza-  
13 tion, the third arbitrator has not been selected, then either  
14 arbitrator may request the Federal Mediation and Conciliation Serv-  
15 ice to furnish a list of five persons from which the third arbitrator  
16 shall be selected. The arbitrators appointed by the Authority and the  
17 labor organization, promptly after the receipt of such list shall  
18 determine by lot the order of elimination, and thereafter each shall  
19 in that order alternately eliminate one name until only one name  
20 remains. The remaining person on the list shall be the third arbitra-  
21 tor. The term "labor dispute" shall be broadly construed and shall  
22 include any controversy concerning wages, salaries, hours, working  
23 conditions, or benefits including health and welfare, sick leave, insur-  
24 ance or pension or retirement provisions but not limited thereto,  
25 and including any controversy concerning any differences or ques-  
26 tions that may arise between the parties including but not limited to  
27 the making or maintaining of collective bargaining agreements, the  
28 terms to be included in such agreements, and the interpretation or  
29 application of such collective bargaining agreements and any griev-

30 *ance that may arise and questions concerning representation. Each*  
31 *party shall pay one-half of the expenses of such arbitration.*

1 (d) *The Authority is hereby authorized and empowered to estab-*  
2 *lish and maintain a system of pensions and retirement benefits for*  
3 *such officers and employees of the Authority as may be designated*  
4 *or described by resolution of the Authority; to fix the terms of and*  
5 *restrictions on admission to such system and the classifications*  
6 *therein; to provide that persons eligible for admission in such pension*  
7 *system shall not be eligible for admission to, or receive any benefits*  
8 *from, any other pension system (except Social Security benefits),*  
9 *which is financed or funded, in whole or in part, directly or indirectly*  
10 *by funds paid or appropriated by the Authority to such other pension*  
11 *system, and to provide in connection with such pension system, a*  
12 *system of benefits payable to the beneficiaries and dependents of any*  
13 *participant in such pension system after the death of such partici-*  
14 *part (whether accidental or otherwise, whether occurring in the*  
15 *actual performance of duty or otherwise, or both) subject to such*  
16 *exceptions, conditions, restrictions and classifications as may be pro-*  
17 *vided by resolution of the Authority. Such pension system shall be*  
18 *financed or funded by such means and in such manner as may be*  
19 *determined by the Authority to be economically feasible. Unless the*  
20 *Authority shall otherwise determine, no officer or employee of the*  
21 *Authority and no beneficiary or dependent of any such officer or*  
22 *employee shall be eligible to receive any pension or retirement or*  
23 *other benefits both from or under any such pension system and from*  
24 *or under any pension or retirement system established by an acquired*  
25 *transportation system or established or provided for, by or under*  
26 *the provisions of any collective bargaining agreement between the*  
27 *Authority and the representatives of its employees.*

1 (e) *Whenever the Authority acquires existing transit facilities*  
2 *from a public or privately owned utility either in proceeding by*  
3 *eminent domain or otherwise, the Authority shall assume and observe*  
4 *all existing labor contracts and pension obligations. When the Author-*  
5 *ity acquires an existing transportation system, all employees (except*  
6 *executive officers) who are necessary for the operation thereof by*  
7 *the Authority shall be transferred to and appointed as employees of*  
8 *the Authority, subject to all the rights and benefits of this Title.*  
9 *These employees shall be given seniority credit and sick leave, vaca-*  
10 *tion, insurance and pension credits in accordance with the records or*  
11 *labor agreements from the acquired transportation system. Members*  
12 *and beneficiaries of any pension or retirement system or other*  
13 *benefits established by the acquired transportation system shall*  
14 *continue to have rights, privileges, benefits, obligations and status*  
15 *with respect to such established system. The Authority shall assume*  
16 *the obligations of any transportation system acquired by it with*  
17 *regard to wages, salaries, hours, working conditions, sick leave,*  
18 *health and welfare and pension or retirement provisions for em-*  
19 *ployees. It shall assume the provisions of any collective bargaining*  
20 *agreement between such acquired transportation system and the*  
21 *representatives of its employees. The Authority and the employees,*  
22 *through their representatives for collective bargaining purposes,*  
23 *shall take whatever action may be necessary to have pension trust*  
24 *funds presently under the joint control of the acquired transportation*  
25 *system and the participating employees through their representative*  
26 *transferred to the trust fund to be established, maintained and*  
27 *administered jointly by the Authority and the participating employees*

28 *through their representatives. No employee of any acquired trans-*  
 29 *portation system who is transferred to a position with the Authority*  
 30 *shall by reason of such transfer be placed in any worse position*  
 31 *with respect to workmen's compensation, pension, seniority, wages,*  
 32 *sick leave, vacation, health and welfare insurance or any other*  
 33 *benefits, than he enjoyed as an employee of such acquired transporta-*  
 34 *tion system.*

1 317-79.

2 [All laws of the signatories with respect to free transportation  
 3 and school fares shall be applicable to transit service rendered by  
 4 facilities owned or controlled by the Authority.] *The District of*  
 5 *Columbia, the Northern Virginia Transportation District, the Wash-*  
 6 *ington Suburban Transit District and the component governments*  
 7 *thereof may enter into contracts or agreements with the Authority*  
 8 *to make equitable payments for fares lower than those established*  
 9 *by the Authority pursuant to the provisions of Article XIII hereof*  
 10 *for any specified class or category of riders.*

1 317-82.

2 (a) The Authority shall have the power to acquire by condemna-  
 3 tion, whenever in its opinion it is necessary or advantageous to the  
 4 Authority to do so, any real or personal property, or any interest  
 5 therein, necessary or useful for the transit system authorized herein,  
 6 except property owned by the United States, by a signatory, or any  
 7 political subdivision thereof, [or by a private transit company.]  
 8 *whenever such property cannot be acquired by negotiated purchase*  
 9 *at a price satisfactory to the Authority.*

1 SEC. 2. *And be it further enacted,* That it is the sense of the  
 2 General Assembly in enacting this legislation that the "public opera-  
 3 tion" contemplated herein shall consist of an integrated bus and  
 4 subway system if and when the subway system is operated.

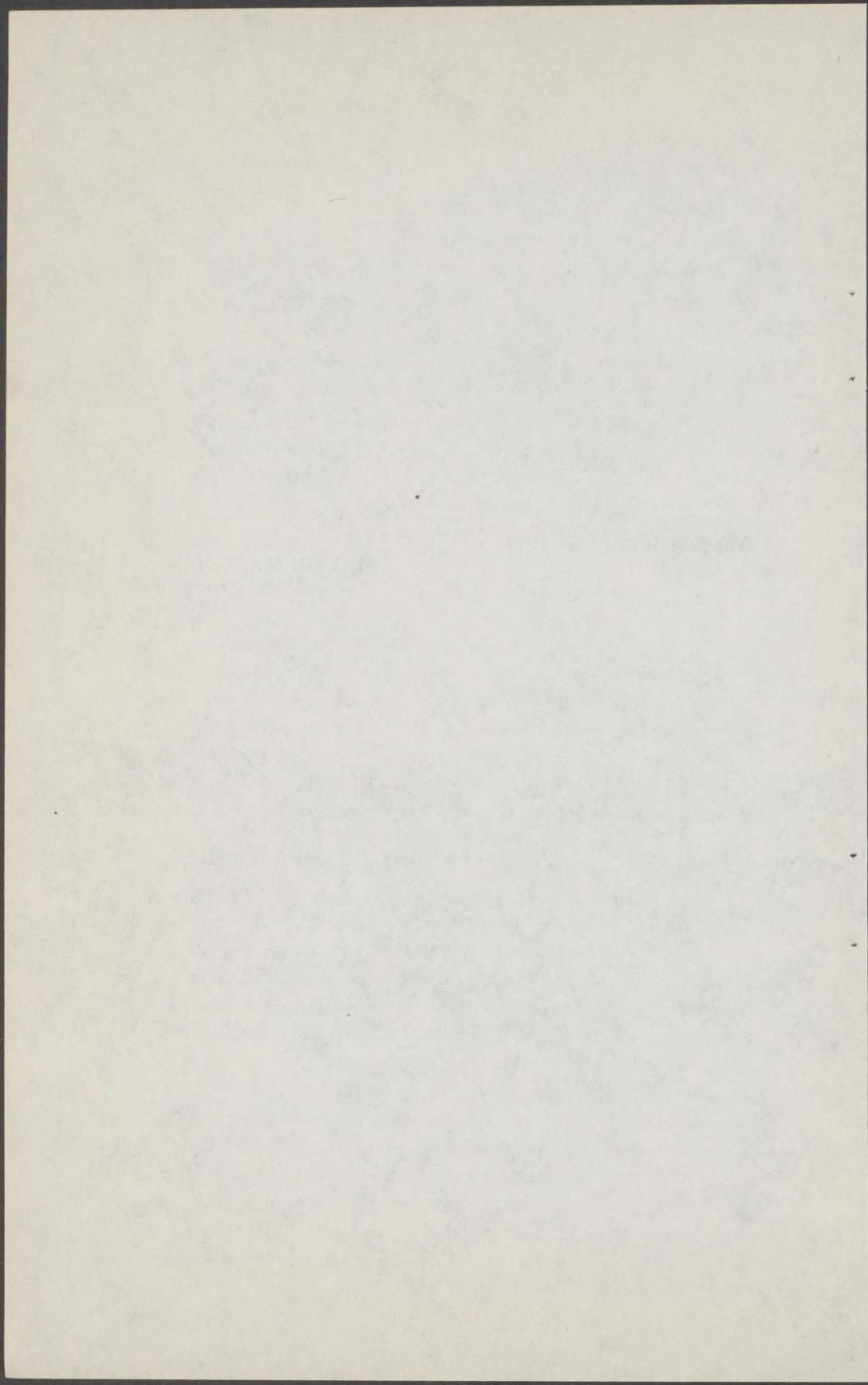
1 SEC. 3. *And be it further enacted,* That this Act shall be construed  
 2 as the separate enactment of each amendment to the applicable  
 3 sections of Article 41 of the Annotated Code and to this end, the  
 4 provisions of such sections are separable.

1 SEC. 4. *And be it further enacted,* That this Act shall become  
 2 effective on July 1, 1971 and the Compact shall be deemed to be  
 3 amended as soon thereafter as substantially similar concurring legis-  
 4 lation shall be enacted by or on behalf of the District ~~of~~ OF Columbia  
 5 and Virginia and consent thereto shall have been granted by the  
 6 Congress of the United States.

1 SEC. 5. *And be it further enacted,* That the provisions of this Act  
 2 shall be severable and if any phrase, clause, sentence or provision  
 3 of this Act is declared to be unconstitutional or the applicability  
 4 thereof to any signatory party, Political Subdivision or agency  
 5 thereof is held invalid, the constitutionality of the remainder of this  
 6 Act and the applicability thereof to any other signatory party,  
 7 Political Subdivision or agency thereof or circumstance shall  
 8 not be affected thereby. It is the legislative intent that the provisions  
 9 of this Act be reasonably and liberally construed.

Approved: May 28, 1971.

MARVIN MANDEL,  
*Governor.*



( Labor Provisions)

## VIRGINIA HOUSE BILL NO. 597

Offered February 8, 1972

1  
2

3 *A BILL to amend and reenact § 3, as amended, of Chapter 627 of the Acts*  
 4 *of Assembly of 1958, the Washington Metropolitan Area Transit*  
 5 *Regulation Compact so as to provide certain labor standards govern-*  
 6 *ing the operation of certain transit facilities by the Washington*  
 7 *Metropolitan Area Transit Authority.*

8

9

Patrons—Messrs. Mann, Rothrock and Williams

10

11

Referred to the Committee on Roads and Internal Navigation

12

13

Be it enacted by the General Assembly of Virginia:

14

1. That § 3 of Chapter 627 of the Acts of Assembly of 1958, approved  
 15 March 29, 1958, as amended, be amended and reenacted as follows:

16

§ 3. Washington Metropolitan Area Transit Authority Compact

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Whereas, Maryland, Virginia and the District of Columbia heretofore  
 have entered into the Washington Metropolitan Area Transit Regulation  
 Compact (Virginia—Ch. 627, 1958 Acts of Assembly; Maryland—Ch. 613,  
 Acts of General Assembly 1959; District of Columbia—Resolution of the  
 Board of Commissioners adopted December 22, 1960), with the consent  
 of the Congress (J.R., September 15, 1960, P.L. 86-794, 74 Stat. 1031,  
 as amended by 76 Stat. 764), as a first step toward the improvement of  
 transit service in the metropolitan area of Washington, D.C.;

Whereas, in said Compact each of the signatories pledged to each of  
 the other signatory parties faithful cooperation in the solution and  
 control of transit and traffic problems within said metropolitan area and,  
 in order to effect such purposes, agreed to enact any necessary legislation  
 to achieve the objectives of the Compact to the mutual benefit of the  
 citizens living within said metropolitan area and for the advancement of  
 the interests of the signatories;

Whereas, it has been established by a decade of studies that a re-  
 gional system of improved and expanded transit facilities, including grade-  
 separated rail facilities in congested areas, is essential in said metro-  
 politan area for the satisfactory movement of people and goods, the  
 alleviation of present and future traffic congestion, the economic welfare  
 and vitality of all parts of the area, the effectiveness of the departments

House Bill No. 597 2

1 and agencies of the federal government located within the area, the  
2 orderly growth and development of the District of Columbia and the  
3 Maryland and Virginia portions of the area, the comfort and convenience  
4 of the residents of and visitors to the area, and the preservation of the  
5 beauty and dignity of the Nation's Capital;

6 Whereas, the Congress has authorized Maryland, Virginia and the  
7 District of Columbia to negotiate a Compact for the establishment of  
8 an organization empowered to provide necessary transit facilities (P.L.  
9 86-669, 74 Stat. 537) and in said legislation declared the policy, inter alia,  
10 that the development and administration of such transit facilities requires  
11 (1) cooperation among the federal, state and local governments of the  
12 area, (2) financial participation by the federal government in the creation  
13 of major facilities that are beyond the financial capacity or borrowing  
14 powers of the private carriers, the District of Columbia and the local  
15 governments of the area, and (3) coordination of transit facilities with  
16 other public facilities and with the use of land, public and private;

17 Whereas, private transit companies should be utilized to the extent  
18 practicable in providing the regional transit facilities and services, con-  
19 sistent with the requirements of the public interest that the publicly and  
20 privately owned facilities be operated as a coordinated regional system  
21 without unnecessary duplicating services;

22 Whereas, adequate provision should be made for the protection of  
23 transit labor in the development and operation of the regional system;  
24 and

25 Whereas, it is hereby determined that an Authority to be created by  
26 interstate compact between the District of Columbia, the State of Mary-  
27 land and the Commonwealth of Virginia, is the most suitable form of  
28 organization to achieve the stated objectives;

29 Now, therefore, the District of Columbia, the State of Maryland and  
30 the Commonwealth of Virginia, hereinafter referred to as signatories,  
31 do hereby amend the Washington Metropolitan Area Transit Regulation  
32 Compact by adding thereto Title III, as hereinafter set forth, and do  
33 hereby covenant and agree substantially, as follows:

34 Title III  
35 Article I  
36 Definitions  
37 Definitions

1 1. As used in this Title, the following words and terms shall have the  
2 following meanings, unless the context clearly requires a different meaning:

3 (a) "Board" means the Board of Directors of the Washington  
4 Metropolitan Area Transit Authority;

5 (b) "Director" means a member of the Board of Directors of the  
6 Washington Metropolitan Area Transit Authority;

7 (c) "Private transit companies" and "private carriers" means cor-  
8 porations, persons, firms or associations rendering transit service within  
9 the Zone pursuant to a certificate of public convenience and necessity  
10 issued by the Washington Metropolitan Area Transit Commission or by  
11 a franchise granted by the United States or any signatory party to this  
12 Title;

13 (d) "Signatory" means the State of Maryland, the Commonwealth  
14 of Virginia and the District of Columbia;

15 (e) "State" includes District of Columbia;

16 (f) "Transit facilities" means all real and personal property located  
17 in the Zone, necessary or useful in rendering transit service between points  
18 within the Zone, by means of rail, bus, water or air and any other mode  
19 of travel, including without limitation, tracks, rights of way, bridges,  
20 tunnels, subways, rolling stock for rail, motor vehicle, marine and air  
21 transportation, stations, terminals and ports, areas for parking and all  
22 equipment, fixtures, buildings and structures and services incidental to  
23 or required in connection with the performance of transit service;

24 (g) "Transit services" means the transportation of persons and their  
25 packages and baggage by means of transit facilities between points within  
26 the Zone including the transportation of newspapers, express and mail  
27 between such points, and charter service which originates within the Zone  
28 but does not include taxicab, service or individual-ticket-sales sightseeing  
29 operations; and

30 (h) "WMATC" means Washington Metropolitan Area Transit Com-  
31 mission.

## 32 Article II

### 33 Purpose and Functions

#### 34 Purpose

35 2. The purpose of this Title is to create a regional instrumentality,  
36 as a common agency of each signatory party, empowered, in the manner  
37 hereinafter set forth, (1) to plan, develop, finance and cause to be operated

1 improved transit facilities, in coordination with transportation and general  
2 development planning for the Zone, as part of a balanced regional  
3 system of transportation, utilizing to their best advantage the various  
4 modes of transportation, (2) to coordinate the operation of the public  
5 and privately owned or controlled transit facilities, to the fullest extent  
6 practicable, into a unified regional transit system without unnecessary  
7 duplicating service, and (3) to serve such other regional purposes and to  
8 perform such other regional functions as the signatories may authorize by  
9 appropriate legislation.

### 10 Article III

#### 11 Organization and Area

##### 12 Washington Metropolitan Area Transit Zone

13 3. There is hereby created the Washington Metropolitan Area  
14 Transit Zone which shall embrace the District of Columbia, the cities of  
15 Alexandria, Falls Church and Fairfax and the counties or Arlington and  
16 Fairfax and political subdivisions of the Commonwealth of Virginia located  
17 within those counties, and the counties of Montgomery and Prince George's  
18 in the State of Maryland and political subdivisions of the State of Maryland  
19 located in said counties.

##### 20 Washington Metropolitan Area Transit Authority

21 4. There is hereby created, as an instrumentality and agency of each  
22 of the signatory parties hereto, the Washington Metropolitan Area Transit  
23 Authority which shall be a body corporate and politic, and which shall  
24 have the powers and duties granted herein and such additional powers  
25 as may hereafter be conferred upon it pursuant to law.

##### 26 Board Membership.

27 5. (a) The Authority shall be governed by a Board of six Directors  
28 consisting of two Directors for each signatory. For Virginia, the Directors  
29 shall be appointed by the Northern Virginia Transportation Commission;  
30 for the District of Columbia by the City Council of the District of Columbia  
31 from among its members, the Commissioner and the Assistant to the Com-  
32 missioner of the District of Columbia; and for Maryland, by the Washing-  
33 ton Suburban Transit Commission. In each instance the Director shall be  
34 appointed from among the members of the appointing body, except as  
35 otherwise provided herein, and shall serve for a term coincident with his  
36 term on the body by which he was appointed. A director may be removed  
37 or suspended from office only as provided by the law of the signatory from

1 which he was appointed. The appointing authorities shall also appoint an  
2 alternate for each Director, who may act only in the absence of the Direc-  
3 tor for whom he has been appointed an alternate, except that, in the case  
4 of the District of Columbia where only one Director and his alternate are  
5 present, such alternate may act on behalf of the absent Director. Each  
6 alternate shall serve at the pleasure of the appointing authority. In the  
7 event of a vacancy in the office of Director or alternate, it shall be filled in  
8 the same manner as an original appointment.

9 (b) Before entering upon the duties of his office each Director and  
10 alternate director shall take and subscribe to the following oath (or affirma-  
11 tion) of office or any such other oath or affirmation, if any, as the Con-  
12 stitution or laws of the signatory he represents shall provide:

13 "I, ....., hereby solemnly swear (or affirm) that I  
14 will support and defend the Constitution of the United States and the Con-  
15 stitution and Laws of the state or political jurisdiction from which I was  
16 appointed as a director (alternate director) of the Board of Washington  
17 Metropolitan Area Transit Authority and will faithfully discharge the  
18 duties of the office upon which I am about to enter."

19 Compensation of Directors and Alternates

20 6. Members of the Board and alternates shall serve without compen-  
21 sation but may be reimbursed for necessary expenses incurred as an  
22 incident to the performance of their duties.

23 Organization and Procedure

24 7. The Board shall provide for its own organization and procedure.  
25 It shall organize annually by the election of a Chairman and Vice-Chair-  
26 man from among its members. Meetings of the Board shall be held as  
27 frequently as the Board deems that the proper performance of its duties  
28 requires and the Board shall keep minutes of its meetings. The Board  
29 shall adopt rules and regulations governing its meetings, minutes and  
30 transactions.

31 Quorum and Actions by the Board

32 8. (a) Four Directors or alternates consisting of at least one Direc-  
33 tor or alternate appointed from each Signatory, shall constitute a quorum  
34 and no action by the Board shall be effective unless a majority of the  
35 Board, which majority shall include at least one Director or alternate  
36 from each Signatory, concur therein; provided, however, that a plan of  
37 financing may be adopted or a mass transit plan adopted, altered, revised

1 or amended by the unanimous vote of the Directors representing any two  
2 Signatories.

3 (b) The actions of the Board shall be expressed by motion or resolu-  
4 tion. Actions dealing solely with internal management of the Authority  
5 shall become effective when directed by the Board, but no other action  
6 shall become effective prior to the expiration of thirty days following its  
7 adoption; provided, however, that the Board may provide for the accelera-  
8 tion of any action upon a finding that such acceleration is required for the  
9 proper and timely performance of its functions.

#### 10 Officers

11 9. (a) The officers of the Authority, none of whom shall be members  
12 of the Board, shall consist of a general manager, a secretary, a treasurer,  
13 a comptroller and a general counsel and such other officers as the Board  
14 may provide. Except for the office of general manager and comptroller,  
15 the Board may consolidate any of such other offices in one person. All such  
16 officers shall be appointed and may be removed by the Board, shall serve  
17 at the pleasure of the Board and shall perform such duties and functions  
18 as the Board shall specify. The Board shall fix and determine the compen-  
19 sation to be paid to all officers and, except for the general manager who  
20 shall be a full-time employee, all other officers may be hired on a full-time  
21 or part-time basis and may be compensated on a salary or fee basis, as  
22 the Board may determine. All employees and such officers as the Board  
23 may designate shall be appointed and removed by the general manager  
24 under such rules of procedure and standards as the Board may determine.

25 (b) The general manager shall be the chief administrative officer of  
26 the Authority and, subject to policy direction by the Board, shall be re-  
27 sponsible for all activities of the Authority.

28 (c) The treasurer shall be the custodian of the funds of the Authority,  
29 shall keep an account of all receipts and disbursements and shall make  
30 payments only upon warrants duly and regularly signed by the Chairman  
31 or Vice-Chairman of the Board, or other person authorized by the Board  
32 to do so, and by the secretary or general manager; provided, however, that  
33 the Board may provide that warrants not exceeding such amounts or for  
34 such purposes as may from time to time be specified by the Board may be  
35 signed by the general manager or by persons designated by him.

36 (d) An oath of office in the form set out in Section 5(b) of this Article  
37 shall be taken, subscribed and filed with the Board by all appointed officers.

1 (e) Each Director, officer and employee specified by the Board shall  
2 give such bond in such form and amount as the Board may require, the  
3 premium for which shall be paid by the Authority.

4 Conflict of Interests

5 10. (a) No Director, officer or employee shall:

6 (1) be financially interested, either directly or indirectly, in any con-  
7 tract, sale, purchase, lease or transfer of real or personal property to which  
8 the Board or the Authority is a party;

9 (2) in connection with services performed within the scope of his  
10 official duties, solicit or accept money or any other thing of value in addition  
11 to the compensation or expenses paid to him by the Authority;

12 (3) offer money or any thing of value for or in consideration  
13 of obtaining an appointment, promotion or privilege in his employment  
14 with the Authority.

15 (b) Any Director, officer or employee who shall willfully violate any  
16 provision of this section shall, in the discretion of the Board, forfeit his  
17 office or employment.

18 (c) Any contract or agreement made in contravention of this section  
19 may be declared void by the Board.

20 (d) Nothing in this section shall be construed to abrogate or limit  
21 the applicability of any federal or state law which may be violated by any  
22 action prescribed by this section.

23 Article IV

24 Pledge of Cooperation

25 11. Each signatory pledges to each other faithful cooperation in the  
26 achievement of the purposes and objectives of this Title.

27 Article V

28 General Powers

29 Enumeration

30 12. In addition to the powers and duties elsewhere described in this  
31 Title, and except as limited in this Title, the Authority may:

32 (a) Sue and be sued;

33 (b) Adopt and use a corporate seal and alter the same at pleasure;

34 (c) Adopt, amend, and repeal rules and regulations respecting the  
35 exercise of the powers conferred by this Title;

36 (d) Construct, acquire, own, operate, maintain, control, sell and con-  
37 vey real and personal property and any interest therein by contract, pur-

1 chase, condemnation, lease, license, mortgage or otherwise but all of said  
2 property shall be located in the Zone and shall be necessary or useful in  
3 rendering transit service or in activities incidental thereto;

4 (e) Receive and accept such payments, appropriations, grants, gifts,  
5 loans, advances and other funds, properties and services as may be trans-  
6 ferred or made available to it by any signatory party, any political sub-  
7 division or agency thereof, by the United States, or by any agency thereof,  
8 or by any other public or private corporation or individual, and enter into  
9 agreements to make reimbursement for all or any part thereof;

10 (f) Enter into and perform contracts, leases and agreements with  
11 any person, firm or corporation or with any political subdivision or agency  
12 of any signatory party or with the federal government, or any agency  
13 thereof, including, but not limited to, contracts or agreements to furnish  
14 transit facilities and service;

15 (g) Create and abolish offices, employments and positions (other  
16 than those specifically provided for herein) as it deems necessary for the  
17 purpose of the Authority, and fix and provide for the qualification, appoint-  
18 ment, removal, term, tenure, compensation, pension and retirement rights  
19 of its officers and employees without regard to the laws of any of the signa-  
20 tories;

21 (h) Establish, in its discretion, a personnel system based on merit  
22 and fitness and, subject to eligibility, participate in the pension and retire-  
23 ment plans of any signatory, or political subdivision or agency thereof,  
24 upon terms and conditions mutually acceptable;

25 (i) Contract for or employ any professional services;

26 (j) Control and regulate the use of facilities owned or controlled by  
27 the Authority, the service to be rendered and the fares and charges to be  
28 made therefor;

29 (k) Hold public hearings and conduct investigations relating to any  
30 matter affecting transportation in the Zone with which the Authority is  
31 concerned and, in connection therewith, subpoena witnesses, papers,  
32 records and documents; or delegate such authority to any officer. Each  
33 Director may administer oaths or affirmations in any proceeding or inves-  
34 tigation;

35 (l) Make or participate in studies of all phases and forms of trans-  
36 portation, including transportation vehicle research and development tech-  
37 niques and methods for determining traffic projections, demand motiva-

1 tions, and fiscal research and publicize and make available the results of  
2 such studies and other information relating to transportation; and

3 (m) Exercise, subject to the limitations and restrictions herein im-  
4 posed, all powers reasonably necessary or essential to the declared objects  
5 and purposes of this Title.

## 6 Article VI

### 7 Planning

#### 8 Mass Transit Plan

9 13. (a) The Board shall develop and adopt, and may from time to  
10 time review and revise, a mass transit plan for the immediate and long-  
11 range needs of the Zone. The mass transit plan shall include one or more  
12 plans designating (1) the transit facilities to be provided by the Authority,  
13 including the locations of terminals, stations, platforms, parking facilities  
14 and the character and nature thereof; (2) the design and location of such  
15 facilities; (3) whether such facilities are to be constructed or acquired  
16 by lease, purchase or condemnation; (4) a time-table for the provision of  
17 such facilities; (5) the anticipated capital costs; (6) estimated operating  
18 expenses and revenues relating thereto; and (7) the various other factors  
19 and considerations, which, in the opinion of the Board, justify and require  
20 the projects therein proposed. Such plan shall specify the type of equip-  
21 ment to be utilized, the areas to be served, the routes and schedules of  
22 service expected to be provided and the probable fares and charges there-  
23 for.

24 (b) In preparing the mass transit plan, and in any review of revision  
25 thereof, the Board shall make full utilization of all data, studies, reports  
26 and information available from the National Capital Transportation  
27 Agency and from any other agencies of the federal government, and from  
28 signatories and the political subdivisions thereof.

#### 29 Planning Process

30 14. (a) The mass transit plan, and any revisions, alterations or  
31 amendments thereof, shall be coordinated, through the procedures here-  
32 inafter set forth, with

33 (1) other plans and programs affecting transportation in the Zone  
34 in order to achieve a balanced system of transportation, utilizing each  
35 mode to its best advantage;

36 (2) the general plan or plans for the development of the Zone; and

37 (3) the development plans of the various political subdivisions em-

1 braced within the Zone.

2 (b) It shall be the duty and responsibility of each member of the  
3 Board to serve as liaison between the Board and the body which appointed  
4 him to the Board. To provide a framework for regional participation in  
5 the planning process, the Board shall create technical committees con-  
6 cerned with planning and collection and analyses of data relative to  
7 decision-making in the transportation planning process and the Commis-  
8 sioners of the District of Columbia, the component governments of the  
9 Northern Virginia Transportation District and the Washington Suburban  
10 Transit District shall appoint representatives to such technical committees  
11 and otherwise cooperate with the Board in the formulation of a mass  
12 transit plan, or in revisions, alterations or amendments thereof.

13 (c) The Board, in the preparation, revision, alteration or amendment  
14 of a mass transit plan, shall

15 (1) consider data with respect to current and prospective conditions  
16 in the Zone, including, without limitation, land use, population, economic  
17 factors affecting development plans, goals or objectives for the develop-  
18 ment of the Zone and the separate political subdivisions, transit demands  
19 to be generated by such development, travel patterns, existing and proposed  
20 transportation and transit facilities, impact of transit plans on the dis-  
21 location of families and businesses, preservation of the beauty and dignity  
22 of the Nation's Capital, factors affecting environmental amenities and  
23 aesthetics and financial resources;

24 (2) cooperate with and participate in any continuous, comprehen-  
25 sive transportation planning process cooperatively established by the high-  
26 way agencies of the signatories and the local political subdivisions in the  
27 Zone to meet the planning standards now or hereafter prescribed by the  
28 Federal-Aid Highway Acts; and

29 (3) to the extent not inconsistent with or duplicative of the plan-  
30 ning process specified in subparagraph (2) of this paragraph (c), co-  
31 operate with the National Capital Planning Commission, the National  
32 Capital Regional Planning Council, the Washington Metropolitan Council  
33 of Governments, the Washington Metropolitan Area Transis Commission,  
34 the highway agencies of the Signatories, the Maryland-National Capital  
35 Park and Planning Commission, the Northern Virginia Regional Planning  
36 and Economic Development Commission, the Maryland State Planning  
37 Department and the Commission of Fine Arts. Such cooperation shall

1 include the creation, as necessary, of technical committees composed of  
2 personnel, appointed by such agencies, concerned with planning and collec-  
3 tion and analysis of data relative to decision-making in the transportation  
4 planning process.

5 Adoption of Mass Transit Plan

6 15. (a) Before a mass transit plan is adopted, altered, revised or  
7 amended, the Board shall transmit such proposed plan, alteration, revi-  
8 sion or amendment for comment to the following and to such other agencies  
9 as the Board shall determine:

10 (1) the Commissioners of the District of Columbia, the Northern  
11 Virginia Transportation Commission and the Washington Suburban  
12 Transit Commission;

13 (2) the governing bodies of the Counties and Cities embraced within  
14 the Zone;

15 (3) the highway agencies of the Signatories;

16 (4) the Washington Metropolitan Area Transit Commission;

17 (5) the Washington Metropolitan Council of Governments;

18 (6) the National Capital Planning Commission;

19 (7) the National Capital Regional Planning Council;

20 (8) the Maryland-National Capital Park and Planning Commission;

21 (9) the Northern Virginia Regional Planning and Economic Devel-  
22 opment Commission;

23 (10) the Maryland State Planning Department; and

24 (11) the private transit companies operating in the Zone and the  
25 Labor Unions representing the employees of such companies and em-  
26 ployees of contractors providing service under operating contracts.

27 Information with respect thereto shall be released to the public. A  
28 copy of the proposed mass transit plan, amendment or revision, shall be  
29 kept at the office of the Board and shall be available for public inspection.  
30 After thirty days' notice published once a week for two successive weeks  
31 in one or more newspapers of general circulation within the Zone, a public  
32 hearing shall be held with respect to the proposed plan, alteration, revi-  
33 sion or amendment. The thirty days' notice shall begin to run on the first  
34 day the notice appears in any such newspaper. The Board shall consider  
35 the evidence submitted and statements and comments made at such hear-  
36 ing and may make any changes in the proposed plan, amendment or  
37 revision which it deems appropriate and such changes may be made with-

1 out further hearing.

2

Article VII

3

Financing

4 Policy

5

16. With due regard for the policy of Congress for financing a mass transit plan for the Zone set forth in Section 204 (g) of the National Capital Transportation Act of 1960 (74 Stat. 537), it is hereby declared to be the policy of this Title that, as far as possible, the payment of all costs shall be borne by the persons using or benefiting from the Authority's facilities and services and any remaining costs shall be equitably shared among the federal, District of Columbia and participating local governments in the Zone. The allocation among such governments of such remaining costs shall be determined by agreement among them and shall be provided in the manner hereinafter specified.

15 Plan of Financing

16

17. (a) The Authority, in conformance with said policy, shall prepare and adopt a plan for financing the construction, acquisition and operation of facilities specified in a mass transit plan adopted pursuant to Article VI hereof, or in any alteration, revision or amendment thereof. Such plan of financing shall specify the facilities to be constructed or acquired, the cost thereof, the principal amount of revenue bonds, equipment trust certificates and other evidences of debt proposed to be issued, the principal terms and provisions of all loans and underlying agreements and indentures, estimated operating expenses and revenues and the proposed allocation among the federal, District of Columbia and participating local governments of the remaining costs and deficits, if any, and such other information as the Commission may consider appropriate.

28

(b) Such plan of financing shall constitute a proposal to the interested governments for financial participation and shall not impose any obligation on any government and such obligations shall be created only as provided in § 18 of this Article VII.

32

18. (a) Commitments on behalf of the portion of the Zone located in Virginia shall be by contract or agreement by the Authority with the Northern Virginia Transportation District, or its component governments, as authorized in the Transportation District Act of 1964 (Ch. 631, 1964 Acts of Virginia Assembly), to contribute to the capital required for the construction and/or acquisition of facilities specified in a mass transit

1 plan adopted as provided in Article VI, or any alteration, revision or  
2 amendment thereof, and for meeting expenses and obligations in the oper-  
3 ation of such facilities. No such contract or agreement, however, shall be  
4 entered into by the Authority with the Northern Virginia Transportation  
5 District unless said District has entered into the contracts or agreements  
6 with its member governments, as contemplated by § 1 (b) (4) of Article  
7 4 of said Act, which contracts or agreements expressly provide that such  
8 contracts or agreements shall inure to the benefit of the Authority, and  
9 shall be enforceable by the Authority in accordance with the provisions  
10 of § 2, Article 5 of said Act, and such contracts or agreements are accept-  
11 able to the Board. The General Assembly of Virginia hereby authorizes  
12 and designates the Authority as the agency to plan for and provide  
13 transit facilities and services for the area of Virginia encompassed within  
14 the Zone within the contemplation of Article 1, § 3 (c) of said Act.

15 (b) Commitments on behalf of the portion of the Zone located in  
16 Maryland shall be by contract or agreement by the Authority with the  
17 Washington Suburban Transit District, pursuant to which the Authority  
18 undertakes to provide transit facilities and service in consideration for  
19 the agreement by said District to contribute to the capital required for the  
20 construction and/or acquisition of facilities specified in a mass transit  
21 plan adopted as provided in Article VI, or in any alteration, revision or  
22 amendment thereof, and for meeting expenses and obligations incurred in  
23 the operation of such facilities.

24 (c) With respect to the District of Columbia and the federal gov-  
25 ernment, the commitment or obligation to render financial assistance shall  
26 be created by appropriation or in such other manner, or by such other  
27 legislation, as the Congress shall determine. If prior to making such  
28 commitment by or on behalf of the District of Columbia, legislation is  
29 enacted by the Congress granting the governing body of the District of  
30 Columbia plenary power to create obligations and levy taxes, the com-  
31 mitment by the District of Columbia shall be by contract or agreement  
32 between the governing body of the District of Columbia and the Author-  
33 ity, pursuant to which the Authority undertakes, subject to the provisions  
34 of § 20 hereof, to provide transit facilities and service in consideration  
35 for the undertaking by the District of Columbia to contribute to the  
36 capital required for the construction and/or acquisition of facilities speci-  
37 fied in a mass transit plan adopted as provided in Article VI, or in any

1 alteration, revision or amendment thereof, and for meeting expenses and  
2 obligations incurred in the operation of such facilities.

3 Administrative Expenses

4 19. Prior to the time the Authority has receipts from appropriations  
5 and contracts or agreements as provided in § 18 of this Article VII, the  
6 expenses of the Authority for administration and for preparation of a  
7 mass transit and financing plan, including all engineering, financial, legal  
8 and other services required in connection therewith, shall, to the extent  
9 funds for such expenses are not provided through grants by the federal  
10 government, be borne by the District of Columbia, by the Washington  
11 Suburban Transit District and the component governments of the North-  
12 ern Virginia Transportation District. Such expenses shall be allocated  
13 among such governments on the basis of population as reflected by the  
14 latest available population statistics of the Bureau of the Census; pro-  
15 vided, however, that upon the request of any director the Board shall  
16 make the allocation upon estimates of population acceptable to the Board.  
17 The allocations shall be made by the Board and shall be included in the  
18 annual current expense budget prepared by the Board.

19 Acquisition of Facilities from Federal or Other Agencies

20 20. (a) The Authority is authorized to acquire by purchase, lease  
21 or grant or in any manner other than condemnation, from the federal  
22 government or any agency thereof, from the District of Columbia, Mary-  
23 land or Virginia, or any political subdivision or agency thereof, any transit  
24 and related facilities, including real and personal property and all other  
25 assets, located within the Zone, whether in operation or under construc-  
26 tion. Such acquisition shall be made upon such terms and conditions as  
27 may be agreed upon and subject to such authorization or approval by the  
28 Congress and the governing body of the District of Columbia, as may be  
29 required; provided, however, that if such acquisition imposes or may  
30 impose any further or additional obligation or liability upon the Wash-  
31 ington Suburban Transit District, the Northern Virginia Transportation  
32 District, or any component government thereof, under any contract with  
33 the Authority, the Authority shall not make such acquisition until any  
34 such affected contract has been appropriately amended.

35 (b) For such purpose, the Authority is authorized to assume all  
36 liabilities and contracts relating thereto, to assume responsibility as  
37 primary obligor, endorser or guarantor on any outstanding revenue bonds,

1 equipment trust certificates or other form of indebtedness authorized  
 2 in this act issued by such predecessor agency or agencies and, in con-  
 3 nection therewith, to become a party to, and assume the obligations of,  
 4 any indenture or loan agreement underlying or issued in connection with  
 5 any outstanding securities or debts.

#### 6 Temporary Borrowing

7 21. The Board may borrow, in anticipation of receipts, from any  
 8 signatory, the Washington Suburban Transit District, the Northern  
 9 Virginia Transportation District, or any component government thereof,  
 10 or from any lending institution for any purposes of this Title, including  
 11 administrative expenses. Such loans shall be for a term not to exceed  
 12 two years and at such rates of interest as shall be acceptable to the Board.  
 13 The signatories and any such political subdivision or agency may, in its  
 14 discretion, make such loans from any available money.

#### 15 Funding

16 22. The Board shall not construct or acquire any of the transit  
 17 facilities specified in a mass transit plan adopted pursuant to the pro-  
 18 visions of Article VI of this Title, or in any alteration, revision or amend-  
 19 ment thereof, nor make any commitments or incur any obligations with  
 20 respect thereto until funds are available therefor.

### 21 Article VIII

#### 22 Budget

#### 23 Capital Budget

24 23. The Board shall annually adopt a capital budget, including all  
 25 capital projects it proposes to undertake or continue during the budget  
 26 period, containing a statement of the estimated cost of each project and  
 27 the method of financing thereof.

#### 28 Current Expense Budget

29 24. The Board shall annually adopt a current expense budget for  
 30 each fiscal year. Such budget shall include the Board's estimated expendi-  
 31 tures for administration, operation, maintenance and repairs, debt service  
 32 requirements and payments to be made into any funds required to be  
 33 maintained. The total of such expenses shall be balanced by the Board's  
 34 estimated revenues and receipts from all sources, excluding funds included  
 35 in the capital budget or otherwise earmarked for other purposes.

#### 36 Adoption and Distribution of Budgets

37 25. (a) Following the adoption by the Board of annual capital

1 and current expense budgets, the general manager shall transmit certified  
 2 copies of such budgets to the principal budget officer of the federal  
 3 government, the District of Columbia, the Washington Suburban Transit  
 4 District and of the component governments of the Northern Virginia  
 5 Transportation Commission at such time and in such manner as may be  
 6 required under their respective budgetary procedures.

7 (b) Each budget shall indicate the amounts, if any, required from  
 8 the federal government, the government of the District of Columbia, the  
 9 Washington Suburban Transit District and the component governments  
 10 of the Northern Virginia Transportation District, determined in accord-  
 11 ance with the commitments made pursuant to Article VII, Section 18 of  
 12 this Title, to balance each of said budgets.

### 13 Payment

14 26. Subject to such review and approval as may be required by their  
 15 budgetary or other applicable processes, the federal government, the  
 16 Government of the District of Columbia, the Washington Suburban Transit  
 17 District and the component governments of the Northern Virginia Trans-  
 18 portation District shall include in their respective budgets next to be  
 19 adopted and appropriate or otherwise provide the amounts certified to  
 20 each of them as set forth in the budgets.

## 21 Article IX

### 22 Revenue Bonds

#### 23 Borrowing Power

24 27. The Authority may borrow money for any of the purposes of  
 25 this Title, may issue its negotiable bonds and other evidences of indebted-  
 26 ness in respect thereto and may mortgage or pledge its properties, revenues  
 27 and contracts as security therefor.

28 All such bonds and evidences of indebtedness shall be payable solely  
 29 out of the properties and revenues of the Authority. The bonds and other  
 30 obligations of the Authority, except as may be otherwise provided in the  
 31 indenture under which they were issued, shall be direct and general  
 32 obligations of the Authority and the full faith and credit of the Authority  
 33 are hereby pledged for the prompt payment of the debt service thereon  
 34 and for the fulfillment of all other undertakings of the Authority assumed  
 35 by it to or for the benefit of the holders thereof.

#### 36 Funds and Expenses

37 28. The purposes of this Title shall include, without limitation, all

1 costs of any project or facility or any part thereof, including interest  
2 during a period of construction and for a period not to exceed two years  
3 thereafter and any incidental expenses (legal, engineering, fiscal, financial,  
4 consultant and other expenses) connected with issuing and disposing  
5 of the bonds; all amounts required for the creation of an operating fund,  
6 construction fund, reserve fund, sinking fund, or other special fund; all  
7 other expenses connected with administration, the planning, design, ac-  
8 quisition, construction, completion, improvement or reconstruction of any  
9 facility or any part thereof; and reimbursement of advances by the Board  
10 or by others for such purposes and for working capital.

11 Credit Excluded; Officers, State, Political Subdivisions and Agencies

12 29. The Board shall have no power to pledge the credit of any  
13 signatory party, political subdivision or agency thereof, or to impose  
14 any obligation for payment of the bonds upon any signatory party,  
15 political subdivision or agency thereof, but may pledge the contracts of  
16 such governments and agencies; provided, however, that the bonds may  
17 be underwritten in whole or in part as to principal and interest by the  
18 United States, or by any political subdivision or agency of any signatory;  
19 provided, further, that any bonds underwritten in whole or in part as  
20 to principal and interest by the United States shall not be issued without  
21 approval of the Secretary of the Treasury. Neither the Directors nor  
22 any person executing the bonds shall be liable personally on the bonds  
23 of the Authority or be subject to any personal liability or accountability by  
24 reason of the issuance thereof.

25 Funding and Refunding

26 30. Whenever the Board deems it expedient, it may fund and refund  
27 the bonds and other obligations of the Authority whether or not such  
28 bonds and obligations have matured. It may provide for the issuance, sale  
29 or exchange of refunding bonds for the purpose of redeeming or retiring  
30 any bonds (including the payment of any premium, duplicate interest  
31 or cash adjustment required in connection therewith) issued by the  
32 Authority or issued by any other issuing body, the proceeds of the sale  
33 of which have been applied to any facility acquired by the Authority or  
34 which are payable out of the revenues of any facility acquired by the  
35 Authority. Bonds may be issued partly to refund bonds and other obli-  
36 gations then outstanding, and partly for any other purpose of the Au-  
37 thority. All provisions of this Title applicable to the issuance of bonds

1 are applicable to refunding bonds and to the issuance, sale or exchange  
2 thereof.

3 Bonds; Authorization Generally

4 31. Bonds and other indebtedness of the Authority shall be author-  
5 ized by resolution of the Board. The validity of the authorization and  
6 issuance of any bonds by the Authority shall not be dependent upon nor  
7 affected in any way by: (i) the disposition of bond proceeds by the Board  
8 or by contract, commitment or action taken with respect to such proceeds;  
9 or (ii) the failure to complete any part of the project for which bonds  
10 are authorized to be issued. The Authority may issue bonds in one or  
11 more series and may provide for one or more consolidated bond issues, in  
12 such principal amounts and with such terms and provisions as the Board  
13 may deem necessary. The bonds may be secured by a pledge of all or any  
14 part of the property, revenues and franchises under its control. Bonds  
15 may be issued by the Authority in such amount, with such maturities and  
16 in such denominations and form or forms, whether coupon or registered,  
17 as to principal alone or as to both principal and interest, as may be  
18 determined by the Board. The Board may provide for redemption of  
19 bonds prior to maturity on such notice and at such time or times and with  
20 such redemption provisions, including premiums, as the Board may  
21 determine.

22 Bonds; Resolutions and Indentures Generally

23 32. The Board may determine and enter into indentures or adopt  
24 resolutions providing for the principal amount, date or dates, maturities,  
25 interest rate, or rates, denominations, form, registration, transfer, inter-  
26 change and other provisions of the bonds and coupons and the terms and  
27 conditions upon which the same shall be executed, issued, secured, sold,  
28 paid, redeemed, funded and refunded. The resolution of the Board author-  
29 izing any bond or any indenture so authorized under which the bonds are  
30 issued may include all such covenants and other provisions not inconsistent  
31 with the provisions of this Title, other than any restriction on the regula-  
32 tory powers vested in the Board by this Title, as the Board may deem  
33 necessary or desirable for the issue, payment, security, protection or  
34 marketing of the bonds, including without limitation covenants and other  
35 provisions as to the rates or amounts of fees, rents and other charges to  
36 be charged or made for use of the facilities; the use, pledge, custody,  
37 securing, application and disposition of such revenues, of the proceeds of

1 the bonds, and of any other moneys or contracts of the Authority; the  
2 operation, maintenance, repair and reconstruction of the facilities and  
3 the amounts which may be expended therefor; the sale, lease or other dis-  
4 position of the facilities; the insuring of the facilities and of the revenues  
5 derived therefrom; the construction or other acquisition of other facili-  
6 ties; the issuance of additional bonds or other indebtedness; the rights  
7 of the bondholders and of any trustee for the bondholders upon default by  
8 the Authority or otherwise; and the modification of the provisions of the  
9 indenture and of the bonds. Reference on the face of the bonds to such  
10 resolution or indenture by its date of adoption or the apparent date on  
11 the face thereof is sufficient to incorporate all of the provisions thereof  
12 and of this Title into the body of the bonds and their appurtenant  
13 coupons. Each taker and subsequent holder of the bonds or coupons,  
14 whether the coupons are attached to or detached from the bonds, has re-  
15 course to all of the provisions of the indenture and of this Title and is  
16 bound thereby.

#### 17 Maximum Maturity

18 33. No bond or its terms shall mature in more than fifty years from  
19 its own date and in the event any authorized issue is divided into two or  
20 more series or divisions, the maximum maturity date herein authorized  
21 shall be calculated from the date on the face of each bond separately,  
22 irrespective of the fact that different dates may be prescribed for the  
23 bonds of each separate series or division of any authorized issue.

#### 24 Tax Exemption

25 34. All bonds and all other evidences of debt issued by the Authority  
26 under the provisions of this Title and the interest thereon shall at all  
27 times be free and exempt from all taxation by or under authority of any  
28 signatory parties, except for transfer, inheritance and estate taxes.

#### 29 Interest

30 35. Bonds shall bear interest at such rate or rates as may be  
31 determined by the Board, payable annually or semiannually.

#### 32 Place of Payment

33 36. The Board may provide for the payment of the principal and  
34 interest of bonds at any place or places within or without the signatory  
35 states, and in any specified lawful coin or currency of the United States  
36 of America.

#### 37 Execution

1       37. The Board may provide for the execution and authentication of  
2 bonds by the manual, lithographed or printed facsimile signature of  
3 members of the Board, and by additional authentication by a trustee or  
4 fiscal agent appointed by the Board; provided, however, that one of such  
5 signatures shall be manual. If any of the members whose signatures or  
6 countersignatures appear upon the bonds or coupons cease to be members  
7 before the delivery of the bonds or coupons, their signatures or counter-  
8 signatures are nevertheless valid and of the same force and effect as if  
9 the members had remained in office until the delivery of the bonds and  
10 coupons.

#### 11 Holding Own Bonds

12       38. The Board shall have power out of any funds available therefor  
13 to purchase its bonds and may hold, cancel or resell such bonds.

#### 14 Sale

15       39. The Board may fix terms and conditions for the sale or other  
16 disposition of any authorized issue of bonds. The Board may sell bonds  
17 at less than their par or face value but no issue of bonds may be sold  
18 at an aggregate price below the par or face value thereof if such sale  
19 would result in a net interest cost to the Authority calculated upon the  
20 entire issue so sold in excess of the applicable rate determined by the  
21 Board, payable semiannually, computed with relation to the absolute  
22 maturity of the bonds according to standard tables of bond values, deduct-  
23 ing the amount of any premium to be paid on the redemption of any bonds  
24 prior to maturity. All bonds issued and sold pursuant to this Title may  
25 be sold in such manner, either at public or private sale, as the Board  
26 shall determine.

#### 27 Negotiability

28       40. All bonds issued under the provisions of this Title are negotiable  
29 instruments.

#### 30 Bonds Eligible for Investment and Deposit

31       41. Bonds issued under the provisions of this Title are hereby made  
32 securities in which all public officers and public agencies of the signatories  
33 and their political subdivisions and all banks, trust companies, savings and  
34 loan associations, investment companies and others carrying on a banking  
35 business, all insurance companies and insurance associations and others  
36 carrying on an insurance business, all administrators, executors, guard-  
37 ians, trustees and other fiduciaries, and all other persons may legally

1 and properly invest funds, including capital in their control or belonging  
2 to them. Such bonds are hereby made securities which may properly and  
3 legally be deposited with and received by any officer of any signatory, or  
4 of any agency or political subdivision of any signatory, for any purpose  
5 for which the deposit of bonds or other obligations of such signatory is  
6 now or may hereafter be authorized by law.

#### 7 Validation Proceedings

8 42. Prior to the issuance of any bonds, the Board may institute a  
9 special proceeding to determine the legality of proceedings to issue the  
10 bonds and their validity under the laws of any of the signatory parties.  
11 Such proceeding shall be instituted and prosecuted in rem and the final  
12 judgment rendered therein shall be conclusive against all persons whom-  
13 soever and against each of the signatory parties.

#### 14 Recording

15 43. No indenture need be recorded or filed in any public office, other  
16 than the office of the Board. The pledge of revenues provided in any  
17 indenture shall take effect forthwith as provided therein and irrespective  
18 of the date of receipt of such revenues by the Board of the indenture  
19 trustee. Such pledge shall be effective as provided in the indenture without  
20 physical delivery of the revenues to the Board or to the indenture trustee.

#### 21 Pledged Revenues

22 44. Bond redemption and interest payments shall, to the extent pro-  
23 vided in the resolution or indenture, constitute a first, direct and exclusive  
24 charge and lien on all revenues received from the use and operation of the  
25 facility, and on any sinking or other funds created therefrom. All such  
26 revenues, together with interest thereon, shall constitute a trust fund for  
27 the security and payment of such bonds and except as and to the extent  
28 provided in the indenture with respect to the payment therefrom of ex-  
29 penses for other purposes including administration, operation, mainte-  
30 nance, improvements or extensions of the facilities or other purposes shall  
31 not be used or pledged for any other purpose so long as such bonds, or any  
32 of them, are outstanding and unpaid.

#### 33 Remedies

34 45. The holder of any bond may for the equal benefit and protection  
35 of all holders of bonds similarly situated: (1) by mandamus or other  
36 appropriate proceedings require and compel the performance of any of  
37 the duties imposed upon the Board or assumed by it, its officers, agents or

1 employees under the provisions of any indenture, in connection with the  
2 acquisition, construction, operation, maintenance, repair, reconstruction  
3 or insurance of the facilities, or in connection with the collection, deposit,  
4 investment, application and disbursement of the revenues derived from  
5 the operation and use of the facilities, or in connection with the deposit,  
6 investment and disbursement of the proceeds received from the sale of  
7 bonds; or (2) by action or suit in a court of competent jurisdiction of any  
8 signatory party require the Authority to account as if it were the trustee  
9 of an express trust, or enjoin any acts or things which may be unlawful or  
10 in violation of the rights of the holders of the bonds. The enumeration of  
11 such rights and remedies does not, however, exclude the exercise or prose-  
12 cution of any other rights or remedies available to the holders of bonds.

#### 13 Article X

#### 14 Equipment Trust Certificates

##### 15 Power

16 46. The Board shall have power to execute agreements, leases and  
17 equipment trust certificates with respect to the purchase of facilities or  
18 equipment such as cars, trolley buses and motor buses, or other craft, in  
19 the form customarily used in such cases and appropriate to effect such  
20 purchase, and may dispose of such equipment trust certificates in such  
21 manner as it may determine to be for the best interests of the Authority.  
22 Each vehicle covered by an equipment trust certificate shall have the name  
23 of the owner and lessor plainly marked upon both sides thereof, followed  
24 by the words "Owner and Lessor".

##### 25 Payments

26 47. All monies required to be paid by the Authority under the pro-  
27 visions of such agreements, leases and equipment trust certificates shall  
28 be payable solely from the revenue to be derived from the operation of the  
29 transit system or from such grants, loans, appropriations or other rev-  
30 enues, as may be available to the Board under the provisions of this Title.  
31 Payment for such facilities or equipment, or rentals thereof, may be made  
32 in installments, and the deferred installments may be evidenced by equip-  
33 ment trust certificates as aforesaid, and title to such facilities or equip-  
34 ment may not vest in the Authority until the equipment trust certificates  
35 are paid.

##### 36 Procedure

37 48. The agreement to purchase facilities or equipment by the Board

1 may direct the vendor to sell and assign the equipment to a bank or trust  
2 company, duly authorized to transact business in any of the signatory  
3 States, or to the Housing and Home Finance Administrator, as trustee,  
4 lessor or vendor, for the benefit and security of the equipment trust cer-  
5 tificates and may direct the trustee to deliver the facilities and equipment  
6 to one or more designated officers of the Board and may authorize the  
7 trustee simultaneously therewith to execute and deliver a lease of the  
8 facilities or equipment to the Board.

#### 9 Agreements and Leases

10 49. The agreements and leases shall be duly acknowledged before  
11 some person authorized by law to take acknowledgments of deeds and in  
12 the form required for acknowledgment of deeds and such agreements,  
13 leases, and equipment trust certificates shall be authorized by resolution  
14 of the Board and shall contain such covenants, conditions and provisions  
15 as may be deemed necessary or appropriate to insure the payment of the  
16 equipment trust certificates from the revenues to be derived from the  
17 operation of the transit system and other funds.

18 The covenants, conditions and provisions of the agreements, leases  
19 and equipment trust certificates shall not conflict with any of the provi-  
20 sions of any resolution or trust agreement securing the payment of bonds  
21 or other obligations of the Authority then outstanding or conflict with  
22 or be in derogation of the rights of the holders of any such bonds or other  
23 obligations.

#### 24 Law Governing

25 50. The equipment trust certificates issued hereunder shall be gov-  
26 erned by Laws of the District of Columbia and for this purpose the chief  
27 place of business of the Authority shall be considered to be the District of  
28 Columbia. The filing of any documents required or permitted to be filed  
29 shall be governed by the Laws of the District of Columbia.

### 30 Article XI

#### 31 Operation of Facilities

#### 32 Operation by Contract or Lease

33 51. Any facilities and properties owned or controlled by the Author-  
34 ity may be operated by the Authority directly or by others pursuant to  
35 contract or lease as the Board may determine.

#### 36 The Operating Contract

37 52. Without limitation upon the right of the Board to prescribe

1 such additional terms and provisions as it may deem necessary and  
2 appropriate, the operating contract shall:

3 (a) specify the services and functions to be performed by the  
4 Contractor;

5 (b) provide that the Contractor shall hire, supervise and control all  
6 personnel required to perform the services and functions assumed by it  
7 under the operating contract and that all such personnel shall be em-  
8 ployees of the Contractor and not of the Authority;

9 (c) require the Contractor to assume the obligations of the labor  
10 contract or contracts of any transit company which may be acquired by  
11 the Authority and assume the pension obligations of any such transit  
12 company;

13 (d) require the Contractor to comply in all respects with the labor  
14 policy set forth in Article XIV of this Title;

15 (e) provide that no transfer of ownership of the capital stock,  
16 securities or interests in any Contractor, whose principal business is the  
17 operating contract, shall be made without written approval of the Board  
18 and the certificates or other instruments representing such stock, securi-  
19 ties or interests shall contain a statement of this restriction;

20 (f) provide that the Board shall have the sole authority to deter-  
21 mine the rates or fares to be charged, the routes to be operated and the  
22 service to be furnished;

23 (g) specify the obligations and liabilities which are to be assumed  
24 by the Contractor and those which are to be the responsibility of the  
25 Authority;

26 (h) provide for an annual audit of the books and accounts of the  
27 Contractor by an independent certified public accountant to be selected  
28 by the Board and for such other audits, examinations and investigations  
29 of the books and records, procedures and affairs of the Contractor at such  
30 times and in such manner as the Board shall require, the cost of such  
31 audits, examinations and investigations to be borne as agreed by the  
32 parties in the operating contract; and

33 (i) provide that no operating contract shall be entered into for a  
34 term in excess of five years; provided, that any such contract may be  
35 renewed for successive terms, each of which shall not exceed five years.  
36 Any such operating contract shall be subject to termination by the Board  
37 for cause only.

## 1 Compensation for Contractor

2 53. Compensation to the Contractor under the operating contract  
 3 may, in the discretion of the Board, be in the form of (1) a fee paid by  
 4 the Board to the Contractor for services, (2) a payment by the Contrac-  
 5 tor to the Board for the right to operate the system, or (3) such other  
 6 arrangement as the Board may prescribe; provided, however, that the  
 7 compensation shall bear a reasonable relationship to the benefits to the  
 8 Authority and to the estimated costs the Authority would incur in directly  
 9 performing the functions and duties delegated under the operating con-  
 10 tract; and provided, further, that no such contract shall create any right  
 11 in the Contractor (1) to make or change any rate or fare or alter or  
 12 change the service specified in the contract to be provided or (2) to seek  
 13 judicial relief by any form of original action, review or other proceed-  
 14 ings from any rate or fare or service prescribed by the Board. Any asser-  
 15 tion, or attempted assertion, by the Contractor of the right to make or  
 16 change any rate or fare or service prescribed by the Board shall consti-  
 17 tute cause for termination of the operating contract. The operating con-  
 18 tract may provide incentives for efficient and economical management.

## 19 Selection of Contractor

20 54. The Board shall enter into an operating contract only after  
 21 formal advertisement and negotiations with all interested and qualified  
 22 parties, including private transit companies rendering transit service  
 23 within the Zone; provided, however, that, if the Authority acquires transit  
 24 facilities from any agency of the federal or District of Columbia govern-  
 25 ments, in accordance with the provisions of Article VII, § 20 of this Title,  
 26 the Authority shall assume the obligations of any operating contract  
 27 which the transferor agency may have entered into.

## 28 Article XII

## 29 Coordination of Private and Public Facilities

## 30 Declaration of Policy

31 55. It is hereby declared that the interest of the public in efficient  
 32 and economical transit service and in the financial well-being of the  
 33 Authority and the private transit companies requires that the public  
 34 and private segments of the regional transit system be operated, to the  
 35 fullest extent possible, as a coordinated system without unnecessary dupli-  
 36 cating service.

## 37 Implementation of Policy

1       56. In order to carry out the legislative policy set forth in § 55 of  
2 this Article XII

3       (a) The Authority—

4       (1) except as herein provided, shall not, directly or through a Con-  
5 tractor, perform transit service by bus or similar motor vehicles;

6       (2) shall, in cooperation with the private carriers and WMATC,  
7 coordinate to the fullest extent practicable, the schedules for service per-  
8 formed by its facilities with the schedules for service performed by pri-  
9 vate carriers; and

10       (3) shall enter into agreements with the private carriers to estab-  
11 lish and maintain, subject to approval by WMATC, through routes and  
12 joint fares and provide for the division thereof, or, in the absence of such  
13 agreements, establish and maintain through routes and joint fares in  
14 accordance with orders issued by WMATC directed to the private carriers  
15 when the terms and conditions for such through service and joint fares  
16 are acceptable to it.

17       (b) The WMATC, upon application, complaint, or upon its own  
18 motion, shall—

19       (1) direct private carriers to coordinate their schedules for service  
20 with the schedules for service performed by facilities owned or controlled  
21 by the Authority;

22       (2) direct private carriers to improve or extend any existing services  
23 or provide additional service over additional routes;

24       (3) authorize a private carrier, pursuant to agreement between said  
25 carrier and the Authority, to establish and maintain through routes and  
26 joint fares for transportation to be rendered with facilities owned or con-  
27 trolled by the Authority if, after hearing held upon reasonable notice,  
28 WMATC finds that such through routes and joint fares are required by  
29 the public interest; and

30       (4) in the absence of such an agreement with the Authority, direct  
31 a private carrier to establish and maintain through routes and joint fares  
32 with the Authority, if, after hearing held upon reasonable notice, WMATC  
33 finds that such through service and joint fares are required by the public  
34 interest; provided, however, that no such order, rule or regulation of  
35 WMATC shall be construed to require the Authority to establish and  
36 maintain any through route and joint fare.

37       (c) WMATC shall not authorize or require a private carrier to

1 render any service, including the establishment or continuation of a  
2 joint fare for a through route service with the Authority which is based  
3 on a division thereof between the Authority and private carrier which  
4 does not provide a reasonable return to the private carrier, unless the  
5 carrier is currently earning a reasonable return on its operation as a  
6 whole in performing transportation subject to the jurisdiction of WMATC.  
7 In determining the issue of reasonable return, WMATC shall take into  
8 account any income attributable to the carrier, or to any corporation,  
9 firm or association owned in whole or in part by the carrier, from the  
10 Authority whether by way of payment for services or otherwise.

11 (d) If the WMATC is unable, through the exercise of its regulatory  
12 powers over the private carriers granted in paragraph (b) hereof or  
13 otherwise, to bring about the requisite coordination of operations and  
14 service between the private carriers and the Authority, the Authority  
15 may in the situations specified in paragraph (b) hereof, cause such transit  
16 service to be rendered by its Contractor by bus or other motor vehicle,  
17 as it shall deem necessary to effectuate the policy set forth in § 55  
18 hereof. In any such situation, the Authority, in order to encourage private  
19 carriers to render bus service to the fullest extent practicable, may,  
20 pursuant to agreement, make reasonable subsidy payments to any private  
21 carrier.

22 (e) The Authority may acquire the capital stock or the transit  
23 facilities of any private transit company and may perform transit  
24 service, including service by bus or similar motor vehicle, with transit  
25 facilities so acquired, or with transit facilities acquired pursuant to  
26 Article VII, § 20. Upon acquisition of the capital stock or the transit  
27 facilities of any private transit company, the Authority shall undertake  
28 the acquisition, as soon as possible, of the capital stock or the transit  
29 facilities of each of the other private transit companies within the  
30 zone requesting such acquisition. Lack of such request, however, shall  
31 not be construed to preclude the Authority from acquiring the capital  
32 stock or the transit facilities of any such company pursuant to § 82 of  
33 Article XVI.

#### 34 Rights of Private Carriers Unaffected

35 57. Nothing in this Title shall restrict or limit such rights and  
36 remedies, if any, that any private carrier may have against the Authority  
37 arising out of acts done or actions taken by the Authority hereunder. In

1 the event any court of competent jurisdiction shall determine that the  
2 Authority has unlawfully infringed any rights of any private carrier  
3 or otherwise caused or permitted any private carrier to suffer legally  
4 cognizable injury, damages or harm and shall award a judgment therefor,  
5 such judgment shall constitute a lien against any and all of the assets  
6 and properties of the Authority.

#### 7 Financial Assistance to Private Carriers

8 58. (a) The Board may accept grants from and enter into loan  
9 agreements with the Housing and Home Finance Administrator, pursuant  
10 to the provisions of the Urban Mass Transportation Act of 1964 (78  
11 Stat. 302), or with any successor agency or under any law of similar  
12 purport, for the purpose of rendering financial assistance to private car-  
13 riers.

14 (b) An application by the Board for any such grant or loan shall  
15 be based on and supported by a report from WMATC setting forth for  
16 each private carrier to be assisted (1) the equipment and facilities to be  
17 acquired, constructed, reconstructed, or improved, (2) the service pro-  
18 posed to be rendered by such equipment and facilities, (3) the improve-  
19 ment in service expected from such facilities and equipment, (4) how  
20 the use of such facilities and equipment will be coordinated with the  
21 transit facilities owned by the Authority, (5) the ability of the affected  
22 private carrier to repay any such loans or grants and (6) recommended  
23 terms for any such loans or grants.

24 (c) Any equipment or facilities acquired, constructed, reconstructed  
25 or improved with the proceeds of such grants or loans shall be owned by  
26 the Authority and may be made available to private carriers only by lease  
27 or other agreement which contain provisions acceptable to the Housing  
28 and Home Finance Administrator assuring that the Authority will have  
29 satisfactory continuing control over the use of such facilities and equip-  
30 ment.

### 31 Article XIII

#### 32 Jurisdiction; Rates and Service

#### 33 Washington Metropolitan Area Transit Commission

34 59. Except as provided herein, this Title shall not affect the func-  
35 tions and jurisdiction of WMATC, as granted by Titles I and II of this  
36 Compact, over the transportation therein specified and the persons en-  
37 gaged therein and the Authority shall have no jurisdiction with respect

1 thereto.

2 Public Facilities

3 60. Service performed by transit facilities owned or controlled by  
4 the Authority, and the rates and fares to be charged for such service,  
5 shall be subject to the sole and exclusive jurisdiction of the Board and,  
6 notwithstanding any other provision in this Compact contained, WMATC  
7 shall have no authority with respect thereto, or with respect to any con-  
8 tractor in connection with the operation by it of transit facilities owned  
9 or controlled by the Authority. The determinations of the Board with  
10 respect to such matters shall not be subject to judicial review nor to the  
11 processes of any court.

12 Standards

13 61. Insofar as practicable, and consistent with the provision of ade-  
14 quate service at reasonable fares, the rates and fares and service shall  
15 be fixed by the Board so as to result in revenues which will:

16 (a) pay the operating expenses and provide for repairs, mainte-  
17 nance and depreciation of the transit system owned or controlled by the  
18 Authority;

19 (b) provide for payment of all principal and interest on outstanding  
20 revenue bonds and other obligations and for payment of all amounts  
21 to sinking funds and other funds as may be required by the terms of any  
22 indenture of loan agreement;

23 (c) provide for the purchase, lease or acquisition of rolling stock,  
24 including provisions for interest, sinking funds, reserve funds, or other  
25 funds required for the payment of any obligations incurred by the Au-  
26 thority for the acquisition of rolling stock; and

27 (d) provide funds for any purpose the Board deems necessary and  
28 desirable to carry out the purposes of this Title.

29 Hearings

30 62. (a) The Board shall not make or change any fare or rate, nor  
31 establish or abandon any service except after holding a public hearing  
32 with respect thereto.

33 (b) Any signatory, any political subdivision thereof, any agency of  
34 the federal government and any person, firm or association served by or  
35 using the transit facilities of the Authority and any private carrier may  
36 file a request with the Board for a hearing with respect to any rates or  
37 charges made by the Board or any service rendered with the facilities

1 owned or controlled by the Authority. Such request shall be in writing,  
2 shall state the matter on which a hearing is requested and shall set forth  
3 clearly the matters and things on which the request relies. As promptly  
4 as possible after such a request is filed, the Board, or such officer or em-  
5 ployee as it may designate, shall confer with the protestant with respect  
6 to the matters complained of. After such conference, the Board, if it  
7 deems the matter meritorious and of general significance, may call a hear-  
8 ing with respect to such request.

9 (c) The Board shall give at least thirty days' notice for all hear-  
10 ings. The notice shall be given by publication in a newspaper of daily  
11 circulation throughout the Zone and such notice shall be published once a  
12 week for two successive weeks. The notice shall start with the day of first  
13 publication. In addition, the Board shall post notices of the hearing in  
14 its offices, all stations and terminals and in all of its vehicles and rolling  
15 stock in revenue service.

16 (d) Prior to calling a hearing on any matter specified in this sec-  
17 tion, the Board shall prepare and file at its main office and keep open for  
18 public inspection its report relating to the proposed action to be consid-  
19 ered at such hearing. Upon receipt by the Board of any report submitted  
20 by WMATC, in connection with a matter set for hearing, pursuant to  
21 the provisions of § 63 of this Article XIII, the Board shall file such  
22 report at its main office and make it available for public inspection. For  
23 hearings called by the Board pursuant to paragraph (b), above, the Board  
24 also shall cause to be lodged and kept open for public inspection the writ-  
25 ten request upon which the hearing is granted and all documents filed in  
26 support thereof.

#### 27 Reference of Matters to WMATC

28 63. To facilitate the attainment of the public policy objectives for  
29 operation of the publicly and privately owned or controlled transit facil-  
30 ities as stated in Article XII, § 55, prior to the hearings provided for  
31 by § 62 hereof—

32 (a) The Board shall refer to WMATC for its consideration and  
33 recommendations, any matter which the Board considers may affect the  
34 operation of the publicly and privately owned or controlled transit facilities  
35 as a coordinated regional transit system and any matter for which the  
36 Board has called a hearing, pursuant to § 62 of this Article XIII, except  
37 that temporary or emergency changes in matters affecting service shall

1 not be referred; and

2 (b) WMATC, upon such reference of any matter to it, shall give  
3 the referred matter preference over any other matters pending before it  
4 and shall, as expeditiously as practicable, prepare and transmit its report  
5 thereon to the Board. The Board may request WMATC to reconsider any  
6 part of its report or to make any supplemental reports it deems necessary.  
7 All of such reports shall be advisory only.

8 (c) Any report submitted by WMATC to the Board shall consider,  
9 without limitation, the probable effect of the matter or proposal upon the  
10 operation of the publicly and privately owned or controlled transit facil-  
11 ities as a coordinated regional system, passenger movements, fare struc-  
12 tures, service and the impact on the revenues of both the public and  
13 private facilities.

14 Article XIV

15 Labor Policy

16 Construction

17 64. The Board shall take such action as may be necessary to insure  
18 that all laborers and mechanics employed by contractors or subcontractors  
19 in the construction, alteration or repair, including painting and decorating,  
20 of projects, buildings and works which are undertaken by the Authority  
21 or are financially assisted by it, shall be paid wages at rates not less than  
22 those prevailing on similar construction in the locality as determined by  
23 the Secretary of Labor in accordance with the Davis-Bacon Act, as  
24 amended (40 U.S.C. 276a-276a-5), and every such employee shall receive  
25 compensation at a rate not less than one and one-half times his basic  
26 rate of pay for all hours worked in any workweek in excess of eight  
27 hours in any workday or forty hours in any workweek, as the case may  
28 be. A provision stating the minimum wages thus determined and the re-  
29 quirement that overtime be paid as above provided shall be set out in  
30 each project advertisement for bids and in each bid proposal form and  
31 shall be made a part of the contract covering the project, which contract  
32 shall be deemed to be a contract of the character specified in § 103 of  
33 the Contract Work Hours Standards Act (76 Stat. 357), as now or as  
34 may hereafter be in effect. The Secretary of Labor shall have, with respect  
35 to the administration and enforcement of the labor standards specified  
36 in this provision, the supervisory, investigatory and other authority and  
37 functions set forth in Reorganization Plan Numbered 14 of 1950 (15 F.R.

1 3176, 64 Stat. 1267, 5 U.S.C. 133z-15), and § 2 of the Act of June 13,  
2 1934, as amended (48 Stat. 948, as amended; 40 U.S.C. 276 (c)). The  
3 requirements of this section shall also be applicable with respect to the  
4 employment of laborers and mechanics in the construction, alteration or  
5 repair, including painting and decorating, of the transit facilities owned  
6 or controlled by the Authority where such activities are performed by a  
7 contractor pursuant to agreement with the operator of such facilities.

#### 8 Equipment and Supplies

9 65. Contracts for the manufacture or furnishing of materials, sup-  
10 plies, articles and equipment shall be subject to the provisions of the  
11 Walsh-Healey Public Contracts Act (41 U.S.C. 35 et seq.), as now or  
12 as may hereafter be in effect.

#### 13 Operations

14 66. ~~It shall be a condition of the operation of the transit facilities~~  
15 ~~owned or controlled by the Authority that the provisions of § 10 (e) of~~  
16 ~~the Urban Mass Transportation Act of 1964 (49 U.S.C. 1609 (e)) shall be~~  
17 ~~applicable to any contract or other arrangement for the operation of such~~  
18 ~~facilities. (a) The rights, benefits, and other employee protective condi-~~  
19 ~~tions and remedies of § 13 (c) of the Urban Mass Transportation Act~~  
20 ~~of 1964, as amended (49 U.S.C. 1609 (c)), as determined by the Secretary~~  
21 ~~of Labor, shall apply to the operation by the Washington Metropolitan~~  
22 ~~Area Transit Authority of any mass transit facilities owned or controlled~~  
23 ~~by it and to any contract or other arrangement for the operation of transit~~  
24 ~~facilities. Whenever the Authority shall operate any transit facility or~~  
25 ~~enter into any contractual or other arrangements for the operation of such~~  
26 ~~transit facility the Authority shall extend to employees of affected mass~~  
27 ~~transportation systems first opportunity for transfer and appointment as~~  
28 ~~employees of the Authority in accordance with seniority, in any non-~~  
29 ~~supervisory job in respect to such operations for which they can qualify~~  
30 ~~after a reasonable training period. Such employment shall not result in~~  
31 ~~any worsening of the employee's position in his former employment nor~~  
32 ~~any loss of wages, hours, working conditions, seniority, fringe benefits~~  
33 ~~and rights and privileges pertaining thereto.~~

34 (b) *The Authority shall deal with and enter into written contracts*  
35 *with employees as defined in § 152 of Title 29, United States Code, through*  
36 *accredited representatives of such employees or representatives of any*  
37 *labor organization authorized to act for such employees concerning wages,*

1 salaries, hours, working conditions, and pension or retirement provisions.

2 (c) In case of any labor dispute involving the Authority and such  
3 employees where collective bargaining does not result in agreement, the  
4 Authority shall submit such dispute to arbitration by a board composed  
5 of three persons, one appointed by the Authority, one appointed by the  
6 labor organization representing the employees, and a third member to  
7 be agreed upon by the labor organization and the Authority. The member  
8 agreed upon by the labor organization and the Authority shall act as  
9 chairman of the board. The determination of the majority of the board  
10 of arbitration, thus established shall be final and binding on all matters  
11 in dispute. If after a period of ten days from the date of the appointment  
12 of the two arbitrators representing the Authority and the labor organiza-  
13 tion, the third arbitrator has not been selected, then either arbitrator may  
14 request the Federal Mediation and Conciliation Service to furnish a  
15 list of five persons from which the third arbitrator shall be selected.  
16 The arbitrators appointed by the Authority and the labor organization,  
17 promptly after the receipt of such list shall determine by lot the order of  
18 elimination, and thereafter each shall in that order alternately eliminate  
19 one name until only one name remains. The remaining person on the  
20 list shall be the third arbitrator. The term "labor dispute" shall be  
21 broadly construed and shall include any controversy concerning  
22 wages, salaries, hours, working conditions, or benefits including health  
23 and welfare, sick leave, insurance or pension or retirement provisions but  
24 not limited thereto, and including any controversy concerning any differ-  
25 ences or questions that may arise between the parties including but not  
26 limited to the making or maintaining of collective bargaining agreements,  
27 the terms to be included in such agreements, and the interpretation or  
28 application of such collective bargaining agreements and any grievance  
29 that may arise and questions concerning representation. Each party shall  
30 pay one-half of the expenses of such arbitration.

31 (d) The Authority is hereby authorized and empowered to establish  
32 and maintain a system of pensions and retirement benefits for such  
33 officers and employees of the Authority as may be designated or described  
34 by resolution of the Authority; to fix the terms of and restrictions on  
35 admission to such system and the classifications therein; to provide that  
36 persons eligible for admission in such pension system shall not be eligible  
37 for admission to, or receive any benefits from, and other pension system

1 (except Social Security benefits), which is financed or funded, in whole  
2 or in part, directly or indirectly by funds paid or appropriated by the  
3 Authority to such other pension system, and to provide in connection  
4 with such pension system, a system of benefits payable to the beneficiaries  
5 and dependents of any participant in such pension system after the  
6 death of such participant (whether accidental or otherwise, whether  
7 occurring in the actual performance of duty or otherwise, or both) subject  
8 to such exceptions, conditions, restrictions and classifications as may  
9 be provided by resolution of the Authority. Such pension system shall be  
10 financed or funded by such means and in such manner as may be deter-  
11 mined by the Authority to be economically feasible. Unless the Authority  
12 shall otherwise determine, no officer or employee of the Authority and  
13 no beneficiary or dependent of any such officer or employee shall be  
14 eligible to receive any pension or retirement or other benefits both from or  
15 under any such pension system and from or under any pension or retire-  
16 ment system established by an acquired transportation system or estab-  
17 lished or provided for, by or under the provisions of any collective bargain-  
18 ing agreement between the Authority and the representatives of its  
19 employees.

20 (e) Whenever the Authority acquires existing transit facilities from  
21 a public or privately owned utility either in proceeding by eminent  
22 domain or otherwise, the Authority shall assume and observe all existing  
23 labor contracts and pension obligations. When the Authority acquires  
24 an existing transportation system, all employees who are necessary for  
25 the operation thereof by the Authority shall be transferred to and ap-  
26 pointed as employees of the Authority, subject to all the rights and benefits  
27 of this Title. These employees shall be given seniority credit and sick  
28 leave, vacation, insurance and pension credits in accordance with the  
29 records or labor agreements from the acquired transportation system.  
30 Members and beneficiaries of any pension or retirement system or other  
31 benefits established by the acquired transportation system shall continue  
32 to have rights, privileges, benefits, obligations and status with respect to  
33 such established system. The Authority shall assume the obligations of  
34 any transportation system acquired by it with regard to wages, salaries,  
35 hours, working conditions, sick leave, health and welfare and pension  
36 or retirement provisions for employees. It shall assume the provisions of  
37 any collective bargaining agreement between such acquired transportation

1 *system and the representatives of its employees. The Authority and the*  
 2 *employees, through their representatives for collective bargaining pur-*  
 3 *poses, shall take whatever action may be necessary to have pension trust*  
 4 *funds presently under the joint control of the acquired transportation*  
 5 *system and the participating employees through their representative trans-*  
 6 *ferred to the trust fund to be established, maintained and administered*  
 7 *jointly by the Authority and the participating employees through their*  
 8 *representatives. No employee of any acquired transportation system who*  
 9 *is transferred to a position with the Authority shall by reason of such*  
 10 *transfer be placed in any worse position with respect to workmen's com-*  
 11 *pensation, pension, seniority, wages, sick leave, vacation, health and*  
 12 *welfare insurance or any other benefits, than he enjoyed as an employee*  
 13 *of such acquired transportation system.*

14 Article XV

15 Relocation Assistance

16 Relocation Program and Payments

17 67. § 7 of the Urban Mass Transportation Act of 1964, and as the  
 18 same may from time to time be amended, and all regulations promulgated  
 19 thereunder, are hereby made applicable to individuals, families, business  
 20 concerns and non-profit organizations displaced from real property by  
 21 actions of the Authority without regard to whether financial assistance  
 22 is sought by or extended to the Authority under any provisions of this  
 23 Act; provided, however, that in the event real property is acquired for  
 24 the Authority by an agency of the federal government, or by a State or  
 25 local agency or instrumentality, the Authority is authorized to reimburse  
 26 the acquiring agency for relocation payments made by it.

27 Relocation of Public or Public Utility Facilities

28 68. Notwithstanding the provisions of § 67 of this Article XV, any  
 29 highway or other public facility or any facilities of a public utility com-  
 30 pany which will be dislocated by reason of a project deemed necessary  
 31 by the Board to effectuate the authorized purposes of this Title shall be  
 32 relocated if such facilities are devoted to a public use, and the reason-  
 33 able cost of relocation, if substitute facilities are necessary, shall be paid  
 34 by the Board from any of its monies.

35 Article XVI

36 General Provisions

37 Creation and Administration of Funds

1       69. (a) The Board may provide for the creation and administra-  
2 tion of such funds as may be required. The funds shall be disbursed in  
3 accordance with rules established by the Board and all payments from  
4 any fund shall be reported to the Board. Monies in such funds and other  
5 monies in the Authority shall be deposited, as directed by the Board, in  
6 any state or national bank located in the Zone having a total paid-in  
7 capital of at least one million dollars (\$1,000,000). The trust department  
8 of any such state or national bank may be designated as a depository to  
9 receive any securities acquired or owned by the Authority. The restriction  
10 with respect to paid-in capital may be waived for any such bank which  
11 agrees to pledge federal securities to protect the funds and securities of  
12 the Authority in such amounts and pursuant to such arrangements as  
13 may be acceptable to the Board.

14       (b) Any monies of the Authority may, in the discretion of the  
15 Board and subject to any agreement or covenant between the Authority  
16 and the holders of any of its obligations limiting or restricting classes of  
17 investments, be invested in bonds or other obligations of, or guaranteed  
18 as to interest and principal by, the United States, Maryland, Virginia or  
19 the political subdivisions or agencies thereof.

20 Annual Independent Audit

21       70. (a) As soon as practical after the closing of the fiscal year, an  
22 audit shall be made of the financial accounts of the Authority. The audit  
23 shall be made by qualified certified public accountants selected by the  
24 Board, who shall have no personal interest direct or indirect in the finan-  
25 cial affairs of the Authority or any of its officers or employees. The  
26 report of audit shall be prepared in accordance with generally accepted  
27 auditing principles and shall be filed with the Chairman and other officers  
28 as the Board shall direct. Copies of the report shall be distributed to each  
29 Director, to the Congress, to the Board of Commissioners of the District  
30 of Columbia, to the Governors of Virginia and Maryland, to the Washing-  
31 ton Suburban Transit Commission, to the Northern Virginia Transpor-  
32 tation Commission and the governing bodies of the political subdivisions  
33 located within the Zone which are parties to commitments for partici-  
34 pation in the financing of the Authority and shall be made available for  
35 public distribution.

36       (b) The financial transactions of the Board shall be subject to audit  
37 by the United States General Accounting Office in accordance with the

1 principles and procedures applicable to commercial corporate transactions  
2 and under such rules and regulations as may be prescribed by the Com-  
3 troller General of the United States. The audit shall be conducted at the  
4 place or places where the accounts of the Board are kept.

5 (c) Any Director, officer or employee who shall refuse to give all  
6 required assistance and information to the accountants selected by the  
7 Board or who shall refuse to submit to them for examination such books,  
8 documents, records, files, accounts, papers, things or property as may be  
9 requested shall, in the discretion of the Board, forfeit his office.

#### 10 Reports

11 71. The Board shall make and publish an annual report on its pro-  
12 grams, operations and finances, which shall be distributed in the same  
13 manner provided by § 70 of this Article XVI for the report of an annual  
14 audit. It may also prepare, publish and distribute such other public  
15 reports and informational materials as it may deem necessary or desirable.

#### 16 Insurance

17 72. The Board may self-insure or purchase insurance and pay the  
18 premiums therefor against loss or damage to any of its properties; against  
19 liability for injury to persons or property; and against loss of reve-  
20 nue from any cause whatsoever. Such insurance coverage shall be in such  
21 form and amount as the Board may determine, subject to the requirements  
22 of any agreement arising out of issuance of bonds or other obligations by  
23 the Authority.

#### 24 Purchasing

25 73. Contracts for the construction, reconstruction or improvement of  
26 any facility when the expenditure required exceeds ten thousand dollars  
27 (\$10,000) and contracts for the purchase of supplies, equipment and ma-  
28 terials when the expenditure required exceeds two thousand five hundred  
29 dollars (\$2,500) shall be advertised and let upon sealed bids to the lowest  
30 responsible bidder. Notice requesting such bids shall be published in a  
31 manner reasonably likely to attract prospective bidders, which publica-  
32 tion shall be made at least ten days before bids are received and in at  
33 least two newspapers of general circulation in the Zone. The Board may  
34 reject any and all bids and readvertise in its discretion. If after rejecting  
35 bids the Board determines and resolves that, in its opinion, the supplies,  
36 equipment and materials may be purchased at a lower price in the open  
37 market, the Board may give each responsible bidder an opportunity to

1 negotiate a price and may proceed to purchase the supplies, equipment  
2 and materials in the open market at a negotiated price which is lower than  
3 the lowest rejected bid of a responsible bidder, without further observance  
4 of the provisions requiring bids or notice. The Board shall adopt rules  
5 and regulations to provide for purchasing from the lowest responsible  
6 bidder when sealed bids, notice and publication are not required by this  
7 section. The Board may suspend and waive the provisions of this sec-  
8 tion requiring competitive bids whenever:

9 (a) the purchase is to be made from or the contract is to be made  
10 with the federal or any State government or any agency or political sub-  
11 division thereof or pursuant to any open end bulk purchase contract of  
12 any of them;

13 (b) the public exigency requires the immediate delivery of the articles;

14 (c) only one source of supply is available; or

15 (d) the equipment to be purchased is of a technical nature and the  
16 procurement thereof without advertising is necessary in order to assure  
17 standardization of equipment and interchangeability of parts in the public  
18 interest.

#### 19 Rights of Way

20 74. The Board is authorized to locate, construct and maintain any of  
21 its transit and related facilities in, upon, over, under or across any streets,  
22 highways, freeways, bridges and any other vehicular facilities, subject to  
23 the applicable laws governing such use of such facilities by public agen-  
24 cies. In the absence of such laws, such use of such facilities by the Board  
25 shall be subject to such reasonable conditions as the highway department  
26 or other affected agency of a signatory party may require; provided, how-  
27 ever, that the Board shall not construct or operate transit or related  
28 facilities upon, over, or across any parkways or park lands without the  
29 consent of, and except upon the terms and conditions required by, the  
30 agency having jurisdiction with respect to such parkways and park lands,  
31 but may construct or operate such facilities in a subway under such park-  
32 ways or park lands upon such reasonable terms and conditions as may be  
33 specified by the agency having jurisdiction with respect thereto.

#### 34 Compliance with Laws, Regulations and Ordinances

35 75. The Board shall comply with all laws, ordinances and regula-  
36 tions of the signatories and political subdivisions and agencies thereof  
37 with respect to use of streets, highways and all other vehicular facilities,

1 traffic control and regulation, zoning, signs and buildings.

2 Police

3 76. The Board is authorized to employ watchmen, guards and in-  
4 vestigators as it may deem necessary for the protection of its properties,  
5 personnel and passengers and such employees, when authorized by any  
6 jurisdiction within the Zone, may serve as special police officers in any  
7 such jurisdiction. Nothing contained herein shall relieve any signatory  
8 or political subdivision or agency thereof from its duty to provide police  
9 service and protection or to limit, restrict or interfere with the juris-  
10 diction of or performance of duties by the existing police and law enforce-  
11 ment agencies.

12 Exemption from Regulation

13 77. Except as otherwise provided in this Title, any transit service  
14 rendered by transit facilities owned or controlled by the Authority and  
15 the Authority or any corporation, firm or association performing such  
16 transit service pursuant to an operating contract with the Authority,  
17 shall, in connection with the performance of such service, be exempt  
18 from all laws, rules, regulations and orders of the signatories and of the  
19 United States otherwise applicable to such transit service and persons,  
20 except that laws, rules, regulations and orders relating to inspection of  
21 equipment and facilities, safety and testing shall remain in force and  
22 effect; provided, however, that the Board may promulgate regulations  
23 for the safety of the public and employees not inconsistent with the  
24 applicable laws, rules, regulations or orders of the signatories and of the  
25 United States.

26 Tax Exemption

27 78. It is hereby declared that the creation of the Authority and  
28 the carrying out of the corporate purposes of the Authority is in all  
29 respects for the benefit of the people of the signatory states and is for a  
30 public purpose and that the Authority and the Board will be performing  
31 an essential governmental function, including, without limitation, pro-  
32 prietary, governmental and other functions, in the exercise of the powers  
33 conferred by this Title. Accordingly, the Authority and the Board shall  
34 not be required to pay taxes or assessments upon any of the property  
35 acquired by it or under its jurisdiction, control, possession or super-  
36 vision or upon its activities in the operation and maintenance of any  
37 transit facilities or upon any revenues therefrom and the property and

1 income derived therefrom shall be exempt from all federal, State, District  
2 of Columbia, municipal and local taxation. This exemption shall include,  
3 without limitation, all motor vehicle license fees, sales taxes and motor  
4 fuel taxes.

5 Reduced Fares

6 79. The District of Columbia, the Northern Virginia Transportation  
7 District, the Washington Suburban Transit District and the component  
8 governments thereof, may enter into contracts or agreements with the  
9 Authority to make equitable payments for fares lower than those estab-  
10 lished by the Authority pursuant to the provisions of Article XIII hereof  
11 for any specified class or category or riders.

12 Liability for Contracts and Torts

13 80. The Authority shall be liable for its contracts and for its torts  
14 and those of its Directors, officers, employees and agents committed in  
15 the conduct of any proprietary function, in accordance with the law of  
16 the applicable signatory (including rules on conflict of laws), but shall  
17 not be liable for any torts occurring in the performance of a govern-  
18 mental function. The exclusive remedy for such breach of contracts and  
19 torts for which the Authority shall be liable, as herein provided, shall  
20 be by suit against the Authority. Nothing contained in this Title shall  
21 be construed as a waiver by the District of Columbia, Maryland, Virginia  
22 and the counties and cities within the Zone of any immunity from suit.  
23 Jurisdiction of Courts

24 81. The United States District Courts shall have original jurisdic-  
25 tion, concurrent with the Courts of Maryland and Virginia, of all actions  
26 brought by or against the Authority and to enforce subpoenas issued  
27 under this Title. Any such action initiated in a State Court shall be  
28 removable to the appropriate United States District Court in the manner  
29 provided by Act of June 25, 1948, as amended (28 U.S.C. 1446).

30 Condemnation

31 82. (a) The Authority shall have the power to acquire by condem-  
32 nation, whenever in its opinion it is necessary or advantageous to the  
33 Authority to do so, any real or personal property, or any interest therein,  
34 necessary or useful for the transit system authorized herein, except prop-  
35 erty owned by the United States, by a signatory, or any political sub-  
36 division thereof, whenever such property cannot be acquired by nego-  
37 tiated purchase at a price satisfactory to the Authority.

1 (b) Proceedings for the condemnation of property in the District of  
2 Columbia shall be instituted and maintained under the Act of December  
3 23, 1963 (77 Stat. 577-581, D.C. Code 1961, Supp. IV, Sections 1351-1368).  
4 Proceedings for the condemnation of property located elsewhere within  
5 the Zone shall be instituted and maintained, if applicable, pursuant to  
6 the provisions of the Act of August 1, 1888, as amended (25 Stat. 357,  
7 40 U.S.C. 257) and the Act of June 25, 1948 (62 Stat. 935 and 937, 28  
8 U.S.C. 1358 and 1403) or any other applicable act; provided, however,  
9 that if there is no applicable federal law, condemnation proceedings shall  
10 be in accordance with the provisions of the state law of the signatory  
11 in which the property is located governing condemnation by the highway  
12 agency of such state. Whenever the words "real property," "realty,"  
13 "land," "easement," "right-of-way," or words of similar meaning are  
14 used in any applicable federal or state law relating to procedure, juris-  
15 diction and venue, they shall be deemed, for the purposes of this Title,  
16 to include any personal property authorized to be acquired hereunder.

17 (c) Any award or compensation for the taking of property pursuant  
18 to this Title shall be paid by the Authority, and none of the signatory  
19 parties nor any other agency, instrumentality or political subdivision  
20 thereof shall be liable for such award or compensation.

#### 21 Enlargement and Withdrawal; Duration

22 83. (a) When advised in writing by the Northern Virginia Trans-  
23 portation Commission or the Washington Transit Commission that the  
24 geographical area embraced therein has been enlarged, the Board, upon  
25 such terms and conditions as it may deem appropriate, shall by resolu-  
26 tion enlarge the Zone to embrace the additional area.

27 (b) The duration of this Title shall be perpetual but any signatory  
28 thereto may withdraw therefrom upon two years' written notice to the  
29 Board.

30 (c) The withdrawal of any signatory shall not relieve such signa-  
31 tory, any transportation district, county or city or other political sub-  
32 division thereof from any obligation to the Authority, or inuring to the  
33 benefit of the Authority, created by contract or otherwise.

#### 34 Amendments and Supplements

35 84. Amendments and supplements to this Title to implement the  
36 purposes thereof may be adopted by legislative action of any of the  
37 signatory parties concurred in by all of the others.

## 1 Construction and Severability

2 85. The provisions of this Title and of the agreements thereunder  
3 shall be severable and if any phrase, clause, sentence or provision of this  
4 Title or any such agreement is declared to be unconstitutional or the  
5 applicability thereof to any signatory party, political subdivision or agency  
6 thereof is held invalid, the constitutionality of the remainder of this Title  
7 or any such agreement and the applicability thereof to any other signatory  
8 party, political subdivision or agency thereof or circumstance shall not  
9 be affected thereby. It is the legislative intent that the provisions of this  
10 Title be reasonably and liberally construed.

## 11 Effective Date; Execution

12 86. This Title shall be adopted by the signatories in the manner  
13 provided by law therefor and shall be signed and sealed in four duplicate  
14 original copies. One such copy shall be filed with the Secretary of State  
15 of each of the signatory parties or in accordance with laws of the State  
16 in which the filing is made, and one copy shall be filed and retained in  
17 the archives of the Authority upon its organization. This Title shall become  
18 effective ninety days after the enactment of concurring legislation by or  
19 on behalf of the District of Columbia, Maryland and Virginia and consent  
20 thereto by the Congress and all other acts or actions have been taken,  
21 including the signing and execution of the Title by the Governors of  
22 Maryland and Virginia and the Commissioners of the District of Columbia.

23 2. The provisions of this act shall be severable and if any phrase,  
24 clause, sentence, or provision of this act is declared to be unconstitutional  
25 or the applicability thereof to any signatory party, political subdivision  
26 or agency thereof is held invalid, the constitutionality of the remainder  
27 of this act and the applicability thereof to any other signatory party,  
28 political subdivision or agency thereof or circumstances shall not be  
29 affected thereby. It is the legislative intent that the provisions of this act  
30 be reasonably and liberally construed.

31 3. An emergency exists and this act is in force from its passage.  
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33  
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36 Passed House: February 26, 1972.

37 Passed Senate: March 7, 1972.

SAMPLE LETTER AND REPLIES

U.S. HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE DISTRICT OF COLUMBIA,  
Washington, D.C., May 2, 1972.

Mr. CHARLES E. BEATLEY, JR.,  
Mayor, City Council,  
Alexandria, Va.

DEAR MR. BEATLEY: This letter relates to H.R. 11877, providing for a guarantee by the federal government of the bonds issued by the Metro System. Joint hearings have been held before the House and Senate District Committees. Our subcommittee study of the legislation and of the Committee record of hearings indicates that insufficient response was recorded regarding amendments approved by Maryland and Virginia, amplifying the labor provisions of the compact agreement.

Sound labor provisions are important to the success of Metro. The justification for the federal guarantee of the Metro bonds requires that transit service proceed without interruption to maintain income to meet the guaranteed obligations.

Inasmuch as the amendments adopted by the States of Virginia and Maryland (text attached), come to the Congress as recommendations for enactment, the intent, scope, and application of the provisions become a significant part of the legislative history. To establish a better legislative history in support of the bond guarantee, it is desirable that the hearing record on H.R. 11877 be enlarged in regard to the compact labor amendments. The intent of the amendments as understood by the compact jurisdictions which have already adopted the labor amendments is essential for the record. This letter is sent in the hope that this need can be met more easily and significantly by written communication. Your consideration and cooperation in responding is urgently elicited.

The compact amendments approved by the States of Maryland and Virginia require that arbitration be used to settle all controversies.

This is accomplished through a conventional system of arbitration by a Board of three arbitrators, one chosen by labor, second by management, and a third person agreed upon by the other two members. In the case of a deadlock, a panel of five names may be requested from the Federal Mediation and Conciliation Service from which panel the person remaining after the elimination process completes the Arbitration Board of three members. The amendment states that the decisions of the Arbitration Board "shall be final and binding on all matters in dispute."

The amendments provide that the term "labor dispute" shall be broadly construed. There is a listing of types of issues that might be involved in controversy, but the amendment provides that application of the term "labor disputes" shall not be limited to those things specifically mentioned and that the term "labor disputes" shall apply to "questions concerning representation."

In the light of the general provisions recited above, the first point of comment would be whether you consider the amendments require the use of arbitration to settle controversies which might arise within or between union groups as well as management-labor controversies and, if not, then what is the means by which you would expect such disputes to be resolved?

The second matter, closely related to the first concerns the question of work stoppages. Does it appear to you that the compulsory arbitration provisions are designed to have the effect of preventing any kind of work stoppage so that any dispute must be settled without any interruption of transportation service? Does the arbitration provision amount in effect to a no-strike and no-lockout requirement imposed on labor and management, and would you expect the authority to petition the court to enjoin any stoppage of work?

In addition to the labor amendments, there is another matter which is important to the federal guarantee of the Metro bonds. This relates to the maintenance of the fare box income of the system. You will recall that the compact requires that the fare box return be sufficient to pay fully all operating costs on

maintenance and depreciation and provide for payment of principal and interest on obligations and for the acquisition of necessary equipment for the operation of the system. What is your understanding as to the method by which the authority will reach this objective as to (1) the establishment of a fare structure, unitary or otherwise, and (2) what procedures would assure Congress of maintenance of fare box revenues so that full payment of obligations may be realized?

Under the proposed amendment provision relating to special reduced fares in certain jurisdictions, the requirement that the local jurisdiction make "equitable" payment to offset any reduced special local fare, do you consider that the term "equitable" means the difference the special fare and the then current full fare rate of some other fare?

Inasmuch as it is reasonably urgent that this legislation be moved along at the earliest practicable date your further cooperation with the Committee is deeply appreciated. If you have any questions on matters mentioned in this letter you may contact the staff of the Committee by telephone or otherwise. If you foresee any substantial delay in the possibility of response, kindly inform the Committee so that they may be knowledgeable of the matter.

With kind personal regards, I am

Sincerely yours,

EARLE CABELL,

*Chairman, Subcommittee on Business, Commerce and Fiscal Affairs.*

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NORTHERN VIRGINIA TRANSPORTATION COMMISSION,  
*Arlington, Va., May 10, 1972.*

HON. EARLE CABELL,  
*Subcommittee Chairman, Committee on the District of Columbia, U.S. House of Representatives, Washington, D.C.*

DEAR MR. CABELL: This will acknowledge your recent letter relating to H.R. 11877 providing for a Federal guarantee of bonds issued by the Washington Metropolitan Area Transit Authority.

I agree that sound labor provisions are important to the success of Metro and that it is essential for transit service to be provided without interruption so as to maintain fare box revenues necessary to meet the Authority's obligations.

The so-called "labor amendments" to the Washington Metropolitan Area Transit Authority Compact were enacted in Virginia in the recently concluded session of the Virginia General Assembly. The provision in those amendments requiring final and binding arbitration of labor disputes should achieve the objective of preventing interruption of service due to labor disputes.

As I read the definition of "labor dispute" contained in the amendments, it appears clear to me that the phrase "questions concerning representation" is intended to cover disputes which might arise within or between union groups as well as management-labor controversies as such. It seems to me that the arbitration provision does amount, in effect, to a "no strike" and "no lockout" requirement imposed on labor and management. Without a doubt, I would expect the Transit Authority to petition the Court for an injunction against any work stoppage.

With regard to maintenance of fare box income of the Metro system, I believe that the requirements of Section 61 of the Compact with respect to fixing of fares which you set forth in your letter, will assure the fixing of fares sufficient to maintain fare box revenues so that full payment of all obligations may be realized.

The Authority's financial plan is based upon a Net Income Analysis study performed by competent, nationally-known consultants. This study shows that the revenues of the Metro based upon a mileage fare system will be sufficient to pay all operating and maintenance expenses, depreciation and amortization of \$1.2 billion of revenue bonds including an excess coverage factor.

This study is the basis of the financial plan which has been approved by the local jurisdictions and under which they have entered into Capital Contributions Agreements with the Authority. It seems that the Board of Directors of the Authority has little choice but to adopt a fare system which not only meets the legal requirements of the Compact but results in comparable revenues to those forecast by the Net Income Analysis study.

It appears to me that the bond guarantee bill itself provides further assurance to Congress by requiring a finding by the Secretary of Transportation before he can guarantee any bonds, that the obligation to be guaranteed represents an acceptable financial risk to the United States. The bill also requires an agreement providing for reasonable and prudent action by the Authority if the Secretary of Transportation finds such action necessary to protect the interest of the United States.

The proposed compact amendment relating to reduced fares was designed to allow the local jurisdiction to subsidize fares for any class or category of its citizens. It is understood that if any jurisdiction does so, it must make up for the revenue loss by making subsidy payments to the Authority equal to the difference between the reduced fare and the then established full fare for service.

I trust that this information will be of assistance to the Committee.

Very truly yours,

JOSEPH ALEXANDER, *Chairman.*

CITY OF FALLS CHURCH, VA.

May 10, 1972.

HON. EARLE CABELL,  
*Member of Congress,*  
*Longworth Building, Washington, D.C.*

DEAR CONGRESSMAN CABELL: Mayor Blair handed me for reply your letter of May 2, 1972 concerning H.R. 11877, providing for a guarantee by the Federal Government of the bonds issued by the Washington Metropolitan Area Transit Authority, because I testified before your Committee on March 24, 1972, and supplemented my remarks by letter of March 27, 1972.

I appreciate the opportunity to further amplify the hearing record in connection with the points which you raised in your letter of May 2, 1972.

One question you asked was whether the proposed compact amendments require the use of arbitration to settle controversies which might arise within or between union groups as well as management-labor controversies. My understanding and belief is that the provision requiring final and binding arbitration of labor disputes was designed to cover such controversies. The compulsory arbitration provision, in my judgment, provides for the equitable settlement of such disputes, and in consequence would avoid work stoppages which might otherwise arise. The provision would provide the Transit Authority with the basis for legal action which might become necessary to enjoin any work stoppages resulting from the actions of either labor or management in violation of the law.

The other question in your letter of May 2, 1972, relates to the effect of contracts or agreements between the Transit Authority and a particular participating local government to provide for fares lower than those established by the Transit Authority pursuant to provisions of Article VIII for any specific class or category of riders. I understand your question relates to the ability of the Transit Authority to assure the maintenance of fare-box revenues in order that the full payment of obligations guaranteed by the Federal Government is such as to provide full payment of those obligations.

The Compact requires the Transit Authority's Board of Directors to fix fares in a manner which will provide revenues to pay all operating expenses, to cover repairs, maintenance and depreciation and to provide for the payment of interest and principal on its outstanding obligations. This is one of the points that I made at your hearing of March 24th, in response to questions asked by the Committee.

While the ultimate fare system has yet to be determined by the Board of Directors of the Transit Authority, this Board has adopted a proposed fare system for the purpose of anticipating revenue requirements. This proposed fare system became the basis of a net-income analysis performed for the Transit Authority by qualified consulting firms. These studies have indicated that the system revenues will be generated in an amount which will meet the requirements set forth by the Compact. In establishing the ultimate fare structure, the Board of Directors of the Transit Authority must be guided by those requirements.

There is a further constraint imposed upon the Board of Directors of the Transit Authority in H.R. 11877 itself. The proposed bill provides that the Secretary of Transportation shall guarantee the Transit Authority's bonds following a determination that the Transit Authority has developed an acceptable financial plan. From this it follows that such a plan *must* incorporate a fare structure specified

to defray, among other things, specific revenue to protect the interest of the Federal Government.

Although the Compact participants, such as the City of Falls Church, whether singly or together, could arrange through contract with the Transit Authority for fares in an amount lower than those which it has established, the Transit Authority would have to be made whole in such event. It would be the responsibility of any jurisdiction seeking a subsidized fare to enter into binding contract with the Transit Authority to make up the differences between the *fare sought* and the *fare required* to meet the Transit Authority's obligation under the Compact and to the Government of the United States.

I appreciate the opportunity to comment further on the legislation regarding Federal guaranty of METRO bonds. I sincerely hope that you and your fellow Committee members will be able to get early and favorable action by the entire Congress on this legislation which is so necessary to the financial plan of the METRO system.

Sincerely yours,

LEE M. RHOADS,  
Vice Mayor.

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WASHINGTON METROPOLITAN AREA TRANSIT AUTHORITY,  
Washington, D.C., May 11, 1972.

HON. EARLE CABELL,  
Subcommittee Chairman, Committee on the District of Columbia, U.S. House of Representatives, Washington, D.C.

DEAR MR. CABELL: This is in response to your inquiry concerning certain amendments to the Washington Metropolitan Area Transit Authority Compact which have been enacted by Maryland and Virginia and are presently pending before the Congress.

With respect to the amendment which would establish labor standards governing operation of the transit system, it is my understanding that the provision requiring final and binding arbitration of all labor disputes was intended to cover controversies arising within or between union groups as well as any other kind of labor dispute. The phrase "questions concerning representation" in the definition of the term "labor dispute" was included for this very purpose.

Without question the purpose of the compulsory arbitration provision is to provide for the equitable settlement of all labor disputes and thereby avoid work stoppages due to any such dispute. I believe the statement that the arbitration provision amounts in effect to a "no strike" and "no lockout" requirement imposed on labor as well as management is an accurate characterization of the effect of that provision. I would certainly expect the authority to seek immediately to enjoin any work stoppage in violation of the law.

With respect to the maintenance of fare box revenues, you are correct that the Compact requires the Authority's Board of Directors to fix fares so as to result in revenues which will pay all operating expenses and provide for repairs, maintenance and depreciation; provide for payment of all principal and interest on outstanding obligations, and provide for the acquisition of equipment necessary for operation of the system. Although it is considered premature at this time to actually establish a system of fares which would go into effect in 1974, the Board of Directors has adopted a fare structure for ridership and revenue estimating purposes. This is essentially 20 cents for the first three miles and 5 cents per mile thereafter. It was this assumed fare structure which was the basis for an extensive Net Income Analysis study performed for the Authority by highly qualified, reputable and independent consulting firms. The results of this study, which underlies the Authority's financial plan, show that system revenues will be sufficient to meet the requirements of the Compact stated above with respect to the fixing of fares. The Board of Directors is aware that whatever fare structure it ultimately adopts must result in revenues sufficient to meet the requirements of the Compact and to maintain the integrity of the financial plan. In this connection, it should also be pointed out that H.R. 11877 provides that no guarantee of the Authority's bonds shall be made unless the Authority has entered into an agreement with the Secretary of Transportation providing for reasonable and prudent action by the Authority if at any time in the Secretary of Transportation's discretion this action would be necessary to protect the interest of the United States.

We interpret the proposed amendment relating to reduced fares as permitting any of the local jurisdictions to subsidize fares for any specified class or category of its citizen riders, but requiring in such event a subsidy payment to the Authority equivalent to the difference between the reduced fare and the then current full fare.

I trust that the foregoing responds fully to your questions. If there is any other information that you require, I will be pleased to furnish it to the Committee.

Sincerely,

JACKSON GRAHAM, *General Manager.*

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DISTRICT OF COLUMBIA GOVERNMENT,  
*Washington, D.C., May 12, 1972.*

HON. EARLE CABELL,  
*Chairman, Business, Commerce, and Fiscal Affairs Subcommittee, Committee on the District of Columbia, House of Representatives, Washington, D.C.*

DEAR MR. CABELL: This is in reply to your letter of May 2, concerning H.R. 11877 and the proposed amendments to the Washington Metropolitan Area Transit Authority Compact which have been enacted by Maryland and Virginia and are presently pending before the Congress.

I have reviewed the response to your letter which has been made by Mr. Jackson Graham, general manager of the Washington Metropolitan Area Transit Authority, and I want to endorse the position taken by Mr. Graham on the issues which you have raised.

Thank you for the opportunity to review and comment on this matter.

Sincerely,

GRAHAM W. WATT,  
*Deputy Mayor-Commissioner.*

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CITY OF FAIRFAX,  
OFFICE OF THE MAYOR,  
*Fairfax, Va., May 15, 1972.*

HON. EARLE CABELL,  
*House of Representatives,  
Washington, D.C.*

DEAR MR. CABELL: This will acknowledge your recent letter relating to H.R. 11877 providing for a Federal guarantee of bonds issued by the Washington Metropolitan Area Transit Authority.

Sound labor provisions are important to the success of Metro and it is essential for transit service to be provided without interruption so as to maintain fare box revenues necessary to meet the Authority's obligations.

The "labor amendments" to the Washington Metropolitan Area Transit Authority Compact were enacted in Virginia in the recently concluded session of the Virginia General Assembly. The provision in those amendments requiring final and binding arbitration of labor disputes should achieve the objective of preventing interruption of service due to labor disputes. As I read the definition of "labor dispute" contained in the amendments, it is clear to me that the phrase "questions concerning representation" is intended to cover disputes which might arise within or between union groups as well as management-labor controversies as such. The arbitration provision does amount, in effect, to a "no strike" and "no lockout" requirement imposed on labor and management. I would expect the Transit Authority to petition the Court for an injunction against any work stoppage.

With regard to maintenance of fare box income of the Metro system, the requirements of Section 61 of the Compact with respect to fixing of fares which you set forth in your letter, should assure the fixing of fares sufficient to maintain fare box revenues so that full payment of all obligations may be realized. The Authority's financial plan is based upon a Net Income Analysis study performed by competent, nationally-known consultants. This study shows that the revenues of the Metro, based upon a mileage fare system, will be sufficient to pay all operating and maintenance expenses, depreciation and amortization of \$1.2 billion of revenue bonds including an excess coverage factor. This study is the basis of the financial plan which has been approved by the local jurisdictions and under which they have entered into Capital Contributions Agreements with the

Authority. The Board of Directors of the Authority has little choice but to adopt a fare system which not only meets the legal requirements of the Compact, but results in comparable revenues to those forecast by the Net Income Analysis study.

The bond guarantee bill itself provides further assurances to Congress by requiring a finding by the Secretary of Transportation before he can guarantee any bonds, that the obligation to be guaranteed represents an acceptable financial risk to the United States. The bill also requires an agreement providing for reasonable and prudent action by the Authority if the Secretary of Transportation finds such action necessary to protect the interest of the United States.

The proposed compact amendment relating to reduced fares was designed to allow the local jurisdiction to subsidize fares for any class or category of its citizens. It is understood that if any jurisdiction does so, it must make up for the revenue loss by making subsidy payments to the Authority equal to the difference between the reduced fare and the then established full fare for service.

I trust that this information will be of assistance to the Committee.

Very truly yours,

JOHN W. RUSSELL, *Mayor.*

COUNTY OF FAIRFAX,  
BOARD OF SUPERVISORS,  
*Fairfax, Va., May 15, 1972.*

HON. EARLE CABELL,  
*Subcommittee Chairman, Committee on the District of Columbia, U.S. House of Representatives, Washington, D.C.*

DEAR MR. CABELL: Thank you for your letter relating to H.R. 11877 providing for a Federal guarantee of bonds issued by the Washington Metropolitan Area Transit Authority.

Sound labor provisions are important to the success of Metro and it is essential for transit service to be provided without interruption so as to maintain fare box revenues necessary to meet the Authority's obligations.

The "labor amendments" to the Compact were enacted in Virginia by the 1972 Virginia General Assembly. The provision in those amendments requiring final and binding arbitration of labor disputes should achieve the objective of preventing interruption of service due to labor disputes.

It appears clear that the phrase "questions concerning representation" is intended to cover disputes which might arise within or between union groups as well as management-labor controversies as such. It seems that the arbitration provision does amount, in effect, to a "no strike" and "no lockout" requirement imposed on labor and management.

With regard to maintenance of fare box income, I believe the requirements of Section 61 of the Compact will assure the fixing of fares sufficient to maintain fare box revenues so that full payment of all obligations may be realized.

The Net Income Analysis Study shows that the revenues of Metro based upon a mileage fare system will be sufficient to pay all operating and maintenance expenses, depreciation and amortization of \$1.2 billion of revenue bonds including an excess coverage factor.

This study is the basis of the financial plan which has been approved by the local jurisdictions and under which they have entered into Capital Contributions Agreements with the Authority. The Authority has little choice but to adopt a fare system which not only meets the legal requirements of the Compact but results in comparable revenues to those forecast by the Study.

The bond guarantee bill itself provides further assurance to Congress by requiring a finding by the Secretary of Transportation before he can guarantee any bonds, that the obligation to be guaranteed represents an acceptable financial risk to the United States. The bill also requires an agreement providing for reasonable and prudent action by the Authority if the Secretary of Transportation finds such action necessary to protect the interest of the United States.

The proposed compact amendment relating to reduced fares was designed to allow the local jurisdiction to subsidize fares for any class or category of its citizens. It is understood that if any jurisdiction does so, it must make up for the revenue loss by making subsidy payments to the Authority equal to the difference between the reduced fare and the then established full fare for service.

With kindest regards, I am,

Sincerely,

WILLIAM S. HOOFNAGLE, *Chairman.*

WASHINGTON SUBURBAN TRANSIT COMMISSION,  
Silver Spring, Md., May 18, 1972.

HON. EARLE CABELL,  
Subcommittee Chairman, Committee on the District of Columbia, U.S. House of  
Representatives, Washington, D.C.

DEAR CONGRESSMAN CABELL: This will acknowledge your recent letter relating to H.R. 11877 providing for a Federal guarantee of bonds issued by the Washington Metropolitan Area Transit Authority.

I agree that sound labor provisions are important to the success of Metro and that it is essential for transit service to be provided without interruption so as to maintain fare box revenues necessary to meet the Authority's obligations.

The so-called "labor amendments" to the Washington Metropolitan Area Transit Authority Compact were enacted in Virginia in the recently concluded session of the Virginia General Assembly. The provision in those amendments requiring final and binding arbitration of labor disputes should achieve the objective of preventing interruption of service due to labor disputes. As I read the definition of "labor dispute" contained in the amendments, it appears clear to me that the phrase "questions concerning representation" is intended to cover disputes which might arise within or between union groups as well as management-labor controversies as such. It seems to me that the arbitration provision does amount, in effect, to a "no strike" and "no lockout" requirement imposed on labor and management. Without a doubt, I would expect the Transit Authority to petition the Court for an injunction against any work stoppage.

With regard to maintenance of fare box income of the Metro system, I believe that the requirements of Section 61 of the Compact with respect to fixing of fares which you set forth in your letter, will assure the fixing of fares sufficient to maintain fare box revenues so that full payment of all obligations may be realized. The Authority's financial plan is based upon a Net Income Analysis study performed by competent, nationally-known consultants. This study shows that the revenues of the Metro based upon a mileage fare system will be sufficient to pay all operating and maintenance expenses, depreciation and amortization of \$1.2 billion of revenue bonds including an excess coverage factor. This study is the basis of the financial plan which has been approved by the local jurisdictions and under which they have entered into Capital Contributions Agreements with the Authority. It seems that the Board of Directors of the Authority has little choice but to adopt a fare system which not only meets the legal requirements of the Compact but results in comparable revenues to those forecast by the Net Income Analysis study.

It appears to me that the bond guarantee bill itself provides further assurance to Congress by requiring a finding by the Secretary of Transportation before he can guarantee any bonds, that the obligation to be guaranteed represents an acceptable financial risk to the United States. The bill also requires an agreement providing for reasonable and prudent action by the Authority if the Secretary of Transportation finds such action necessary to protect the interest of the United States.

The proposed compact amendment relating to reduced fares was designed to allow the local jurisdiction to subsidize fares for any class or category of its citizens. It is understood that if any jurisdiction does so, it must make up for the revenue loss by making subsidy payments to the Authority equal to the difference between the reduced fare and the then established full fare for service.

I trust that this information will be of assistance to the Committee.

Sincerely yours,

IDAMAE GARROTT, *Chairman.*

ARLINGTON COUNTY,  
OFFICE OF THE COUNTY BOARD,  
Arlington, Va., May 24, 1972.

HON. EARLE CABELL,  
Chairman, Business, Commerce, and Fiscal Affairs Subcommittee, Committee on  
the District of Columbia, House of Representatives, Washington, D.C.

DEAR MR. CABELL: This is in reply to your letter of May 2, concerning H.R. 11877 and the proposed amendments to the Washington Metropolitan Area Transit Authority Compact which have been enacted by Maryland and Virginia and are presently pending before the Congress.

I have reviewed the response to your letter which has been made by Mr. Jackson Graham, General Manager of the Washington Metropolitan Area Transit Authority. I endorse the position taken by Mr. Graham on the issues which you have raised.

Thank you for the opportunity to review and comment on this matter.

Best wishes,

JOSEPH S. WHOLEY, *Chairman.*



