

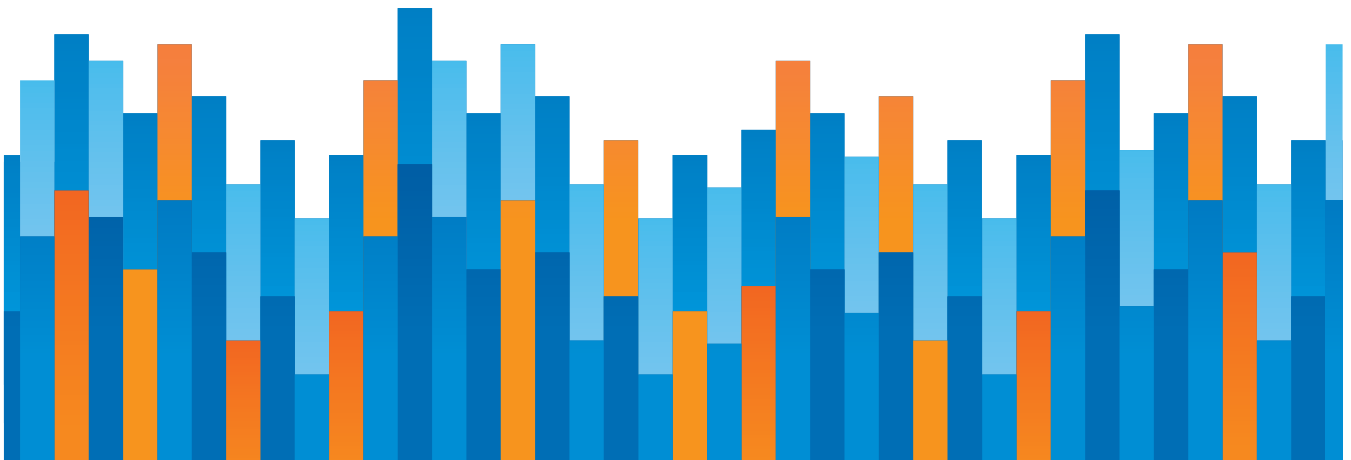


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METRO'S 28 BY 2028 PLAN: A CRITICAL REVIEW V PART B: WHY HAS METRO BEEN LOSING RIDERSHIP SINCE 2007? WHAT CAN METRO DO TO REVERSE THIS TREND?

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COMPARING METRO'S BUS AND RAIL SUBSIDIES

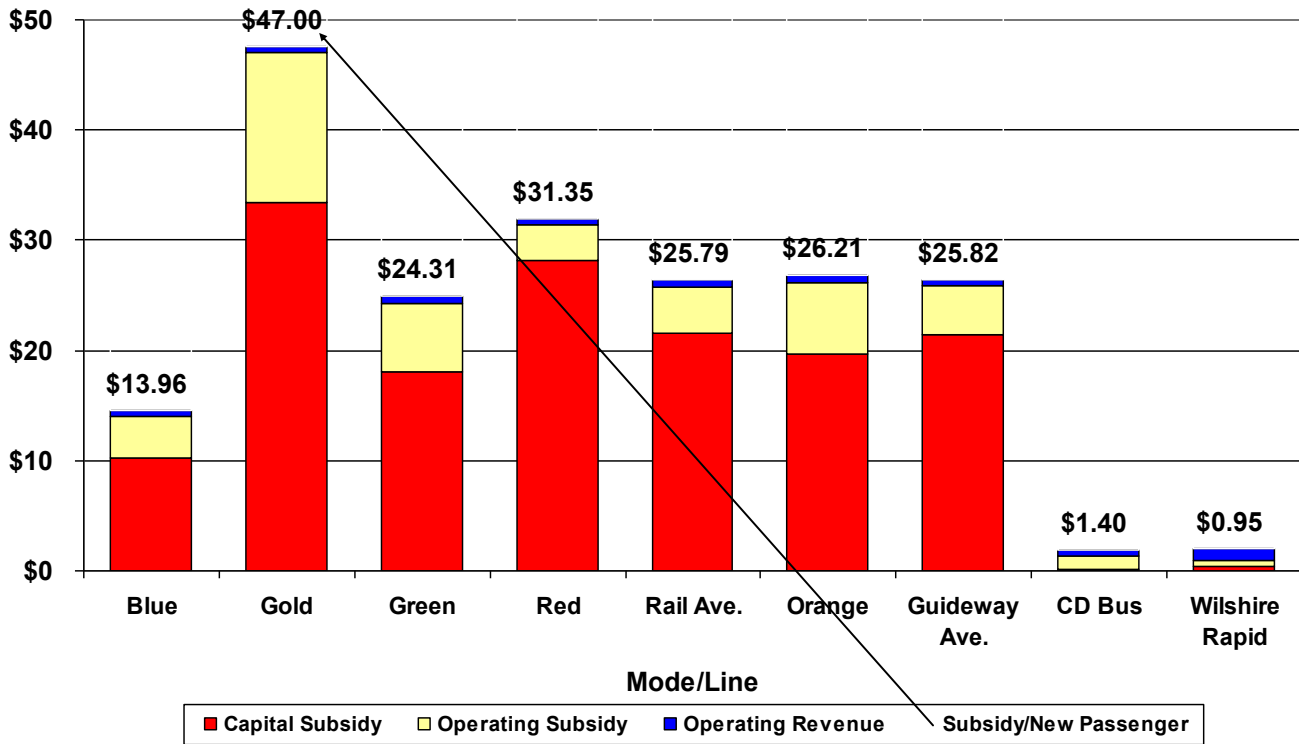
Given the low costs of attracting new transit passengers through investments in improved bus service vs. new rail lines, it is instructive to examine the opportunities Metro faced in FY07, the last year before the agency was released from the terms of the consent decree (CD). The CD required Metro to reintroduce the \$42 monthly transit pass and institute a new \$11 weekly pass, which was very popular with the large share of Metro bus riders who had difficulty paying \$42 at any one time. The CD also required Metro to increase bus service and thus reduce extreme bus overcrowding, replace the large number of old buses with far more reliable (and cleaner) new ones, and add additional bus lines.

Figure 1¹ relies on the Federal Transit Administration (FTA) new starts methodology for annualizing costs as they existed at that time. The average taxpayer subsidy per new passenger at the end of the CD period, expressed in FY07 dollars, was \$1.40 for the bus riders added by the consent decree versus an average of \$25.82 per new rider for the guideway transit lines that Metro added to its system at that time: the Blue, Gold, Green, Orange, and Red Lines. This is a taxpayer subsidy per new passenger ratio of 1:18.4 for bus vs. rail. That is, adding an average transit trip via bus under the terms of the CD required a taxpayer subsidy that was just 5.4% of the cost to taxpayers of adding an average transit trip via rail or dedicated busway rapid transit. If Metro staff and Board Members reviewed the data and the history, did this analysis, and prioritized providing transit service, it would have been difficult to justify devoting as large a share of the agency's total available funding to rail as Metro has for the past several decades.

Passenger rail is not an inherently bad idea. When properly planned, designed, constructed, and operated, rail transit can be a very important and productive component of a metropolitan area's transportation system, including that of Los Angeles. However, the current balance of funding allocation favoring rail construction and the narrow attention of top management and Board Members toward rail is questionable, and deserves scrutiny. If the objective is using scarce public resources to provide as much transit service as possible, any unbiased analysis indicates that Metro should make a major shift of dollars and attention to bus and to other cost-effective transportation options.

¹ Author's analysis of Metro data from multiple sources, chiefly *Adopted Budget FY07*, <https://www.metro.net/about/financebudget/financial-information/#budget>

Figure 1: MTA FY2007 Capital Subsidy, Operating Subsidy, and Operating Revenue Per New Passenger Trip



WHAT IS METRO MISSING?

The Metro staff and Board may fundamentally misunderstand the depth of the demand for bus transit in Los Angeles. Metro took positions while negotiating the terms of the consent decree that revealed this misunderstanding. During the negotiation of the CD, the plaintiffs asked for specific guarantees on the number of buses that would be placed in service and the hours and miles of revenue service that would be operated. Metro, the defendant, refused to discuss these specific requirements, and instead proposed a series of load factor standards based on the number of riders carried past the peak load point on individual bus lines during peak periods. Metro offered to specify that the load factor would be reduced in three steps down to 1.20. That is, on 40-seat bus, any passenger load over 48 passengers would be a violation of the CD requirements. This metric was to be applied to 20-minute intervals during the peak periods and to one-hour periods otherwise, as

determined by the average of all buses travelling past a point during the appropriate period. It would be up to Metro to size its fleet and deliver the miles of service needed to meet this standard.

The plaintiffs were very surprised by this offer, but also very pleased. One of the principal reasons that their legal action had been initiated was the extreme overcrowding occurring on Metro buses. At the time, Metro (supposedly) had a maximum load factor standard of 1.45 that was routinely exceeded on heavily utilized lines every day. One of the greatest complaints from bus riders was that all the seats were taken and many buses did not have any standing room. The plaintiffs had no expectations that the outcome of the CD negotiations would be so favorable. After the negotiations concluded, these new load factor standards were incorporated into the final accepted version of the CD. The plaintiffs were concerned that enforcing the terms of the CD would require a large on-the-street data collection effort, which did prove to be a problem, but was overcome.

At the first meeting of the joint plaintiff-defendant CD implementation group, Metro staff offered a proposal to expand bus service estimated by Metro to cost over \$400 million. The plaintiff's representatives responded to the Metro staff that their own calculations showed that these service and associated cost increases would be insufficient to meet the CD requirements. This first meeting concluded with the two parties agreeing that specific steps to meet the load factor standard would need more discussion, and that, ultimately, the amount of service required would be determined by the number of bus runs needed on each route to carry the actual ridership and meet the load factor standard.

At the next meeting of the Metro Board, this preliminary financial projection was presented. One Board member expressed surprise at the staff's cost figure, and questioned it, noting that this was not the information presented to the Board during its executive (non-public) session where the details of the CD were presented and the Board approved the terms. After the meeting, Tom Rubin sought out this Board member, who reported to him that the Board was informed during the executive session that the cost of complying with the CD would be \$20 million. Later, in a discussion with a staff person for another Board member who was also in that executive session meeting, the staffer informed Rubin that the Board was told that there would be no cost for complying with the CD. Given the size of Metro's budget, it is possible that the Metro Board views \$20 million as virtually the same as no cost.

Given the increase in bus vehicle revenue-miles of 19% from FY96 to FY07, and the 31% increase in buses required to operate the requisite service, it is possible the Metro staff members who offered the new load factor standards when the terms of the CD were being negotiated did not realize what this standard would entail. In particular, they seemed unaware that these improvements to bus service would generate a large increase in bus ridership, which would require more resources for Metro to adhere to the new standards.

The simplest explanation is that both the Metro staff and the Metro Board were acting under the firmly held belief that there was no great demand for bus transit services in Los Angeles County. Had they believed that there was much in the way of demand for improved bus services, this reality would have posed a huge conflict with their determination to expend the larger portion of available funding on rail line construction. Despite the ridership shifts before, during, and after the terms of the CD were applied, this perception persists. Metro does not appreciate the genuine, substantial, economically-driven demand for bus transit service presented by the Los Angeles economy.

LOOKING BEYOND LOS ANGELES FOR LESSONS

The three increases in SCRTD/Metro ridership appear to be three of the four largest increases in transit ridership for mature transit operators post-World War II *for the nation*. The fourth was accomplished by Metropolitan Transportation Authority-New York City Transit (MTA-NYCT), where UPT increased 83% between 1993 and 2007.²

The story behind this increase is complex. For a period through the late 1970s, New York City was in a state of increasing financial distress, which led to under-investment in infrastructure, including the extensive greater New York City area transit systems, which combined generate 40% of all transit usage in the U.S. NYCT, which operates the New York subway system and most of the bus service within the City, was particularly hard hit. The system had unreliable service, frequent breakdowns, dirty vehicles, dirty stations, a massive graffiti problem, and major security issues. As a result, ridership declined from 1984 to 1993, with a 39% UPT decrease during this period.

After a long period of declining ridership, New York started making major investments in its system. These included prioritizing funds to tackle long-deferred maintenance projects, fielding new vehicles, and methodically cleaning up graffiti one rail car at a time by not allowing cleaned rail cars to go into service if any new graffiti had been added. During the same period, NYCT undertook a large investment in modernizing its fare collection system, not just for NYCT, but for the other major MTA system components, including the Long Island Railroad and the Metro-North Commuter Railroad. This allowed the use of fare media such as monthly passes and transfers, and ultimately the phasing out of the *de facto* alternative NYC currency: the subway token. Transitioning from limited tests in 1993 to substantial completion by 1997–1999, these multi-ride fare media allowed NYCT's unique, long-standing pay-the-full-fare-for-every-ride rule to finally be relaxed, which translated into a major fare decrease per ride that substantially reduced the costs of linked trips.

² Rubin, Thomas A. and Fatma Mansour. *Transit Utilization and Traffic Congestion: Is There a Connection?* Reason Foundation, 2013. https://reason.org/wp-content/uploads/files/transit_utilization_traffic_congestion.pdf New York City Case Study. 47-53.

Getting NYCT back into good working order was the necessary condition, and the major fare decrease was the sufficient condition needed to produce the largest U.S. ridership increase in terms of UPT since WWII. MTA-NYCT's shift was so large that, during this period, the U.S. transit industry recorded national ridership growth of 25%, one of the largest in its history, and 72% of the nation's industry ridership increase was from NYCT. Metro's ridership increase accounted for another 5% of the national increase. Thus these two transit operators provided 77% of the national increase in ridership. During this period, MTA-NYCT added not one mile of new rail track.

The lesson from the New York City experience is clear. Improvements to the existing transit system and fare decreases deliver much more in terms of ridership increase than does building new rail lines. New rail lines should be considered, and may be the best choice in some cases; but they are not an end in themselves, and should not be constructed at the expense of the existing, well-utilized bus transit system and its riders.

CONCLUSIONS

1. The four largest increases in transit ridership in the U.S. transit industry since WWII were due to expansions and improvements in existing transit service and fare reductions.
2. New rail lines were a minority contributor to only one of the four increases—for Metro from FY96–FY07. Three of these four increases were bus-driven episodes in Los Angeles. Improvements in the quality of existing rail service increased transit ridership in New York from FY93–FY07.
3. Since 2007, the Los Angeles ridership successes have been reversed as major over-investments in new rail lines have drained resources required for maintaining well-utilized bus service, producing continuing reductions in transit use in Los Angeles.
4. Metro's continued determination to expand rail transit at the expense of its bus service and bus passengers is unjustified. The strategy is producing negative outcomes for transit riders and taxpayers.