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Statement in Response to Proposed MBTA Fare Increase 13 June 2006

The Association for Public Transportation was founded in 1973 with the mission that effective, affordable, and accessible public transportation is critical for the region's economic prosperity and quality of life. APT works for an improved and expanded public transportation network in Greater Boston and New England. APT publishes the classic transportation survival book "Car-Free® in Boston" which is now in its tenth edition. APT is a voting member of RTAC, the Regional Transportation Advisory Council.

At the Association of Public Transportation Annual Meeting on May 24, 2006, APT came out strongly for a financial restructuring of MBTA operations. We recommended several components to this restructuring including the Commonwealth assuming a considerable portion of the massive MBTA debt, work by management to bring operating costs into line, an aggressive initiative by the T into transit oriented development whereby they can convert non-performing real estate assets into stable, future, positive cash flows, and, yes, a fare increase.

The path of least resistance would have been for APT to come out against the fare increase. Many other advocacy organizations as well as several gubernatorial candidates have done just that. But it is simply unrealistic to assume that we transit users and advocates will get the outcome we want -- better, timely service with greater transit coverage. It is also unlikely that the legislature, whose forward-funding enabling legislation was a major contributor to the perilous financial situation at the T today, would vote to have the Commonwealth of Massachusetts completely subsidize T operations. The representatives' and senators' constituents, the vast majority of whom do not have access to the T and are paying over \$3.00 for a gallon of gas for their commute, would revolt at the thought of that subsidy. As a result, APT took a very pragmatic approach -- APT supports A fare increase, but in conjunction with operational cost reductions and restructuring. It is a major distinction. The major points we made were that:

- The T is effectively bankrupt, with \$ 8 billion of debt. It is selling valuable real estate assets at distress prices to pay for operating expenses such as payroll and electricity for the subway system. That is no way to run a railroad.
- Only 28% of T expenses is covered by the fare box. To have the Fare box cover all expenses would necessitate a basic subway fare of nearly \$4.50 No one, least of all APT, is proposing that or anything remotely close to that.
- It is important to look at fare comparatives of other major cities. Boston is now the most expensive metropolitan area in which to live in the entire US. But our base subway rate of \$1.25 is far below NYC and Chicago, which are both \$2.00

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- The T must be put on strong financial footing -- a fare increase would be only one leg of that stool.
- APT agrees that more transit is far better than less transit. But we cannot push for more transportation options if we are not willing to work with the T and the Legislature on realistic and reasonable funding mechanisms.
- APT supports a fare increase with caveats: cost controls, time & distance based pricing models, debt repayment
- APT insists that the Commonwealth assumes significant responsibility for the T's crushing debt load.

APT is a strong proponent of transit oriented development. The T cannot be a serious player in this very important area without extended operating hours during the week and 24 hour operation on weekends. The MBTA also needs the financial flexibility to support private/public partnerships and investments in its valuable real estate holdings. Instead of selling off valuable property rights, the T should be using its property and other assets as bargaining chips to ensure future financial cash flows that can mitigate future fare increases.

These are the basic reasons why APT support a fare increase. But APT wants to address the issue of the impact of the fare hike on low income riders. The costs of the T have to be paid either by increasing revenue or decreasing service. Increasing revenue can only come from either an increase in the state subsidy, which is unlikely, or an increase in fares which, admittedly, falls disproportionately on low income individuals. They are also the ones least likely to have the option to switch to driving. Reducing costs can only come through a decrease in service which, in all likelihood, will also burden the same low income residents disproportionately.

To mitigate this inequity, APT would suggest a rider subsidy in the form of reduced cost monthly passes or Charlie cards (when and if they are realized) for legal Massachusetts residents. However, the cost of these reduced fares should fall on the social agencies and not on the transportation agency. If such a suggestion were implemented it would, for the most part, remove the issue of what happens to low income passengers with a fare increase.

Getting back to the fare increase, its most obvious justification is that only 28% of the T's operating expense is covered via the fare box. In utopia, transit would be free, but unfortunately, we do not live in utopia -- we live in Massachusetts

Is a fare hike regressive -- yes, to a degree, but at least the person taking the T, and paying the fare, is receiving a service. It may not always be the best service, but it is still a service. And there are actually some passengers who will pay less when transfers are taken into consideration

What are the alternatives to no fare increase? The T could reduce service -- but that is rather counterproductive. Or it could stop all projects dead in their tracks -- yes that is capital expense versus operational expense, but there is an interest cost associated with the bonds that finance T expansion, and that interest expense is a huge operational cost item. Another non-starter. Or the

T could continue to sell off valuable real estate at distress prices to meet payroll. Not very smart or sustainable

Other alternatives -- have the state pick up more. OK, but who is the "state"? The citizens of the Commonwealth, i.e. the taxpayer, are. It comes out of their pocket, no matter where they live, no matter if there is no train or bus within 10 (or 50) miles of them. Not the fairest solution, and sure to be contested by commuters and their representatives who travel bumper to bumper on congested roadways, far from public transportation service

Another potential solution would be to charge the cities and towns in the T assessment district more. Well that would be fair, right. Wrong. If the cities and towns are assessed more, they have only one real alternative --raise property taxes. That is the most regressive tax of all, and is one of the reasons housing is so expensive and people are fleeing Massachusetts.

Despite the unfortunate political posturing and pandering to prevent a fare increase by some, there really is no good alternative. Does the T need to get its costs in line -- most certainly. Does the state need to assume a significant portion of the T's inherited debt -- of course. Does T management need to think outside the box and figure out a way to generate cash flow from its real estate holdings (i.e. transit oriented development) instead of just selling its valuable assets off -- right again. Does the T need a fare increase -- The Association for Public Transportation has come to the undeniable conclusion -- yes. But it also needs to extend its operating hours and continue critical expansion programs, and the fare increase should comprehend these important programs.

Thank you.

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