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## Commentary

### PERSPECTIVE ON THE MTA

# Shift the Spending to Buses



The rate increase may not be discrimination, but it is at least a misrepresentation of the efficacy of rail transit.

By JAMES E. MOORE II

U.S. District Judge Terry Hatter's decision to respond to the Labor/Community Strategy Center by freezing the Metropolitan Transportation Authority's bus-fare increase does more than focus public attention on one of Southern California's wealthiest, most influential bureaucracies. Even if the MTA persuades the U.S. 9th Circuit Court of Appeals to reverse Hatter, the rules of the transit game won't ever be the same. From a public-policy point of view, Hatter's restraining order creates new incentives for public agencies to remain accountable for the quality of their decisions. It is a new experience for the MTA.

Few circumstances more clearly demonstrate the differences between public- and private-sector decisions. The fundamental priorities of all organizations, public or private, are survival and growth. Private-sector organizations accomplish this by providing a competitive product at a market price. If they are unsuccessful, the organization does not survive and the firm's resources are freed for other enterprises. For private firms, inferior decisions mean economic death.

Public agencies must follow more complicated rules, using costs to justify short-term funding requirements and the political process to justify new projects. The sales taxes imposed by Los Angeles County Propositions A (1980) and C (1990) deliver between \$700 million and \$800 million per year to the

MTA, which uses this local-funding commitment to justify its requests for public revenue from other sources. The authority returns 25% of Proposition A funds and 20% of Proposition C funds to local governments for transit-related projects, providing the MTA with considerable control over local transportation agendas. It is no surprise that local governments have been quick to endorse MTA positions.

Such consummate command of non-market procedures has provided the MTA with more than 10 years of rapid growth and an annual budget in the neighborhood of \$3.7 billion. Unfortunately, the MTA has no real incentive to control costs or to structure transit services to serve those most in need. The large subsidies and budgets associated with inefficient projects like rail systems provide very perverse temptations for upwardly mobile, growth-minded bureaucrats.

The university research community has been blowing its little ivory whistle over such outcomes for 30 years, with no substantive effect. Hatter's action may prove much more important. The relevant body of law favors the authority, but the scrutiny needed to resolve the suit that prompted Hatter's ruling will also serve to pierce the MTA's political smoke screen.

A close look at the MTA's activities will reveal a thorough disregard for external research, a chilling political sophistication and a casual willingness to misrepresent the efficacy of rail-transit systems to the electorate; but it will not reveal a conscious intention to discriminate in a way that violates the 14th Amendment to the Constitution. It is unlikely that the plaintiffs will be able to demonstrate that the MTA proceeded with the purpose of discriminating

against any group. The MTA finds itself in an ironic position. The equity argument usually serves the MTA well, allowing the agency to explain away impressive inefficiencies in the name of fairness. The special twist in this case is that the MTA's standard refrain offers the agency no shelter in the case of increased bus fares. Higher bus fares hurt the poor most, and now the poor have banded together to hire attorneys.

The greatest irony is that the suit, Hatter's stay and the MTA's appeal are all unnecessary from a fiscal perspective. The MTA has painted itself partway into a rail corner, but the agency still has more spending flexibility than it professes. Fully 40% of the revenues generated by Propositions A and C may be spent at the MTA's discretion. This is on top of the funds returned to local government. The MTA has the latitude to immediately shift some of its rail expenditures to the bus system, particularly buses that run on highways.

As this case suggests, Los Angeles is less likely than most communities to tolerate gracefully the mobility squeeze imposed by the bus/rail trade-off. The MTA should be much more reluctant than it is to increase the gap between the city's haves and have-nots. If the MTA expects to retain its legal monopoly on transit services, then the agency will have to scale back its rail projects and fund buses and the roads they run on. In the best case, Hatter's restraining order will give the agency sufficient political incentive to revisit its mission. The alternatives are bleak, including a long-term mobility crisis even the resilient citizens of Los Angeles are unprepared to face.

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