

The Commonwealth of Massachusetts

REPORT

OF THE

COMMISSIONER OF ADMINISTRATION

RECOMMENDING

LEGISLATION TO ELIMINATE FROM THE COST OF
SERVICE OF THE METROPOLITAN TRANSIT
AUTHORITY CERTAIN FIXED
CHARGES

UNDER CHAPTER 7, SECTION 7, OF THE GENERAL LAWS

JUNE 6, 1951

BOSTON

WRIGHT & POTTER PRINTING CO., LEGISLATIVE PRINTERS
32 DERNE STREET

1951

The Commonwealth of Massachusetts

SPECIAL REPORT OF THE COMMISSIONER OF ADMINISTRATION RECOMMENDING LEG- ISLATION TO ELIMINATE FROM THE COST OF SERVICE OF THE METROPOLITAN TRANSIT AUTHORITY CERTAIN FIXED CHARGES, SO CALLED.

JUNE 6, 1951.

To the Honorable Senate and House of Representatives.

In the Fourth Annual Report of the Board of Public Trustees of the Metropolitan Transit Authority, recently filed with His Excellency the Governor, the General Court and the Trustees of the Boston Metropolitan District, it appears that the Authority is faced with "a financial problem of the first magnitude." In view of the facts stated in this report, the Commonwealth may be called upon as a result of the Authority's operations in 1951 to pay and to assess on the cities and towns constituting the Authority a deficit of substantial amount under the provisions of chapter 544 of the Acts of 1947.

In accordance with the provisions of chapter 7, section 7, of the General Laws, I submit herewith draft of proposed legislation to eliminate from the cost of service of the Metropolitan Transit Authority certain fixed charges, so called.

I am attaching a portion of the Trustees' report which states in detail the necessity for the legislation recommended.

Very truly yours,

THOMAS H. BUCKLEY,
Commissioner of Administration.

A PORTION OF THE FOURTH ANNUAL REPORT
OF THE BOARD OF PUBLIC TRUSTEES OF
THE METROPOLITAN TRANSIT AUTHORITY
FOR THE YEAR 1950.

C. PROSPECTS FOR THE FUTURE.

While the results of operations in 1950 were very gratifying and noteworthy progress was made during that year in building up an expanded and improved system to serve the public necessity and convenience, the experience of 1950 and other recent years establishes that the Authority is confronted during the foreseeable future with a financial problem of the first magnitude. This problem is by no means peculiar to the M. T. A. It derives from progressive trends which apply with at least equal force and effect to every comparable transit system serving an area like that of Metropolitan Boston.

Rising Costs of Operation.

The costs of operation cannot escape the impact of this inflationary period and therefore of necessity must rise. And to these increased costs must be added the increased labor costs amounting to at least \$2,500,000 resulting from the recent wage award made by the Board of Arbitration. A further additional labor cost will probably result from the operation of the escalator clause which ties the wage scale to the index of cost of living, also provided for in the said award.

Rising Fixed Charges.

Last year, as noted above, the fixed charges included in the cost of service totalled \$4,956,826.35. Under

existing law the Authority will be burdened on an annual basis with the following additional charges: —

Interest and amortization charge on bonds for new rolling stock	\$417,000
Social security tax resulting from federal legislation	440,000
East Boston tunnel extension, operation	131,000
East Boston tunnel extension, fixed charges	372,000
	<hr/>
Total	\$1,360,000

In the future, the Authority will be called upon to pay still higher fixed charges for interest on bonds for subways already authorized by the Legislature at a cost of \$66,500,000 — amounting to \$1,240,000.

Other presently unknown expenses will arise because of increased costs of supplies and materials due to the inflationary trends and unknown national defense costs.

Decline in Passenger Riding.

A comparison of the operations of the Authority for the year 1948 and the year 1950 shows that passenger riding has decreased 19 per cent in those two years. Computations show that nine per cent of this is accounted for by the impact of two fare increases, one in August, 1949, and the other in January, 1950. The remaining 10 per cent is accounted for by the effect of the automobile and other economic conditions affecting the transit industry.

In those two years passenger riding decreased from 381,000,000 passengers in 1948 to 307,000,000 in 1950. (In the peak year of 1946 there were 433,094,952 revenue passengers.) Moreover, this is a continuing trend. A comparison of the first quarter of 1951 with the same period in 1950 shows that passenger riding is decreasing at the approximate rate of eight per cent. If this sharp decline in riding is maintained throughout 1951 it will result in a total annual loss of 25,000,000 passengers. At present fare rates this would reduce the annual revenue by about \$3,300,000.

The situation of the Metropolitan Transit Authority is by no means unique. The transit system operating in New York City is owned by the city of New York, and its accounting procedures are basically the same as those prescribed for the M. T. A. Thus a very close comparison is possible. Since their fiscal year runs from July 1 to June 30 of the following calendar year, we have the benefit of a very recent report — that for fiscal 1950. It reveals that although the operating revenue of the New York transit system is five times that of the M. T. A., it failed to meet operating expenses by \$1,206,043 against the Authority's operating profit of \$4,282,204.

Since its fixed charges on transit debt totalled \$63,182,730 (against the Authority's \$4,956,826) the New York City transit system passed on, to be absorbed out of the city's tax revenues, a deficit of \$64,388,773 (against the M. T. A. assessable deficit of \$539,820).

Present Law governing the Authority.

Section 11 of chapter 544, Acts of 1947, provides in part as follows: "the trustees . . . shall from time to time *fix* such rates of fare and charges for service furnished or operated *as in their judgment are best adapted* to insure sufficient income to meet the cost of the service."

In the face of mounting costs and decreased riding, the Trustees are mindful of the legislative mandate imposed by above quoted statute. This statute charges the Trustees with a twofold obligation, — to determine the services to be furnished or operated and to fix the rates of fare and charges for that service.

The Trustees believe that the continuance of adequate transportation facilities is imperative to the well-being of the communities comprising the Metropolitan District and should not be curtailed unless compelling circumstances require it.

The Trustees also believe that it is essential to the fulfillment of the purposes of mass transportation to keep the fare structure at a level that will maintain the volume

of daily use of the Authority's facilities, and that any revision of fare structure must be carefully considered with respect to its adverse impact on the usefulness of the system.

The probable loss of riding resulting from fare revision should be exhaustively studied. The law of diminishing returns has demonstrated that it is not always true that the higher the fare the greater the revenue. It is the judgment of the Trustees that the law of diminishing returns has begun to operate in the matter of rates of fare which can be charged for services furnished by the Authority. Their experience during the past year has shown that great caution should be exercised in the matter of fare revisions lest they defeat the primary purpose for which the Metropolitan Transit Authority was established.

In view of the foregoing it is the judgment of the Trustees that it is inadvisable to increase fares.

D. NECESSITY FOR CHANGES IN THE LAW GOVERNING THE AUTHORITY.

The proper approach to the solution of this financial problem rests with the enactment of legislation which will relieve the Authority from the present burdens of paying fixed charges as part of the cost of service. Legislation should be enacted which would exclude these charges from the cost of service.

From their experience of the operations during 1950, which show constantly increasing costs, the Trustees know that the total cost of service, which includes the fixed charges, is far too great to be supported by revenues derived from the present fare structure. Their experience also has shown that no reasonable fare structure will insure sufficient income to pay all the fixed charges and all the cost of operations and still fully satisfy the requirements of adequate mass transportation. The Trustees believe, and therefore recommend, that legislation be enacted which will eliminate the payment of fixed charges from the cost of service.

They make this recommendation on the basis of two facts:

(a) From the time of the first public control Act in 1918, to the most recent enactments, the purpose of the General Court has been to assure the public of the continued existence of a system which will furnish efficient and adequate transportation.

(b) The Legislature consistently has recognized that the entire community, as well as the riding public, is benefited by an efficient and adequate transportation system, and from time to time has made provision for the payment of part of the cost of operation from sources other than passenger fares.

Respectfully submitted,

BOARD OF PUBLIC TRUSTEES,
METROPOLITAN TRANSIT AUTHORITY.

WALTER J. WALDRON,

Chairman.

ARTHUR V. GRIMES.

EDWARD A. PECCE.

LAURENCE P. HARRINGTON.

AUGUSTINE AIROLA.

APRIL 27, 1951.

PROPOSED LEGISLATION.

The Commonwealth of Massachusetts

In the Year One Thousand Nine Hundred and Fifty-One.

AN ACT ELIMINATING FROM THE COST OF SERVICE OF THE METROPOLITAN TRANSIT AUTHORITY CERTAIN FIXED CHARGES, SO CALLED.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Section 11 of chapter 544 of the acts
2 of 1947, as most recently amended by section 4 of
3 chapter 572 of the acts of 1949, is hereby further
4 amended by adding thereto the following two para-
5 graphs: —

6 Notwithstanding the foregoing provisions of this
7 section the cost of the service after December thirty-
8 first, nineteen hundred and fifty, shall not include
9 (1) payments of interest and payments in reduction
10 of principal on the bond of the authority issued to
11 the district under section seven A; (2) payments of
12 interest on the bond of the authority executed and
13 delivered to the district under paragraph (c) of sec-
14 tion eight A and payments of all sums payable by
15 the authority on its note executed and delivered to
16 the district under said paragraph (c); (3) payments
17 of interest (with credit or charge, if any, for amorti-
18 zation of premium, discount and expense) and pay-

19 ments of principal on bonds and notes of the authority
20 issued to the district under section twenty-two;
21 (4) payments of interest (with credit or charge, if
22 any, for amortization of premium, discount and
23 expense) on all bonds of the authority issued to the
24 district under paragraph (j) of section eight A and
25 under section six of chapter six hundred and forty-
26 nine of the acts of nineteen hundred and forty-nine;
27 (5) payments of rentals and other charges under
28 leases or contracts for use of subway and rapid transit
29 facilities and of street railway lines; and (6) payments
30 of social security taxes under the federal Social Se-
31 curity Act and the federal Social Security Act Amend-
32 ments of 1950 as now or hereafter amended.

33 The trustees are hereby directed within thirty
34 days after the end of the first six months of the year
35 nineteen hundred and fifty-one and within fifteen
36 days after the end of each calendar quarter there-
37 after, namely, within fifteen days after September
38 thirtieth, December thirty-first, March thirty-first
39 and June thirtieth to certify to the state treasurer the
40 total amount of the payments referred to in the pre-
41 ceding paragraph which have been made by the
42 authority in such first six months of the year nineteen
43 hundred and fifty-one, or in such calendar quarter,
44 and the commonwealth shall thereupon pay to the
45 authority the amount so certified. In order to meet
46 any payment required of the commonwealth under this
47 paragraph the state treasurer may borrow at any
48 time, in anticipation of assessments to be levied
49 upon the cities and towns constituting the authority,
50 such sums of money as may be necessary to make said
51 payments, and he shall repay any sum so borrowed
52 as soon after said assessments are paid as is expedient.

53 Any sums so paid to the authority, together with
54 interest and other charges incurred in borrowing the
55 money therefor, shall be assessed on the cities and
56 towns constituting the authority as provided by
57 section twenty of chapter fifty-nine of the General
58 Laws, as amended, in proportion to the amounts
59 paid under the last preceding assessment under
60 section fourteen of chapter one hundred and fifty-nine
61 of the special acts of nineteen hundred and eighteen
62 or under section thirteen of this act.

1 SECTION 2. Section fourteen of said chapter five
2 hundred and forty-four, as most recently amended by
3 section six of chapter five hundred and seventy-two
4 of the acts of nineteen hundred and forty-nine, is
5 hereby further amended by striking out the last
6 sentence thereof and substituting in place thereof the
7 following:—The authority shall not be required to
8 pay fees, duties, excise or license taxes for the registra-
9 tion, operation or use of its vehicles on public highways
10 and for fuels used for propelling such vehicles. If a
11 sale of fuel taxable under chapter sixty-four A of the
12 General Laws is made directly to the authority by a
13 distributor as therein defined, no excise on account
14 thereof shall be payable by the distributor under the
15 provisions of section four or four A of said chapter
16 sixty-four A; and if such sale is made by a person
17 other than a distributor the excise paid by the author-
18 ity shall be reimbursed to it in the same manner and
19 under the same conditions as are set forth in section
20 seven of said chapter sixty-four A.

1 SECTION 3. This act shall take effect on its passage.

