INTRODUCTION

The September 11, 2001 incidents and unfavorable economic conditions experienced across the United States since mid-2001 have taken a toll on all transportation sectors. Air travel dropped 8 percent in the past 12 months, thousands of small carriers in the trucking industry have gone out of business, and public transportation reported a ridership decline in the first six months of 2002 after six straight years of continuous increases.

To determine the impact of this economic downturn on transit ridership and finance, the American Public Transportation Association (APTA) conducted a survey of its transit system members in August 2002. Questionnaires were sent to 350 transit system agencies in the United States and Canada. As of mid-September 2002, 114 responses were received, representing a response rate of 33%. The respondents included

- 23 large transit agencies (30 + million unlinked trips/year)
- 31 medium (5-30 million unlinked trips/year)
- 60 small (less than 5 million unlinked trips/year)

The survey shows that the economic downturn has produced substantial negative impacts on the transit industry. Details are below.

IMPACT

**Decreased Ridership.** Sixty-four percent of the transit agencies reported ridership declines in both peak and off-peak hours. “Large” transit systems in urbanized areas suffered the most. Seventy-four percent (nearly 3 quarters) of these properties reported ridership declines, while around 60% of medium and small properties experienced a decline. It is likely that more transit systems experienced declines than were reported. However, many of these systems do not yet have official ridership numbers for this year, and decided to omit answering this question.

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[Graphs showing decreased peak-hour and off-peak ridership for total, large, medium, and small transit agencies]
**Decreased Government Funding.** The problems for transit systems with decreased ridership and resulting drops in fare revenues are compounded by drops in state and local government contributions because of their own financial problems. Fifty-four percent of all reporting agencies showed a decrease in government funding. This problem, however, tends to be more severe for smaller transit systems that depend more on government assistance. Fifty-eight percent of smaller agencies reported government funding drops, compared to 48% for large agencies.

![Decreased Gov't Funding](chart)

**Decreased Non-Operating Revenues.** Non-operating revenues, such as advertising revenues and interest earnings on short-term accounts, have also decreased for those systems that have such revenues. In this category, 61% of large systems reported a decrease while 52% and 40% of medium and small systems, respectively, experienced that trend.

![Decreased Non-Oper Revenues](chart)

**Increased Premiums for Property and Liability Insurance.** In this time of economic challenges - including the repercussions from the World Trade Center attacks, and a tightened reinsurance market - transit systems seeking to purchase or renew insurance policies have experienced steep increases in premiums for both property and liability insurance. Sixty-eight percent of the transit agencies reported liability insurance premium increases, and 63% showed increases in property insurance premiums. One-third of the systems predict increased costs for both types of insurance in the future.
Increased Budget Deficits. All the above factors added to the unavoidable pressures on budgets of transit agencies. Even with substantial innovations and belt-tightening actions taken (see below), 51% of transit systems reported an increase in operating deficits. Because of larger ridership decreases, more large transit systems (61%) experienced increased deficits than medium and small systems (both 48%).

ACTIONS TAKEN

Facing drops in both fare revenues and government subsidies, transit systems have taken necessary actions. They have found ways to cut costs and increase revenues. Sometimes, they found it necessary to reduce services.

Cost Reduction. Administrative expenses were the most popular candidates for cost reduction. Fifty-one percent (51%) of respondents have reduced their administrative costs. Forty-two percent (42%) of systems have elected to delay their capital projects. Hiring freezes and staff reductions are next with about 35% taking these steps. The last resort is to defer maintenance because of its potential serious effects. Even so, 11% of transit respondents reported they had taken that route.
As expected, large transit systems that have experienced the greatest ridership decreases were forced to take more drastic actions. An impressive 91% of these systems reported they had cut administrative expenses, 65% delayed capital projects, between 48% and 57% froze hiring or reduced staff, and 22% were forced to defer maintenance.

**Increase Revenues.** The fastest way to increase operating revenues is to take money from reserves. However, many transit systems have no reserve funds; thus only about 46% of all respondents reported doing so. Increasing fares is the next option. However, it tends to involve more approval processes and requires more time to implement. The survey shows that 61% of large transit systems have done so, and 22% expect it to happen in the future. Altogether, nearly 9 out of 10 large transit systems will have to implement a fare increase due to the economic downturn. This percentage is 51% for medium systems and 67% for small systems.
Reduce Services. When cutting expenses and increasing revenues are not sufficient to reduce increasing budget deficits, transit systems must resort to reducing services. Seventeen percent (17%) reduced the fleet size and twice that, 34%, provided less frequent services. Thirty-nine (39%) percent of the respondents reported that they have delayed the implementation of new services and 18% have abandoned certain route segments. Again, facing a steeper decrease in ridership, large systems took more drastic actions.

CONCLUSION

The transit industry was heavily hit by corporate layoffs that resulted in reduced work-related transit trips. Fare revenues dropped, government funding decreased, and reduced dedicated tax revenues resulted in rising operating deficits. Transit systems have been forced to find means to deal with these problems. Cutting administrative expenses was first chosen by most transit systems. Fare increases and delayed implementation of new services were the next options. Service reductions, not a desirable solution for many systems, have already occurred and are expected to continue if economic conditions do not improve.

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