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THE WHITE HOUSE
WASHINGTON

October 18, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM CANNON

FROM:

JIM CONNOR *je*

SUBJECT:

Secretary Coleman's Detroit
Transit Proposal

The President reviewed your memorandum of October 16 and made the following notation:

"I approve of Secretary Coleman's proposal and he has my OK to proceed with speech."

Please follow-up with appropriate action.

cc: Dick Cheney

THE WHITE HOUSE
WASHINGTON

Jim Cannon

I approve of Sec.
Coleman's proposal & he
has my O.K. to proceed
with speech.

THE WHITE HOUSE

INFORMATION

WASHINGTON

October 16, 1976

MEMORANDUM FOR THE PRESIDENT

FROM:

JIM CANNON



SUBJECT:

Secretary Coleman's Detroit Transit Proposal

Within the next few days, you will be meeting with Governor Milliken and Secretary Coleman. One of the issues they will wish to talk with you about is Secretary Coleman's proposal for mass transit in Detroit. A copy of his proposal to you is attached at Tab A. This proposal has been circulated to your Senior Staff for preliminary review. Jim Lynn's comments are attached at Tab B; those of your Senior Staff are at Tab C.

SUMMARY OF PROPOSAL

Within the next two weeks, Secretary Coleman proposes to announce a \$600 million Federal commitment in principle for Detroit transit improvements. He proposes to deal with this question as an urban policy issue, not just a transportation investment decision. For the commitment to be triggered into actual grants, he would require major community development and city building efforts by the State, City, and Federal governments as well as the private sector.

The State has already taken some action: on September 30, Governor Milliken obtained legislative approval of a \$220 million State transit funding package, including additional automobile license plate fees and vehicle transfer taxes.

In order to go forward, Secretary Coleman would require commitments that:

- Transit construction provide skill training and jobs for unemployed city youths, in cooperation with local unions.

- The private sector match the Federal grant with equal investments in commercial and residential development near transit routes; and
- State and local governments commit to providing services to enhance the chances for private investment.

BUDGET IMPLICATIONS

In 1974, you signed the National Mass Transportation Assistance Act, committing \$11.8 billion over six years, FY 1975 through FY 1980, including \$7.1 billion for discretionary capital grants. The Detroit grant, if made, would create pressures from other cities, notably Los Angeles, which are nearing completion of comprehensive transit packages of their own, and are aware that UMTA's discretionary funds are running out.

Secretary Coleman believes the proposal would not have significant financial obligations until FY 1978, and outlay impacts would be spread over a number of years, beginning in FY 1979.

He proposes that UMTA be permitted to spend its capital authorization in five, rather than six years, thereby requiring your approval to seek new authorizations for FY 1980 and beyond. He would like to use the occasion of his address to the American Public Transit Association Convention in San Francisco on Wednesday, October 20, to announce this decision.

Jim Lynn strongly recommends against this proposal at this time. He urges that:

- The Detroit commitment will exceed planned levels and force a need for additional budget authority;
- Decision of this issue may pre-empt your options as you review 1978 budget requests;
- Major projects, such as Detroit, have built in operating subsidy requirements which have not been fully analyzed or weighed.

RECOMMENDATIONS

Jack Marsh, Paul MacAvoy and Bill Seidman agree with OMB.

Max Friedersdorf recommends approval. He discussed the matter with Senator Griffin who "generally approves".

I recommend that you not make a decision on the Detroit proposal at this time. Secretary Coleman should be directed to develop a detailed analysis and review of this option and other responsible alternatives. He should also be asked to present a paper which more thoroughly discusses and presents the methods by which transportation funds can be used to prompt positive action by local officials to revive urban areas.



THE SECRETARY OF TRANSPORTATION
WASHINGTON, D.C. 20590

October 9, 1976

RL
MEMORANDUM TO: The President
SUBJECT: Detroit Transit Proposal

Background

Detroit has been working for several years with the Department's Urban Mass Transportation Administration (UMTA) to develop an improved transit program. A new urgency has been added to that work as a result of civic unrest in the City, and Governor Milliken is now actively involved in pressing the City's case for Federal support.

The State and the City are jointly seeking a Federal commitment in principle to support a coordinated package of transit improvements consisting of bus service on freeways and arterials, commuter rail improvements, a two-mile "people mover" system downtown (linking the Renaissance Center to other key focal points), and a new rapid transit system of up to 20 miles. They are currently developing the cost-effectiveness analysis of transit alternatives which we require before we can make any specific commitments, but that will not be complete until January 1977.

The progress of this work has been punctuated by increasing unrest in the City--the riots in Cobo Hall, problems with teenage gangs, crime and terror incidents on city buses and freeways. The Governor has taken the unprecedented step of assigning State Police to patrol the expressways during rush hours to protect motorists. Both he and the Mayor report that this series of events has seriously shaken private business confidence in the revival of the City, and stymied new downtown investment. They strongly feel that the City urgently needs an expression of specific commitment by some outside force--some ray of hope--before a new round of business and residential flight is triggered. They see a Federal transit commitment as the only significant prospect in the offing.

Three weeks ago I told the Governor that no such Federal commitment could be made unless non-Federal matching funds were committed. He immediately began legislative action and obtained, on September 30, legislative approval of a \$220 million State transit funding package. This package includes additional automobile license plate fees and vehicle title transfer taxes to be paid in suburban counties around Detroit--an indication that the State is willing to take difficult political steps in the face of this crisis.

The ball is now back in our court. The Governor and others in Michigan are pressing hard for some indication of Federal response, now that they have completed the action which I had indicated was needed. Not to respond now could be embarrassing to the Administration and could provoke a political attack from the Mayor and others. I believe, however, that this situation presents us with the opportunity to go on the offensive with a decisive expression of concern for key American cities. This issue needs to be approached as an urban policy issue, and not just a transit investment decision.

Proposal

I propose a response which will demonstrate Administration and Presidential leadership by taking action to express concern for declining central cities in a hard-nosed way, and in a way which does not unbalance our budget and tax postures. The policy messages I believe we can communicate in this effort are the following:

1. The key to city revival lies in stimulus to private investment and private job creation, which in turn creates a larger tax base through which a city can better deal with its own problems;
2. This Administration will help cities that demonstrate commitment to deal with their own problems; and
3. We will require a partnership approach among all levels of government and the private sector.

Specifically, I propose to announce within the next two weeks a \$600 million conditional commitment in principle of funds to Detroit for transit improvements. For this commitment to be triggered into actual grants, the transit effort will have to be made part of a major community development and city building effort by the State, City, and Federal governments and the private sector. Specifically, we must have commitments that:

- any transit construction will be carried out with union cooperation and in such a way as to provide skill training and jobs for substantial numbers of unemployed city youth who are at the heart of the problem of urban unrest;
- the private sector will make new investment commitments, on at least a dollar for dollar basis with the Federal Government's transit grant, for office, commercial, and residential development around proposed transit routes and stations; and
- State and local governments will make necessary commitments for supporting infrastructure and will assure the provision of public services which will enhance the prospects for private investment.

In this way, a transit commitment becomes a rallying point for an entire program in which all sectors can join.

Other Federal Departments--HUD and Commerce (through the Economic Development Administration)--could also be brought into this package. An announcement could be handled in any one of several ways--perhaps after a White House meeting sought by Governor Milliken, Mayor Young, the automobile company heads, unions, and others. You could be directly involved, or the actual announcement could be handled at the Cabinet level.

Budget Impact

The budget impact of a major transit commitment such as this is delayed. We would not have significant obligations until FY 1978, and outlay impacts would be strung out over a few years beginning in FY 1979 and 1980. However, there is no doubt that such a step would create pressures from some other cities, notably Los Angeles which is well along in preparing a comprehensive transit package.

However, compared to almost any other urban program initiative, transit grants can be managed and limited. They are on a discretionary basis, not formula allocated, and very few cities can begin to justify rail transit development. In other words, we are talking about a few major cities in a delayed and

strung-out time frame, not all medium and large cities. I believe, also, that the UMTA program budget is being managed in a very moderate way. We have rejected major grant applications in Denver and Dayton. We have cut programs in half in New Jersey (PATH) and Buffalo. We require grantees to enter into contracts which put a fixed ceiling on the Federal funding and commit local resources to be used to complete the project in the case of any cost overruns. I have exacted commitments from contractors and unions that there will be no strikes during the course of construction. You are not dealing with a runaway program here.

At the same time, UMTA program initiatives have been treated favorably by the press (see attached New York Times editorial) and represent visible and important stimulants to city economics. We have made a number of major UMTA commitments to central cities within the last two years (see attachment), so there can be no allegation of special favoritism to Detroit.

In order to accommodate the initiative I am proposing, it will be necessary to accelerate UMTA commitments of funds already authorized. As one of your first major acts as President, you signed the major National Mass Transportation Assistance Act in 1974, committing \$11.8 billion over the six years from FY 1975 to FY 1980. Of that amount, \$7.1 billion was for discretionary capital grants. I propose now to permit UMTA to spend out that capital authorization in five rather than six years, thereby requiring an agreement by you to seek new authorizations for FY 1980 and beyond. We can credibly take the position that, by the time these added authorizations and outlays for FY 1980 come on line, they can be absorbed by cuts elsewhere or by new revenues.

The time for us to announce such an intention is soon. I am addressing the annual meeting of the American Public Transit Association on October 20, 1976 and would like to do so then. In this manner we will be taking the offensive, not waiting for Congressional action. Both the Senate and House are planning to take up the UMTA legislation next year and will probably add substantial funding to the UMTA program--I believe that we should capture that issue by presenting an effective Administration funding proposal.

Bill

William T. Coleman, Jr.

Attachments

ATTACHMENT

(\$\$ in millions)

1. Major UMTA rail transit construction and rehabilitation commitments beginning in FY 1975:

Atlanta	\$800
Baltimore	\$500
Boston	\$200 (Interstate transfers)
Buffalo	\$269
New York City	\$500
Northern New Jersey	\$470
Philadelphia	\$240

2. Major UMTA bus and busway commitments since FY 1975:

Denver	\$200
Seattle	\$124

3. Detroit ranks 5th in size among urbanized areas, but 12th in amount of UMTA grants through FY 1976.

Sic Transit . . .

The pleasures of urban life are not limited to the availability of sophisticated cuisine, to rich options in the arts or to opportunities to encounter cultivated minds and sensibilities. An urban joy can be as simple as taking a small boy to Coney Island on the old Sea Beach line and choosing to return to Manhattan on the F train because of its bright, quiet, new cars and the view it affords of the Verrazano-Narrows Bridge before it scuttles into a tunnel for the long serious journey under Brooklyn.

Secretary of Transportation William T. Coleman Jr. clearly understands such things and is also aware of the additional fact that the vitality of any city depends, in large measure, on whether its people are able to move through it efficiently and in reasonable comfort. He announced the approval last week of five mass transit grants totaling \$340 million to major cities to support such activities as subway construction, acquisition of buses and improvement of existing equipment. Those grants, which included \$66.7 million for New York City, bring the Department of Transportation's mass transit aid for this fiscal year to \$1.5 billion.

Next to the \$70 billion the nation has spent over the years on its more than 40,000 miles of interstate highways, that amount may seem minuscule, but compared with the \$133 million the Federal Government allocated to mass transit just six years ago, it is significant. Since 1970, the curve of Federal mass transit expenditures has climbed steadily. Moreover, cities now have the option of diverting some highway money to mass transit purposes, and a number of mayors have demonstrated the wisdom and courage to do so.

If these straws in the wind indicate that the nation is finally beginning to free itself from the grip of the highway lobby, then they are most welcome. The automatic trust fund device for funding highways has not only contributed to the noxious urban atmosphere, but to the malaise in the railroad industry and to the strangulation of the cities as well. From 1945 to 1970, the nation's investment in highways amounted to more than \$150 billion and, during that time, less than 20 miles of subway were built in the United States.

Secretary Coleman put the conflict well the other day when he said, ". . . the city that is not accessible cannot serve its people. . . . For our urban centers to survive and thrive, we must have transportation systems that circulate people in and through our cities in comfort and convenience. . . . Highways alone, where buses with 40 passengers must compete with the one-occupant car for the same piece of pavement, will not do the job."

While there is little chance that America's romance with the internal combustion engine will soon fade, there is currently a large question about whether the nation's cities can remain viable. Policies which seek to redress the investment imbalance of the past are nothing so much as they are efforts to conserve our cities and investments in our future.



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OCT 15 1976

MEMORANDUM FOR: THE PRESIDENT

FROM: James ~~R~~^T. Lynn

SUBJECT: OMB Comments on Secretary Coleman's Detroit Proposal - Request for Administration Commitment to Expand the Mass Transit Act

This memorandum is prompted by Secretary Coleman's October 9 proposal to you that the Federal Government should immediately commit itself to a \$600 million transit program in Detroit. The commitment would pre-empt a detailed analysis of Detroit alternatives which is required by DOT, and which is due in early 1977. This and similar major proposals (Los Angeles, Honolulu, Chicago, others) would, if approved, require annual funding levels substantially higher than those currently authorized through 1980, and impose funding requirements well beyond 1980. The Secretary accordingly also wants approval to announce next week at a convention of the American Public Transit Association (APTA) that the Administration will seek expansion and extension of mass transit legislation.

We believe that Secretary Coleman's Detroit memo greatly understates the budgetary ramifications and overstates the benefits of the proposal, and OMB strongly recommends that Secretary Coleman be advised not to make this or any major rapid transit commitments or announcements for at least three months so that such decisions do not pre-empt your options as you review 1978 budget requests. Specifically, if you meet with Governor Milliken on Monday, we recommend strongly that no commitment be made other than that Detroit's proposals are under review and will receive careful consideration. OMB also recommends that no long term funding decisions be implied at the APTA conference. The following arguments support these recommendations:

Background

- Transit is not a panacea: While Secretary Coleman is correct when he states that some transit initiatives have been treated favorably by the press, an increasingly impressive array of

independent analyses are making devastating arguments against new major rapid transit projects. The BART system in San Francisco, for example, has had marginal effectiveness, carries only 2-3 percent of the trips in the Bay area, over 40 percent of its riders previously rode buses for the same trip, it only covers one third of its operating costs from the farebox, and has very little impact on land use. It principally benefits suburban commuters, not inner city residents in the Bay Area.

- Funds do not exist: DOT is beginning its third year of the six-year transit funding authority which you signed in November 1974. While funds for 1977-1980 are technically unobligated, DOT has already made commitments or planned how it might use almost every dollar. Hence, a commitment such as the one proposed would exceed planned levels and force a need for additional authority. At a minimum, such proposals should receive the greatest scrutiny possible and be compared with other competing applications for transit funds.
- Pre-empts budget trade-offs: As you know from budget previews, decisions which you have to face for 1978, 1979 and 1980 will be the toughest any President has had to face for years. The mass transit budget request for 1978 and the plan which Secretary Coleman has outlined would add \$1 billion in obligations and \$500 million in outlays to 1979 estimates above and beyond any of the targets or threats which you have already seen. DOT's overall FY 1978 request alone is already \$3 billion above planning figures for obligations, and \$1 billion above outlay targets. Recent transportation actions have added several billion dollars over your planned levels for 1976 and 1977 (e.g., ConRail, Northeast Corridor, airport grants, highway grants). Transportation budget threats for the future include not only transit, but also more for highways and railroads, and possibly aircraft noise retrofit. The DOT proposal seeks approval of an unspecified increase and extension to the transit program. What DOT actually has in mind is a transit program by 1980 well over a billion dollars higher than that assumed in your target estimates.. You should have the opportunity to examine your options in a broader context.
- Not based on analysis: Secretary Coleman argues that the UMTA program carefully controls which projects it approves. But that control only exists to the extent that proposals

are subjected to intense scrutiny by UMTA - scrutiny which is designed to help ration UMTA's funds and prevent the serious planning problems that occurred with BART, and with METRO here. Approving Detroit in advance of this review would undermine the value of normal UMTA analysis - analysis which is more than likely to reject rail rapid transit options in Detroit in favor of high quality express bus service on Detroit's excellent freeway network. Specifically, the \$600 million mentioned for Detroit is an awkward amount. It is much more than is needed for buses, a downtown people mover and commuter railroad improvements, but is too low for a new rapid transit scheme.

- Timing: There is absolutely no need to make such a decision at this time. The unrest problems which the Secretary discusses would remain unaffected by this decision for years, even assuming that a transit initiative would have some bearing on the issue.
- Long-term problems: Secretary Coleman's speech and meetings in Detroit last month are likely to be misinterpreted as an Administration promise of \$600 million to that city. They have already prematurely triggered legislative action by the Governor. UMTA is presently involved in several multi-hundred million dollar projects (Atlanta, Baltimore) which received support in speeches by former Secretary Volpe. It took years for DOT to salvage some order out of the chaos created by those speeches, and I think we should profit by those past errors and approach this proposal far more carefully.
- Operating Subsidies: Despite the superficial appeal of mass transit to the NY Times, transit is a program whose objectives and effectiveness have not been seriously examined for almost a decade. The major projects - particularly the large ones like Detroit's proposal - have extremely low benefit/cost ratios and - a point that is too often overlooked - have enormous built-in operating subsidy requirements which are never given sufficient weight at the time of the investment decisions. BART was to have been self-supporting, but only covers a third of its costs from the farebox. METRO was to have been self-supporting, but it too requires subsidies. I believe Detroit would be particularly hard pressed to cover major annual deficits of rail transit on top of its bus deficits.

Recommendation: The Administration should go slow on Detroit and on mass transit at this time. More orderly decisions can be reached during the next three months. In the meantime, there are several positive actions the Federal Government can do far short of promising \$600 million of money that we don't have for a project that barely exists on paper. For example, the downtown people mover proposal which Detroit submitted to UMTA this summer in competition with 38 other cities is reportedly very close to being one of three finalists. This is a \$50-100 million program that has been analyzed and for which funds have already been identified.

With respect to the Secretary's request to announce a legislative proposal at the transit convention next week, OMB strongly believes that it is in your best overall interests that no such commitment be made at that time. You need to have options prepared and evaluated on this issue, and the costs and benefits of this initiative compared to other initiatives. As an alternative, OMB strongly recommends that the Secretary address only the very major transit accomplishments which your Administration has already made.

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

1976 OCT 16 AM 11:15 1976

MEMORANDUM FOR: JIM CANNON

FROM: Paul W. MacAvoy
Acting Chairman *PM*

SUBJECT: Detroit Transit Proposal

CEA supports the position taken by OMB in Tab B. The questions asked there as to the effects of such a proposal have to be answered for Federal programs to maintain credibility on the merits.

One additional question may be the most pressing of all. If the urban unrest of the last few months has reduced private transit into the city, what would it have done to public transit? If the unrest continues, would not the result be to leave any public facilities as deserted monuments? The least acceptable result is to have this Administration build empty edifices in mass transit that mock the empty urban renewal housing of the Johnson Era.



10/609

Jim Cannon asked about 10/9/76

Coleman memo -- on Detroit Transit Proposal

-- wanted to know what Jim Connor wanted one
done on staffing -- told him since he had original
he had the staffing action.

GBF 10/14/76

THE WHITE HOUSE
WASHINGTON

10.12.76

TO:

Jim Connor

For Your Information: ✓

For Appropriate Handling: _____

Original to J. Cannon

JF Connor
saw
10/14/76

RSZ
Robert D. Linder