TESTIMONY OF

BEVERLY A. SCOTT, PH.D.

GENERAL MANAGER AND CEO
METROPOLITAN ATLANTA RAPID TRANSIT AUTHORITY

BEFORE THE

SENATE SUBCOMMITTEE ON HOUSING, TRANSPORTATION, AND COMMUNITY DEVELOPMENT

SENATE COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS

Hearing on
“Rail Modernization: Getting Transit Funding Back on Track”

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Chairman Menendez, thank you for this opportunity to present testimony to the Subcommittee on Housing, Transportation, and Community Development regarding rail modernization needs. You are holding this hearing at a critical time, as the transit industry looks forward to the next Surface Transportation Authorization at a time when annual ridership has reached record levels in the midst of a severe financial crisis. I understand that I have been invited to appear before you today primarily in my capacity as General Manager and Chief Executive Officer of the Metropolitan Atlanta Rapid Transit Authority (MARTA), while I also have the honor of serving as Chair of the American Public Transportation Association (APTA). I truly appreciate your interest in improving public transportation service in the United States, and I look forward to working with you in my dual capacity as this next authorization legislation moves forward.

ABOUT MARTA

The Metropolitan Atlanta Rapid Transit Authority (MARTA), the 9th largest transit system in the United States, provides comprehensive rail, bus and paratransit service with over 143 million passenger trips per year. We are also one of a few Tier 1 transit systems designated by the Department of Homeland Security. The MARTA rail system provides revenue service over 48 miles of double-track to 38 stations with 338 rail cars, with a total of 104 miles of mainline track and three rail yards with 20 miles of yard track. We operate 600 clean fuel buses over 130 routes, and our MARTA Mobility

(Paratransit) Program operates 175 lift-equipped paratransit vans serving persons with disabilities. We serve the core of one of the fastest growing regions in the Nation, expected to add three million more residents over the next 30 years. While federal transportation investment has and remains critical to our transit system's preservation and expansion, we are primarily funded by a 1 percent sales tax levied in Fulton, DeKalb Counties and the City of Atlanta.

MARTA began heavy rail service in June 1979, with our most recent rail extension coming on line in December 2000. MARTA's current infrastructure represents a $6 billion-plus investment. Several suburban bus providers connect to the MARTA rail system which is the backbone of the regional transit network. While ridership has grown, the Region currently does not have the funding to expand service to accommodate rising demand.

As importantly, and most germane to the subject of this hearing, our system is equally constrained in its ability to adequately fund and support the sharply escalating infrastructure renovation, rehabilitation, replacement, and modernization needs of a "first generation, aging New Starts system." Candidly, not unlike the "baby boomers", MARTA is representative of a whole generation of rail transit systems in our country that have been established over the past 25-35 years, largely in high growth areas with significant continuing pressures for growth and expansion. From a physical infrastructure, asset management and people perspective, the challenges facing these transit systems are often times monumental as they grapple with the very real issues of system maturation, system preservation and system expansion.

Not surprisingly, due to the recent economic downturn, there has been significant erosion in MARTA's capital program. Whereas, we had originally planned to invest $359 million in capital improvements this fiscal year, our adopted FY10 capital plan is now only $248 million. As previously noted, local sales tax revenue is our primary funding source, with approximately 15% of MARTA's current Capital Budget being federally funded. While our Region has adopted a progressive vision for transit expansion, known as Concept 3, which calls for major extensions to the MARTA rail system, we are still seeking to identify additional funding sources to be able to implement this Plan.

THE VITAL FEDERAL PARTNERSHIP

We are indeed grateful for the long-standing support of Congress and the Federal Transit Administration, which has made a substantial contribution to MARTA's success. The development of MARTA's rapid rail system was greatly aided by the Federal New Starts program, with initial construction beginning in 1975 and our first East Line rail segment opening for revenue service in 1979.

Most recently, passage of the American Recovery and Reinvestment Act (ARRA) has made a crucial difference in our agency's ability to survive the current economic recession. MARTA is receiving $88 million in Economic Recovery funding, which we are utilizing for our most critical needs—the Upgrade of our Fire Protection System, Replacement of Rolling Stock, and Preventive Maintenance.

Despite this timely infusion of capital, MARTA and public transportation agencies across our nation still face monumental financial challenges. We will need your continued support and significantly expanded federal transportation investment to help us maintain our transit systems in a state of good repair.

At this point, the results and costs of the decades of underinvestment in our surface transportation systems nation-wide are well documented. As summarized most recently by the House Committee on Transportation and Infrastructure:

- the American Society of Civil Engineers grades our transit systems a “D”;
- over 32,500 public transit buses and vans have exceeded their useful service life;
- within the next six years, almost every transit vehicle (over 55,000) in rural America will need to be replaced; and
- the nation’s largest public transit agencies face an $80 billion maintenance backlog to bring their rail systems to a state of good repair.

And, this is just the tip of the iceberg.

STATE OF GOOD REPAIR

First, I will start by stressing that the challenges confronting us in addressing the issue of "state of good repair" are industry-wide. Virtually every community and transit operator is grappling with this issue regardless of size or geography. And, it is my firm belief that significantly expanded federal transportation investment coupled with real program restructuring, meaningful performance metrics, strong oversight, and incentives for self help are key elements of the prescription needed to help us move forward. Within this broader context, I would like to take just a few moments to talk a bit about the MARTA system which is characteristic of an important slice of transit systems in our industry, which I commonly refer to as the "aging, one generation New Starts transit systems."

MARTA, which began rail operations 30 years ago, is no longer the "new kid on the block" and is now a mature transit system well into middle age. We, along with our sister agencies in Washington, D.C. and the San Francisco Bay Area—which also began in the 1970's—and a number of other first and second generation transit systems in largely high growth areas of the country (like San Diego, Sacramento, Portland, Miami – to name a few) are sometimes referred to as the "Aging New Starts Systems."

MARTA's experience—as we begin our 2nd generation—is that while not a great deal of capital replacement may be needed in the first seven to ten years of rail system operation, around that point many of the system infrastructure elements, seemingly all at once, begin to require re-capitalization. For example, heavy rail cars, which have a 25 to 30 year minimum service life standard, should typically undergo a mid-life overhaul around the 12 to 15-year mark. It goes without saying that deferring such re-investment is extremely costly – in terms of both reliability and potentially, safety. While the focus on state of good repair is typically driven by a look at physical infrastructure, I would be remiss if I did not also stress the critical importance of the associated people and workforce development considerations that are also an important element of this topic.

As Congress considers the next surface transportation authorization, it is important that the needs of these first and second generation systems are adequately factored into the equation, including more equitable ways to allocate Rail Modernization funds. As importantly, funding flexibility and new initiatives in the area of workforce development would be very beneficial.

As our transit system continues to age, it has become increasing challenging to maintain a state of good repair. The average age of our rail car fleet is over 20 years old, with our original fleet of 120 rail cars now reaching the 30-year mark. In addition to rolling stock, fixed facilities such as passenger stations, trackway and structures, and train control and signal systems are subject to deterioration over time and need to undergo capital rehabilitation and/or replacement at the requisite intervals. In 2000, MARTA conducted its first Asset Condition Assessment which projected a need for significant re-investment to sustain the system in a state of good repair over the next 20 years. We completed a comprehensive life system safety assessment this past year; and are currently in the process of fully updating our Asset Condition Assessment. Moving forward, this information will form the basis for our capital program planning and development – with a first focus on safety/regulatory compliance and "state of good repair" – fix it first. This past year, the MARTA Board of Directors codified this capital programming emphasis on safety/regulatory compliance and state of good repair.

Over the next 20 years, based on existing data—MARTA has a projected need of approximately $5.2 billion in capital re-investment in order to safely maintain our existing rail/bus system in a state of good repair. Under the existing federal program structure, projected FTA funding, while very much appreciated, falls far short in addressing these needs. For example, while MARTA transports over 80 million passengers per year on our heavy rail system, the Authority is receiving less than $37 million annually in FTA Rail Modernization program funding.

On the plus side, MARTA has recently completed an extensive multi-year rail car rehabilitation program, overhauling 218 of our oldest cars to extend each car's life by 15 years. The cost-effective program has already resulted in an increase in MARTA's rail service reliability by 22 percent and has also improved on-time performance substantially.

For a cost of $246 million, MARTA contracted with New York based-Alstom Transportation, Inc. USA to take each vehicle down to its shell and rebuild it from the ground up using new components and designs. By refurbishing the rail cars instead of buying new ones at a price of $3 million each, which was the average cost of a new rail car in 2005, MARTA saved an estimated $408 million. Due to careful management of the rehabilitation contract, MARTA is completing the program approximately $3 million under budget. To ensure the long-term sustainability of the rail car fleet into the future, MARTA has developed and implemented a comprehensive Life Cycle Asset Reliability Enhancement (L-CARE) preventive maintenance/system preservation program, which is designed to maintain the newly rehabilitated vehicles in a state of good repair.

The success of MARTA's rail car rehabilitation project highlights the criticality of "state of good repair" and system preservation to all rail transit systems. The MARTA project would not have been possible without the substantial financial support received through the FTA Fixed Guideway Modernization program, totaling $167 million in Federal assistance over a multi-year period. The assurance of annual formula funding over the life of the project enabled MARTA to make a multi-year commitment to rehabilitate the rail cars. It is essential that the Fixed Guideway Modernization program be expanded in the future, with guaranteed minimum overall funding levels, to better address the full range of rail system rehabilitation needs.

The issues with regard to rail infrastructure investment are a national issue that is not confined to one group of rail transit systems or area of the country. There are absolutely staggering needs for many of our oldest rail transit systems that are well-documented; growing needs for the next generation of aging systems ("the boomers") – like MARTA; and a whole host of newer systems that will also go through the same growth and maturation process. Simply, we need a level of surface transportation funding investment that helps us begin to gain ground on the tremendous backlog in state of good repair accompanied by programmatic, performance-driven reforms that support and recognize self-help, prudent decision-making and resource allocation.

Due to the recent financial crisis, the sales tax revenues that fund the majority of MARTA's Capital Budget have precipitously declined. This has unfortunately led to major cuts in our Capital Improvement Program (CIP), resulting in a $1.4 billion reduction in our CIP over the upcoming 10-year period. Many worthy projects, such as rail station renovations, rail trackway structure/pier refurbishment, station roof replacement, and station escalator, plumbing and electrical systems replacement—are having to be either deferred or eliminated. The Authority is prioritizing the constrained resources available on Life Safety and State of Good Repair projects. MARTA will soon be issuing major third party contracts to replace and upgrade our Automated Train Control System and to replace the running rail on a significant portion of our trackway. Other worthy projects, however, such as replacement of leaky roofs at older rail stations, have to be deferred. While our rail rolling stock is now in very good condition, additional funding resources will be needed to maintain a state of good repair on our fixed infrastructure facilities.

We appreciate the FTA's recent initiatives focusing on the State of Good Repair (SOGR) in the transit industry. The FTA's Rail Modernization Report issued to Congress in April 2009, which focused on the needs of seven of the larger rail systems, was definitely a much needed report and a good beginning. We welcome and support FTA's interest in expanding this SOGR study to include other systems, such as MARTA's, which are also faced with similar challenges.

While it is not the immediate focus of this hearing, I would be remiss if I did not also mention that many of our nation's bus systems also have significant state of good repair needs. A recent APTA/AASHTO survey indicates that public transit systems nationwide have not been able to keep pace with investment needs for bus replacement in accordance with FTA guidelines. The survey found that, in total, 59 percent of the vehicles in our nation's 40-foot urban bus fleet are overage, or will reach the end of their FTA-recommended service life during the next six years. There are also equally compelling needs for rural transit systems throughout the country.

The maintenance of transit capital assets to ensure a "state-of-good-repair" is critical. Deteriorating systems simply do not attract new riders. Both the National Surface Transportation and Revenue Study Commission and the recent report of the National Surface Transportation Infrastructure Financing Commission have highlighted the growing gap between our infrastructure needs and our present level of investment. The federal government has a clear responsibility to help maintain infrastructure it has already spent considerable resources to build, and also to help expand that infrastructure to meet our nation's critical transportation needs.

Proper asset management and proper maintenance today alleviates the need for much larger capital investments in the future. The ARRA provided a first step in addressing the backlog in system rehabilitation, but many systems across the country, including MARTA's, still face significant needs to maintain their existing public transportation assets. As we continue to maintain assets, we cannot ignore the equally challenging demand for new and improved services across the country where public transportation is not yet providing a level and quality of service that provides a real alternative.

Fixed Guideway Modernization funding allocation decisions should take into account transit industry service life standards and life cycle rehabilitation/replacement cycles. I would recommend the development of a national inventory of transit assets, a prioritization of needs and required communication to FTA on when those needs have been improved to a state of repair of fair or better.

There is a wave of rail transit systems that came on line in the 1980s that are now reaching the generational mark—San Diego, Baltimore, Los Angeles, Miami, Portland, and Sacramento, just to name a few—that are either at or nearing the stage where substantial re-investment is necessary. Most of these “young adult” to “middle-aged” systems are located in areas of our nation that are forecasted to experience significant population growth in the future. If these fixed guideway systems are not supported in a sustainable state of good repair, then their potential to maximize the previous investment will be compromised. It would not be prudent national policy to concentrate federal modernization program funding solely on the older systems and allow the middle-aged systems to fall into a state of disrepair.

Mr. Chairman, when it comes down to it, the real issue before us all is one of investment. Each of the Commission reports contains strong recommendations to the Congress about the investment levels needed in the nation’s public transportation systems. APTA’s estimate of the total annual resources necessary to maintain and improve our transit systems to address our growing population and economic needs is $59.2 billion.

A BALANCED APPROACH

When asked, which is more critical—system expansion or system preservation—my answer is both are equally important. While on the one hand, it makes no sense to expand while the system is crumbling, at the same time we cannot afford to sit still. Transit provides such a substantial contribution to our nation’s economic health and quality of life, that both are essential. A strong federal-state-local partnership that provides a healthy balance of resources to both maintain and expand transit services is of vital importance to our nation’s economic, social and environmental well-being.

I urge the Subcommittee to strongly consider at least doubling the size of the Rail Modernization program over the next six years, based on the maxim that "a rising tide lifts all ships." The program should strike a balance between being "needs based," while also providing incentives for local and state investment as well. The formula should be fair and equitable, providing a reasonable opportunity for older, middle-aged, *and* newer systems to have adequate resources to sustain the previous investment in those systems.

I support APTA's proposal dealing with changes to the Fixed Guideway Modernization program, which essentially seeks to balance the needs of the old, middle-aged and new systems. One concern I have with the existing Program structure is that the initial tiers, which are first in line to be funded, are weighted in favor of the older areas. This became particularly acute to us in Atlanta, when the Recovery Act funds for Fixed Guideway Infrastructure were allocated. Rather than receiving a proportionate share of the funding, reliance on the pre-existing seven-tiered formula negatively impacted the funding allocated to MARTA.

It is thus important that the overall program funding level needs to be sufficiently high to fully encompass both Tier I (limited to existing systems) as well as Tier II, which would be open to all systems. We need to remember that the newer systems of today such as Phoenix will ultimately be facing similar challenges as systems such as Atlanta, Cleveland, Miami, and Washington, D.C.

MARTA supports APTA's recommendation to simplify the fixed guideway modernization program. The viability of APTA's two-tiered proposal is predicated on the hoped-for assumptions that the program funding will double, and that the program is needs based and its elements would be straightforward and uncomplicated. The current seven tiers should be folded into a much simpler two-tier formula program, and the funds provided equitably to all projects, without regard to minimum urbanized area population levels. The key to this structure being fair and equitable is that the overall funding level should be sufficient to fill-up both Tier I and Tier II. Otherwise, the newer systems, which have to solely rely on Tier II for their funding, will be disadvantaged. I respectfully request that Members of the Subcommittee keep the legitimate needs of all fixed guideway systems in mind as you prepare to deal with this critical legislation.

Mr. Chairman, I would also like to take this opportunity to thank you for your leadership in sponsoring the "The Close the SILO/LILO Loophole Act" (S.1341). This vital piece of legislation would go a long way in protecting MARTA and other public entities from the risk of having to pay tens of millions of dollars to banks at a time when demand for transit services is at an all time high and transit agency budgets are strapped. The technicalities are complicated but the equities are clear. Congress cannot let banks gain windfalls via tax shelters at the expense of the nation's transit agencies and other public agencies.

CONCLUSION

Funding for a state of good repair ensures that we maintain an efficient and sustainable means for Americans to get to work, reduce dependence on foreign oil, improve air quality and combat global climate change. The challenge we face in fulfilling that vision rests on our willingness as a nation to commit adequate resources to the task and to provide a financing mechanism for these resources. Public transportation provides mobility that contributes to national goals and policies to increase global economic competitiveness, energy independence, environmental sustainability, congestion mitigation and emergency preparedness. However, to be truly successful, public transit must be in a state of good repair. To realize public transportation's many contributions at the national and local levels, and to facilitate a doubling of public transportation ridership over the next twenty-year period and address the aforementioned national goals and policies, a significant expansion of the entire Federal Transit program—including the Fixed Guideway Modernization Program—needs to occur.

At a time that our systems are struggling to maintain a state of good repair in the face of declining state and local operating resources, we should not turn our back on the years of progress we have made in rebuilding a quality public transportation system. The Fixed Guideway Modernization program needs to substantially grow to address the state of good repair needs of rail transit systems across our nation. In considering the program structure, I would recommend a balanced needs-based approach, based on rational criteria, which is fair and equitable to all fixed guideway systems. The goal is to ensure all transit systems access to adequate capital funding while also simplifying the programs and speeding project delivery. In summary, I urge this Congress to provide the resources necessary to maintain a State of Good Repair among all of our nation's rail systems—old, middle aged, and young. We need this subcommittee's help to address this funding gap which threatens our ability to fulfill our mission.

Chairman Menendez, I thank you and the Subcommittee for allowing me to provide testimony on this critical issue.