

STATEMENT OF

THE 100 BUS COALITION

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS

OF THE

UNITED STATES SENATE

ON

STRENGTHENING THE ABILITY OF PUBLIC TRANSPORTATION

TO REDUCE OUR DEPENDENCE ON FOREIGN OIL

SEPTEMBER 9, 2008

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Good morning, Chairman Dodd, Ranking Member Shelby and members of the Committee. My name is David W. Kilmer, and I am the Executive Director of the Red Rose Transit Authority in Lancaster, Pennsylvania and Co-Leader of the 100 Bus Coalition representing small public transit systems in urbanized areas over 200,000 in population and operate less than 100 peak buses. I very much appreciate the opportunity to speak with you on behalf of the 100 Bus Coalition and the 150 plus public transit systems we work with on the subject of reducing dependence on foreign oil. This is a critical issue not only for small public transit systems, but for the entire public transit industry.

The recent high fuel prices have had both a very positive and very negative affect on all transit systems throughout the country as people are moving to the use of public transit in record numbers, but the additional cost of fuel has created severe financial strains for small systems. Just this past year, Red Rose Transit experienced a 67% increase in fuel costs going from \$1.92 to \$3.24 per gallon that added roughly \$500,000 to our operating budget. We were fortunate to lock-in at this price in March, 2008, but many transit systems were not as fortunate and are paying \$4.00 or more for diesel fuel as many suppliers are reluctant to provide fixed contracts due to the volatility of fuel pricing. To address this added cost, transit systems have no choice but to either increase fares significantly or reduce service, or in many cases both. We increased our fares on average of 11% this past July after increasing the fares last year by 8% and 5% the year before. Had it not been for the passage of the Technical Corrections Bill to SAFTEA-LU this past June, we would have had no choice but to make significant service reductions, plus even a larger fare increase. I would like to thank this Committee for its hard work and support for the Technical Corrections Bill on behalf of the 100 Bus Coalition.

While the increase in ridership does help defray the added cost of fuel, it does not come close to balancing the budget and for RRTA, it would take over a 16% increase in riders to make up the difference. For the Fiscal Year that ended June 30, 2008, we recorded a 4.4% gain in ridership due to high fuel prices and that was the biggest gain in over 20 years as it is difficult for small systems to realize large gains as in large urban areas. To put it in perspective, the typical transit system of the 100 Bus Coalition operates just 37 peak buses and carries roughly 2.3 Million passengers with an average operating budget just over \$7.2 Million and receives on average \$3 Million in federal funding. Also, to put it in perspective, recent surveys of our riders shows that the typical rider is female between the ages of 18-34, 76% of riders earn less than \$30,000 per year, and 51% use the bus to commute to work. More important, 78% of our riders have no other means of transportation. These results are typical for small transit systems and demonstrate the local importance transit has in the communities they serve and on the local economy as a vital means of employees to get to work. Like any good business, we look for any opportunity to reduce our on-going operating costs or potential revenue sources before a decision is made to reduce service. For small systems, every little bit helps, whether it is selling advertising on the side of buses or renting space on radio towers for cellular telephone service. This is why the last resort of transit systems is to reduce service because people lose jobs and the magnitude of the high cost of fuel is leaving many systems with no viable options

With this background, there are several actions that can be taken to make transit more fuel efficient. The most obvious is alternative fueled buses, with many transit systems indicating that hybrid electric buses are a preference as they replace obsolete buses. However, the increased cost of hybrid buses, roughly \$250-300 more than conventional diesel buses makes it

difficult on budgets as systems evaluate the need to replace old buses on limited or no funds. Several systems, including Winston-Salem, North Carolina; Lubbock, Texas; Oklahoma City, Oklahoma; and Martin County, Florida have all responded with the desire to purchase hybrid buses in order to reduce fuel consumption. This technology has proven to show 30-40% increase in fuel efficiency. For RRTA, the operation of a hybrid fleet would save roughly 154,000 gallons of diesel fuel for a cost savings of roughly \$500,000 based on our current contract price of \$3.24 per gallon. CITIBUS in Lubbock, Texas is currently out for bid for hybrid buses that will cost roughly \$500,000 per bus and only has enough money for three buses, but has an option for ten additional buses if funding becomes available. They estimate that if their whole fleet was converted to hybrid electric they would save 210,000 gallons of fuel per year and save \$800,000 in fuel costs. For transit systems of the 100 Bus Coalition, this could translate into annual fuel savings of nearly 25 million gallons. This just shows there is a real potential fuel savings from converting to hybrid buses if the funding was available. Not only would small systems benefit from the fuel savings, but operating new buses is far less costly than operating buses that are already beyond their useful life. One of the major problems facing small systems is the inability to replace old buses because of the lack of funding and we support increasing the federal share to 100% for alternative fueled buses as proposed in SB 3380.

Another issue facing many small systems is their ability to make capital improvements to facilities. RRTA's main operations facility is now 30 years old with antiquated operating systems that are very inefficient. The facility was built in the late 1970's when many public transit systems took over operation of service and like bridges and other infrastructure, are now obsolete and costly to maintain. We are currently moving forward with renovating and

expanding our facility and have funds for design and engineering, but no funds for construction. One of the primary goals is for a sustainable design that will include such measures as ground source heat, solar panels, and a waste-oil burner since we generate nearly half our heating oil needs just through oil changes on the fleet. We also plan to install skylights throughout our vehicle storage building and offices to reduce our lighting needs and electric use. These are all proven technologies that will result in significant and immediate reductions in energy use. We estimate that we can reduce our energy consumption by 60-70% with these improvements. The lack of funding is again a major deterrent from implementing such fuel efficiency changes. At present, we estimate we will need \$5 Million to renovate and expand our facility that will also include needed security measures. It will take RRTA 4-5 years to save up enough funds for this project and assumes we make no other capital improvements, such as replacing old buses.

As Chairman Dodd stated in his speech on July 31, 2008 on the Senate floor, "My answer is this: we must do all that we can to rebuild America's infrastructure, and we must do it now."

Investing in public transit will result in a reduction in dependence on foreign oil. First, we need immediate assistance to deal with the high increases in the cost of fuel as contained in SB 3380. Second, we need a long term vision that includes major investments in our nations infrastructure and public transit is part of the infrastructure. As we approach the authorization of a new transportation policy, it is important that we start thinking outside the box in terms of partnerships with local, state, federal, and the private sector in funding the capital and operating needs of public transit in all its modes. If Congress is truly serious about lessening the dependence on foreign oil, expansion of public transit services has to be at the forefront. I do not think anyone believes that the price of fuel will drop back to the price of even a year ago or that

it will not continue to rise. As I hear from other small systems around the country that are barely making ends meet, while at the same time experiencing record ridership gains, reducing transit service should not be the message of the day nor a policy that should be acceptable because of high fuel prices. I firmly believe that public transit is a vital link to a strong economy and needs a strong investment and eliminating service and the resulting loss of jobs is not the answer. I often joke that one of the prerequisites for being a transit manager is you have to like to ride roller coasters because that is our funding has been for operating and capital at all levels for nearly my entire thirty year career in transit. This makes it very difficult to effectively plan services and often results in tradeoffs between maintaining service and capital needs. One size does not fit all and small systems often get caught in the middle of regulations, such as the 200,000 population threshold. It is hard to explain in a public hearing that we may be forced to reduce service and people will lose jobs because our urbanized area population went over an arbitrary population level. We need a federal policy that recognizes the needs of small transit systems to operate service and the capital investment needed to replace vehicles and improve facilities.

In summary, there is a vital role that the federal government can play to reduce dependence on foreign oil through increased capital funding support for replacement vehicles and facility improvements. An immediate action and a crisis for all transit systems, is assistance with the high cost of fuel as contained in SB 3380. For systems in the 100 Bus Coalition, a change in federal regulations to make fuel an eligible expense under preventive maintenance would provide some flexibility to absorb the high cost and would minimize the need to reduce service on the street. For years, the Pennsylvania Department of Transportation has included the cost of fuel

under preventive maintenance. This is something that does not require any additional funding and provides the flexibility needed to deal with high fuel costs and could have an immediate impact for small systems. For the long term, there needs to be increased capital investments for vehicles and facilities. Alternative fueled vehicles, either hybrid electric or CNG are more expensive and for a small system it is a balance between the need to replace old costly vehicles with new ones and with limited funding, do you buy three conventional diesel powered buses or maybe two hybrid buses. We need an increased funding source that we can depend on and be able to adequately plan for our capital needs through the discretionary program (Section 5309) rather than hoping you can get an earmark each year because it rarely works for us small systems. Public transit is and should continue to be a partnership between the riders and the local, state and federal governments, with each providing some equity in funding services.

On behalf of the Red Rose Transit Authority and the 100 Bus Coalition, we thank the Committee for your consideration of our views and in these issues facing the public transit industry. We look forward to working with the Committee as you move forward with this issue and the authorization of a new national transportation policy.