

TESTIMONY OF
WILLIAM W. MILLAR, PRESIDENT
AMERICAN PUBLIC TRANSPORTATION ASSOCIATION
BEFORE THE
SENATE COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS
ON
STRENGTHENING THE ABILITY OF PUBLIC TRANSPORTATION
TO HELP AMERICANS ESCAPE HIGH FUEL COSTS

September 9, 2008

SUBMITTED BY

**American Public Transportation Association
1666 K Street, N.W.
Washington, DC 20006
(202) 496-4800
www.apta.com**



APTA is a nonprofit association of more than 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. More than ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

Introduction

Chairman Dodd, Ranking Member Shelby and distinguished members of the Committee, on behalf of the American Public Transportation Association (APTA) I thank you for the opportunity to testify today. We have witnessed sweeping changes in American travel patterns in 2008 in response to rising fuel prices, and public transportation is playing a key role in helping individuals escape the heavy burden of \$4 a gallon gasoline while preserving the mobility we have all come to expect. In the second quarter of 2008 as the price of gasoline rose steadily, Americans took more than 2.8 billion trips on public transportation vehicles. This is almost 140 million more trips than last year for the same time period or 1.5 million more each day.

Americans are changing their travel behavior because they realize that taking transit, using a bicycle or walking can dramatically reduce their commuting costs. On average, a transit user saves more than \$9,596 per year by taking public transportation instead of driving based on today's gas prices. These savings are important not only for individuals and families, they are important when we consider the urgent need for the United States to attain energy independence. By reducing travel and congestion on roadways and supporting more efficient land use patterns, transit saves the U.S. 4.2 billion gallons of gasoline each year, the equivalent of more than 11 million gallons per day. That amount of savings is equivalent to oil refined from 102 supertankers, or more than three times the amount of oil we import from Kuwait each year.

It should be noted that transit ridership has been growing robustly in recent years. Last year, 10.3 billion trips were taken on U.S. public transportation – the highest number of trips taken in fifty years. Public transportation use is up 32 percent since 1995, a figure that is more than double the growth rate of the population (13 percent) and up substantially over the growth rate for the vehicle miles traveled (VMT) on our nation's highways (24 percent) for that same period. In fact, in recent months growth in transit ridership has accelerated while use of our highways has fallen. Transit ridership grew by more than 5.2 percent in the second quarter of 2008, while the Federal Highway Administration (FHWA) has reported that the vehicle miles traveled on our nation's roads declined by 3.3 percent.

While discussing declining highway travel, I want to note that APTA strongly supports the legislation to provide a short-term fix to the funding shortfall facing the Federal Highway Trust Fund. While that legislation does not address the larger issue of underinvestment in our nation's transportation system, particularly underinvestment in public transportation, it will give the Congress more time to address the long term funding need without drastically reducing current surface transportation investment levels.

Turning back to the role of transit, increasing access to public transportation is key to sustaining ridership growth and expanding the fuel savings attributed to transit use. Households within close proximity of public transportation drive an average of 4,400 fewer miles annually than those with no access to public transportation, but Americans can't use what they don't have. According to U.S. Census data, only 54 percent of American households have access to any public transportation services.

Barriers to Expanding Public Transportation Ridership

APTA's member transit systems are working hard to meet the increased demand for their services, but they face many difficulties. As ridership has increased, transit facilities across the country are often operating at capacity during peak travel times. Transit providers are struggling to maintain the quality of their physical infrastructure and the reliability of their service. Transit systems are under pressure to raise passenger fares, cut service or find other means to pay for the higher operating costs produced by increased ridership and their own rising fuel costs. Unfortunately, higher fares and reduced service will only undermine the increased transit ridership that advances so many national goals.

We recently conducted a survey of U.S. transit systems to determine how increased ridership and rising fuel prices have impacted transit operations. We found that six out of ten (63 percent) of transit systems that participated in the survey are experiencing capacity problems in the peak period, and almost four out of ten (39 percent) report they are now turning away passengers. Overall, 85 percent of the systems that responded to the survey have capacity constraints on portions of their systems.

U.S. transit systems simply do not have the resources to expand service as needed. In the past year more than half of U.S. transit systems reported dealing or stable local and state financial assistance over the last year. Just as revenues that support the Federal Highway Trust Fund are declining as a result of reduced driving, many states are experiencing similar declines in revenue from their motor fuel taxes. Meanwhile, the slowdown in the economy is shrinking other state and local resources as sales taxes and real-estate based revenues decline. Also, despite the growth of the federal transit program, which this Committee has championed, federal funding has not kept up with the growing needs or inflation. According to the Associated General Contractors of America (AGC), the price of construction materials for transportation infrastructure has increased by 77 percent in the past 5 years, a much faster rate of growth than the consumer price index (CPI) which increased 19 percent.

It is a tragedy that public transportation systems cannot expand their services enough to help more Americans leave their cars at home and save fuel and money, but transit providers are currently facing an even grimmer prospect: many of APTA's member transit systems are being forced to choose between raising passenger fares or cutting service to make up for the increased cost of the diesel fuel used by most transit vehicles. The price of diesel fuel paid by transit systems has increased by more than 166 percent in just 4 years, and for every penny added to the cost of diesel and gasoline, the public transportation industry faces an increased cost of more than \$7.6 million dollars. The burden of increased transit fuel costs is so great that 35 percent of public transportation providers responding to our survey have been forced to cut or plan to cut the level of passenger service they provide in spite of the growing demand. Transit needs to be part of the solution to – not the victim of – high petroleum prices.

APTA Recommendations

To provide the level of public transportation service that continues the growth in ridership and allows more Americans to avoid the burden of high gas prices, APTA urges Congress to provide immediate new investment in public transportation infrastructure and service. Without new federal resources, transit providers will struggle to maintain current levels of service, be required to raise fares, or worse, be forced to reduce service. Better transit service is one of the few policy options the federal government can pursue quickly that can offer Americans immediate relief from high gas prices, and your support can help make that option a reality.

To meet these pressing challenges, APTA offers the following recommendations:

- **Provide immediate federal investment through energy or stimulus legislation to help transit systems meet the rapid growth in demand for public transportation services resulting from high gas prices.**

As Congress considers proposals to address energy prices and to foster economic activity, federal investment in public transportation clearly addresses both needs. The record ridership numbers on U.S. transit systems this year demonstrate that Americans want increased transportation choices to help them escape the high price of gasoline.

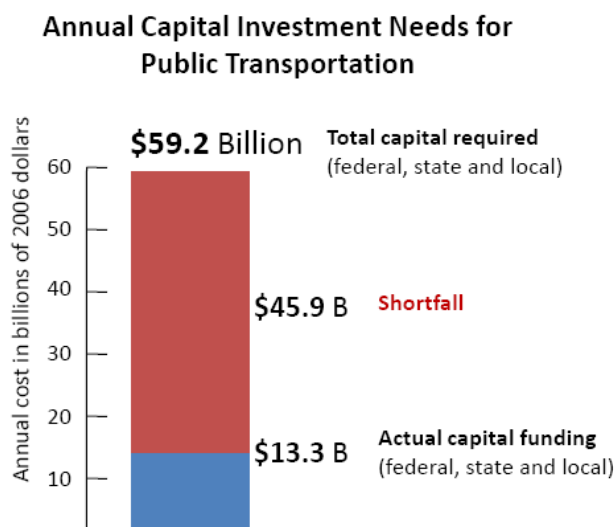
Earlier this year APTA identified and shared with this Committee more than \$3.6 billion of capital transit projects that could begin within 90 days of federal funding being made available. Federal investment could be targeted to provide transit systems with the means to quickly expand current services and meet the increased demand for transit services. Examples of potential projects include:

- purchase of rolling stock (buses, locomotives and rail cars, etc.) under existing contracts,
- acceleration of construction projects that add capacity, including fixed guideway projects under the News Starts and Small Starts programs (49 U.S.C. 5309), and
- acceleration of activities that yield improvements in transit operations, including deferred maintenance projects and general procurement.

All three categories would help transit systems increase the availability and capacity of their services.

By choosing to invest in public transportation that gives Americans more transportation choices, Congress can help the economy. For every \$1 billion invested by the federal government in transportation infrastructure, the U.S. Department of Transportation estimates that approximately 35,000 jobs are created. If Congress chooses to provide immediate new investment in transit, several high priority areas of capital investment could be targeted to ensure that federal funding is quickly utilized, resulting in new economic activity that can also help give consumers more transit options, easing the burden of high gas prices.

While immediate investment would be extremely beneficial, Congress in the longer term must begin to address the annual capital funding shortfall for public transportation. U.S. transit systems need approximately \$60 billion a year in capital investment to improve and maintain transit infrastructure at a rate that would allow ridership to double in 20 years. The federal government traditionally provided approximately 50 percent of the capital investment in transit, but that share has shrunk. In 2006, the most recent year reported, the federal government provided 43.6 percent. As we move ahead, the federal government needs to invest upwards of \$30 billion a year to support vibrant transit service across the nation.



Source: Cambridge Systematics, "State and National Public Transportation Needs Analysis," 2008.

- **Help public transportation agencies avoid fare increases or service cuts necessitated by increased fuel and operating costs.**

In addition to taking advantage of the benefits of capital investment in public transportation, Congress should consider the operating needs of transit providers. Transit systems across the country are currently under pressure to raise passenger fares or find other means to offset higher operating costs produced by rising fuel and electricity costs. As mentioned earlier, the average price paid by transit systems for diesel increased 166 percent in just four years, from \$1.25 to \$3.32 per gallon. That price continues to rise as long-term fuel contracts, which are utilized by many agencies, expire and transit systems are forced to purchase fuel at current market prices, which currently are above \$4 a gallon.

Transit agency budgets generally set aside funds to deal with normal fluctuations in the price of fuels, but recent increases in the price of diesel have far exceeded the financial reserves that publicly funded agencies commonly maintain. Just like households, business and other organizations, transit systems are struggling to cope with high fuel prices, but only transit providers are being asked to expand services and thus increase their fuel consumption in order to increase service and provide more transportation options for their communities.

Transit systems have already taken steps to improve fuel efficiency in response to rising diesel prices. Such steps include route changes, driver training to minimize fuel consumption, and vehicle maintenance, but these actions have only a modest effect on total fuel costs. To avoid further harm, Congress must act quickly to help transit systems cope with rising fuel prices by offering federal assistance to mitigate transit fuel prices.

Impact of Rising Fuel Costs on Transit Services APTA Survey Results – August 2008	
Action under consideration by transit systems to address increased fuel costs	Percent responding “Yes”
Fare increases	61%
Service cuts	35%
Delay or cancellation of operating improvements	33%
Delay or cancellation of planned service increases	31%
Transferred funds from capital use to operations	25%

- **Promote energy efficient technology in public transportation systems to increase the already substantial fuel savings from transit and improve operational efficiency.**

Congress should encourage new investment in energy efficient technology that could increase the annual fuel savings from current public transportation services. Transit agencies, often using local funding, have already begun to invest in new vehicle technology, such as hybrid buses, and new energy efficient facilities. New federal support for such investment would speed the deployment of advanced technologies, increasing fuel savings and simultaneously reducing the cost of transit operations, thereby freeing up resources to support expanded service.

Several categories of federal investment could yield important improvements to the efficiency of transit operations:

- **Purchase of clean and alternative fuel rolling stock.** The purchase of new bus and rail rolling stock makes transit fleets more energy efficient. For example, the fuel economy of hybrid buses in operation today is between 10 to 40 percent better than conventional diesel buses. Transit systems have also made innovative investments in vehicle fleets that utilize compressed natural gas (CNG) and liquid natural gas (LNG), a clean, often domestically supplied fuel sources. Unfortunately, many transit agencies are unable to purchase clean and alternative fuel fleets because of the higher upfront capital costs. Additional federal investment, without the local match requirement, would encourage and accelerate the acquisition and deployment of such new vehicle technology and help agencies reduce the cost of operations in the long term. It would also put more Americans to work in new “green collar” jobs because all transit vehicles purchased with federal resources are manufactured domestically.

- **Grants for improvements that reduce energy consumption at transit facilities.** Many transit systems have begun to invest in efforts to reduce energy consumption at stations and other facilities. New standards such as U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) standards are informing and guiding transit systems as they construct new facilities and retrofit existing infrastructure, but transit systems often lack the resources to undertake the additional planning and higher upfront construction costs that can be associated with new energy efficient building practices. New federal investment would accelerate the implementation of "green" building practices and help agencies reduce their energy costs.

Conclusions

APTA notes that several legislative efforts have already begun to address these issues. We urge the U.S. Senate to approve language such as the transit provisions of the Reid substitute to the energy bill, S. 3268, that was considered by the Senate in late July 2008 or the House-passed "Saving Energy Through Public Transportation Act of 2008" (S. 3380, as introduced by Senator Hillary Clinton). Both proposals would authorize more than \$1.7 billion of much needed new capital investment, and the Reid substitute would make funding immediately available to transit systems. Meanwhile, the "Saving Energy Through Public Transportation Act of 2008" would help transit systems cope with increased fuel costs. These proposals should be combined and passed by the Senate at the earliest opportunity. Better transit service provides immediate relief to the high cost of gasoline, and federal action is essential to meeting this need.

Expanding public transportation in the U.S. is a national priority that should be specifically targeted as Congress works to secure energy independence. We all have a stake in expanding public transportation use. Mr. Chairman and members of the Committee, on behalf of APTA's more than 1,500 member organizations, I thank you for this opportunity to express our views.