TESTIMONY OF

Joseph M. Casey

GENERAL MANAGER
SOUTHEASTERN PENNSYLVANIA TRANSPORTATION AUTHORITY
PHILADELPHIA, PA

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SUBCOMMITTEE ON HOUSING, TRANSPORTATION, AND COMMUNITY DEVELOPMENT

ON

BRINGING OUR TRANSIT INFRASTRUCTURE TO A STATE OF GOOD REPAIR

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SEPTA

Southeastern Pennsylvania Transportation Authority
1234 Market Street
Philadelphia, PA 19107
www.septa.org

Chairman Menendez, Ranking Member Moran, and members of the Subcommittee, thank you for the opportunity to testify on the federal role in bringing the nation's public transportation infrastructure to a state of good repair. I am Joseph Casey, General Manager of the Southeastern Pennsylvania Transportation Authority (SEPTA).

About SEPTA

SEPTA was formed by an act of the Pennsylvania General Assembly to provide public transportation services to the five counties of southeastern Pennsylvania (Bucks, Chester, Delaware, Montgomery and Philadelphia). Between 1964 and 1983, SEPTA assumed ownership and operation of various transportation companies, including the Philadelphia Transit Company (PTC), the Philadelphia and Western Railroad (the P&W or Red Arrow), and a commuter railroad system from Conrail that was originally constructed by the Pennsylvania and Reading Railroads. Today, SEPTA is the sixth largest public transportation operator in the country, and the largest in Pennsylvania.

SEPTA's service territory covers 2,220 square miles and four million residents living in the five-county region, with service extending to Trenton and West Trenton, New Jersey and Newark, Delaware. SEPTA is a multi-modal transit system which provides a vast network of fixed-route services including 119 bus routes, two subway/subway elevated lines, 13 Regional Rail lines, eight trolley lines, three trackless trolley routes, an inter-urban high-speed rail line and paratransit service. SEPTA provides more than one million daily passenger trips, and during the fiscal year that ended June 30, 2013, SEPTA recorded 337.3 million (unlinked) passenger trips. Regional Rail ridership has increased 50 percent, over the last 15 years, with annual ridership up from 24 million to an all-time record 36 million trips last year. Ridership continues to grow across all modes, with average annual increases of 1.9 percent over the last seven years, and total annual trips up by more than 40 million since 2006.

Our nation's economic competitiveness and long-term prosperity rely upon the ability of its extensive and interconnected transportation network to safely and efficiently move people and commerce throughout the country, and connect U. S. markets to the world. Maintaining the infrastructure that supports the nation's highway, transit, freight and inter-city passenger rail systems is an established national priority, and Congress must preserve the federal government's 50-plus year commitment to public transportation, and preserve and strengthen the Mass Transit Account of the Highway Trust Fund.

Last year, Americans took 10.7 billion trips on public transportation. Yet, at a time when transit ridership reached its highest levels in 57 years, the industry continues to fall behind in the investment required to bring our transit systems to a state of good repair.

According to the 2013 Conditions and Performance Report released by the U.S. Department of Transportation in February, the state of good repair backlog for transit systems nationwide has risen to $86 billion – an increase of $9 billion, or nearly 12 percent, since the FTA's 2010 National State of Good Repair Assessment. This number is projected to grow by $2.5 billion per year, and the Report states that total spending on state of good repair from all sources must increase by $8.2 billion per year to address this backlog.

The funding and operational pressures related to state of good repair are particularly acute for large urban transit systems with aging rail infrastructure. Infrastructure related to rail transportation – track, power equipment, bridges and tunnels, stations and vehicles – accounts for roughly three quarters of the national transit state of good repair backlog. It is important to note that older systems – such as ours in Philadelphia – were built largely without the benefit of federal support.

In MAP-21, Congress responded to the rail state of good repair crisis by creating the new state of good repair grant program and increasing funding for the nation's rail transit systems to invest in their critical state of good repair needs.

On behalf of transit riders in our region, I want to thank this committee for its role in making that program a reality. Creating that program was a major goal for SEPTA and our colleagues in other regions. In pursuit of that goal, leaders of the nation's largest transit systems formed in 2007 an informal group we call the Metropolitan Rail Discussion Group (MRDG). Since 2010, I have served as Chair of MRDG. Our basic principles include the following:

- Passage of a six-year transportation authorization with predictable, growing sources of funding.
- Increased federal investment to modernize our nation's public rail transportation systems given their significant impact on issues of national importance such as jobs, economic development, congestion relief and air quality.
- Funding within the federal transit program should be prioritized according to need and with consideration of the impact of that funding on the issues of national importance.

It is important to emphasize that first principle – a predictable and *growing* source of funding. As I noted earlier, the state of good repair backlog is growing quickly at our nation's transit systems. Our investment, therefore, must also increase so we do not fall farther behind.

Our experience at SEPTA demonstrates the need for investment and the cost of not investing. Our current backlog of unmet infrastructure needs is now more than $5 billion dollars – nearly three-quarters of which is concentrated in SEPTA's aging rail infrastructure. SEPTA's Regional Rail and rail transit network is extensive, and much of the infrastructure that supports it has exceeded its useful life and requires replacement. For example:

- Much of SEPTA's Regional Rail system was originally built in the mid- to late- 19th century. The average age of SEPTA's railroad bridges is more than 80 years old, with 103 bridges that are more than 100 years old.

- Fifteen of SEPTA's 20 traction power substations responsible for powering large segments of the Regional Rail system have been in continuous operation for more than 80 years, and are still relying on technology originally developed in the 1920s.

- The Authority's 231 Silverliner IV railcars (representing approximately two-thirds of SEPTA's Regional Rail fleet) are nearly 40 years old. More than 150 city and suburban trolley cars have already exceeded their 30-year useful life, and will need to be replaced within 10 years.

Over the next decade, SEPTA will need to invest $6.5 billion – approximately $650 million per year – just to bring the system to a state of good repair, including:

- $572 million to repair Power substations and other power infrastructure
- $716 million on system-wide track and tie renewal
- $1.2 billion on system-wide Regional Rail and rail transit station rehabilitation and ADA improvements
- $976 million for critical bridge replacement, rehabilitation and maintenance
- $2 billion on rail vehicle replacement

These cost realities are further exacerbated by funding pressures created by several unfunded federal mandates, including Positive Train Control (PTC), and changes included in the Passenger Rail Investment and Improvement Act (PRIIA) that increase fees paid to Amtrak.

- SEPTA made a commitment to achieving full compliance with the PTC mandate and is on schedule to make the December 31, 2015 implementation deadline. However, in doing so, SEPTA will ultimately divert more than $305 million away from critical state of good repair projects, including bridge and power substation rehabilitation.
- Starting in federal Fiscal Year 2015, SEPTA's annual capital and operating contribution requirements for rights to operate over Amtrak territory were increased as a result of language in PRIIA.

The cumulative effect of growing needs and level funding creates challenges to maintaining safe and efficient transit operations. By focusing on safety and adopting a "fix-it-first" approach, the Authority has been successful in sustaining service levels and on-time performance by directing capital resources to its most critically deficient infrastructure. This investment approach has guided our use of federal funds in recent years from MAP-21 and the American Recovery and Reinvestment Act (ARRA). Here are some examples of how we have invested the funds Congress has made available to us:

American Recovery and Reinvestment Act – SEPTA has a strong track record of implementing capital projects quickly, especially after being awarded federal funding from non-traditional sources. This is best exemplified by SEPTA's execution of its American Reinvestment and Recovery Act (ARRA) projects. SEPTA received $191 million in ARRA funds and advanced 32 projects. All major construction contracts were awarded within one year; and all projects were completed in less than three years.

Wayne Junction Regional Rail Substation – Built in 1931 for the old Reading Railroad lines, Wayne Junction Substation is a central facility that distributes electricity to 11 outlying substations and feeds catenary wires for half of SEPTA's Regional Rail lines. A failure at the Wayne Junction Substation would cause major disruption throughout the entire regional rail network. In partnership with the City of Philadelphia and the Pennsylvania Department of Transportation (PennDOT), SEPTA was awarded $12.8 million in funding through the federal 2012 Transportation Investment Generating Economic Recovery (TIGER) program for the renovation of the 80-year-old Substation. State and local sources provided matching funding in the amount of $12.9. Construction is underway on this critical project.

Hybrid Bus Replacement – SEPTA's current fleet of more than 1,400 buses includes 472 diesel-electric hybrid buses – approximately one-third of the total fleet. SEPTA was successful in securing federal competitive grants to assist in funding its hybrid bus replacement program. SEPTA expects to take delivery of an additional 205 hybrid buses, continuing to make SEPTA one of the largest public transit operators of this cleaner more efficient engine technology.

Silverliner V Railcar Procurement – SEPTA was able to leverage former FTA Section 5309 formula funding to secure the issuance of GARVEE Bonds that financed the purchase of 120 new Regional Rail cars to replace cars which were more than 40 years old and exceeded their useful life. The new railcars fully comply with American with Disabilities (ADA) requirements and meet Federal Railroad Administration (FRA) passenger car strength and safety requirements. Final assembly of the new cars took place at the Hyundai-Rotem facility in South Philadelphia where up to 300 jobs, including those of mechanics and electricians, were created to assemble the cars. Without a long-term federal formula program, SEPTA would not have been able to utilize this funding mechanism to make this important safety and efficiency upgrade to its rail fleet.

Climate Change Adaptation Assessment Pilot Program – In 2011, SEPTA was selected for funding as one of seven pilot projects undertaken through the Federal Transit Administration's Climate Change Adaptation Assessment Pilot Program. The recommendations of the FTA Pilot Program report, which are now codified within SEPTA's "Standard Readiness Plan for Hurricanes," are the foundation of SEPTA's Hurricane Sandy Resiliency Grant application. The grant application included 15 selected projects which will reinforce power systems for critical facilities, stabilize embankments prone to erosion, restore track integrity, improve hydrologic conditions, and prevent infrastructure degradation due to water infiltration. The application reflects SEPTA's overarching goal to improve resilience against costly damage and passenger delays, and to ensure ongoing continuity of operations, in the event of known and emergent vulnerabilities associated with extreme weather.

Of course, the federal government provides only a portion of the funds required to maintain and improve our transit system. The Commonwealth of Pennsylvania is a critical partner for us as well.

In Pennsylvania, Governor Tom Corbett and bipartisan leaders in the Pennsylvania General Assembly authored a comprehensive transportation funding plan that provides dedicated and growing investment in the state's transportation infrastructure. Transit infrastructure rehabilitation was one of the cornerstones of the bill, and funding was made available for SEPTA to begin to address its most urgent infrastructure needs.

Our story in Pennsylvania is not unique. My colleagues in other regions are working to address the state of good repair backlog through the resources of their own state and local governments as well. Indeed, the DOT report referenced previously notes that in 2013, state and local governments shouldered more than half the burden for investment in state of good repair for public transportation. Our leaders are doing this because they recognize the high cost of inaction.

We had to illustrate clearly the cost of inaction in order to build support for the Pennsylvania funding plan. As the bill was being discussed, the Authority was developing a plan that would have realigned the SEPTA system to service levels that could be safely supported under the constraints of persistent, long-term capital funding shortfalls. This realignment plan was necessary because of four years of severely reduced capital budgets and long-range funding uncertainty. If the plan had been implemented, more than 88,000 daily rail passenger trips would have been eliminated over the next decade. The congestion impacts would have been staggering.

The legislature recognized this was not a "Chicken Little" plan. It was a sober look at the cost of not investing in our transportation networks. That is a key point I want to make to this subcommittee today: we spend too much time focusing on the cost of government programs for infrastructure and not enough time focusing on the crippling cost of NOT investing in infrastructure.

In southeastern Pennsylvania, SEPTA is the engine of the regional and state economy, providing more than one million daily passenger trips. SEPTA has achieved record ridership during a national economic downturn, in spite of stagnant capital funding that has delayed system-wide improvements, and without expanding service. This ridership growth reveals two things: residents of southeastern Pennsylvania are increasingly choosing public transportation as their principal mobility option, and SEPTA's effective use of public investment is paying great dividends in customer satisfaction and rider retention.

To understand the entire cost of not investing, though, we need to look beyond ridership impact to the broader economic benefits of public transportation in our major metro areas. These areas rely on public transportation to fuel economic growth and competitiveness by connecting employees to their jobs, allowing freight and vehicle commuters to move on less congested highways, and providing important mobility options for all members of the community.

While the benefits of investing in our system are mostly felt by the people and businesses in our service area, the economic impact of SEPTA transcends our regional boundaries.

SEPTA's capital and operating expenditures contribute $3.21 billion in economic output, supporting nearly 26,000 jobs. Hundreds of companies – large and small – across Pennsylvania and the country also benefit from doing business with SEPTA. Each year, SEPTA procurement returns hundreds of millions of dollars to the national economy, supporting business and creating jobs. Between 2009 and 2012, SEPTA purchased more than $1 billion in goods and services from Pennsylvania companies, and an additional $850 million from businesses throughout the country.

The nation's economy is damaged when our major metro areas cease to function efficiently as gateways for the movement of goods and people between U.S and international destinations. A short-term "patch" on the Highway Trust Fund highway and transit accounts will not address the crucial shortfall in investment. If Congress takes that approach – either for six months, a year, or two years – it will be sending a signal to state and local officials that they do not have a partner in Washington.

Now more than ever, states need to know they have a strong and committed federal partner in the preservation of the nation's transportation infrastructure.

With all these points in mind, I urge this subcommittee and the full committee to develop a plan for a multi-year public transportation investment program with funding levels that show increases from year-to-year to reflect the growing needs across the country. A robust and growing state of good repair program should be a centerpiece of the national transit program.

Thank you for the opportunity to testify today and I look forward to answering your questions.