

Testimony of
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Good morning Chairman Biehler, members of the Pennsylvania Transportation Funding and Reform Commission, and other guests. I am Mark Schweiker, President and CEO of the Greater Philadelphia Chamber of Commerce, representing 5,500 members serving approximately 175,000 Philadelphia area employees. Today, I am also here in my capacity as Chairman of the CEO Council for Growth, a group of business leaders who sponsor the efforts of Select Greater Philadelphia, a private, non-profit business marketing organization dedicated to building the economy of the Greater Philadelphia Region.

Beside me this afternoon are two other respected leaders in our region's business community: Paul Levy of the Center City District and Steven Wray of the Pennsylvania Economy League. Together, we are working to improve the competitiveness of Greater Philadelphia and we share the belief that a quality transit system is essential to that goal. Specifically, a predictable and sustainable source for fully funding public transit is necessary to enhance mobility, reduce congestion on our roadways, enable employees to get to work, students to get to school, and residents, visitors and shoppers to enjoy all of the amenities of the region.

I know that Paul and Steve join me in commending the members and staff of this Commission for their time and efforts to assess the magnitude of the transit funding crisis facing Pennsylvania and to identify a full range of options for permanent, long term solutions to improve the commonwealth's system of highways, bridges, trains and buses.

Pennsylvania's transportation infrastructure – which includes both highways and public transit -- is a vital component of our state economy and our prospects for future growth and job creation. A viable transit system is especially critical to our local economy in southeastern Pennsylvania as employers, commuters and consumers depend upon the safe, reliable and affordable service that SEPTA provides.

“Greater Philadelphia has one of the largest and most extensive public transit and commuter rail systems in the country. The existing infrastructure covers virtually every corner of the region. Citizens of the region enjoy the lowest traffic congestion of the top ten metros in the country as nearly 1 million people ride transit daily.”

Those supported facts are listed in the marketing materials presented when Select Greater Philadelphia representatives meet with prospective businesses. The efforts of Select Greater Philadelphia are fueling an economic momentum that when combined with a possible Olympics bid, will dramatically increase our region's competitiveness as a business location.

Essential to the success of these efforts is a regional growth agenda that includes adequate funding for public transit and new, innovative transportation infrastructure investments that will help to elevate Greater Philadelphia as one of the world's premier business locations.

On May 9, officials from the United States Olympic Committee (USOC) met here with local public and private sector representatives to discuss the real possibility of a

Philadelphia bid for the Summer Olympic Games in 2016. Next week, the founder of the Sydney 2000 Olympic Commerce Centre will address more than 400 regional business leaders, elected officials, and economic development executives at our second annual State of the Region event. Why – to tell us how it is done and give a first hand account of how a large-scale, global event such as the Olympics would allow us to display our might as one, interconnected unit, ready to draw more companies, jobs and paychecks to the region. A significant factor in our ability to become a serious candidate in this bid is the strength of our regional transit system.

In addition to these two significant economic development initiatives in which SEPTA service figures prominently, I would also like to give you some examples of just what SEPTA means to business and jobs in the Greater Philadelphia region and why it is so vitally important that policy makers finally resolve the long term funding needs of this transit system and others across the state.

Transit means business in Pennsylvania.

In terms of direct economic benefits to Pennsylvania businesses, Public Transit:

- Spends over \$1 billion each year with Pennsylvania businesses
- Does business with more than 2,000 Pennsylvania businesses
- Buys thousands of "Made in Pennsylvania" products and services from steel to foam seating
- Returns up to \$6.00 in economic benefits to the region for every \$1.00 of public funds invested
- Employs 15,000 men and women through out the Commonwealth

SEPTA Public Transit:

- Spends over \$670 million each year. More than half of that stays in our region
- Employs 8,800 of the 15,000 transit professionals working across the State

SEPTA means business in this region.

- 70% of all Center City office workers take all modes of public transit into Philadelphia each day – that is 272,000 people who are not driving on our roads, bridges and highways.
- In the southeast region, where a total of 1.8 million people are employed, more than 18% ride SEPTA buses, rails and subways daily.
- 700 businesses in Greater Philadelphia find transit ridership important enough to offer tax-advantage transit benefit programs to their employees.
- 65,000 students at middle schools, high schools and colleges use SEPTA public transit
- Senior Citizens take more than 95,000 daily trips on SEPTA fixed route services.

World class architecture, direct access to trains, center of the northeast corridor, and economic incentives have lured 20 new tenants with 2100 employees to the Cira Centre. It is no coincidence that the newest addition to Philadelphia's skyline rose above tracks of

Philadelphia's 30th Street Station, the third busiest station in the United States and our local transportation hub. In fact, the Centre's website boasts that the building is connected directly to 30th Street Station with access to:

- Amtrak
- SEPTA Regional Rail
- New Jersey Transit
- SEPTA Subway and Bus
- Taxi Cabs
- LUCY

Tenants report that 75% to 90% of their employees at the Cira Centre are taking public transit to work. Many have been pleasantly surprised by the easy-access and low cost of public transportation. Cira Centre employees are directly connected to Amtrak's 30th Street Station via a pedestrian bridge across Arch Street through the upper lobby level. They exit trains and buses from New Jersey, Wilmington, Delaware and the Philadelphia suburbs and enter their building, never needing to step foot outside. The move into Center City Philadelphia was an adjustment for some. Two employers in the building offered transit subsidies to employees, one for three years and one for ten years. For many, transit has made their relocation to Center City a welcome change.

A few blocks away, at Drexel University, 18,000 students and 5,600 faculty and staff list good transit service as one of the reasons they choose to study and work at the sixth-largest private employer in the city of Philadelphia. Ten percent of their benefits-eligible staff sign up for a tax-free transit spending account. Even more use SEPTA without this benefit to reach their Drexel jobs. Drexel's commuter students depend on SEPTA to reach their Drexel classes and resident students use it to explore Philadelphia's historic, entertainment and cultural resources.

Drexel University is part of the city's second-largest employment center after Center City – University City. The SEPTA routes that serve University City's employment centers keep the neighborhood's already crowded thoroughfares from becoming even more congested.

At the corner of JFK Boulevard and 17th Street, the location of the new headquarters for Comcast, executives enthusiastically point to the entrances to Suburban Station that are only a few steps away. They estimate that 85% of their employees already take public transportation to their jobs and this convenient location may lure even more commuters onto SEPTA buses, subways and trains.

Nearby, at headquarters of Independence Blue Cross (IBC) at 1901 Market Street, statistics show that over 4100 of their 6500 associates rely on mass transit to get to their work locations everyday. IBC associates live across the tri-state region and are frequent users of the regional rail lines as well as the bus, elevated, subway and subway- surface lines. Over 1,500 IBC employees use the tax-advantaged transportation spending account and the company-run convenience store sells over \$800,000 in SEPTA passes and tokens annually

Over the years, IBC executives have had to identify new locations in Center City to support expanding business demands. Access to public transportation has been a critical factor in their site selection. Experience has shown them that prospective employees evaluate the convenience of commuting as a prime factor in their job search and, for the majority of those coming into the city, public transportation is the preferred method of commuting.

In the Philadelphia suburbs, developers like Brandywine Realty Trust have built office parks with particular consideration of access to public transportation. Tenants and employers have realized that public transit is an important benefit for their employees, often subsidizing their fares. For example, Brandywine Realty Trust developed office buildings in Radnor, establishing and bearing the cost of free shuttle service from the local train station for tenant employees. Executives estimate that 1500 of the 4000 individuals employed at the Radnor properties take the free shuttle service each week. At other Brandywine properties in the Horsham, Montgomery County area, employers subsidize 600 public transit riders per day.

Each day in the Greater King of Prussia area, SEPTA provides about 6,000 trips to employees and customers of the mall and local office parks.

Large employers aren't the only businesses who recognize the importance of public transit for their employees and for the operation of their businesses. Small and medium sized businesses rely on the region's rail and bus systems to transport their workers, customers, patients, and clients.

For example, at the Greater Philadelphia Chamber of Commerce offices, we have 106 full-time employees. 40 individual members of our staff participate in tax free transit spending accounts, buying transit checks through payroll deduction and saving a few hundred dollars annually in taxes. In addition, many of our staff frequently utilize public transportation to attend meetings and events throughout the city and the region.

Without public transportation, imagine the impact on workplaces, shopping centers and malls, classrooms, hospitals and doctors offices across this region. Without transit, how will 1 million commuters reach their destinations? 36% of Philadelphia households have no automobile available. Employment options for those individuals would be drastically reduced. Without transit, the primary challenge facing many center city and suburban businesses will become getting their workers to the job or finding replacement workers for those who simply cannot find a way to work.

SEPTA has been working hard and trying to do more with less for many, many years. Revenues from dedicated taxes and fees have never met goals or projections. In recent years, federal funding for operations has been eliminated. And while state allocations for these purposes have increased, that funding has not kept up with inflation. SEPTA has been forced to use capital funds for maintenance and repair, delaying long awaited system improvements. Chronic funding shortfalls have resulted in short-term, band aid

fixes year after year. Under these circumstances, what business operation could succeed and thrive.

Without a solution, continued threats of service reductions and fare increases, as well as the inability to respond to consumer suggestions and complaints will continue to cost SEPTA ridership. Cira Centre employees complain that if frequency of trains does not improve, commuters will be forced to return to their cars, clogging roads, bridges, highways and parking garages. One bus removes 40 cars from the road and one train removes 120 vehicles. And, public transit significantly reduces fuel consumption and annual emissions of pollutants improving air quality. Research suggests that for the first time in a long time, the expenses associated with riding the train and driving a car are now cost neutral. The remaining obstacle, many believe, is the convenience factor. Unless trains increase their frequency and are viewed as a convenient alternative to driving - ridership will never increase - in fact Cira Centre executives fear it will decrease.

SEPTA executives and managers agree that improvements, repairs and upgrades to the system are certainly needed. Many of the recommendations and suggestions on how to improve the transit system are not new, to SEPTA or its advocates. Many improvements have been listed among SEPTA's capital budget initiatives for some time and others are only missing from the list because of ongoing funding constraints.

Audit after audit has proven that SEPTA is one of the best run public transit systems of its size. After sifting through volumes of data and mountains of information, evaluators are often amazed that SEPTA has managed to do all it has with chronic funding shortfalls, mounting deficits, and no end in sight.

Like everyone in business, SEPTA is working to control their costs and trying to do more with less. As is the case in many businesses today, labor and benefits represent the largest expense to the bottom line. Since 1998, SEPTA has experienced a 139% increase in costs associated with healthcare and prescription costs. In that same period, pension costs have doubled, and required spending for ADA Paratransit has increased 65%. Injuries and damage claims are another category which representatives of the public and private sector hope to get under control through legislative and judicial tort reforms. Fuel costs and expenses related to increased security precautions are other unavoidable additions to the bottom line.

During last year's labor contract negotiations, both management and the rank and file are to be commended for their fair and successful negotiations. Each gave in significant measure to bring a swift end to the strike. To address the health care issue and increase savings, SEPTA has instituted higher co-pays, a self insured prescription drug plan and employee contributions. To reduce workers' compensation costs, SEPTA initiated joint management and labor cost containment teams, proactive settlement and subrogation programs, a capitated medical plan, 3rd party management of program and return to work incentives. SEPTA has also implemented many other cost cutting initiatives including significant job reductions.

For SEPTA to emerge from the type of crisis mentality that has resulted from chronic budget shortfalls, band aid fixes must be replaced with adequate long term funding with growth potential for public transit, statewide. We ask this commission to recommend a sound investment strategy for Pennsylvania's transportation infrastructure that includes:

- A predictable and sustainable funding source for public transit, statewide to end chronic operating budget shortfalls, and to allow for planning and growth
- A capital program that will enable highways, bridges and transit systems to complete state of good repair initiatives and address changing regional needs.

The CEO Council for Growth, a group of prominent business executives committed to Greater Philadelphia's growth and prosperity, commissioned and released a report in March 2006, entitled "Outside the Box: Addressing Greater Philadelphia's Transportation Investment needs Through Public-Private Partnerships."

The study confirmed the present challenges of adequately funding Pennsylvania's existing public transit and highway systems, and suggested new, viable options and alternatives to guide decision makers as they contemplate the region's transportation investment strategy.

In the case of SEPTA, the report stated that simply delaying needed investments and reacting to funding shortfalls in a piecemeal fashion will not enable businesses to successfully compete in the global marketplace or individuals to fully enjoy the advantages of living in Greater Philadelphia. SEPTA faces chronic structural operating deficits that keep it lurching from one funding crisis to the next. Required allocations to keep current assets in good repair do nothing to provide additional highway and transit capacity – which is critical to sustaining the region's future economic growth.

The study states that even with anticipated increases in Federal grants for transportation projects, expected moneys from traditional resources will not be enough to meet the region's capital investment needs. Relying on the old way of getting projects like the Schuylkill Valley Metro or Broad Street Subway extension developed is not going to be sufficient to keep Greater Philadelphia competitive.

Public Private Partnerships (PPP) could assist in funding and faster delivery of major projects improving roads, bridges, transportation facilities and entire corridors. These partnerships, which would require state enabling legislation are viewed as an emerging solution to many infrastructure improvement issues.

Nationwide, \$31 billion in new highway and transit facilities have been built using PPPs in the last dozen years; three in New Jersey, but none in Pennsylvania or Delaware. PPPs tap into the private sector for funding, new revenue streams, development, maintenance and operations resources that can allow projects to be completed faster due to guaranteed funding beyond annual public appropriations. PPPs could attract previously unavailable financial resources, and provide faster delivery schedules for important local projects like

rehabbing South Street Bridge and adding capacity to Rt. 202. In addition to PPPs, another possibility that has been raised by the Rendell Administration and a House select committee is the idea of privately run toll roads or privatization of some of the state's highways to raise money for repair and construction.

Let me be clear in that we do not consider these other funding sources as a replacement for adequate, dedicated funding for public transit. The ability, though, to “think outside the box” and consider these partnerships as one element of an overall transportation infrastructure investment strategy is critical to the growth and future of our state's economy.

In conclusion, the basic problem remains – that chronic funding shortfalls have threatened the viability of public transit statewide for many years. Short term fixes must give way to permanent, dedicated funding with growth potential so that SEPTA and transit systems statewide can begin to plan for the future. Pennsylvania's roads, highways, bridges and transit are vital elements of our state's economy and adequate investment in the entire system is essential.

A quality transit system is necessary to enhance mobility, reduce congestion on our roadways, enable employees to get to work, students to get to school, and residents, visitors and shoppers to enjoy all of the amenities of the region. A quality transit system is vital to the competitiveness of Greater Philadelphia and Pennsylvania and is achievable only through a predictable and sustainable source of funding.

On behalf of the region's business community, again we thank the members of this Commission for sharing their expertise and their dedication to resolving Pennsylvania's transportation infrastructure challenges. We look forward to working together with each of you as you continue this quest and to working with lawmakers this fall to win passage of a comprehensive transportation investment strategy.