Testimony of the
Amalgamated Transit Union
Before the National Surface Transportation Policy and Revenue Study Commission
On Improving the Performance of Our Transportation System

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INTRODUCTION

The Amalgamated Transit Union (ATU), the largest labor organization representing public transportation, paratransit, over-the-road, and school bus workers in the United States, with nearly 180,000 members in over 270 locals throughout 46 states, is pleased to present its recommendations on public transit policy to the National Surface Transportation Policy and Revenue Study Commission.

Public transportation is an essential public service, and millions of Americans choose to ride transit each day to commute to work, get to school, go to the doctor, attend religious services, and visit friends and family. Transit also keeps America's economy thriving, and provides a lifeline to millions of people who for whatever reason do not own or drive an automobile.

Transit is also essential in our nation's quest to reduce our dependence on foreign oil. Current public transportation usage reduces U.S. gasoline consumption by 1.4 billion gallons each year. That is the equivalent of 108 million fewer cars filling up every year – almost 300,000 every day, 34 fewer supertankers leaving the Middle East, or 90% of oil imported from Kuwait.

But transit in America is also facing some significant challenges. Operating funds are scarce. Terrorism is a constant concern. And, the quality of services provided to elderly and disabled Americans must be greatly improved. We need to find ways to increase transit ridership while taking advantage of the many benefits that transit can provide to our communities.

The ATU has identified a number of transit policy priorities for the commission's consideration. These priorities include: doubling the size of the federal transit program, enhancing transit and over-the-road bus security programs, encouraging more people to ride public transportation, providing for more flexibility in the use of federal transit funds, encouraging increased transit investment by the states, and expanding workforce development programs.

Current transportation policies do not do enough to encourage people to use public transit. As a result, our roads are congested, we spend too little time with our families, and far too much money on foreign oil. It is time for a fresh approach. We believe that with dedicated funding, creative mechanisms to increase ridership, and a focus on safety and security, public transportation can help address America's mobility needs, build stronger communities, and contribute towards energy independence.

FUNDING

The average price of regular gasoline in the United States is once again heading towards $3.00 per gallon, and perhaps even higher this summer. The days of cheap gas are over, and people are looking for ways to reduce their transportation costs. There is no better way to do that than by riding public transportation, and Americans are responding in record numbers as bus, light rail, subway, and commuter rail ridership continues to rise.

Transit ridership is up 23% since 1995, and the American Public Transportation Association (APTA) just last week announced that our members safely carried more than **10 billion** passengers to their destinations in 2006.

Yet, ironically, while high gas prices are encouraging more people to ride transit, rising diesel prices are also causing mass transit systems nationwide to raise fares, cut service, lay off staff, and delay capital spending.

Transit needs to be part of the solution – not the victim – of high gas prices. If Americans used public transportation for roughly 10% of their daily travel needs, the U.S. would reduce its dependence on imported oil by more than 40%, or nearly the amount of oil the U.S. imports from Saudi Arabia each year, according to a recent study. In fact, increased use of public transportation is the single most effective way to reduce America's energy consumption.

Public transportation is also the best way to beat the traffic. Today, whether you live in one of the nation's largest cities, a fast growing suburb, or a once-rural area, you will unquestionably be aggravated, inconvenienced, or more severely affected by the unparalleled level of congestion on U.S. roads. It is estimated that congestion costs U.S. travelers more than 4.5 billion hours of delay, 6.8 billion gallons of wasted fuel, and $78 billion during an average year.

Finally, despite unquestionable mobility needs – especially of elderly and disabled individuals – 40% of Americans in rural counties have no access to public transportation at all.

In the summer of 2005, Congress passed the *Safe, Accountable, Flexible, and Efficient Transportation Equity Act - A Legacy for Users* (SAFETEA-LU), which authorizes federal transit and highway programs through Fiscal Year (FY) 2009. SAFETEA-LU builds on the success of two previous surface transportation authorization laws, the *Intermodal Surface Transportation Efficiency Act (ISTEA)* and the *Transportation Equity Act for the 21st Century* (TEA 21). The new bill provides a record level of federal transit investment – nearly $53 billion over six years – an increase of 46% over the amount guaranteed in TEA 21. However, since Congress did not provide a funding source to offset the increased spending, the highway trust fund is in danger of failing.

ATU supports the indexing of the federal gas tax. Under this approach, the average motorist would not even notice the slight change in price from time to time, especially when the core price of gas fluctuates so widely and frequently. The cost to the average person would be minimal – each cent would cost the average motorist only about $12 per year. But the payoff for that same penny would be enormous – each cent delivers about $1 billion for transportation.

The gas tax is a dedicated, reliable source of funds for the transit program. The commission should not recommend that we simply abandon the gas tax without a proven alterative. Tolls and other innovative financing techniques are fine as long as they are used to supplement – not replace – the gas tax.

Indexing the gas tax would allow for significant increases in transit funding. **Recent studies**

indicate that more than $40 billion in federal, state and local resources is needed for our nation's transit systems on an annual basis. We need to double the size of the federal transit program in the next reauthorization to keep up with demand.

INCREASING TRANSIT RIDERSHIP

The most innovative way to raise more revenue for public transit is of course to recover more from the farebox through increased ridership. Some have argued that there is little that the federal government can do in this area, but ATU recommends some simple ideas that have the potential to significantly boost ridership.

Tax-Free Transit Benefits

Most Americans spend more on driving than on health care, education, or food. In fact, a recent study found that the average family devotes nearly 20% of its annual income to getting around, second only to housing. And of course, working families spend the most – sometimes more than one-third of their income goes to transportation. The vast majority of that spending, 98%, is for the purchase, operation, and maintenance of automobiles. But in areas where transit use is prevalent, the percentage of household dollars dedicated towards transportation costs is significantly less.

TEA 21 made great strides in addressing the tax laws which still encourage people to drive alone to work; changes to the tax code now allow employers to give their workers up to $110 per month to cover public transportation commuting costs as a tax-free benefit. Alternatively, employers can allow employees to pay for transit commuter benefits with payroll deductions, or they can share these costs with employees by paying part of the commuter benefit and allowing employees to pay the remainder using pre-tax dollars.

Under this unique program, everyone wins. Employees do not pay federal income tax on transit commuter benefits, and employers can deduct the costs for providing such benefits, and avoid payroll taxes on the benefits, regardless of who pays.

As the largest labor organization representing transit workers in the U.S., ATU has recently advised all AFL-CIO unions about the changes in the law so that more working families can take advantage of this unique fringe benefit, which provides a real financial incentive to both employers and employees to get people to travel to work by transit, arriving safe, rested, on-time, and with the ability to be far more productive.

However, current tax laws still encourage people to drive to work alone. The current monthly cap on tax-free parking benefits is nearly double the benefit for transit benefits. The low cap on transit benefits especially impacts people who ride the nation's oldest and far reaching transit systems, where monthly fares to travel between suburban and urban areas reach well over $110. Suburban bus, heavy rail, and commuter rail riders should be rewarded – not penalized – under the tax code for choosing to ride transit rather than driving to work.

ATU supports the *Commuter Benefits Equity Act*, (S.712/ H.R. 1475, 110th Congress) which would raise the monthly cap on employer provided tax-free transit benefits to the level allowed for parking benefits, **to encourage more people to ride public transportation.**

In addition, SAFETEA-LU required that tax free transit benefits be offered to federal employees in the national capital area. **ATU recommends a major expansion of this program by also mandating that federal employees <u>nationwide</u> be offered the benefit, and we also propose that states be required to offer the transit benefit to <u>state and local government employees</u>.** If enacted, we could see tens of millions of workers in the U.S. switching to transit.

Finally, one of the problems with this program is that potential customers and businesses are simply not aware of it. Federal Transit Administration (FTA) grantees should be required to develop programs that promote the benefit to community businesses and residents.

Free Fare Pilot Programs

Another way to encourage people to ride transit is of course to allow them to ride for free. And while fare free policies cannot be sustained over time, they can certainly be implemented for short durations in an attempt to lure people to public transportation.

ATU recommends that FTA subsidize free fares for one month at four transit agencies each year. Initially, at least one of the four agencies should have rail. During the course of a six-year bill, 24 transit properties nationwide would have the opportunity to attract many new riders under this program.

The program should be conducted in a competitive grant process. Agencies that develop the most innovative ways to promote and implement their proposed fare free program would be awarded the subsidy. Afterward, a report should follow, studying ridership for the full year before and full year after the pilot program is run at any particular agency.

<u>ALLOW CERTAIN TRANSIT FUNDS TO BE USED FOR OPERATING ASSISTANCE</u>

Ironically, while high gas prices are encouraging more people to ride transit, rising diesel prices are also causing small to mid-size mass transit systems nationwide to raise fares, cut service, lay off staff, and delay capital spending.

Generally, mid-size transit agencies are limited to using only state and local dollars to pay operating expenses, putting a huge strain on their budgets. Federal funds may not be used for this purpose; generally, they may be used for capital expenses only, with few exceptions, for areas above 200,000 in population. Therefore, despite significant growth of the federal transit program under SAFETEA-LU, transit systems nationwide have been experiencing a new phenomenon – lots of new buses, but not enough money to put service on the street.

ATU supports the *Transit System Flexibility Protection Act* (S. 406/H.R.734, 110th Congress) which would allow transit systems located in areas above 200,000 in population that operate less than 100 peak fixed-route buses to use their federal transit funds for operating assistance.

If the provisions of this bill were enacted, smaller transit agencies would be able to offer improved and expanded bus service, allowing more people an opportunity to try public transportation and hopefully decrease the pain at the pump that we are all experiencing.

ENCOURAGE STATE TRANSIT INVESTMENT

Despite record levels of federal investment and the undeniable will of local jurisdictions to tax themselves for the purposes of increasing the level and quality of public transportation services, state funding for public transportation has been grossly inadequate in recent years. As a result of this and other factors, we are currently experiencing widespread fare increases, service cuts, and layoffs in the transit industry. State Legislatures, facing huge deficits, have little choice but to freeze or cut funding for many important programs, including transit services.

ATU supports the creation of a new federal program that would provide incentives to encourage states to establish new sources of revenue for transit projects and services and to reward states for creating more flexibility in the use of their existing transportation funds.

The ***Flexibility Incentive Grant* (FIG) Program** (soon to be introduced by Representative Matsui) is designed to encourage states to think twice before they cut transit funding by providing "bonus" federal transportation dollars to those states that increase public transportation funding or take steps to increase funding. Significantly, states could use funds derived under the FIG Program for any highway or transit projects eligible for assistance under Title 23 or Chapter 53 of Title 49.

Under the proposed FIG Program, the Secretary of Transportation would be authorized to allocate funds on an annual basis to states that increase transit expenditures by a certain percentage from one state fiscal year to the next. In addition, states would be eligible for grants on the condition that they create new dedicated sources of revenue for public transportation. Such sources may include the dedication of new state motor fuels taxes, sales taxes, interest on existing highway funds, motor vehicle excise taxes, tolls, loans to be made out of highway funds, or other sources of funding.

Finally, in order to encourage flexibility in the spirit of 1991's ISTEA, under the FIG Program, the Secretary of Transportation would be authorized to award states for amending their existing statutes or constitutions to allow funds that are now solely designated for highway purposes to be eligible for transit projects as well.

The FIG Program would not affect existing formulas under which states receive transportation funds through Title 23 or Chapter 53 of Title 49; it would be a “bonus” program to be awarded in addition to any funds received through those sources.

ATU believes that this idea has a great deal of merit because it seeks to unlock billions of dollars in state and county resources, each year, for public transportation, community transportation, and ADA services.

TRANSIT AND INTERCITY BUS SECURITY

Public transportation, by its very nature, is an attractive target for crime and terrorist attacks. It brings masses of people together, and it is open, highly visible, and familiar. When transit is threatened or attacked, it can disrupt commerce, instill fear and bring an entire region to a grinding halt.

The recent examples of the Mumbai, London, Moscow, and Madrid bombings - all within the last three years - are tragic examples of this reality. More must be done by our federal government to ensure the safety and security of our nation’s transit and intercity bus passengers and employees.

While limited federal funding has been provided to both transit and intercity bus operators for security enhancements, this funding has not been sufficient to address the needs of these industries and to ensure that the employees in these industries are prepared in the event of an emergency.

Increased funding for both transit and intercity security measures is sorely needed in the U.S. In addition, ATU supports federal requirements for the implementation of safety and security plans in transit systems, including a requirement that transit grant recipients spend a minimum percentage of funds on security enhancements and measures. We also call for mandatory security and emergency response and preparedness training for all transit employees, including bus and rail operators, maintenance employees, transit security personnel, and customer service representatives.

WORKFORCE DEVELOPMENT

Finally, we have major hiring, training, performance evaluation, and retention issues in public transit today. New programs are needed in the areas of worker recruitment, retention and skills development.

Transit’s aging workforce is well documented; a significant percentage of our members will be retiring in the next few years. Many transit properties became public in the 1960s and heavily recruited into the 1970s, so baby boomers dominate in our industry. Now the baby boomers are retiring. A direct impact of this is soaring health care costs and absenteeism from older workers.

In addition, in some areas of the country, we are facing driver shortages that have resulted in forced overtime – an unsafe situation for our employees, transit riders, and other persons on the road. New approaches are needed to address these challenges head on.

Maintenance Training

FTA does fund one particular program that is worthy of major expansion. The *Transit Technology Career Ladder Partnership* (TTCLP) was created in 2001 to address the challenge of limited training capacity in the face of growing skills shortages in transit maintenance. Under this program, labor and management work together to create transit training partnerships. TTCLP is led by ATU, APTA, and transit systems across the United States.

Through this program, we have formed national, local, and statewide partnerships to identify areas of transit skill shortage, analyzed skills required for key transit jobs, assessed employees' current skills, and developed new curriculum and training delivery systems.

The TTCLP is the only program of its type in the country - developed specifically for the transit industry, working through labor-management cooperation - and it has had notable success. Enhanced maintenance training provided by career ladder partnerships is highly effective at raising skills and reliability while reducing costs in transit systems.

We have made progress in this area through just a $1 million annual earmark under SAFETEA-LU. Due to the crisis we are facing with our rapidly aging workforce, we recommend that the commission propose a major expansion of this innovative program through enhanced funding.

CONCLUSION

ATU certainly appreciates the opportunity to present our views on public transit issues to the commission, and we hope that our suggestions will be given ample consideration. We would be pleased to answer any questions or present further information upon request.