



An Affiliate of the Allegheny Conference on Community Development

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Barbara McNees
House Transportation Committee Testimony
June 18, 2013

I am Barbara McNees, president of the Greater Pittsburgh Chamber of Commerce. I am accompanied today by Ken Zapinski, senior vice president of the Allegheny Conference on Community Development. We appreciate the opportunity today to testify on what is the Number One issue for our members, who employ tens of thousands of residents in Western Pennsylvania and across the entire Commonwealth.

In newspapers in Harrisburg and Pittsburgh today you will see an open letter to Governor Corbett and the General Assembly signed by dozens of business leaders – from the CEOs of major corporations such as US Steel, ALCOA, and PNC, to the owner of a small printing shop in rural Westmoreland County – urging all parties to act now to pass a transportation bill to preserve and expand the transportation network across the state. A successful funding plan must have three characteristics.

It must be comprehensive. It must address investment and preservation needs across the entire transportation network – roads, bridges, highways, transit, freight and passenger rail, pedestrian safety, and other areas. Maintaining a transportation network is a core function of government. It is an economic competitiveness issue. It is a quality of life issue. And it is a safety issue.

A successful funding plan must be sufficient. It needs to be large enough in scope to adequately address years of underinvestment in transportation. Three years ago, the state Transportation Advisory Committee found the gap was \$3.5 billion. Two years ago, Governor Corbett's Transportation Funding Advisory Commission determined that a \$2.5 to \$2.7 billion per year package was the largest politically feasible solution. That should be the target.

The Governor's proposal was a good first step. But at \$1.8 billion per year, it did not contain enough money for transit. A funding package of that size would doom the Port Authority of Allegheny County to a death spiral of budget deficits and service cuts starting in Year Three. The Port Authority has cut costs, raised fares, improved efficiency, and reformed its labor

agreements. It needs a sufficient level of state support to survive, and our membership would actively oppose any funding package that does not provide that.

Finally, a successful transportation funding package must be sustainable. It must be a permanent fix. It must not lead to another funding crisis three or four or five years down the road.

I respect how difficult the task is that is in front of you. But the cost of inaction is higher than the cost of action. The Commonwealth cannot afford the threats to safety. It cannot afford the cost to its economy, if raw materials can't get to factories, if people can't get to work, if goods can't get to market. And residents literally can't afford it. Between the money for gas wasted waiting in traffic, additional repairs and maintenance traveling over crumbling roads, and time lost in congestion, the average Pennsylvania motorist burns through nearly \$100 per month, while an adequate funding package would only cost around \$13 per month.

Finding a solution is particularly difficult because of the constitutional restrictions on using revenue for transit, rail, and anything other than roads and bridges. As you know, the state constitution restricts gasoline taxes and vehicle registration fees to roads, bridges, and highways. Other non-restricted sources – and there aren't that many – must be found for other parts of the transportation network.

One such source is the annual Act 44 payment from the Turnpike Commission. A portion of it is already used for transit, and every funding concept put forward thus far – TFAC, Governor Corbett's, and SB 1 – uses an additional \$200 million in Act 44 payments for transit. Without that money, an already difficult transit funding situation becomes even tougher.

The same is true of the surcharge on traffic violations. We were caught off-guard by the breadth of opposition to that proposal. We had regarded it as something akin to an automotive "sin tax." A motorist who did not want to pay could, through his own actions, ensure that he did not have to. The traffic violation surcharge may not be the best solution. But it is a solution to finding non-restricted revenue for transit and other modes. And if opponents don't want it, they will need to find a suitable replacement if there is to be sufficient revenue for the entire network.

And it is critically important to remember it is a transportation network. One size doesn't fit all, and what works in Carbon County may not be what's needed in Allegheny County, and vice versa.

Different communities need different kinds of transportation. Pennsylvania needs an extensive network of state roads and highways to stay connected. And that means rural counties have far more miles of state roads per person than urban counties, even if those roads are empty most of

the time. Those roads are built and maintained with gas taxes from Philadelphia and Pittsburgh and other urban areas around the state.

The five counties with the lowest population in the state have nearly 30 times more miles of state roads per person than the five counties with the highest population. Gas tax revenue moves from urban to rural areas to fund roads in the same way that some tax revenue moves from rural to urban areas to fund mass transit systems. Public transit is a necessary part of the urban economies that provide most of the economic production in the state. In densely populated urban areas, there simply isn't enough space to fit the roads that would be necessary to move people around.

We are different communities – urban, rural, suburban – but we have a common need: A need for a robust transportation network supported by a funding package that is comprehensive, adequate, and sustainable. Delivering that for the good of the Commonwealth is the task before you today.

Thank you for the opportunity to testify and we would welcome any questions you might have.



Transportation Funding vs. Inaction: You Pay Either Way



Inaction on transportation funding is already costing Pennsylvanians money. The Governor's Transportation Funding Advisory Commission (TFAC) recommended a comprehensive transportation funding framework to invest in our vital transportation infrastructure. Building on these recommendations, Senate Bill 1 (SB1) identifies fees and tax changes that would have a modest impact on the average driver's monthly costs* – much smaller than the costs they currently incur because of the poor roads and increased congestion caused by underinvestment.

Right now, PA drivers are paying...		Better roads, less congestion and a safer transportation network will cost PA drivers...	
<p>\$28 per month</p>	<p>On extra car repairs & operational costs because of bad roads</p> <p><i>Source: ASCE</i></p>	<p>\$13* per month</p>	<p>TOTAL cost of all SB1 recommendations</p> <ul style="list-style-type: none"> Increased vehicle and driver fees Uncapped Oil Company Franchise Tax (if entire increase passed on to consumer) Fee and fine increases
<p>\$54–\$85 per month</p>	<p>In extra time and fuel because of traffic congestion in PA metro areas</p> <p><i>Source: TX Transportation Institute</i></p>		

We're already paying the cost of inaction.

The longer we wait, the more it will cost to repair our transportation infrastructure. **WE MUST ACT NOW.**

* For the average drive, even if ALL COSTS are passed along to the driver at the pump:

$$\begin{array}{rclclclclcl}
 \text{Annual increase in costs} & = & \frac{12,000 \text{ miles/yr}}{24 \text{ mpg}} & * & \$0.286 & \text{increase in OCFT} & + & \$16 & \text{increase in vehicle registration fee} & + & \$1.75 & \text{increase in driver's license fee} & = & \$160.81 \text{ per year or } \$13.40 \text{ per month}
 \end{array}$$

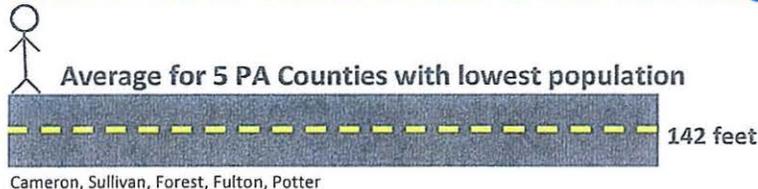


Rural Roads and Transit: Because One Size Does Not Fit All



Different people need different kinds of transportation. Pennsylvanians living in rural areas need an extensive network of state roads and highways to stay connected, to get people to jobs and goods to market. And that means rural counties have far more miles of state roads per person than urban counties, even if those roads are empty most of the time. And those rural roads are built and maintained with gas taxes from Philadelphia and Pittsburgh.

Feet of state-funded road to serve a single resident



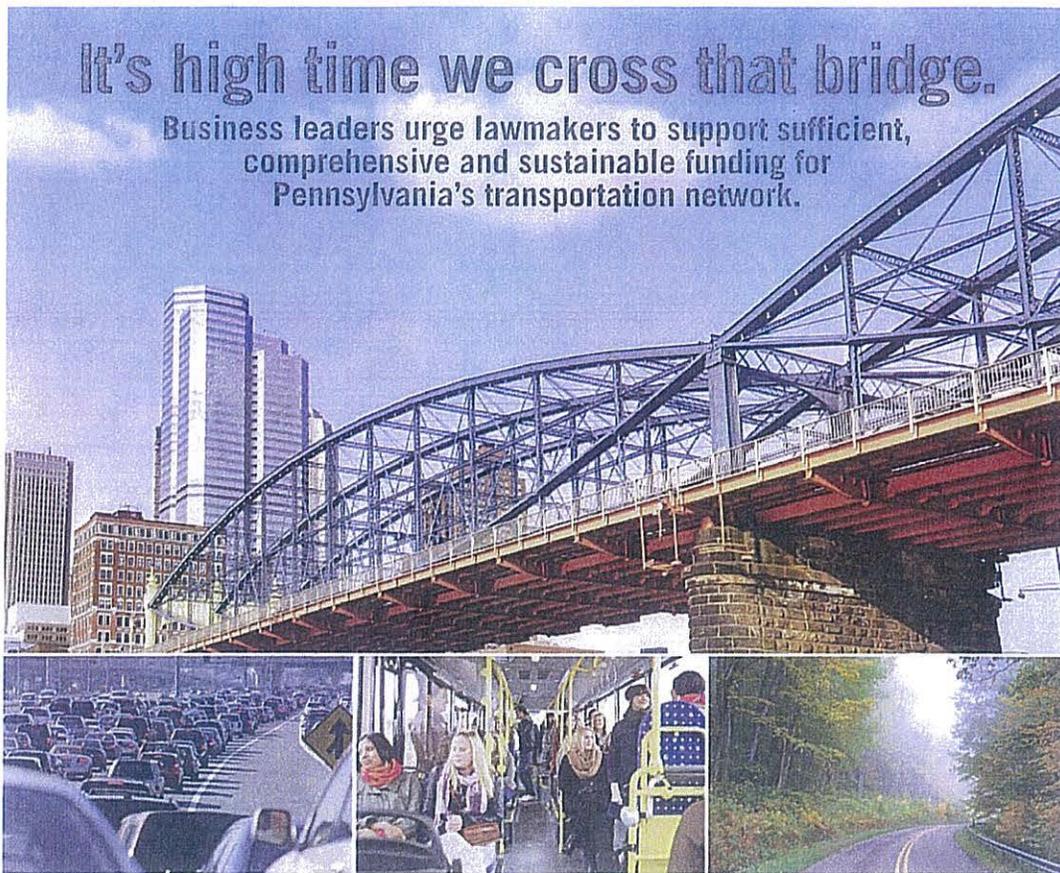
Gas tax revenue moves from urban to rural areas to fund roads in the same way as some tax revenue moves from rural to urban areas to fund public transit systems. **Public transit is a necessary part of urban economies** - in densely populated urban areas, there just isn't enough space to fit the roads that would be needed to move people around.

Rural and urban Pennsylvanians need transportation funding – for transit, roads, bridges, and more.

The longer we defer maintenance, the more it will cost to repair our transportation infrastructure. **WE MUST ACT NOW.**

It's high time we cross that bridge.

Business leaders urge lawmakers to support sufficient, comprehensive and sustainable funding for Pennsylvania's transportation network.



Dear Governor Corbett and Members of the Pennsylvania General Assembly:

Act Now – To Keep PA Safe & Competitive

Inaction on transportation funding is already costing Pennsylvanians money. The average Pennsylvania driver is paying nearly \$100 extra per month in vehicle maintenance, wasted fuel, and time lost due to ill-maintained roads and traffic congestion.

Act Now – To Seize the Opportunity

Rusting bridges, decaying highways, and shrinking transit systems are making Pennsylvania less competitive. While different people need different types of transportation, all Pennsylvanians need funding for transit, roads, bridges, rail, and more.

Act Now – To Keep PA Moving Forward

The businesses and organizations below – both large and small – strongly urge the Pennsylvania General Assembly and Governor Corbett to act now on a comprehensive funding package for all modes of transportation, including transit.

Supporting a robust transportation network has always been a core responsibility of government:

"According to the system of natural liberty, the sovereign has only three duties to attend to ... and, thirdly, the duty of erecting and maintaining certain public works and certain public institutions, which it can never be for the interest of any individual, or small number of individuals, to erect and maintain; because the profit would never repay the expense to any individual or small number of individuals, though it may frequently do much more than repay it to a great society. The proper performance of those several duties of the sovereign necessarily supposes a certain expense; and this expense again necessarily requires a certain revenue to support it."

– Adam Smith, *The Wealth of Nations* (1776)

We need a transportation system that works for all Pennsylvanians.

Lara Washington, *AHRCO*
Julie Caponi, *Alcoa Inc.*
Dennis Yablonsky, *Allegheny Conference on Community Development*
Rich Harshman, *Allegheny Technologies Incorporated*
Michael D. Flowers PE., *American Bridge Company*
Venkec Sharma, *Aquatech International Corporation*
Vincent Sands, *BNY Mellon*
Randall Dearth, *Calgon Carbon Corporation*
Jared L. Cohon, *Carnegie Mellon University*
Michael Cahn, *CBRE*
Robert O. Agbode, *Chester Engineers, Inc.*
Daniel K. Fitzpatrick, *Citizens Bank of PA/WV/DE*
William P. Getty, *Claude Worthington Benedum Foundation*
Jack W. Elliott, *Cohen & Grigsby, P.C.*
Mark Kempic, *Columbia Gas of Pennsylvania, Inc.*

Mark Evans, *Confluence*
J. Brett Harvey, *CONSOL Energy, Inc*
Richard Barcaskey, *Constructors Association of Western Pennsylvania*
J. Randolph Cheetham, *CSX Transportation*
Robert P. Oeler, *Dollar Bank*
Richard Riazzi, *Duquesne Light Company*
Charles J. Dougherty, *Duquesne University*
Jeff Broadhurst, *Eat'n Park Hospitality Group, Inc*
David Porges, *EQT Corporation*
Robert J. Rogalski, Esq., *Excela Health*
J. Christopher Donahue, *Federated Investors, Inc.*
Henry Maier, *FedEX Ground*
James Lash, *FirstEnergy Corporation*
Todd C. Moules, *First Niagara Bank*
David J. Malone, *Gateway Financial Group, Inc*
Laura Karet, *Giant Eagle, Inc.*

Kimberly Tillotson Fleming, *Hefren-Tillotson, Inc.*
Helen Hanna Casey, *Howard Hanna Real Estate Services*
Sunil Wadhvani, *iGate Corporation*
Jerry Bunda, *Imperial Land Corporation*
Dominic Dozzi, *JENDOCO Construction & Real Estate*
Karen Wolk Feinstein, *Jewish Healthcare Foundation*
Laura E. Ellsworth, *Jones Day*
Peter Kalis, *K&L Gates LLP*
Carlos M. Cardoso, *Kennametal Inc.*
Walter W. Turner, *Koppers, Inc*
Flemming Bjoernslev, *Lanxess Corporation*
Daniel Hennessy, *Latrobe Specialty Metals*
Michele Fabrizi, *MARC USA*
Dennis Unkovic, *Meyer, Unkovic & Scott LLP*
John T. Ryan, *Mine Safety Appliances Company*
Brian Heery, *Mitsubishi Electric Power Products, Inc.*

Morgan K. O'Brien, *Peoples Natural Gas*
Charles L. Hammel III, *PITT OHIO EXPRESS*
William Demchak, *The PNC Financial Services Group, Inc.*
Charles E. Bunch, *PPG Industries, Inc.*
Gregory Jordan, *Reed Smith LLP*
Scott D. Izzo, *Richard King Mellon Foundation*
Dawne S. Hickton, *RTI International Metals, Inc.*
Bud Smail, *Smail Auto Group*
Lisa Fredrick, *Unity Printing*
Jeffrey A. Romoff, *UPMC*
John P. Surma, *United States Steel Corporation*
Dawn Fuchs, *The Weavertown Environmental Group*
John J. Engel, *WESCO International, Inc.*
Danny Roderick, *Westinghouse Electric Company*
Donald Rossi, *Westmoreland County Airport Authority*

African American Chamber of Commerce
Allegheny Valley Chamber of Commerce
Beaver County Chamber of Commerce
Butler County Chamber of Commerce
Economic Growth Connection of Westmoreland
Greater Pittsburgh Chamber of Commerce

Indiana County Chamber of Commerce
Latrobe Area Chamber of Commerce
Mon Valley Progress Council
Monroeville Area Chamber of Commerce
Norwin Chamber of Commerce
Pittsburgh Airport Area Chamber of Commerce

Somerset County Chamber of Commerce
South Hills Chamber of Commerce
The Pittsburgh Metropolitan Area Hispanic Chamber of Commerce
Washington County Chamber of Commerce
Waynesburg Chamber of Commerce
Westmoreland Chamber of Commerce



Transportation: Driving Our Economy



THE FACTS

PA is #1 in the nation in “structurally deficient” bridges – more than 5,200 statewide

More than 8,400 highway miles rated “poor”

Congestion costs commuters more than \$800/year in Pittsburgh and Philadelphia

If we don’t act, the annual transportation funding gap will more than double to \$7.2 billion by 2020

Without sufficient investment in infrastructure, concrete will crumble, bridges will rust, highways will decay and transit will shrink, crippling Pennsylvania’s economy.

Adequate investment in Pennsylvania’s transportation network – roads, bridges, transit, highways, ports, railroads and airports – is critical for moving goods to market and people to work. **Yet, decades of underinvestment and an outdated revenue structure have left our state’s transportation system in dire straits.**

Bridges are falling into disrepair. Roads and highways are not being resurfaced. Transit systems are being squeezed. And other modes of transportation – air, rail, locks and dams – are suffering from lack of strategic investment.

The problem cannot be ignored any longer. To keep our Commonwealth competitive, **we must achieve a comprehensive and sufficient transportation funding solution.**

“Our most costly option would be to do nothing. It will cost us in repairs, it will cost us in rebuilding, and it could cost us in tragedies we might have avoided.”

- Gov. Tom Corbett (02.05.13)

What is it worth?

The average person who drives 12,000 miles per year currently spends about \$30 per month to access the state’s transportation network. *

How much do you spend per month on cell phone service or cable TV?

A lot more than that.

*when factoring in the PA gas tax, vehicle registration and driver license fees.

Business Community: Transportation Needs Fixing

Groups including the Greater Pittsburgh Chamber of Commerce, the Greater Philadelphia Chamber of Commerce, the Allegheny Conference on Community Development, the Pennsylvania Motor Truck Association, the Pennsylvania Chamber of Business and Industry, the Pennsylvania Business Council and many more are working tirelessly to promote a comprehensive transportation funding package that raises enough revenue to ensure adequate investment in the state's transportation network.

Businesses understand that this is an economic competitiveness issue

A well maintained transportation network is critical to bringing goods to market and people to work. Congestion, closed bridges, vehicle repair and maintenance costs, and transit cuts make Pennsylvania less competitive.

Jobs will be lost and businesses will move elsewhere unless we can properly maintain our state's system of roads, bridges, transit, highways, ports, railroads and airports.

Delivering Value

Debate is underway on the best path forward to secure a comprehensive transportation and transit funding solution.

Recommendations put forward by Gov. Corbett's Transportation Funding Advisory Commission provide the framework for long-term, sustainable funding for transportation infrastructure and transit systems.

Cost-saving and efficiency reforms being discussed include:

Traffic signal improvements: Local governments may partner with PennDOT to upgrade and maintain the state's 14,000 traffic signals. LED conversion and timing optimization will improve safety, drive down costs and reduce congestion.

Multi-modal transportation fund: A fund that combines rail, ports, air and other modes, which will make planning projects more efficient.

Dedicated bike and pedestrian funding: A dedicated funding source for bike and pedestrian infrastructure-related improvements.

The Cost of Inaction: A Price Much Too High

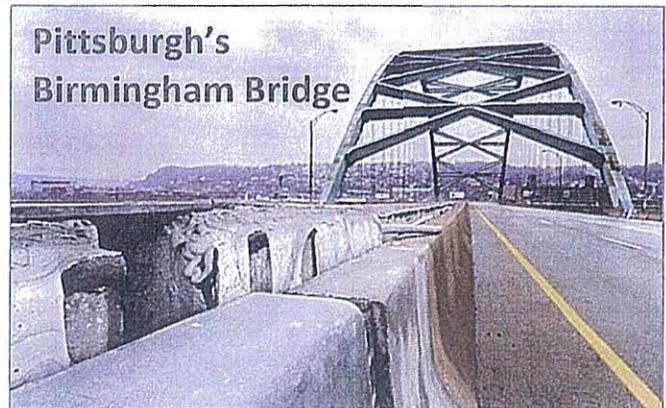


Photo courtesy Pittsburgh Post-Gazette

In February 2008, the Birmingham Bridge – a major connection between downtown Pittsburgh, the South Side and Oakland – closed due to a structural issue that caused a portion of the bridge to drop eight inches. The bridge, which serves 23,000 vehicles daily, did not fully re-open for another seven months.

A PennDOT investigation indicated that prolonged maintenance deferments and limited funds for bridge repairs were to blame.

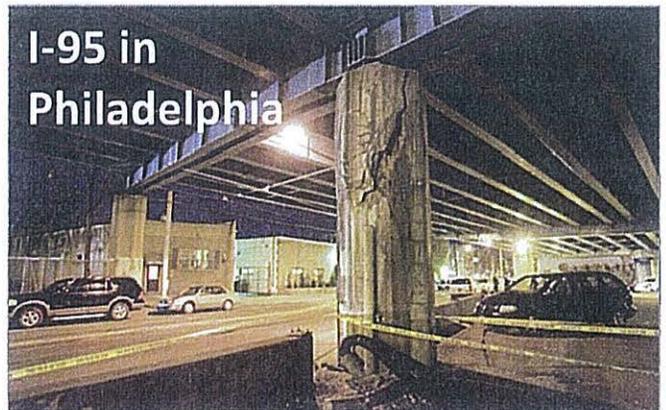


Photo courtesy AP

A two-mile stretch of I-95 in Philadelphia was closed in March 2008 for two days due to large cracks in a concrete support pillar. The closure caused major traffic congestion, with the need to detour the 190,000 vehicles per day that used that portion of the highway.

The closure received national attention in media outlets such as USA Today, FoxNews.com, the AP and NBCNews.com. This type of national coverage can negatively affect business investment decisions.



Transit: Critical For Pennsylvania's Competitiveness



THE FACTS

Pittsburgh and Philadelphia are in the **top 10 of major U.S. cities** in transit usage

Roughly **70% of Center City Philadelphia workers** rely on transit

Nearly **50% of downtown Pittsburgh workers** rely on transit

Every county in the Commonwealth has transit

No big city transit system has done more to transform itself since 2006 than the Port Authority

SEPTA was named the **2012 Outstanding Public Transit System** by the American Public Transportation Association

Together the Philadelphia and Pittsburgh regions produce **60 percent of the state's economic activity**. Without robust transit systems, their economies could not function.

Transit Affects Everyone

We all rely on our transportation network and in Philadelphia and Pittsburgh the transportation network relies heavily on public transit. The economic activity generated by these two regions cannot be maintained without robust transit systems.

Port Authority Reforms

Over the past decade, the Port Authority of Allegheny County has made major cost saving and productivity improvements.

- **More efficient:** The number of passengers served by each hour of bus service has gone up 40 percent.
- **Cutting overhead:** Since 2005, 30 percent of administrative and management positions have been eliminated.
- **Reducing legacy costs:** New union contracts have increased the retirement age, reduced retiree healthcare costs and increased workers' contribution costs – helping to control legacy costs.
- **Fixing fares:** Fares have gone up three times and are now the highest base fares in the country.

Funding Needed

SEPTA and the Port Authority face different challenges, but **additional, reliable funding that will grow with inflation is part of what they need.**

Percentage of workers who use transit to get to their jobs



Source: American Community Survey, 2011

Everyone Agrees: Across Pennsylvania, Transportation is a Priority

Save the Port Authority: We must invest in public transit or watch our economy wither

GREGORY B. JORDAN of the Allegheny Conference issues a dire warning

“The Pennsylvania state economy is too fragile to allow its chronic transportation funding problem to fester any longer. Without action, roads across the entire state will decay. Bridges will close. And the economy will suffer.”

Pittsburgh Post-Gazette
post-gazette.com

Altoona Mirror
Making It Happen For You

Don't stall funds for transportation

End of the road: State must address transportation issues

“Pennsylvania holds the distinction of having the most structurally deficient bridges in the nation and some of the worst roads in the country. No one likes to think what would happen if a major bridge, for example, crumbled during rush hour, but as we have seen nationally, it can happen.”

The Patriot-News

LEHIGH VALLEY'S NEWSPAPER
THE MORNING CALL

State transportation panel presents sensible solutions

THE MERCURY

Op-Ed: Pa. transportation funding: Meeting our needs now and into the future

Inquirer Editorial: Must find cash to fix roads

“With more and more roads leading back to Pennsylvania's transportation funding crisis these days, Gov. Corbett and Harrisburg lawmakers should be finding their way to a solution - and soon.”

The Philadelphia Inquirer

PITTSBURGH
BUSINESS TIMES

Transportation, transit is up to us now

The Unionville Times

Op-Ed: Addressing region's transportation needs a necessity