

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES
APPROPRIATIONS COMMITTEE HEARING
BUDGET HEARING

STATE CAPITOL
MAJORITY CAUCUS ROOM
HARRISBURG, PENNSYLVANIA

WEDNESDAY, FEBRUARY 27, 2008, 11:00 A.M.

VOLUME II OF IV

PRESENTATION ON TRANSIT AGENCIES

BEFORE:

HONORABLE DWIGHT EVANS, CHAIRMAN
HONORABLE MARIO J. CIVERA, JR., CHAIRMAN
HONORABLE STEPHEN E. BARRAR
HONORABLE H. SCOTT CONKLIN
HONORABLE CRAIG A. DALLY
HONORABLE GORDON R. DENLINGER
HONORABLE BRIAN ELLIS
HONORABLE DAN B. FRANKEL
HONORABLE JOHN T. GALLOWAY
HONORABLE WILLIAM F. KELLER
HONORABLE THADDEUS KIRKLAND
HONORABLE BRYAN R. LENTZ
HONORABLE TIM MAHONEY
HONORABLE KATHY M. MANDERINO
HONORABLE MICHAEL P. MCGEEHAN
HONORABLE FRED McILHATTAN
HONORABLE DAVID R. MILLARD
HONORABLE RON MILLER
HONORABLE JOHN MYERS
HONORABLE CHERELLE PARKER
HONORABLE JOSEPH A. PETRARCA

1 BEFORE: (cont'd.)
2 HONORABLE SCOTT A. PETRI
3 HONORABLE DAVE REED
4 HONORABLE DOUGLAS G. REICHLEY
5 HONORABLE DANTE SANTONI, JR.
6 HONORABLE MARIO M. SCAVELLO
7 HONORABLE JOHN SIPTROTH
8 HONORABLE MATTHEW SMITH
9 HONORABLE KATIE TRUE
10 HONORABLE GREGORY S. VITALI
11 HONORABLE DON WALKO
12 HONORABLE JAKE WHEATLEY, JR.

13
14 ALSO PRESENT:
15 MIRIAM FOX
16 EDWARD NOLAN

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DEBRA B. MILLER
REPORTER

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1 CHAIRMAN EVANS: It is now 11 o'clock. I
2 would like to reconvene the House Appropriations
3 Committee.

4 If I could ask everybody to join the table,
5 the names of the individuals who I'll call out. We
6 have Joe Casey, Larry Morris, Stephen Bland, and
7 Jeffrey L. Brooks. If those people would join the
8 table, please, for this discussion around
9 transportation policy.

10 The way that we work is the members kind of,
11 we're not really taking any testimony; we're just
12 kind of going right directly to the questions. But
13 if you will introduce yourselves.

14 I think most of you may have heard the
15 Secretary of Transportation give the Governor's point
16 of view relating to the budget, and obviously you
17 heard a lot about Act 44, and that discussion will
18 happen.

19 So my view is, this is your opportunity to
20 not just talk about today but talk about the future
21 and where we need to go relating to the issue of
22 transportation and what it means to the Commonwealth
23 of Pennsylvania, to all of its residents.

24 So basically what I will do is have you
25 introduce yourselves, and then we will get to the

1 questions.

2 MR. CASEY: Good morning. My name is Joe
3 Casey. I'm the newly appointed General Manager for
4 SEPTA.

5 MR. MORRIS: I'm Larry Morris. I'm the
6 Executive Director of the Westmoreland County Transit
7 Authority, and I'm also representing the Pennsylvania
8 Public Transportation Association.

9 MR. BLAND: Steve Bland, CEO, Port Authority
10 of Allegheny County.

11 MR. BROOKS: Jeffrey L. Brooks, Sr.,
12 President of the Transport Workers Union Local 234 in
13 Philadelphia.

14 CHAIRMAN EVANS: I would like to start off
15 with the lead question.

16 I don't know if most of you heard the
17 Secretary of Transportation talk about the Governor's
18 budget and obviously Act 44. As a result of the
19 passage of Act 44, one, can you tell us in a specific
20 way, how has it helped you in terms of operating
21 capital as you see towards the future, first. And
22 then secondly, what kinds of ideas do you have in
23 terms of how to make transit much more efficient,
24 effective?

25 Any thoughts that you have on those two

1 questions that I put out. So whoever wants to start.
2 You can go down the line.

3 MR. CASEY: I'll go first.

4 SEPTA, Act 44 really had an immediate
5 benefit for us. It enabled us to balance our current
6 budget.

7 If you remember, last year we had
8 significant service cuts planned, hellacious fare
9 increases, et cetera. All that went away. We did
10 have a fare increase of about 11 percent. It
11 mirrored the rate of inflation for our riders, but it
12 really balanced our budget.

13 What we have seen as a result of that is
14 significant growth in our ridership. Transit, both
15 suburban and city, has grown in just over 1 year
16 approximately 4 percent. On the regional rail
17 system, it has grown 12 percent, which is phenomenal,
18 especially considering we did have the fare increase.
19 Normally when we have a fare increase, we have a
20 slight dip in the ridership. That did not happen
21 this year.

22 So we really are pleased with Act 44 and
23 what it has done for us, but it also enables us to
24 plan for the future.

25 Currently -- actually, it was effective

1 March 11 -- we added additional service on the
2 Market-Frankford line, one of our heaviest lines,
3 that we increased the peak-hour headway, and we also,
4 at mid-peak, we increased service from 8 to 6
5 minutes. So it has really had a fantastic effect for
6 those riders.

7 But we are experiencing overcrowding on a
8 number of our bus routes, and especially on regional
9 rail, and next year we will plan in the budget
10 process to add service out there. We need to add
11 service to carry our passengers, and that is one of
12 the benefits of Act 44.

13 MR. MORRIS: In terms of the smaller and
14 rural transportation systems in Pennsylvania, Act 44
15 has had a dramatic positive impact.

16 There are a number of systems that were
17 planning severe service reductions that did not have
18 to take place this year. We also had a number that
19 have expanded some service or restored service that
20 had already been cut.

21 So from the standpoint of the smaller
22 operations---

23 CHAIRMAN EVANS: Can you point out those
24 particular ones?

25 MR. MORRIS: I can. In terms of the

1 systems, I can just give you some examples of
2 systems, without going through every one---

3 CHAIRMAN EVANS: Sure.

4 MR. MORRIS: ---but some examples.

5 Rabbit Transit in York, they were able to
6 avoid a 30-percent service reduction. In Berks
7 County, Red Rose Transit avoided 20-percent service
8 reductions. Westmoreland Transit, where I'm the
9 manager, we were planning about a 20-percent cut in
10 service had not Act 44 been in place, and there is,
11 you know, example after example of that.

12 In State College, they were able to restore
13 90 percent of the service that they had discontinued
14 due to budget problems. LANTA in Allentown had the
15 same kind of issue. They were able to restore
16 service, as well as New Castle in Lawrence County.

17 And then 11 systems in the State have been
18 able to expand service, including COLTS in Scranton
19 and River Valley Transit in Williamsport. And we at
20 Westmoreland Transit recently expanded our commuter
21 service and are going to need to again to meet the
22 demand.

23 So this has been an issue that has affected
24 systems, both large and small.

25 MR. BLAND: Moving over to Pittsburgh, we

1 continue the theme of what Act 44 allowed us to
2 avoid, which was an additional 10-percent service
3 reduction as well as about 150 employee layoffs.

4 I think more to the positive side,
5 particularly on the capital side, it did allow us to
6 move forward with a bus-replacement project with
7 about 100 buses, more fuel efficient, more
8 environmentally friendly. And noteworthy is our
9 advancement of a new fare-collection system by using
10 smart-card technology, where we do expect that to be,
11 number one, more efficient, we do expect to increase
12 passenger revenue as a result, and we are looking at
13 coordinating that with our surrounding 10 county
14 transit systems.

15 So I think regionally, it will certainly
16 have a big impact.

17 CHAIRMAN EVANS: On that last thing you
18 said, talking about that smart card, and you are
19 looking to do what? Coordinate? I know it is
20 Allegheny County, but you said the 10 surrounding
21 counties---

22 MR. BLAND: Right.

23 CHAIRMAN EVANS: ---and the smart card. How
24 are you going to approach that?

25 MR. BLAND: For folks who are not as

1 familiar with the Pittsburgh lay of the land -- and
2 Larry can certainly speak to this, as opposed to one
3 large multi-county regional operator -- the Port
4 Authority of Allegheny County serves Allegheny County
5 and is the largest operator, but the 10 surrounding
6 counties that form our region, each have their own
7 operators, many of whom, like Larry's operation in
8 Westmoreland, operate commuter-oriented service into
9 Pittsburgh, CBD into Oakland, and some of the other
10 economic generators of the region.

11 Historically, there has been a good level of
12 coordination. As an example, the surrounding
13 operators use our dedicated bus ways to make that a
14 quicker trip, and we are actually looking at moving
15 with the smart card system as a first step, because
16 everybody can be on the same technology platform as a
17 first step toward making that really a seamless trip
18 throughout the region.

19 And, Larry, I don't know if you wanted to
20 add to that.

21 MR. MORRIS: Yeah; I would be happy to.

22 We have been partnering together for a
23 number of years, but this particular initiative will
24 allow our customers to transfer to the Port Authority
25 service, and many of them do. They ride our bus

1 from, say, Greensburg, Pennsylvania, into the city
2 and transfer to the Port Authority to go to various
3 places. It will allow our customers then to use the
4 same fare medium, simply swipe a card. And the first
5 step, as Steve said, is to purchase the technology
6 and the actual hardware so that we are all on the
7 same system, so that then we can implement, and the
8 rest of it is a fairly simple process.

9 CHAIRMAN EVANS: Would you have been able to
10 do that if we didn't pass Act 44?

11 MR. MORRIS: No.

12 CHAIRMAN EVANS: So as a result of the
13 passage of Act 44, that's a benefit.

14 MR. BLAND: Clearly, yes. It certainly
15 would have been on a wish list of things we would
16 have liked to do if we could afford it, but we are
17 actually moving forward with that project now. In
18 fact, we expect to bid out for proposals within the
19 next month.

20 CHAIRMAN EVANS: Okay.

21 Mr. Brooks.

22 (Noise broadcast over microphone system.)

23 MR. BROOKS: Oh, I thought that was just
24 because I was the union. Am I done?

25 CHAIRMAN EVANS: We want the workers to have

1 their say.

2 MR. BROOKS: From being on the
3 Transportation Funding and Reform Commission, one of
4 the things that became apparent to me in my history
5 in the labor union, president and representative, in
6 the past we have had, always have had the continuous
7 battle of doing one thing, and that was securing the
8 employees and the members of our union to put out and
9 provide efficient, safe transportation.

10 If we had not had Act 44, we would have had
11 the great possibility of having layoffs, of having
12 reduction in workforce. Mr. Casey and myself had
13 just recently met as him being appointed the new
14 General Manager, and one of his pet peeves,
15 obviously, is customer service. But we are the first
16 ambassadors. We are the first line, the ambassadors
17 of customer service, and in any
18 customer-service-oriented business, you need people
19 to at least have the wherewithal to be able to get up
20 and down the street, and in transportation
21 particularly, without having people wrapped around
22 their ears, to at least project an image of courtesy,
23 and you can't do so if you are overworked, the
24 vehicles are overcrowded, and you feel as if you are
25 not getting any help out on the street.

1 I don't come from the transportation end,
2 but I'm in contact, obviously, with them every day,
3 and the overcrowding of the vehicles is something
4 that is very stressful to those who operate
5 transportation vehicles.

6 For us, we believe that we are on the right
7 track as a result. We have had cuts in other things,
8 such as the Keystone Career Ladder program, of a half
9 a million dollars, but we still have put out 1,600
10 people to be retrained.

11 We have entered into just recently a joint
12 apprenticeship program, as well as looking at an
13 internship with the School District of Philadelphia.
14 We realize more than anything now, both parties,
15 SEPTA and the union, realize that our workforce is
16 going to have to come from people, as we acquire the
17 age that we do and grow closer to retirement age, our
18 workforce, skilled workforce, by 2012, 41 percent
19 will be eligible for a pension, and if that happens
20 and if you don't replenish that workforce and you
21 don't have the resources to replenish that workforce,
22 you will in turn have a subcontractor and possibly
23 inferior service out on the streets every day, and we
24 can't afford that.

25 We are a customer-oriented business, and we

1 have to provide, first off, the employees to be able
2 to put that service out on the street.

3 CHAIRMAN EVANS: Chairman Civera.

4 CHAIRMAN CIVERA: Mr. Chairman, I'm going to
5 waive to Representative Reed, because he has a
6 Finance Committee meeting. Dave.

7 REPRESENTATIVE REED: Thank you, Mr.
8 Chairman.

9 My question is directed toward Mr. Bland,
10 and I will freely admit that when I woke up this
11 morning, I didn't anticipate having any questions for
12 any of you, but I would imagine, Mr. Bland, that you
13 can anticipate where this question is going to go,
14 because the headline in the Tribune Review this
15 morning reads, "\$1.5 million in transit cash collects
16 dust in barrels," and the article goes on to explain
17 that there has been \$1.5 million in bills and coins
18 sitting in the Port Authority vault instead of
19 earning interest in the bank, and the explanation
20 given was that in the month of December, there were
21 769 missed hours of work for a variety of reasons by
22 the 15 employees that are charged with the task of
23 collecting that money, and when you do some simple
24 mathematics, that accounts for 96 days off.

25 Now, there are 31 days in the month of

1 December, 21 working days, assuming you are working
2 8-hour days, 5 days of work a week, 40 hours a week
3 total. On average, that works out that the average
4 employee took 6 days off in the month of December.

5 With 21 working days, that means each
6 employee, on average -- I'm sure there are some less
7 and some greater -- took off a third of the month of
8 December, and in the end what that meant to the
9 taxpayers who were asked to foot a portion of the
10 bill for mass transit in Pennsylvania and the Port
11 Authority, the ratepayers who are paying the fares
12 for those services and the riders in general, I mean,
13 just assuming a 4-percent interest rate on that money
14 in a bank, you are looking at \$5,000 a month, \$60,000
15 a year, that could be used to provide for services.
16 And I guess my question, it is a comment but also a
17 question, do you have any idea how ridiculous that
18 sounds that that money is just sitting in a vault
19 somewhere instead of earning interest that could be
20 used to provide those services? What is the public
21 to think, especially folks in rural communities that
22 are already a little apprehensive about providing
23 dollars for mass transit, and then they read an
24 article like that. That certainly does not help the
25 case in providing more State dollars.

1 MR. BLAND: Right. Thank you for the
2 question, Representative.

3 What I would say is, number one, some of the
4 back-of-the-envelope math that the Trib did is
5 completely inaccurate. We would be happy to get to
6 the committee, through the Chairman, the actual depth
7 of the issue.

8 There certainly has been a backlog of cash
9 for a couple of reasons. Number one, frankly, I
10 guess to some extent we have been victims of our
11 success in that the ridership loss we saw off of last
12 year's service reduction was less than expected. The
13 volume of cash, particularly in the volume of dollar
14 bills since January 1, has been greater than
15 expected. It went from a dollar 75 to a \$2 cash
16 fare, so we saw a decline in coin, which is much
17 easier to handle than bills.

18 But as you alluded to, one of the biggest
19 issues we have, and it is an issue we intend to
20 pursue aggressively through collective bargaining, is
21 attendance policies for certain units. Cash
22 handling, the currency unfolder position, is a
23 particular position that is an issue that we have to
24 pursue through collective bargaining; how we
25 administer things like the Family Medical Leave Act,

1 which is an issue that many employers deal with.

2 So I understand the concerns. We would be
3 happy to get the committee the true numbers, frankly
4 that the Trib never gave, for instance myself or our
5 CFO who oversees that operation, an opportunity to
6 comment or to give factual information. So we would
7 be happy to get the committee more detailed
8 information on the magnitude of the issue.

9 But I would be the first person to tell you
10 that we need to more aggressively, in some work
11 units, not all across the board but in some work
12 units, we need to be much more aggressive in
13 collaborating with our bargaining units about
14 employee attendance issues.

15 Short term the way we are addressing it is
16 we have reassigned a couple of positions to support
17 catching up the backlog, the smart-card system that
18 the Chairman asked about earlier, because more
19 transactions, we anticipate, will move to credit, and
20 online transactions will reduce the volume of cash
21 and certainly reduce the volume of work for that
22 unit. But frankly, one of the things that we have to
23 look at -- and I know it is unpopular in all circles
24 -- is that a number of transit agencies around the
25 country essentially outsource the currency function

1 to, for instance, banks and financial institutions.

2 So there are a number of things that we
3 could and should do. The attendance policy right now
4 is the one of most immediate concern.

5 REPRESENTATIVE REED: Okay. And just don't
6 misunderstand me; I do believe there are two parts of
7 that equation, and part of it is the workers as well
8 as the management system. I guess the person quoted
9 from the Authority was a spokeswoman, Judi McNeil.

10 MR. BLAND: Right.

11 REPRESENTATIVE REED: So there was somebody
12 from the Authority that was quoted in the article,
13 and she is actually the one that gave the 769 hours
14 of missed service.

15 MR. BLAND: Correct.

16 REPRESENTATIVE REED: And in the end, I
17 think it is just disturbing to hear that it happened,
18 and I'm sure folks would be upset if they found out
19 for the Commonwealth if the Department of Revenue was
20 sitting around with barrels of cash not earning the
21 interest that those taxpayers deserve.

22 Thank you.

23 CHAIRMAN EVANS: And we would greatly
24 appreciate if you could just present to the committee
25 the information.

1 MR. BLAND: Certainly. I certainly will get
2 that to you.

3 CHAIRMAN EVANS: The Chairman of the
4 Transportation Committee, Chairman Joe Markosek.

5 REPRESENTATIVE MARKOSEK: Well, thank you,
6 Chairman Evans and Chairman Civera.

7 Gentlemen, thank you for attending here
8 today.

9 Just very briefly, if we think of the
10 quintessential person, the kind of the model of the
11 person that uses mass transit in their daily lives,
12 not only just here in Pennsylvania but anywhere in
13 the world, we think of somebody predominantly going
14 to work, perhaps going to school, perhaps doing a
15 little shopping that way, people living in an urban
16 or suburban setting, but yet there is a significant
17 number of folks who use mass transit who live in
18 rural areas who are handicapped, who are elderly,
19 through the shared-ride programs that you all
20 administer and that are very evident. And I guess my
21 question would be, perhaps maybe to Mr. Morris who
22 has a little more of a generic view of mass transit
23 here in Pennsylvania, but what are the percentages of
24 people that use shared-ride programs throughout
25 Pennsylvania? Do you have any numbers on how many

1 people on a daily or a weekly time would use that?

2 MR. MORRIS: I can't speak to that
3 specifically off the top of my head. I would be
4 happy to get you that information.

5 The numbers are obviously not as large as
6 what you would see in Pittsburgh or Philadelphia, but
7 I can speak to the importance of those programs,
8 because we do have, when you talk about efficiency
9 and effectiveness, on the effectiveness side, we do
10 have a social responsibility in our communities, and
11 there are many folks that use not only shared ride
12 but fixed-route transit that have no other way, and
13 we are helping them stay independent.

14 I guess I have the honor of walking through
15 our waiting area every morning to get to my office
16 and know some of those folks, and have gotten to know
17 them personally every day, and they depend on us, and
18 somehow that gets lost sometimes in how important
19 that is.

20 There is shared ride in every county in
21 Pennsylvania, so there is public transportation
22 throughout the entire Commonwealth, and often that
23 also gets missed in the discussions about the larger
24 systems in the State and their issues.

25 So I appreciate the opportunity to answer

1 that question. We certainly will get you and the
2 committee information on the shared ride. I just
3 cannot speak to that specific issue right now.

4 REPRESENTATIVE MARKOSEK: Yeah; thank you
5 very much. I just wanted to make that point, because
6 I think there is a large disconnect in people's minds
7 as to the fact that mass transit is something that
8 benefits all Pennsylvanians, every county in
9 Pennsylvania. It is not just an urban, and it is
10 obviously used quite a bit in the urban areas, but it
11 is not just an urban service. It is something that
12 people all over the Commonwealth use, and the
13 importance of mass transportation in our Commonwealth
14 cannot be understated, and I appreciate your being
15 here today.

16 Thank you.

17 CHAIRMAN EVANS: Chairman Geist.

18 Representative Bryan Lentz.

19 REPRESENTATIVE LENTZ: Thank you, Mr.

20 Chairman.

21 Good morning, gentlemen.

22 My question is for you, Mr. Casey, and first
23 off, I would just like to congratulate you on your
24 new position and to commend you on your, I guess,
25 statements upon taking the position. I think that

1 the emphasis on customer service and cleanliness are
2 some things that some people might consider small,
3 but as someone who rides the R3, I understand how
4 important that is to not only maintaining ridership
5 but increasing ridership.

6 And when I was campaigning for this office,
7 I was often asked about or urged by voters to work
8 for a, quote, "dedicated source of funding" for mass
9 transit, and at the time it sounded as elusive or as
10 pie-in-the-sky as, say, something like universal
11 health care. But a lot of people never really
12 thought we would get it, and not just a dedicated
13 source but a source that will increase with
14 inflation.

15 And to follow up on Chairman Markosek's
16 comment, I know that you know that this is not just a
17 Philadelphia system; it is a system that benefits
18 certainly the counties, the county I represent,
19 Delaware County, and if we didn't have a functioning
20 system in places like Delaware County, people
21 wouldn't be able to back out of their driveways, let
22 alone get to work on time.

23 But I know that you had been the Chief
24 Financial Officer for SEPTA before taking your new
25 position, and I wonder if you could give us the

1 perspective from the Chief Financial Officer
2 perspective of before and after Act 44, because I
3 imagine you went through some years where you just
4 didn't know if you were going to meet the budget.

5 And then if you could tell us some of the
6 benefits of being able to have a dedicated source as
7 far as planning for infrastructure and service
8 expansion and all those kinds of things, and also
9 talk a little bit about frequency, which we know is a
10 big issue for attracting ridership.

11 MR. CASEY: Yeah; it had a tremendous
12 benefit. You know, as CFO, I also had to control the
13 budget, so we really had to watch where our pennies
14 were spent.

15 The AGM's for each individual respective
16 division consistently asked "Can I do this? Can I do
17 this?" trying to improve the system, and, you know,
18 with budget constraints, it was a consistent, "No,
19 no, no, no, no." But the most immediate effect was
20 service, on service, and we knew specific areas that
21 we had increases in riders, et cetera, but we simply
22 couldn't address it. We didn't have the money to
23 address it.

24 With Act 44, we can now look at, you know,
25 routes that are overcrowded, increase frequency of

1 the service out there, and do a lot of things -- you
2 mentioned customer service -- that in the past we
3 weren't able to do.

4 The new budget that will be presented to our
5 board within the next couple of weeks identifies a
6 number of things. In addition to the service, we are
7 adding additional cleaners out there, you know, a
8 whole litany of things that before that, we just
9 could not address.

10 So the timing for me taking over as the
11 General Manager could not be better, and, you know,
12 again, we are extremely thankful to the
13 Appropriations Committee for passing or helping to
14 pass the Act 44.

15 REPRESENTATIVE LENTZ: Thank you, Mr.
16 Chairman.

17 CHAIRMAN EVANS: Chairman Mario Civera.

18 CHAIRMAN CIVERA: Thank you, Mr. Chairman,
19 and welcome.

20 Mr. Casey, welcome, too. I wish you the
21 best to my favorite authority, SEPTA.

22 But let me begin by saying that I think most
23 of us from the southeast are all on the same mindset
24 as far as a dedicated fund, and I was glad to hear
25 the comments that were made before with the Secretary

1 of Transportation and some advanced ideas as far as
2 enhancing that dedicated fund.

3 SEPTA has gone through some, you know, some
4 financial difficulties over the years. Act 44 is now
5 on board. At this moment, you don't see any deficits
6 or anything of that nature? I mean, basically we are
7 doing what we are supposed to be doing?

8 MR. CASEY: I believe so. There were
9 specific areas at the prior meeting with us and Al
10 Biehler, there was talk about fuel prices, and we are
11 seeing the price in fuel. It affects everyone else
12 on the road, but it also affects SEPTA.

13 So there are specific elements of our budget
14 that we see increases, but our riders also see that.
15 The people in cars also see the increases at the gas
16 pump, and they have more of a tendency to join our
17 system. The higher the gas price goes, the more
18 ridership we will get, specifically on the regional
19 rail, which we see more or less busting at the seams
20 at this point.

21 CHAIRMAN CIVERA: Just for curiosity, and
22 you mentioned it and this brought a question to my
23 mind: the fuel aspect of it on the petroleum. Do
24 you bid that like, say, 3, 4 months ahead, or do you
25 pay monthly to that?

1 MR. CASEY: We go out a year in advance.

2 CHAIRMAN CIVERA: Okay.

3 MR. CASEY: So they bid on the futures, and
4 depending on the prices, if it is out of line, we
5 might only do it for 3, 4 months at a time. But we
6 do it in advance.

7 CHAIRMAN CIVERA: How are you with the
8 status of it at the moment? I'm sure that last year
9 we weren't thinking about \$4 a gallon, and especially
10 with diesel fuel.

11 MR. CASEY: We are in the process of going
12 out now, and our contract expires in August. So we
13 will be going out from August of '08 to August of
14 '09, and we should be in the marketplace any day.

15 CHAIRMAN CIVERA: Okay.

16 Now, I have to ask this last question,
17 because I can't disappoint Pat Deon. My favorite
18 borough, Milbourne, could you give me a status as far
19 as that Market Street corridor with that el line and
20 when are we going to cut a ribbon and complete that
21 corridor there? Do you have any idea? What are we
22 on, about 5 years now? 6 years?

23 MR. CASEY: Actually, we are moving very
24 well on that. Milbourne Station is scheduled to be
25 open in June of this year, which is good news. What

1 we are looking at is to have substantial completion
2 of all the guideway in every station except for 63rd
3 Street by the end of this calendar year. So there is
4 an end in sight.

5 CHAIRMAN CIVERA: Okay. One more thing
6 about Milbourne, and I need to put this on the
7 record.

8 There is a guardrail that is involved with
9 the access coming out of that property, the old Sears
10 property, and the developer can't go any further
11 unless that guardrail is moved back in the center of
12 the highway. We need SEPTA's cooperation as well as
13 PENNDOT, but we are going to be talking to PENNDOT to
14 get that done, because that is good news if that is
15 going to open in June, and maybe that developer, we
16 could start seeing some construction there by the
17 fall.

18 Well, thank you, Mr. Casey, and I appreciate
19 that.

20 CHAIRMAN EVANS: Representative Matt Smith.

21 REPRESENTATIVE SMITH: Thank you, Mr.
22 Chairman.

23 I would like to transition a little bit and
24 talk about a specific issue that is important to my
25 community, and that is transit-oriented development.

1 Specifically to Mr. Bland, and first let me
2 commend you on your efforts, particularly on the
3 management side, to get some of the costs under
4 control, specifically as it relates to management and
5 pension.

6 But I'm a big believer in transport-oriented
7 development, whether it is a benefit to mass transit
8 or it is used as an economic development tool. In
9 Mount Lebanon, we have a light rail line that runs
10 right across the central business district, and
11 Chairman Evans was gracious enough to come pay us a
12 visit late last year to see firsthand what a vibrant
13 community it is.

14 My question, I guess, is twofold. What can
15 the State do to enhance transit-oriented development,
16 and where do you see it going in the future,
17 particularly from a land-use perspective, from an
18 economic development perspective, and from the
19 increased ridership on the light rail line from the
20 county perspective?

21 MR. BLAND: Thank you, Representative Smith.

22 I think it is a key issue and a key issue
23 for the Port Authority, and anyone who has not been
24 to Mount Lebanon, it is the quintessential
25 transit-oriented suburb. We have, for an example,

1 where the State has been helpful this is the
2 legislation that was passed several years ago. In
3 fact, we have a study going on in Mount Lebanon as we
4 speak.

5 We are also engaged in a number of joint
6 development activities. We have recently signed a
7 development agreement in our region south of Mount
8 Lebanon to jointly develop that site. Two benefits
9 to the transit authority regarding development. One
10 is an ongoing stream of income coming from that
11 development, and the other is an ongoing stream of
12 riders. In this case, it is a four-story office
13 building that is contemplated to be built, and that
14 will generate ridership, and then another in
15 community development. We have one going on now in
16 the East Liberty neighborhood going on now, and that
17 is a joint venture with the developer that, again,
18 will generate revenue, generate riders immediately
19 adjacent to our busiest corridor, and also support
20 community development activities.

21 I think with the incentives with the
22 license, certainly as the Act 44 capital dollars sort
23 of begin to ratchet up in years 2 and 3, that the
24 department looks at projects that could help to
25 support those types of objectives and should be given

1 some sort of either, if not carve-outs certainly some
2 sort of attention, are all great issues.

3 I think the other thing that is even
4 separate from the transportation piece, and you
5 touched on it exactly, is that it is supporting
6 counties and municipalities in land-use planning and
7 kind of spreading the word as to whether that is
8 incentivizing or how do you go about that, but
9 letting those communities know. In Mount Lebanon, we
10 don't have to teach people or the local leaders in
11 Mount Lebanon, but maybe some folks in some of our
12 suburban communities could use a bit of help in
13 finding out how valuable TODs can be for a region.

14 Thank you.

15 REPRESENTATIVE SMITH: Thank you, Mr.
16 Chairman.

17 CHAIRMAN EVANS: Representative Petri.

18 REPRESENTATIVE PETRI: Thank you, Mr.
19 Chairman.

20 My questions will be for General Manager
21 Joseph Casey.

22 If there was any trepidation about funding
23 SEPTA in the suburbs, if there was, and there wasn't
24 much, but what I did hear was, why are we doing this
25 and why are we putting band-aids on the system? Why

1 aren't we building a truly remarkable system and
2 moving into the next century?

3 So I have to ask the question, I get it, the
4 patient was dead; you were on the table; you have
5 been revived, now it is time to go forward with this,
6 so the natural question I have to ask is, is it
7 reasonable, for the suburbs in particular, to expect
8 that the system will be expanded, modernized, and
9 made more convenient, and if so, when does the
10 planning for that begin?

11 MR. CASEY: Thank you very much.

12 One of the things, after I initially spoke,
13 was the Port Authority was talking about the
14 smart-card technology. We are also in the process of
15 developing that technology, and we expect an RFP to
16 go out this spring to advance that technology. And
17 we are looking for an open system similar to the Port
18 Authority, where other people can use this system
19 through their cards, et cetera. That process will
20 take a number of years, but we are moving forward in
21 that regard.

22 One of the big issues that we are confronted
23 with is, again, aging infrastructure. I can talk
24 about our railcars. The youngest railcar we have out
25 of 365 railcars is 34 years old. We are in the

1 process of having a bid to replace one-third of those
2 40-year-old cars, but immediately afterward, we are
3 going to have to consider replacing the remaining
4 two-thirds. So those are significant capital
5 expenditures that we are faced with.

6 Regarding expansion, expansion is very
7 difficult. I'm sure you are aware of the Schuylkill
8 Valley Metro. We are competing across the nation
9 with new-start projects, and it is very difficult.
10 It is very difficult, especially with an area of
11 Philadelphia that has already an extensive network to
12 compete with these cities in the West and in
13 California that do not have that system, and they are
14 getting theirs now through the new starts. And the
15 Federal government has, because of the competitive
16 nature of that money, they have changed the funding
17 formula from 80 percent Federal to 60 percent
18 Federal. The Schuylkill Valley itself was deemed not
19 a recommended project by the Federal government.

20 You know, when we look at where our
21 ridership growth is, we see a tremendous growth in
22 Delaware County and also Chester County, and we have
23 to address some of those growing areas.

24 REPRESENTATIVE PETRI: A follow-up question:
25 I have been supporting the concept of an intermodal

1 advisory board or authority, as you are probably
2 aware, which would include the Parking Authority, the
3 Bridge Commission, the airport, and the Philadelphia
4 Port and SEPTA, and I have been told by a number of
5 staff members that it can't be done, and I keep
6 pointing to New York City and saying, well, then we
7 just have to get smarter and figure out how to do it.
8 But if we started on the process of an intermodal
9 advisory board to try and get better revenue-sharing
10 and better cooperative planning and pricing, do you
11 think that would be of assistance to you?

12 But before you answer that, I just want to
13 add that in light of the fact that our airport in
14 Philadelphia is rated as one of the most seriously
15 delayed or inconvenient airports -- whether that is
16 true or not, it is certainly the perception -- we
17 found out a couple of years ago that a crane was
18 located in the wrong place and it interferes with the
19 flight path and the expansion of the airport. We
20 built in parking fees to be used for transit, and we
21 know that the Governors in PA and New Jersey a couple
22 of years ago took the profits from the bridge
23 revenues and invested them. Maybe rightfully so, but
24 maybe SEPTA would have liked to have been a part of
25 that.

1 So I see a real frustration and I have been
2 completely frustrated with the lack of coordination
3 of activities and funding between the various
4 intermodal authorities, and I wondered if you have a
5 solution to fix that.

6 MR. CASEY: I don't know. The intermodal
7 thing that you mentioned that you are supporting,
8 SEPTA would support that also. We are frequently,
9 you know, faced with competing interests with the
10 Parking Authority, et cetera.

11 I will give you a little anecdotal story. A
12 couple of weeks ago there were actually leaflets
13 placed on some of our rail line parking lots
14 encouraging people to drive in and park at the
15 Parking Authority, and, you know, I immediately
16 called and it ceased, but those are the competing
17 interests that we have to deal with almost on a daily
18 basis.

19 REPRESENTATIVE PETRI: Thank you, Mr.
20 Chairman.

21 CHAIRMAN EVANS: Representative Frankel.

22 REPRESENTATIVE FRANKEL: Thank you, Mr.
23 Chairman, and good morning.

24 This is for Steve and the Port Authority.
25 You know, first of all, I join with my colleague,

1 Representative Smith, in congratulating management
2 for what I believe really, you know, was taking some
3 very serious downsizing of its benefits and its
4 compensation packages and acting responsibly in a
5 very difficult time, and you paved the way for what
6 ought to be happening throughout the system. But
7 when I take a look at your presentation this year
8 that projects the fiscal years of '08 to '13, in
9 terms of your operating expenses, I'm looking at the
10 benefit, the total benefits you are projecting out,
11 going from \$115 million in '08 to \$155 million in
12 '13. Is that based on the current bargaining
13 agreement?

14 MR. BLAND: Right, Representative. These
15 projections in the presentation reflect the current
16 condition of the Port Authority -- the service level,
17 service design, what have you. We said from the
18 beginning that the sustainability of public
19 transportation in Pittsburgh is like a four-legged
20 stool. Predictable State funding was one of those
21 legs. Act 44 has effectively addressed that.
22 Predictable local funding was another leg.
23 Essentially Act 44 and the ensuing actions by the
24 county executive and the county legislation have
25 ensured that. Appropriate service design, which is

1 something we started and are pursuing through our
2 transit development plan, it is ongoing now.

3 But frankly, we are getting our unit costs
4 under control, particularly what we refer to as the
5 legacy costs, benefits in particular. As an example,
6 right now, for every active employee we have enrolled
7 in our health-care program, we have more than one
8 retired employee enrolled in our health-care program.
9 You relayed a comment about the changes we made with
10 our nonrepresentative staff that are close to
11 retirement, and that benefit was removed from the
12 nonrepresentative staff, and that is something that
13 we have to do to come up with a solution,
14 fundamentally like the General Motors or the other
15 automakers who have really gotten into this
16 situation, to find a way out.

17 And when people ask me, well, how do you
18 solve this issue, really, if you wanted to get a
19 blood transfusion, first you got to stop the bleeding
20 before you can figure out how to get the blood back
21 in. So our first objective is to really contain the
22 growth in those expenses and then sort of address how
23 you deal with that long term to get that done, but
24 that is, I would say in the upcoming year when really
25 all of our agreements come up, that is our numbers 1

1 through 8 out of 10 objectives.

2 REPRESENTATIVE FRANKEL: Under the terms of
3 the agreement, how does it compare, for instance, to
4 SEPTA and other conditions of other agencies? I
5 mean, what is the benefit package for those other
6 agencies?

7 MR. BLAND: I'm sure Mr. Casey can speak
8 specifically to SEPTA's package, but what we compared
9 is, ours is much more generous, for lack of a better
10 word.

11 Essentially, with 25 years of service, you
12 could retire with the full health-care package for
13 the rest of your life. Again, because of the
14 bargaining unit, that is no longer the case. And I
15 will be the first person to tell you, that is a nice
16 benefit, and I tell our employees, I don't want to
17 take it away but I feel I have no choice, because the
18 numbers we see in front of us are a reality, and it
19 is something fundamentally that we have to deal with.

20 When we have been compared to SEPTA and
21 compared to other organizations like Larry's, you
22 know, there is no comparison. But I probably would
23 refer to Mr. Casey to comment on SEPTA's specific
24 provisions. But certainly ours, from what we have
25 seen, are much more generous.

1 REPRESENTATIVE FRANKEL: Obviously, we
2 worked together across the State to give SEPTA, with
3 the Transit Workers and with the Authority, our local
4 elected officials, to get Act 44 passed, and I have a
5 great deal of satisfaction on that. But ultimately
6 many of us, I think, on both sides of the aisle felt
7 very strongly that there had to be a reciprocal
8 action by labor in this to reasonably address the
9 benefit issue, the legacy costs, you know, to fix
10 this. I mean, that was our expectation when we
11 passed Act 44, and I'm hoping that as you proceed, I
12 know you are probably engaged at this point in the
13 collective bargaining process--- Was it June or
14 July?

15 MR. BLAND: The end of June, with the first
16 agreement.

17 REPRESENTATIVE FRANKEL: ---to, you know,
18 encourage a reasonable agreement from all parties
19 here, and our expectation is that there will be a
20 reasonable adjustment with respect to the benefit
21 piece of this.

22 Thank you.

23 MR. BLAND: As is ours, sir. Thank you.

24 REPRESENTATIVE FRANKEL: All right. Thank
25 you very much.

1 CHAIRMAN EVANS: Philadelphia's favorite
2 legislator, Mario Scavello.

3 REPRESENTATIVE SCAVELLO: Thank you, Mr.
4 Chairman, and good morning, gentlemen.

5 I first want to, before I give my comments,
6 I want you to know that I grew up in a large city and
7 was a big user of mass transit, and I do agree with
8 Mr. Brooks there when he said the front line is the
9 employees, because to me, that conductor, that bus
10 driver, how you treated the users of that system made
11 that system much more powerful.

12 My question, I guess, is going to be for Joe
13 and for Steve. Of your operating budget, what
14 percentage is local, what percent is at the fare box,
15 and what percentage comes from the State?

16 MR. BLAND: Let me see if I can, while Joe
17 is looking for his papers, I will extrapolate ours.

18 For instance, in this year's budget, our
19 total operating budget is \$336 million. Of that
20 amount, about \$85 million comes from operating
21 sources -- passenger fares, real estate income, what
22 have you -- \$184 million in State operating
23 assistance, and then the remainder comes through a
24 combination of county and then some of the Federal
25 aid programs -- access to jobs, congestion management

1 programs, what have you.

2 REPRESENTATIVE SCAVELLO: So you would say
3 about what percent? Is it 60?

4 MR. BLAND: No, about 25 percent in fare
5 passenger revenue.

6 REPRESENTATIVE SCAVELLO: 25 percent fare?

7 MR. BLAND: Yeah; it is in that, 24, 25
8 percent passenger fare.

9 REPRESENTATIVE SCAVELLO: And State would be
10 about?

11 MR. BLAND: Probably about 55 percent, if my
12 math is correct.

13 REPRESENTATIVE SCAVELLO: 55 percent. And
14 then the rest is local?

15 MR. BLAND: Local and Federal.

16 REPRESENTATIVE SCAVELLO: Local and Federal.

17 MR. BLAND: There are some Federal programs
18 that mix into our operations. Federal is primarily
19 for capital.

20 REPRESENTATIVE SCAVELLO: That's what I
21 assumed.

22 MR. BLAND: There are some exceptions, like
23 the access-to-jobs program, as an example.

24 REPRESENTATIVE SCAVELLO: Okay. And for the
25 SEPTA system?

1 MR. CASEY: Our current budget is a little
2 over a million dollars. The State is about half of
3 that. The local is about 6 percent.

4 REPRESENTATIVE SCAVELLO: The local is 6
5 percent.

6 MR. CASEY: Yes.

7 REPRESENTATIVE SCAVELLO: It can't be a
8 million.

9 MR. CASEY: A billion; I'm sorry.

10 REPRESENTATIVE SCAVELLO: I was going to
11 say---

12 MR. CASEY: I dropped the zeroes here.

13 MR. BLAND: If that is true, you need to
14 listen more to him than to me.

15 REPRESENTATIVE SCAVELLO: Yeah.

16 So your local is 6 percent. How does that
17 compare to other big cities, you know, for instance,
18 New York, any other big cities? Your local share.

19 MR. CASEY: Each big city is different.
20 They divide up their support, either through a local
21 funding tax or other methods.

22 I can give you a report on that. I believe
23 the Reform Commission actually did that comparison to
24 determine what other cities do, what other big cities
25 do.

1 REPRESENTATIVE SCAVELLO: Isn't it true that
2 in some cities it is over 60-percent local?

3 MR. CASEY: I believe so, yes.

4 REPRESENTATIVE SCAVELLO: And you are
5 getting 6-percent local.

6 I throw that out there, because I look at,
7 you know, what New York City has done, and what they
8 do is, they toll their bridges going into the city,
9 and a majority of those dollars go to offset the
10 costs of mass transit, and they tax their parking in
11 the city at a higher rate and those dollars go to
12 offset mass transit.

13 By doing that, they do two things. First of
14 all, just like you said earlier, with the price of
15 gas, you are getting more folks on the train. It
16 pretty much inspires people to save money, not to
17 drive into the city and get on mass transit and use
18 the transit systems.

19 So the system becomes more profitable, you
20 know, and I throw that out and I say, well, why isn't
21 it happening in the city? And I know, I think that
22 it would alleviate some of the congestion and it
23 would create a better system, because you are going
24 to have more users on the system; you won't have the
25 empty seats.

1 And I just look at 6 percent versus what
2 some of the other big cities are doing, and it is an
3 awful low amount, and it is really on the backs of
4 the rest of the State.

5 Thank you, Mr. Chairman.

6 CHAIRMAN EVANS: Thank you.

7 I would like to ask a question. The
8 majority of your ridership, in both your systems, is
9 the majority of your ridership Pennsylvanians?

10 MR. CASEY: Yes.

11 CHAIRMAN EVANS: What? Ninety, ninety-five
12 percent?

13 MR. CASEY: I think ours is probably closer
14 to 99 percent.

15 CHAIRMAN EVANS: Ninety-nine percent? They
16 are not New Jerseyans?

17 MR. CASEY: Pennsylvania.

18 CHAIRMAN EVANS: They're not Delawarians?

19 MR. CASEY: No.

20 CHAIRMAN EVANS: They are 99-percent
21 Pennsylvanians.

22 MR. CASEY: Ninety-nine percent. I mean, we
23 do have some service into the State of Delaware and
24 we also have some service into Trenton.

25 CHAIRMAN EVANS: But they are

1 Pennsylvanians? That's the key that I want to know.

2 MR. CASEY: It is both.

3 CHAIRMAN EVANS: Yeah.

4 MR. CASEY: But 99 percent are
5 Pennsylvanians.

6 CHAIRMAN EVANS: Pennsylvanians, right.

7 MR. CASEY: Right.

8 CHAIRMAN EVANS: And in your case?

9 MR. BLAND: Ours would probably be higher
10 only because we don't have the immediate access to an
11 adjoining State that Philadelphia does.

12 CHAIRMAN EVANS: So yours is like 99
13 percent? Pennsylvanians, right?

14 MR. BLAND: Easily. I mean, frankly, the
15 only out of State that I would anticipate would be
16 the tourism types of riders.

17 CHAIRMAN EVANS: So those Pennsylvanians are
18 probably paying State income tax, sales tax, fare to
19 get on mass transit, if they have a business,
20 corporate net income tax.

21 MR. BLAND: The malt beverage tax.

22 CHAIRMAN EVANS: They are paying all that,
23 right? But your return is going where? To
24 Pennsylvania organizations, right? Not West Virginia
25 or New Jersey, right?

1 MR. CASEY: That is correct.

2 CHAIRMAN EVANS: I just wanted to ask. I
3 wanted to clarify where those people are from. We
4 are not paying for New Jerseyans or West Virginians;
5 we are paying for Pennsylvanians, right?

6 I just wanted to ask the question.

7 REPRESENTATIVE SCAVELLO: Mr. Chairman---

8 CHAIRMAN EVANS: I just wanted to ask the
9 question where the people are from.

10 REPRESENTATIVE SCAVELLO: I just want---

11 CHAIRMAN EVANS: I just asked the question.

12 REPRESENTATIVE SCAVELLO: Mr. Chairman,
13 because it's a bad example. The New York City
14 system---

15 CHAIRMAN EVANS: I didn't say anything.

16 REPRESENTATIVE SCAVELLO: ---goes into
17 Connecticut.

18 CHAIRMAN EVANS: Mr. Scavello, I didn't say
19 anything.

20 I'm going to let the Chairman go, and then
21 I'll go to Representative Reichley.

22 That is all I asked.

23 CHAIRMAN CIVERA: Let me, you know, I think
24 this needs to be said, especially because I'm from
25 the southeast.

1 The idea of a dedicated fund for mass
2 transit has to be in place in Pennsylvania. The
3 southeastern legislators, whether they are from
4 Philadelphia, Delaware County, Bucks, Chester, and
5 Montgomery, I believe all agree that that dedicated
6 fund has to be.

7 And to the point that if we were to expand
8 and come up with different ideas, and some ideas were
9 said today as far as the Schuylkill Expressway, some
10 ideas have been shared with the Philadelphia Airport,
11 some ideas have been shared with an authority taking
12 over the Parking Authority and incorporating that,
13 and I think those are good, healthy ideas because it
14 is going to move us forward. To go and bank on the
15 other parts of Pennsylvania, I don't believe is fair.
16 I believe that, you know, we should be taking care of
17 our own.

18 So we are thinking; we are developing new
19 ideas to come to that point. It is a situation where
20 not only when you look at the business community, the
21 Chamber of Commerce, whether it be the Philadelphia
22 Chamber, the Delaware County Chamber, the Montgomery
23 Chamber, they support the mass transit because it
24 provides the jobs in that area, okay, and they
25 supported last year the dedicated fund. So I believe

1 that, you know, we are thinking.

2 When you compare it with New York, as Mario
3 did, the problem, the difference between New York and
4 Philadelphia is that New York in Manhattan is an
5 island within itself within the State, and therefore,
6 when the authority took place, they were able to do
7 with the bridge tolls, but for us to go into the
8 Benjamin Franklin Bridge, the Walt Whitman Bridge,
9 the Betsy Ross Bridge, because of New Jersey, it
10 becomes a Federal issue that we can't bring that
11 within the authority. Had we been able to do that,
12 this would have been done a couple of years ago.

13 But I think as we expand our ideas as far as
14 a dedicated funding and where that source of revenue
15 should come from, I believe that the southeast wants
16 to really basically take care of itself, and there is
17 a lot of revenue that is in the southeast that would
18 be helpful to the transportation.

19 One more statement before I leave. I just
20 want to say thank you to our labor force and to
21 management, that he is at the table. That means a
22 lot in the five-county area and to Philadelphia. I
23 think you are off to a good start. I really mean
24 that.

25 Thank you.

1 MR. CASEY: Thank you.

2 CHAIRMAN EVANS: Representative Reichley.

3 REPRESENTATIVE REICHLEY: Thank you, Mr.
4 Chairman.

5 Mr. Casey, just following up really on
6 Chairman Evans's last question to you. Would you
7 agree that, I will say modestly, 90 percent of your
8 ridership is from the five-county southeastern area
9 of Philadelphia and the four collar counties?

10 MR. CASEY: At least.

11 REPRESENTATIVE REICHLEY: Right. So the
12 people up in the Lehigh Valley and the Poconos and
13 the middle part of the State would probably not be
14 likely to be riding a SEPTA bus or a SEPTA train?

15 MR. CASEY: Probably not.

16 REPRESENTATIVE REICHLEY: And I just want to
17 get it so that I understand, because we had to
18 recalculate the figures, you have a \$1 billion budget
19 but only 6 percent of the operating revenue is coming
20 from the fare box?

21 MR. CASEY: No, no; 6 percent from the local
22 governments.

23 REPRESENTATIVE REICHLEY: Local governments.
24 Okay. How much is your fare box revenue toward the
25 operating expenses?

1 MR. CASEY: It is about 40 percent.

2 REPRESENTATIVE REICHLEY: Forty.

3 And then the 6-percent local is what you
4 were identifying as going toward operating or the
5 overall budget?

6 MR. CASEY: Through operating.

7 REPRESENTATIVE REICHLEY: Okay. So of an
8 operating budget, you are more or less in line with
9 what Mr. Bland stated, about a 55-percent State share
10 on the operating side?

11 MR. CASEY: Yeah; it's probably about 50
12 percent.

13 MR. REICHLEY: 50 percent; okay.

14 MR. CASEY: There are other revenues that we
15 also have.

16 REPRESENTATIVE REICHLEY: Okay.

17 I think echoing Chairman Civera's comments,
18 there is a lot of concern. I myself would not have a
19 difficulty with the bulk of the State aid going to us
20 toward capital investment, in new vehicles and new
21 trains, but to have that large a portion of your
22 operating expenditures coming out of the State, I
23 think, is troublesome and then hard to justify.

24 And as I had asked Secretary Biehler -- and
25 I'm sure you are aware of this, frankly so -- what

1 makes it harder to rationalize is when on February 12
2 there is an article that says that the \$81 1/2
3 million surplus that you received from Act 44 went
4 into a restricted account and didn't go toward
5 capital investment; it didn't go toward reducing
6 fares. I'm just wondering if you could comment upon
7 that.

8 MR. CASEY: Yes. First of all, from a
9 cash-flow standpoint, we did not receive \$80 million.
10 I don't have \$80 million sitting in the bank from Act
11 44.

12 By the end of the process, when we get all
13 the cash receipts, et cetera, at the end of the year,
14 we will probably have \$80 million more from the Act
15 44 than we need to balance the budget.

16 REPRESENTATIVE REICHLEY: Okay.

17 MR. CASEY: So that is from a cash
18 standpoint.

19 I mean, the intention of the Act 44 was to
20 make this last, to make the transit authorities not
21 come back to the State every 4 or 5 years. My
22 problem is, if I spent that \$80 million next year on
23 capital budget, if you look at the growth of our
24 budget, and say it grows 4 percent, that is \$40
25 million it will grow next year.

1 Act 44 only grows \$12, \$15 million, so I
2 have an automatic gap. So, you know, each subsequent
3 year that gap will, you know, grow and grow and grow
4 as far as the deficit versus the Act 44 increase.

5 So in order for this to last, Act 44 to last
6 us for operating purposes, we are going to need to
7 set that money aside for future expenses.

8 REPRESENTATIVE REICHLEY: Do you have a
9 surplus now? In taking a look at your net budget, do
10 you have a surplus at all?

11 MR. CASEY: A minor surplus, yes.

12 REPRESENTATIVE REICHLEY: What is it?

13 MR. CASEY: It is about \$700,000, for
14 year-to-date.

15 REPRESENTATIVE REICHLEY: Okay.

16 In the course of this article, I guess it
17 was in the Bulletin, it quoted your CFO -- Richard
18 Burnfield?

19 MR. CASEY: Yes.

20 REPRESENTATIVE REICHLEY: ---saying, yes,
21 Act 44 is certainly going to stabilize our finances
22 and give us an opportunity to improve. That seemed
23 to be contradicted by one of your board members,
24 Michael O'Donoghue, who said that this money is
25 insufficient. I guess the question is, and later on

1 in the article it cited the fact that the \$81 1/2
2 million, which admittedly would be toward your year
3 end, would be able to fund about half of the modern
4 fare collection system, and I guess the question is,
5 similar to what Mr. Bland was saying, that they are
6 engaging in the smart-card technology, why not be
7 putting it toward that?

8 MR. CASEY: Well, again, we needed to make
9 this money last for the operating purposes, but we
10 are still engaging in the smart-card technology.

11 I don't know exactly where Steve Bland is on
12 the process, but we are opening it up, that we have a
13 lot of interest from the banking institutions, from
14 communications, et cetera, that really want to get
15 into this small-dollar purchases, that the transit
16 agencies present itself.

17 So, I mean, we don't know what the end game
18 is as far as the cost of this project. But we know
19 what other cities have spent. We know Boston spent
20 almost \$200 million on that project. We know Atlanta
21 spent a lot of money, et cetera. But if we get the
22 private institutions invested in this project and
23 interested in this project, it could be that our
24 expenditures for this project aren't anywhere near
25 what the other cities have spent.

1 REPRESENTATIVE REICHLEY: Okay. And I
2 think, I was trying to count up, I think I have three
3 last questions for you.

4 Number one, you said you are about to go bid
5 out replacement on the 40-year-old cars. Do you have
6 any sense of how much that is going to cost you?

7 MR. CASEY: We do have a contract that says
8 \$300 million.

9 REPRESENTATIVE REICHLEY: To replace all the
10 cars?

11 MR. CASEY: No.

12 REPRESENTATIVE REICHLEY: All those
13 40-year-olds?

14 MR. CASEY: Yes.

15 REPRESENTATIVE REICHLEY: Yeah; the
16 40-year-old cars, right. Okay.

17 And when do you anticipate all the
18 replacement cars coming on line? Is that going to be
19 in 1 year or do you get them 5 a year or something
20 like that?

21 MR. CASEY: We anticipate a 2-year delivery.
22 They will not start coming in until spring of 2010,
23 which is a long time, and part of my problem right
24 now with the capacity is, what do I do on the
25 short-term basis?

1 And we are looking at, we had an engineering
2 firm come in to scour the market, see what is out
3 there, that unfortunately, everyone else has the same
4 problem. New Jersey Transit has increased ridership,
5 MARC has increased riderships, et cetera. Both of
6 them are really the only electrified units that run
7 rail transit in the country.

8 So we are scouring, we are seeing what we
9 can do, but, you know, it will be 2 years until we
10 can get those cars.

11 REPRESENTATIVE REICHLEY: Thank you, but I
12 just want to make sure I understand: You have
13 actually signed that contract?

14 MR. CASEY: Yes.

15 REPRESENTATIVE REICHLEY: For the \$300
16 million for the replacement of the subway cars?

17 MR. CASEY: Yes.

18 REPRESENTATIVE REICHLEY: And that doesn't
19 take into account replacement on buses. Do you have
20 any anticipation of that?

21 MR. CASEY: No. We have a bus-replacement
22 program. We have approximately 1,200 buses. We
23 generally like to replace a hundred of them a year,
24 because they have a 12-year useful life.

25 We also signed a contract to replace 400

1 buses over the next 4 years, and they are hybrid
2 electric buses, which will improve air quality in the
3 region and also have reduced fuel consumption. Those
4 buses will be starting delivery in August of this
5 year, and that is why I can't put the buses out now.
6 So once they start delivering, I will be able to
7 expand our fleet, not retire some of the older buses,
8 and put additional service out this fall.

9 REPRESENTATIVE REICHLEY: Are you coming
10 into Harrisburg at all asking for an increase in the
11 allocation at all, or are you going to say,
12 everything is okay; Act 44 is giving us enough money;
13 we don't need any bump-up in the '08-09 budget?

14 MR. CASEY: Yeah; we believe that Act 44
15 will solve our problem on the operating budget for
16 years to come.

17 REPRESENTATIVE REICHLEY: And for capital
18 investment as well; you are not asking any additional
19 aid for SEPTA?

20 MR. CASEY: Well, we do have problems in
21 capital, and we have to look at, you know, where we
22 go. We have to look at where the Federal government
23 goes, and we are in the process, I was just in
24 Washington on Monday with some of the major rail
25 cities, including Pittsburgh -- I'm not sure if you

1 had a Representative there, but Chicago, Boston, New
2 York, et cetera -- and we are trying to get a
3 consensus on how the new funding will affect the
4 major old cities.

5 REPRESENTATIVE REICHLEY: Okay.

6 And the last question may seem a little off
7 the wall to you: Do you have a position on the board
8 with the Delaware River Port Authority at all? Do
9 you participate with them at all?

10 MR. CASEY: I believe not, no.

11 REPRESENTATIVE REICHLEY: Okay, because I
12 just saw that they are investing \$10 million in the
13 waterfront development in the city of Chester, and it
14 would seem to me that that would be a helpful source
15 for you to go to for expansion of your capital
16 investment. I believe there are a number of
17 investments in the area, but---

18 MR. CASEY: Yeah; I'm not sure of the
19 specifics. I believe that is on the waterfront in
20 Philadelphia, on Columbus Boulevard.

21 REPRESENTATIVE REICHLEY: Okay. Well, the
22 way I read it, it was in Chester, but, you know, I
23 think that they seem to be a source of generosity.

24 MR. CASEY: Yeah; they have \$10 million for
25 planning, I believe. Yes.

1 REPRESENTATIVE REICHLEY: Okay. Thank you.

2 CHAIRMAN EVANS: Those folks in the
3 northwest are a part of the Commonwealth of
4 Pennsylvania, so even if their local representatives
5 don't want to look out for them, we are going to look
6 out for them. We are going to make sure that those
7 in the northwest are a part of the Commonwealth.
8 There's a distinction: Commonwealth; New Jersey, a
9 State; New York a State -- Commonwealth. There's a
10 distinction. I wanted to say that.

11 I just have to say a distinction about a
12 Commonwealth. So if we can get past and over this
13 aspect, that all 67 counties are important, you know,
14 all 67 counties are important, so we are going to
15 work for all 67 counties in this hearing. I just
16 wanted to say that.

17 I want to thank all of you for coming to
18 speak to us today, as Pennsylvanians. All of you are
19 Pennsylvanians, right? You are not from New York or
20 West Virginia? I want to check. We're going to
21 start getting ID cards for you.

22 I think that's a good idea, Mario. We need
23 to get ID cards and make sure that nobody sneaks in
24 from any other State, that we don't do anything for
25 anybody else.

1 Thank you very much. This is recessed until
2 1 o'clock. Thank you very much.

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4 (The hearing concluded at 12:04 p.m.)

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1 I hereby certify that the proceedings and
2 evidence are contained fully and accurately in the
3 notes taken by me on the within proceedings and that
4 this is a correct transcript of the same.

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Debra B. Miller, Reporter

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