TESTIMONY OF

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AND

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BEFORE THE

SUBCOMMITTEE ON HIGHWAYS AND TRANSIT
OF THE
HOUSE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE

Hearing on

"The Importance of a Long-Term Surface Transportation Authorization in Sustaining Economic Recovery"

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SUBMITTED BY

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APTA is a nonprofit international association of nearly 1,500 public and private member organizations including transit systems and commuter rail operators; planning, design, construction and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient and economical transit services and products. Over ninety percent of persons using public transportation in the United States and Canada are served by APTA members.

Chairman DeFazio, Members of the Subcommittee, thank you for this opportunity to present testimony regarding the next surface transportation authorization bill. I am honored to have this opportunity to appear before you today on behalf of Motor Coach Industries, Inc. (MCI) and the American Public Transportation Association (APTA), of which MCI is a member. I truly appreciate your interest in improving public transportation service in the United States, and I look forward to working with you as this next authorization legislation moves forward, hopefully in the very near future.

ABOUT APTA

The American Public Transportation Association (APTA) is a nonprofit international association of nearly 1,500 public and private member organizations, including transit systems and commuter rail operators; planning, design, construction, and finance firms; product and service providers; academic institutions; transit associations and state departments of transportation. APTA members serve the public interest by providing safe, efficient, and economical transit services and products. More than ninety percent of the people using public transportation in the United States and Canada are served by APTA member systems.

ABOUT MOTOR COACH INDUSTRIES

Motor Coach Industries, headquartered in Schaumburg, Illinois, is the leading builder of intercity coaches, supplying the tour, charter, line-haul, commuter transit, inmate transport, university and conversion markets in the United States and Canada. In business for more than 76 years, the company builds the industry's two best-selling models as well as the industry's first hybrid electric commuter coach. MCI produces coaches that are Buy America compliant and Altoona tested. More than 56% of all over-the-road style coaches on the road today were produced by Motor Coach Industries including, more than 4,000 MCI commuter coaches operating in daily revenue service.

OVERVIEW

The public transportation industry - its public and private members – are looking to this next authorization period with significant expectations of investment and growth. That investment and growth are necessary to meet the sizable needs that are readily apparent in communities across this nation. As this subcommittee has heard previously, record numbers of Americans are turning to public transportation for more and more of their transportation needs. Despite falling gas prices and an economic recession, increasing numbers of Americans took 10.7 billion trips on public transportation in 2008, the highest level of ridership in 52 years and a modern ridership record. And while many new riders had turned to public transportation during a period of high gas prices, many of these riders continued with their choice after fuel prices declined. In addition, new riders turned to public transportation during the economic recession as they learned that it made good economic sense for them and their families. As we look to the future, our projected population growth, our expected economic growth, and our hope for a cleaner environment all point us toward the need to provide greater investment in public transportation. It is important that we get this next bill done right, and that we get it done soon.

Motor Coach Industries, Inc. participates within APTA as a Business Member, but as such we view ourselves as true partners with our public sector colleagues. We work to understand their needs and goals, and to assist them in meeting those needs and fulfilling those goals. As a

representative of the private sector and a former transit authority general manager myself, our company and I recognize the challenges that individual public transportation operators face in planning, operating, maintaining and growing their systems to meet the travel demands of their communities and regions. With demand and expectations high, federal funding delays are only likely to put long term plans on hold and limit the possibility that communities will be able to prepare for the future.

The opportunities available to us in this next authorization bill are tremendous. We are experiencing a major resurgence in interest in public transportation rising to levels not seen in more than two generations, and we need to demonstrate to the American public our continued commitment to provide the investment and policy necessary to meet the growing demand.

Most importantly, however, this next Authorization bill is imperative for the jobs and economic opportunities that it will create, for companies such as mine, and many others throughout the industry. This is an industry with a long and extended supplier base, and the investment that Surface Transportation Authorization Act will provide will have an immense impact on jobs and our economy both immediately and for years to come. As we work our way out of this economic downturn, this bill provides us with one of the best vehicles for advancing economic recovery.

SIZABLE NEEDS GROW EVERY DAY

Our infrastructure is aging. Our "new" systems are not new anymore and require additional investment to remain safe and reliable as part of the fundamental infrastructure backbone of our country. We must invest more now. Every year we wait the problems grow exponentially.

The maintenance of transit capital assets to ensure a "state-of-good-repair" is critical. Two commissions created by the Congress in SAFETEA-LU, the National Surface Transportation and Revenue Study Commission, and the more recent report of the National Surface Transportation Infrastructure Financing Commission, highlighted the growing gap between our infrastructure needs and our present level of investment. FTA's recent State of Good Repair further highlighted the growing backlog of capital needs faced by public transportation systems across the country.

Mr. Chairman, each of the Commission reports contains strong recommendations to the Congress about the investment levels needed to maintain and improve the nation's public transportation and highway systems. APTA's current estimate of the total annual resources needed to maintain and improve our public transportation systems, from all sources, is $59.2 billion. This level of investment will allow the nation's public transportation systems to double ridership over the next twenty years, representing a pace of growth of just over 3.5 percent annually. In its "Bottom Line Report for Transportation – 2009," the American Association of State Highway Transportation Officials concurs with APTA's estimate of funding needs, stating that "if transit ridership growth grows to 3.5%, the level that would double transit ridership over the next 20 years, which would be helpful in reducing greenhouse gas emissions, investment in public transportation would have to grow to $59 billion." In recent years we have been investing a total of about $14 billion annually.

We must balance the growth of transit systems to meet the increased population, economic, mobility and environmental needs of our communities while still addressing critical issues of

maintaining a state of good repair. We must move forward with a sense of urgency in order to see progress in closing the gap between our current conditions and capacity, and that which our growing nation beckons.

NOW IS THE TIME TO INVEST – PRESENT JOBS AND FUTURE GROWTH

The investment we make through this Committee's Surface Transportation Authorization Act will have incredibly important impacts on our economy and employment base. It is critical to pass this bill to create and maintain the jobs we need today and the economic productivity we will need tomorrow.

Congestion in our large metropolitan areas continues to be a problem, and will only get worse as population growth is projected to occur in the largest metropolitan areas. Public transportation use is a critical component of reducing congestion. According to the 2009 Urban Mobility Report from the Texas Transportation Institute (TTI), Americans living in areas served by public transportation saved 646 million hours in travel time and 398 million of gallons of gasoline in 2007. Without public transportation, congestion costs would have been $13.7 billion more that year.

Furthermore, our large metropolitan areas—where public transportation is most prevalent and accessible— generate more than 86 percent of the nation's gross domestic product (GDP). By 2050, more than 70 percent of the nation's population and economic growth will occur in metropolitan "megaregions," with ever-increasing demand for efficient movement of goods, people, and capital between them.

Investment in public transportation plays a vital role in supporting these critical economic engines. This vital investment in public transportation:

- **Generates further economic activity**: Every tax dollar invested in public transportation generates an average of $6 in economic returns;
- **Provides fast and easy access to our economic engines**: Central business districts, revitalized urban areas, and major convention centers and sports stadiums;
- **Connects people to jobs**: – almost 60% of public transportation riders are traveling to or from work;
- **Strengthens supply chains:** Over the past 25 years, America's capital-intensive economy has shifted emphasis from warehousing goods to keeping them in motion for just-in-time delivery—creating longer and more complex supply chains to move goods as quickly as possible. Increased rail capacity to support intermodal supply chains will reduce costly transport delays;
- **Reduces infrastructure costs**: Transit-oriented, compact development increases the overall efficiency of our transportation investment as well as the overall infrastructure needs of our communities;
- **Creates jobs**: According to a report recently released by APTA, every $1 billion of federal funding invested in transportation infrastructure supports 30,000 jobs. Many of these are "Green" jobs bringing new technology skill-sets to OEM and supplier work sites nationwide.

Further, jobs that investment in public transportation creates are high-paying and stable jobs, virtually all of which are created here in the U.S.. These new jobs extend beyond those needed to

operate new and expanded transit service, and include a broad range of private sector nationwide. Investments in transit agencies nationwide directly benefit small, at-risk communities where many of the domestic bus assembly facilities are located. For instance, buses are assembled by MCI at our plant in Pembina, ND, providing vital jobs in this town with fewer than 700 people. They are also built by North American Bus Industries, Inc. in Anniston, AL; New Flyer in St. Cloud and Crookston, MN; GILLIG in Hayward, CA; Champion Bus in Imlay City, MI; Daimler Buses, NA in Oriskany, NY; and the list goes on. Rail cars and components are manufactured in Lincoln, NE; Boise, ID; Hornell, NY: Pittsburgh, PA and Spartansburg, SC, among others. Transmissions, heating and air conditioning, seating and tires, among many other sub-components and systems are provided by a nationwide supplier base. These suppliers must wait for orders to come from us – the OEMs. The MCI factories alone are supported by more than 3,000 third party suppliers. When one adds in all of the vendors supporting the aftermarket, that number expands to nearly 10,000 suppliers.

It is important to understand that most bus plants work about 1 year to 18 months out, and rail procurements can take 2 to 4 years from inception to completion. Even if the bill is passed today, there are aspects of the investment that will still take time – we certainly don't want the process itself to delay things further. Waiting to pass a bill has the potential to jeopardize the business cycle and shake the confidence of investors given the existing anxiety across our economy. From our perspective as a representative of private industry, we can tell you that it is important to send a signal to the private transit industry that this program is stable and will continue to grow so that we can protect the many jobs that we are creating today.

INVESTMENT FOR THE ENVIRONMENT

Mr. Chairman, if we are truly committed to a green economy, then we must retire old buses and trains and replace them with clean new vehicles. This creates green jobs and cleans the air as well. Over the past year when fuel prices rose, many people turned to public transportation. Our systems made great strides in meeting this demand, but many systems faced capacity constraint due to long term underinvestment. It is time to make investments in this green solution that will create jobs and allow transit to be part of the solution.

Public transportation, high-speed intercity passenger rail and other transportation modes that benefit the environment are an essential element of a national strategy to decrease emissions and reduce petroleum consumption. Current transit use already saves 4.2 billion gallons of fuel and 37 million metric tons of carbon emissions per year, while supporting 1.7 million jobs. Despite the recent records for transit ridership (10.7 billion trips in 2008, the highest level of ridership in 52 years), only 53 percent of Americans have access to any form of public transportation service. There is a clear need to expand transit services and develop new high-speed and intercity passenger rail corridors that expand transportation choices while reducing greenhouse gas emissions from the transportation sector.

INVESTMENT IN OUR QUALITY OF LIFE

Critical issues such as housing and transit-oriented development demonstrate how public transportation promotes the practices and principles of livable communities and sustainable development. As our urban areas continue to grow, it is important to realize that public

transportation acts as a catalyst for promoting compact, connected and mixed-use development. These things make the provision of all transportation, public services and facilities more efficient and effective while simultaneously helping achieve energy and environmental goals.

Transit-friendly, walkable communities reduce reliance on motor vehicles and promote higher levels of physical activity. As a result, the role of community design in promoting more active lifestyles and alternatives to motor vehicle use has become much more significant in the effort to improve the health of all Americans.

For many Americans, inadequate transportation severely limits access to essential medical care. Limited access is a particular problem among low-income and minority households. Too many low-income families miss essential doctor appointments because of inadequate transportation. The role of public transportation and transit agencies in providing access to essential healthcare is growing.

It is also becoming more important to our aging population. Over the next two decades, America's baby boomers will reach retirement age, with the U.S. Census Bureau projecting the number of Americans age 65 or older to double to more than 70 million by 2030. In a 2005 White House Conference on Aging, mobility for older Americans was ranked the third most important issue on a 73-item list -- ahead of Medicare reform. More than 50 percent of non-drivers age 65 and older stay home on any given day partially because they lack public transportation options. Older non-drivers have a decreased ability to participate in the community and the economy, making 15 percent fewer trips to the doctor, 59 percent fewer shopping trips and restaurant visits, and 65 percent fewer trips for social, family and religious activities. Public transportation can give these citizens a way to participate in society and enable individuals to age in place, thus allowing them the prolonged fulfillment and satisfaction of living in their own homes while at the same time requiring only one-fourth as many resources than if they were living in an institution.

IMPACT OF DELAY

I would call your attention to a story in the Wall Street Journal last week (July 7, 2009) which cited the downgrade in the stock of an infrastructure equipment company as a result of analyst skepticism regarding the prospects of this coming authorization bill. Many in the industry experienced similar impacts during the series of extensions that preceded enactment of SAFETEA-LU, with investors growing increasingly frustrated while they waited for a long-term bill to be completed. Clearly, Wall Street reacts to uncertainty with negativity!

Additionally, one must consider that when communities make policy decisions as to where to commit their scarce local match dollars, that the certainty or lack thereof of the federal program funds plays a significant role in their decision making process. My other private-side colleagues stressed with me, prior to this testimony, that the multiple extensions leading up to enactment of SAFETEA-LU placed a stranglehold on the planning, budget and procurement processes of public transportation agencies. These delays led to the failure of several industry participants at the time, and to the merger of others just to survive the nearly 40 percent decline in business. During the last series of extensions, our economy was much more stable and private firms had greater access to credit. As such, many firms were able to make it through this challenging period. Given the current economic conditions and the widespread challenge many

firms, particularly small companies, are facing in accessing credit, it is difficult to predict the potential harm a similar period of extensions in likely to cause within our industry. Our nation cannot afford the job losses that would likely follow. The fact that our nation needs this infrastructure investment is indisputable. The jobs that our next bill will create are no doubt needed in communities across this country. We need to avoid unnecessary delays and allow this investment to happen.

According to a recent report by Jeffrey A. Parker and Associates, conducted on behalf of APTA to examine the impacts of the current economic crisis on the transit industry,

> *"Continued federal engagement is vital to the transit industry and its stakeholders in overcoming challenges during this severe economic downturn. The continued federal investment is necessary to assure access to private investment capital at reasonable cost. Responsibly-managed transit agencies must be assured credit access during future periods of market disruption."*

And a 2002 report by Jeffrey Parker entitled "The Benefits of TEA21 Funding Guarantees" highlighted the focus and emphasis with which the financial ratings agencies (such as Fitch and Moody's) have historically placed on the low-risk nature of the Highway Trust Funded programs when rating municipal bond issuances. The reliability of Highway Trust Fund/Mass Transit Account programs hinges on timely completion of this important legislation and has a direct impact on jobs at my company, and all across our supplier base.

CONCLUSION

The pending Surface Transportation Authorization Act holds great promise to move this country forward – economically, environmentally, and literally. We must not lose sight of the broad and diverse impacts and benefits that will result from its passage. Jobs are at stake, and opportunity is just around the corner. I commend this Committee on its dedication to completing a strong Authorization bill, and my colleagues and I stand ready to work with you to ensure its passage.