

Public Transportation Drives Pennsylvania

A Study of the Economic Benefits of Public Transportation

Executive Summary

Public Transportation contributes billions of dollars in direct and indirect benefits to the Commonwealth of Pennsylvania. Forty two urban and rural systems and more than thirty community transit systems serve all counties of the state with multiple types of service including commuter rail, subway, elevated, buses of all sizes and paratransit vehicles. More than 304 million passengers directly benefit from these services annually. The non-riding public benefits through reduced congestion and pollution, infusion of operating and capital dollars into the economy, payment of taxes by employees of transit authorities and their suppliers and contractors. Without adequate additional funding to stabilize operations and meet the need for state of good repair capital investment, these benefits will diminish and eventually disappear. Highlights of transit's economic contribution are:

Direct Benefits from Transit Operating and Capital Expenditures:

- transit systems directly employ approximately 15,000 people
- transit systems spend more than \$1.2 billion on operations in their communities annually
- the operating dollars spent generate an additional 15,000 jobs with suppliers and contractors
- transit brings over a million employees and customers to businesses every day
- transit systems spend more than \$550 million on capital improvements annually
- of that combined capital and operating expenditures, at least \$ 415.4 million is spent within the Commonwealth
- each \$1 of state/local money spent on public transportation capital improvements brings up to an additional \$4 of federal grant money into the state
- capital investments generate an additional 38,000 jobs based on factors developed by the American Public Transportation Association (APTA)
- the \$550 million spent generates a total of \$3.85 billion based on the APTA formula that every one dollar of capital investment in transit generates an additional \$6 of economic activity

Economic Benefits to Non-Users:

- Reduced congestion and driving time - - if transit disappeared, highway users in Pennsylvania's 21 urbanized areas would pay \$1.293 billion more annually to operate their vehicles
- Transit users would incur an additional \$1.452 billion annually if they had to use other transportation and many would have no alternative at all
- The demand for and thus the cost of using parking lots in large urbanized areas is reduced
- Land in central business districts is available for private economic investment

- Public transportation reduces congestion which helps control transportation costs for businesses; economic formulas place the value of this benefit for the Commonwealth at \$7.6 billion annually

Public Transportation: A Lifeline in Rural Pennsylvania¹

Twenty-one rural Pennsylvania transportation systems carried almost 3.7 million riders in fiscal year 2003. Although this number is only a small fraction of the total number of rides provided by all transit systems, rural riders often have no alternative to transit to get to work, shopping, social service and medical appointments. Rural services often cover very large distances through low-density areas and system sizes range from the New Castle Area Transit Authority which carried over 1.7 million passengers in 2003 to the Carbon County Transit System which carried only 20,000 passengers.

The highest concentrations of seniors and disabled individuals in the Commonwealth reside in rural areas. Senior citizens make up 44% of all transit riders in rural Pennsylvania and over 17% of the rural population is disabled. Fifty three percent of all disabled in rural Pennsylvania work. For many of them, public transit is the only means of access to their jobs. In addition, over 7.3% of rural families have income below the poverty line. For them, auto ownership and operation is not economically viable and public transportation is their only means of reaching employment opportunities.

Transit in rural areas faces great demand for service that will help the economy. In Titusville, for example, the Crawford Area Transportation Authority needs to expand service to get workers to the new Wal-Mart. In addition, the hospital and the grocery store have indicated a desire for service if funding were available.

In Indiana County, IndiGO (Indiana County Transit Authority) desperately needs to expand service to meet the explosion of growth in the Blairsville area, including new businesses and a huge vocational education campus. Several rural areas adjacent to other states are experiencing population growth as they become part of commuting areas for cities within commuting distance, such as Hazleton and Monroe County for New York City. The Monroe County Commissioners are attempting to have the county designated a Critical Impact Zone due to unprecedented and rapid growth. As stated by the Monroe transit system, "Transportation is a key component of that infrastructure." As this trend advances, rural public transportation will help prevent congestion and will serve as an important connector to higher density service lines. There is a newly constructed state prison in Forest County to which the Warren County Transit Authority would like to be able to provide service. According to the transit authority, the service is needed "to allow people a safe, efficient and economical way to get to and from work. This service would also help reduce traffic congestion on the main route leading to the prison."

Even community transit systems that only provide rides to social services are beginning to feel the pressure to expand to meet the needs of their counties for transportation to job locations. In

¹ Statistics on individual transit systems included throughout this report were derived from several sources: the PennDOT 2002-03 statistical reports for urban, rural and community transit, results of two surveys taken by the Pennsylvania Public Transportation Association (PPTA) and information provided by individual transit systems.

Union and Snyder Counties, USTA has been operating paratransit services under contract with multiple social service agencies. However, recently USTA is conducting a study funded by PennDOT and the two local counties to determine needs for fixed route service for the general public. The views of local hospitals, universities, the downtown partnership, the visitors' bureau, the chamber of commerce, among others have been sought.

Public transportation also contributes to the rural economy in very basic ways. Stable, good-paying jobs, with benefits, are scarce in rural areas. Rural public transportation systems spent \$18.96 million to operate their systems during fiscal year 2002-03². Most of the operating funds remain in the community, through wages, and supply and service contracts that go to local companies. In addition, some of the rural areas benefit from contracts with the larger systems in and outside of Pennsylvania. For example, the Brookville Equipment Company (BEC) in Brookville, Pennsylvania received a \$23.8 million contract to rebuild trolley cars for the Southeastern Pennsylvania Transportation Authority (SEPTA) and that contract initiated a new line of business for the company.

A major force in rural Pennsylvania, the Pennsylvania Grange, has long recognized the need for good public transit. Transit saves fuel that can be used for agriculture and provides service for those with no other alternatives in rural areas. Since the early 1990's, the Grange has formally supported predictable funding for mass transit. As recently October 25, 2004, the Grange reaffirmed their support for public transportation at their annual meeting.

Public Transportation in Small Urban Areas (below 200,000 population): Keeping Small Cities Economically Viable:

Public Transportation plays a vital role in the economic health of Pennsylvania's small urbanized areas. In Altoona, for example, AMTRAN (Altoona Metro Transit) provides service for workers at Wal-Mart and Penn State Altoona and return service for second shift workers. The new retail development, Logan Town Centre, will need service for its employees.

In Johnstown and Cambria County, population has declined and the economy is struggling. But CamTran (Cambria Country Transit Authority) continues to carry 5,000 people daily to jobs, shopping, and doctors. Ninety nine percent of those riders, based on CamTran's information, have no other means of transportation. In addition, CamTran spends over \$6 million annually, most of which is retained in the region for employee wages and Authority contractors and suppliers.

If sufficient funds were available, EMTA (Erie Metropolitan Transit Authority) would like to participate in the revitalization and economic development occurring in downtown Erie by creating a downtown circular route as requested by the Mayor of Erie. EMTA would also like to address the transportation needs that the rapidly growing area is confronting as a result of suburban sprawl, which has caused a need for employee and customer transportation.

The Williamsport Bureau of Transportation (WBT) provides 372,000 work trips annually. In addition, it provides 360,000 shopping related trips that support the local retail economy.

² PennDOT Statistical Report Rural and Small Urban Program, Fiscal Years 2001-02 and 2002-03

According to WBT, “Public transportation is central to regional economic development activity and quality of life of a community.” WBT directly supports 200 jobs, including its employees, suppliers and contractors.

Transit also supports efforts to rejuvenate the economy in economically stressed cities. The Mid Mon Valley Transit Authority based in Charleroi recently stated in response to a PPTA questionnaire that “without adequate public transportation, there is little hope to revitalize the area.”

Rabbitransit (York County Transportation Authority) recently conducted a survey of its riders and found that 47% of its riders use the bus to get to work. Most are transit dependent (69.8% have no alternate means of transportation available). Thirty five per cent of rabbitransit’s riders earn under \$10,000 annually and the average income of riders is \$20,000. Without public transportation, those currently employed would be unable to work and public assistance expenses could be expected to increase.

The positive economic impact demonstrated by the above systems has a parallel negative impact when needed service is removed. In Harrisburg, CAT (Capitol Area Transit) has had to end job-oriented late night service which had provided a means of transportation for second and third shift workers due to lack of adequate funding. Centre Area Transportation Authority’s (CATA’s) financial condition has already caused it to raise fares, cut service and eliminate 16% of its workforce. The cuts have increased traffic congestion and imposed greater demand on the area’s downtown and campus parking infrastructure.

Public Transportation in Large Urbanized Areas: An Economic Engine³

In Pennsylvania’s large urbanized areas, public transportation plays an extensive role in protecting and promoting the economic health of the city and surrounding region where it operates. Logically, transit plays a larger role in the biggest of Pennsylvania’s cities, Philadelphia and Pittsburgh, but there are several other urbanized areas that operate extensive transit and are coping with the demands of congestion, urban sprawl and increased demand.

In the Reading area, for example, more than 50% of the trips provided by BARTA (Berks Area Reading Transportation Authority) are for work purposes. This represents more than one and a quarter million work trips annually. Recently, BARTA was able to institute service to Cabelas, a newly constructed retail facility that has attracted statewide attention as an economic generator. An additional 15% of BARTA’s passengers use transit service for shopping purposes, supporting the health of Reading area retailers. In FY 2002-03, BARTA purchased \$7.234 million in products and services from Pennsylvania businesses, many of them in Berks County, the home of BARTA.

The situation is similar in the Lehigh-Northampton area, served by LANTA (Lehigh and Northampton County Transit Authority). LANTA’s service area includes three cities: Allentown, Easton and Bethlehem. It is a rapidly expanding area where demand for public

³ Large Urbanized Areas for purposes of this report include all urbanized areas determined to be over 200,000 in population in the 2000 US Census.

transportation has grown by 35%. More than 4.3 million trips are taken on LANTA's fixed route service, 48% of which are work trips. LANTA also provides almost a half million door-to-door trips annually for the region's elderly and disabled citizens. LANTA is an important stimulus within the local economy in its role as employer and purchaser of services. The combined budget of the fixed-route and door-to-door services is more than \$20 million annually. The funds provide for the payroll for LANTA employees and those of its subcontractors. They also go for the purchase of goods and services, supplies and materials. More than 350 individuals are employed directly or indirectly in the delivery of public transportation. Over the next five years, LANTA intends to invest \$30 million in capital for construction of transportation centers, replacement of fleet vehicles, improvements and maintenance of facilities and purchase of heavy duty equipment. Because LANTA makes every attempt to "buy Lehigh Valley first" the economic impact on the local area should be extensive.

In the last several years, the rush hour in the state's capital has gotten longer, slower and more frustrating. A booming downtown Harrisburg area is constantly under construction, often to build more parking. If the 2.6 million passenger trips that CAT (Capitol Area Transit) carries on its fixed route and paratransit services each year were dumped on the roads, the situation would be exacerbated. Occasional and/or brief gridlock would become regular and extensive. This service benefits the Harrisburg area in other ways as well: CAT employs more than 160 individuals, each of whom pays taxes. CAT purchases goods, supplies and services. In total, CAT contributes more than \$14 million to the local economy through its annual operating budget expenditures. In fiscal year 2002-03, CAT also drew substantial federal and state capital investment to the region, totaling more than \$7 million. In addition to the jobs directly created by capital expenditure, the standard industry multiplier for capital projects (up to six dollars for every dollar invested) indicates that there is an economic contribution of more than \$42 million resulting from CAT's capital investment.

Lancaster County is the fastest growing urbanized area in the Commonwealth with 450,000 residents. With its growth and increasing sprawl, the Red Rose Transit Authority (RRTA) is challenged to meet the expanding and changing needs. Currently, RRTA carries nearly 2 million rides annually on 19 fixed routes including shuttle routes serving Millersville University and a new Historic Downtown Trolley. The historic trolley links the downtown with the Amtrak station and a park and ride lot for almost 100 cars. Ridership is growing at a rate of 3.7%. RRTA also provides door-to-door service to over 360,000 customers annually and coordinates service for over 40 social service agencies and programs through Red Rose Access Services. RRTA's Access to Jobs program currently provides nearly 40,000 annual trips to employment centers in the Lancaster area ensuring transportation is available for second and third shift jobs that start and end when regular bus service is not available. In order to address the new needs to provide additional service to support growth areas in the County, including the Route 72, 501, 272 and 23 corridors, the RRTA will need additional funds.

Providing these services infuses \$10 million into RRTA's local economy through employee wages for approximately 170 employees and purchase of goods, services and supplies. An additional \$2 million annual contribution is made through RRTA's capital investment. As part of its capital program RRTA recently began construction of Queen Street Station, a transit and commercial center in Downtown Lancaster. The \$8.1 million project will provide off-street

stops for eleven buses helping to alleviate sidewalk and street congestion in Lancaster City's central business district. Queen Street Station will also provide 15,000 square feet of commercial space above the transit park helping to create greater employment and business activity in the downtown area. Queen Street Station along with other development projects in the city including the Convention Center and Clipper Magazine Stadium is helping to lead a renaissance in economic development in Lancaster.

The Scranton-Wilkes Barre urbanized area, populated by more than 400,000 people is served by two public transportation systems – the County of Lackawanna Transit System (COLTS) in Scranton and Luzerne County Transportation Authority (LCTA) in Wilkes-Barre. Between the two systems, they provide almost 3 million passenger rides annually. Both systems have high percentages of senior riders (COLTS – 52%; LCTA – 44%). The systems together infused almost \$9.5 million into the local economy in fiscal year 2002-03 through their operating expenses, providing 163 jobs and purchases of supplies and services. In addition, during fiscal year 2002-03, public transit capital project approvals brought in over \$5 million federal dollars and over \$800,000 in state funding.

Allegheny County, with a population of over 1.7 million people is served by the Port Authority of Allegheny County transit system, the second largest system in Pennsylvania. The Port Authority carries 68 million rides annually, two million of which are provided for Port Authority's paratransit system, ACCESS. This represents 250,000 trips daily.

Pittsburgh's economy relies on public transit. Of the 140,000 downtown workers 50% get to work by transit and 54% of all Port Authority passenger trips end at workplaces. More than 3200 individuals employed by the Port Authority pay local and state taxes. The Port Authority spends an average of \$252 million annually in operating and capital expenditures. Of that amount, \$226 million is spent in Pennsylvania.

The experience of the Port Authority demonstrates that public transit helps revitalize business districts and activity centers. More than \$300 million in office, retail and residential development has occurred in the vicinity of Port Authority's Martin Luther King, Jr. East Busway stations. Much of the development that has occurred in Downtown Pittsburgh over the past decade and a half has been situated above or directly adjacent to one of Port Authority's subway stations. Mellon Bank and PNC chose the locations for new major downtown office complexes in part due to convenient access to the T and many bus routes. To continue this trend, development on Pittsburgh's North Shore is being designed in concert with Port Authority's North Shore Connector project.

The Southeastern Pennsylvania Transportation Authority (SEPTA) is the largest transit system in the state and the fifth largest in the country. SEPTA Provides service in a 2200 square mile area encompassing five counties - - Bucks, Chester, Delaware, Montgomery and Philadelphia. SEPTA provides more than a million trips on an average workday on more than 200 routes and almost 3,000 vehicles including commuter trains, subway, elevated lines, light rail vehicles, buses of all sizes and paratransit vehicles. SEPTA is a \$3 billion transit asset with a combined operating (\$920 million) and capital (\$427 million) budget of \$1.347 billion.

SEPTA's impact on the regional and state economy is immense. There are 1.8 million people employed within the Authority's service region. Center City is the setting for 43% of all private sector jobs in Philadelphia and 12% of all jobs in the region. Seventy per cent of the individuals employed by businesses in Philadelphia's Central Business District and more than 18% of all employees in the Greater Philadelphia region rely on SEPTA service to get them to work.⁴ A study conducted by the Central Philadelphia Development Corporation (CPDC) reveals that between 1997 and 2001, the number of commuters using public transportation increased by 9%, while those choosing to drive decreased by 18%. The 350,000 people employed in Center City Philadelphia must rely on public transit - - there are only 55,000 parking spots available in Center City.

Downtown commercial office buildings provide employment opportunity for over 100,000 individuals. Downtown professional service firms in office buildings pay the 43% of those workers who live in Philadelphia salaries in excess of \$1.8 billion per year. These employees pay state and local taxes, as well as federal and real estate taxes. The downtown office employees of just one rail line, the R-8 line collectively earn \$197 million.

Good public transportation is essential to retaining the economic viability of Center Philadelphia. According to the CPDC study, "[T]o the extent that we reduce transit access to Center City, we reduce competitiveness and reduce opportunities for neighborhood residents." Many major Philadelphia commercial leases were up for renewal within the past year. Most of the tenants remained in the City "considered access to the region's transit system one of the primary reasons for their decision to remain downtown."

Greater Philadelphia is home to more than 83 colleges and universities with 300,000 higher education students in the region. Attracting and retaining these students after graduation has become a major economic strategy for the Commonwealth. A recent study identifies the most important amenities for college students and young professionals making decisions on where to live as:

- Places with a regional subway or commuter rail system are most attractive when selecting a place to go to school, live and work;
- Many students and young professionals prefer to locate in regions where they do not have to own cars; and,
- The mobility and connectivity provided by a subway or commuter rail system was noted as a key factor in the attractiveness of regions such as Boston, Washington, D.C., New York City and Chicago.⁵

Every day, 534 domestic flights and 45 international flights depart to over 100 destinations from Philadelphia International Airport. The Airport recently opened a \$550 million international

⁴ Report prepared by the Central Philadelphia Development Corporation (CPDC) and the Central Philadelphia Transportation Management Association (CPTMA), April 2004.

⁵ Competing in the Age of Talent: Quality of Place and the Economy, Richard Florida, January 2000, p. 45.

terminal, adding thirteen new international gates to the existing seven.⁶ The Airport employs 21,000 and has an annual regional impact of \$7.2 billion.⁷ SEPTA's R-1 line goes directly from the airport to center city and the Convention Center, providing ready access for visitors, local residents and airport employees, who must have transportation available round the clock seven days a week. More than 1,300 airport employees purchase discounted transportation passes through SEPTA's ComPass program. Philadelphia is one of only eight airports in the United States that has direct rail service to the downtown business district.

Southeastern Pennsylvania is heavily dependent on tourism. According to the Pennsylvania Convention and Visitors Bureau, the region has 50,000 jobs in the Hospitality Industry, 45,000 of whom are Philadelphia residents. Eighty per cent of the Philadelphia resident hospitality workers used public transit to get to and from work. The industry requires employees seven days a week, twenty-four hours a day.⁸ According to the Greater Philadelphia Hotel Association, which represents 80 hotels with 14,000 employees that generate \$89 million in state and city tax revenue, a survey they recently conducted indicates that more than 10,000 hotel workers are SEPTA users.⁹ Philadelphia and the Commonwealth have invested substantially in recent years to attract tourists and residents alike to local cultural and entertainment venues - - the Convention Center, new sports stadiums and the Constitution Center, among others. Private investment has resulted in hundreds of restaurants and retail facilities. In addition to permanent attractions, major events occur in Philadelphia on a regular basis - - the Flower Show, regattas, bicycle races, baseball, basketball, hockey and football games, Art Exhibitions. As articulated by Bill Moore of the Independence Tourist Center, "If they can't get here all the investment will be wasted."¹⁰ SEPTA assures the value of these investments by providing access. Transit carries thousands of sports fans to every event. For example, during the Eagles 2003 playoff game SEPTA carried over 13,000 fans, almost 1/5 of the total attendees. During the last nine-day flower show, SEPTA regional rail ridership went up by 89,500 trips.

A recent survey, conducted by the Center City Proprietors Association (CCPA), which represents 500 member small businesses, indicated that for 45% of the small businesses, all of their employees used SEPTA to get to work. For 30% of the businesses, 95% of their customers used SEPTA to get to work. Federal statistics show that 50% of all United States economic input comes from small businesses.¹¹ . In Philadelphia, these businesses are clearly dependent upon public transportation. As stated by Ms. Krista Bard, President of CCPA, "Public Transportation is to this city as circulation is to the body. If you want to cut transportation, you might as well cut the heart out of the city."¹²

⁶ Report prepared by the Central Philadelphia Development Corporation (CPDC) and the Central Philadelphia Transportation Management Association (CPTMA), April 2004.

⁷ PA House Resolution 823 (2004 Session)

⁸ Testimony of Jack Ferguson, Vice President, Philadelphia Convention and Visitor's Bureau, Philadelphia Forum on Transportation Funding Needs, Nov. 5, 2004.

⁹ Testimony of David Newhart, President, Greater Philadelphia Hotel Association, Philadelphia Forum on Transportation Funding Needs, Nov. 5, 2004

¹⁰ Testimony of Bill Moore, President and Chief Executive Office of The Independence Visitor Center Corporation, Philadelphia Forum on Transportation Funding Needs, Nov. 5, 2004

¹¹ Testimony of Krista Bard, President, Center City Proprietors Association, Philadelphia Forum on Transportation Funding Needs, Nov. 5, 2004

¹² Testimony of Krista Bard, Nov. 5, 2004

In addition to supporting the region's economic network, SEPTA as an employer and a business makes a substantial contribution to the economy of the Commonwealth. SEPTA employs 9,000 people to provide its service. Every SEPTA employee returns these dollars to the region and the Commonwealth through taxes and purchases. On average, SEPTA spends \$389 million annually on capital projects. Based on national factors that indicate that for every dollar invested in public transit capital, an additional six dollars accrue to the economy, this annual investment generates more than an additional \$2.3 billion in positive economic impact. Further, nationally recognized methods indicate that every \$1 billion in capital projects supports approximately 47,500 jobs. Thus, SEPTA's annual capital expenditure generates just under 18,500 jobs. Combined with the annual capital expenditures by the Port Authority (\$116 million annual average) and the smaller systems (at least \$10 million annually), public transit annual capital expenditures create almost 38,000 jobs.

During the period January 2000 through October 2004, SEPTA awarded \$1.7 billion in contracts to Pennsylvania vendors for operating and capital purchases. The majority of those funds were committed in the five county SEPTA region:

- Bucks \$ 360 million
- Chester \$ 126 million
- Delaware \$ 101 million
- Montgomery \$ 226 million
- Philadelphia \$ 771 million

The remainder, \$ 152 million went to Pennsylvania companies outside the SEPTA five county region, such as Bombardier in Allegheny County and GE Transportation Parts in Erie County to provide rail car parts, East Penn Manufacturing in Berks County for motor vehicle parts, Vistacom in Lehigh for control center media equipment and A&K Railroad Materials, Inc. in Washington for railroad parts, including track. The contracts awarded to these Pennsylvania companies provide jobs and the companies and their employees pay taxes at all levels of government.

Summary

Public transportation drives the economy of the Commonwealth. Without it, huge segments of Pennsylvania's populace would be unable to get to work, or would spend significantly more time and money to do so. Many would be unable to work in the absence of public transportation given their income, location or physical condition. Many new workers who have used public transportation routes to find jobs and leave public welfare payments behind would again become dependent upon the state. Seniors would lose independence and their ability to access shopping, medical and social services. Central businesses districts, suburban malls and office parks would be unable to get employees and customers to their places of business without public transit.

With adequately funded public transportation the Commonwealth reaps billions of dollars in direct and indirect benefits through direct transit agency employment, taxes, jobs provided through contracting, economic vitality of its cities, financial solvency of previous welfare

recipients, independence of its senior citizens, reduction of time lost in congestion, reduction of valuable commercial property that must be used for parking and reduction in pressure to construct new highways. Without adequate funding for public transportation, these benefits are replaced with expenses for more street and highway construction and maintenance, lost productivity due to longer commute times, loss of the highest and best use for real estate that must be used for parking spaces, customers that cannot reach store and businesses, college graduates leaving the state and higher unemployment and social services costs. Funding transit at an adequate level demonstrates the old adage “you’ve got to spend money to make money” and it is money well spent.