John Niles' Comments to the Washington Senate
Listening Session on Transportation Funding
Bellingham, Tuesday, October 15, 2013, Amended for Clarity

> *John Niles is a 30 year resident of Seattle, a Navy veteran, former efficiency analyst for a city government, and now an independent transportation and technology policy consultant for governments, associations, private firms, universities, and think tanks. See http://www.bettertransport.info for examples. He publishes and offers research-based testimony and articles on pending transportation issues in Washington State, and thanks State Legislators for the present opportunity to testify. This testimony is independent commentary not coordinated with or paid for by any clients.*

Let me start by saying I support raising the gas tax for road maintenance and selected road expansion. In a few more years, other supplemental sources of transportation funding will be needed as cars become more fuel efficient. I am also a strong advocate for efficient and effective transit. I am a life-long transit rider, diligently use it when I travel in the U.S. and abroad and use my Orca-card frequently to get around our transit system.

Because the fuel tax is already eroding, I recommend the legislature proceed with caution when considering using any transportation-related revenues to supplement open-ended revenue expansion for other agencies. In a just a few years you may discover the state needs every penny you can find just to pay for highway projects that are already in adopted plans. All agencies asking for state funding need to demonstrate they have clear, updated performance measures and are budgeting to achieve those measures.

The news is not all bad. Technology applications have the potential to dramatically improve the performance of our highways and roads and the services that travel on them. Based on a decade of research in this field, I believe that in the years ahead vehicle automation and wireless communication applications will expand the capacity of existing roads by reducing crashes, improving vehicle flow, facilitating car sharing and ride sharing, and helping people avoid congestion. Reducing congestion will also help improve the speed and reliability of buses.

Though transit can expect to benefit from technology advances, the way many transit agencies go about planning, and the way they are governed, does not position them to respond effectively to these current or future opportunities. My key message is that transit agency need to reform and action by the Legislature is needed to bring that about. These suggestions come out of my entire career in both the public and private sector, which has focused on efficient delivery of services and performance measurement.

To start, any decisions on transportation funding need to be based on relevant facts and an understanding of what can be achieved. In this listening session and the sessions held earlier you have heard plenty about what people and public agencies want in the way of additional service and subsidy, but you have heard very little about how those public agencies are actually performing with their existing business model. Here are some facts that should inform your deliberations:

- Total transit agency revenue in Washington State now exceeds two billion dollars annually. That is significantly higher than the pre-recession funding level, and is a higher level of subsidy than in any comparable state. As a point of reference, in 1991 total transit revenue in our state was $531 million, only about a quarter of the current level. Growth in transit spending since then has exceeded population growth and inflation while basic road maintenance and highway system completion remain unfunded.

- Graphics showing public transit's funding trend over time on the last page of this document illustrate that revenue across all sources has been up, up, and away for years. The graphs are from the Legislature's Joint Transportation Committee report of January 9, 2013, "Public Transportation Fiscal Health and Comparing its Funding to State Transportation Funding". King County Metro forecasts continued strong revenue growth with sales tax revenue in 2022 expected to be more than $250 million above the 2011 level.

- Over the last decade transit ridership has increased, but not nearly as fast as revenue. The result is that cost per rider has steadily increased. Operating cost per boarding at Snohomish County's Community Transit has reached nearly nine dollars per passenger. For Sound Transit bus service the cost per boarding was over $6.50, and the cost per boarding for commuter rail was in excess of $12. These are very expensive trips.

- Cost per hour of service has also been increasing. In the Puget Sound region bus service, the various agencies average about $150 per vehicle hour, one of the highest rates in the United States. If transit agencies in the Puget Sound region had costs equal to those of the agencies in Denver, Sacramento, Salt Lake City, Phoenix, Kansas City, or other comparable regions the savings would be so large that no service cuts would be needed.

- Mode share is a key performance measure. In the Puget Sound region transit currently carries about four percent of all trips. PSRC's approved Metropolitan Transportation Plan expects that in 2040, after spending over $100 billion dollars on transit including fully built-out light rail, *all* of the region's transit will still serve only about four percent of trips.

What available facts show is that transit in Washington State has a performance problem rather than a revenue problem. This suggests that any legislative action should address the ***causes*** of lagging efficiency. Simply increasing the revenue available to agencies that have significant cost-control problems will not correct the unfavorable long-term performance trends.

Instead of a bail out, the legislature should let transit agencies live for another year with their present level of funding. Holding the line on subsidy, combined with reforms in how transit is planned and governed, are the best ways to encourage innovation in transit service delivery and to keep costs under control.

As I mentioned at the outset, technology is changing rapidly and it is transforming how we shop, how we get information, and how we travel. For those who work in the telecommunications and computer industries this has been obvious for some time. But the plans of the transit agencies show few signs of adapting to what promises to be a tidal wave of change. I point this out because it makes no sense to authorize hundreds of millions of dollars in additional funding for agencies working off business plans that are stuck in the past. If we want a 21st century transportation system, one that is flexible, efficient and convenient, then any funding must be tied to reform of existing business models. Paying more for what isn't working very well is not the answer.

Transit performance trends naturally lead to the question, why haven't the transit agencies faced up to these problems? The answer has a lot to do with how transit agencies plan and how they are governed. I can understand why the legislature would be reluctant to get involved in transit planning and governance, but without fixing the root causes of the problem it is very unlikely that the needed improvement will be made.

The Legislature should consider using the lure of state funding to create an incentive for transit and regional agencies, to do a better job planning and to be more accountable. Any new revenue authority needs to be closely tied to performance measures such as, increased operating efficiency, mode share, and reduced congestion. Locating numbers like those requires lots of digging in transit agency web sites and beyond. They should be front and center.

I strongly recommend **ongoing, independent, quarterly transit performance reporting that is consistent and comparable across agencies. It should be easy to understand and available to the public.** Otherwise, you and the public have a hard time knowing if votes for transit taxes are yielding the services the public expects to be delivered by the annual billions in spending.

As you know, opportunity cost is the value of the best alternative forgone. Allotting additional state funding to transit operations will decrease your ability to maintain and improve the road systems it needs to run on. The freeway HOV system in the Puget Sound region carries more than 100,000 bus riders per day. Those freeway HOV lanes represent a state investment well in excess of two billion dollars and the system isn't even complete. The HOV lanes save the transit agencies millions of dollars per year in labor and fuel costs. Transit riders benefit tremendously from faster and more predictable bus service. I point this out because too often funding and planning decisions are made in narrow silos and fail to look at the big picture. If that big-picture is about system efficiency and cost-effectiveness then funding and planning decisions need to start with an assessment of how the system is operating as opposed to getting distracted by short-term revenue shortfalls or temporary blips in long-term trends.

What this also suggests is that proposals to allow additional local option funding for transit may not serve state interests if the transit agencies are not required to incorporate state policy objectives into their plans. The state cannot afford to just pass the buck to local agencies and hope for the best. Experience over the last fifteen years has consistently shown the transit agencies have had difficulty converting additional revenue authority in the mobility benefits promised to voters. Transit's unsustainable cost and performance trends can only be corrected by legislation that makes funding dependent on improved performance and accountability.

Questions or comments? Contact John Niles at 206-781-4475 or jniles@alum.mit.edu

Figure 1

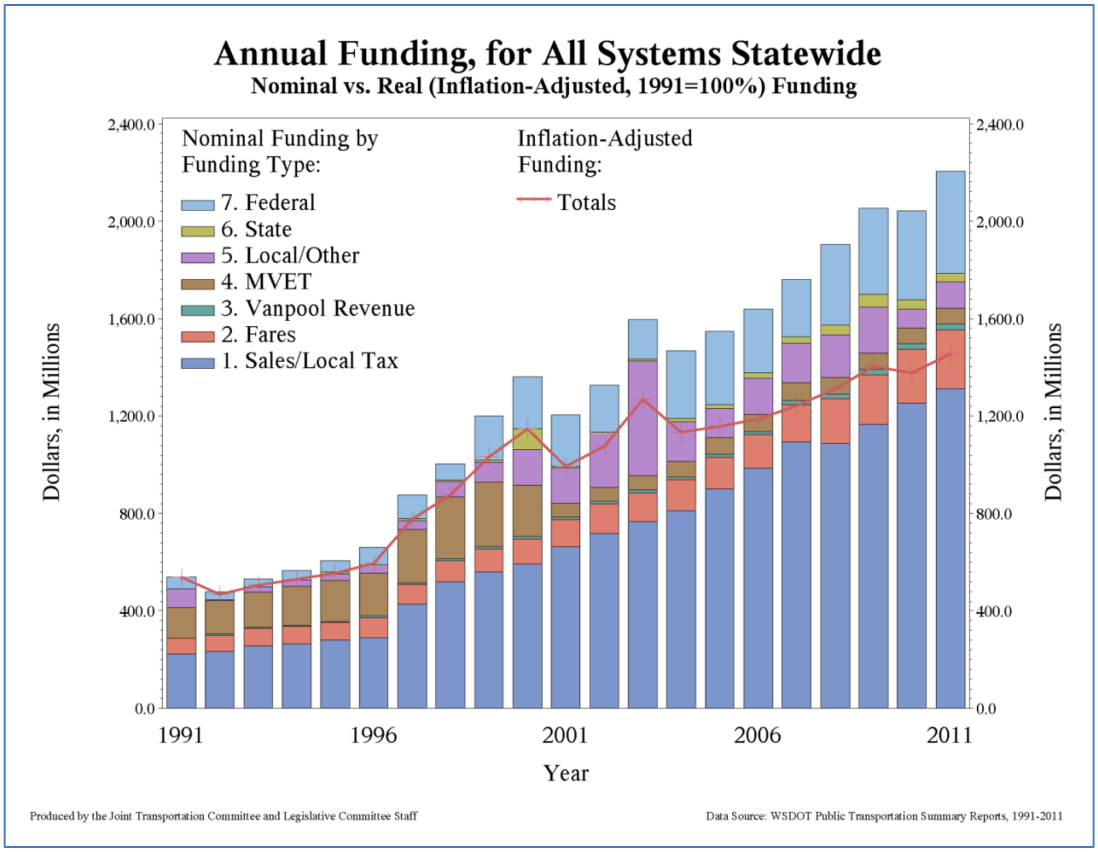

Figure 2