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Testimony of

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Before the
Subcommittee on Federal Workforce,
Postal Service and the District of Columbia of the
Committee on Oversight and Government Reform
U.S. House of Representatives

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Mr. Chairman, Ranking Member Chaffetz, and members of the Subcommittee, thank you for the opportunity to testify before you today. I am John B. Catoe, Jr., General Manager of the Washington Metropolitan Area Transit Authority, known as WMATA, or Metro. I know that many of the members of this Subcommittee are very familiar with Metro, and I want to begin by thanking all of you, as well as the members of the full Oversight and Government Reform Committee, for your hard work and dedication in passing what became Title VI of the Passenger Rail Investment and Improvement Act of 2008 (often referred to as the "dedicated funding bill"). The funding authorized by that legislation is key to Metro's ability to continue meeting the mobility needs of the federal government and the National Capital Region.

I will cover a number of topics in my testimony, including:

- a brief history of Metro and its unique relationship to the federal government,
- current funding challenges,
- a look toward the future,
- safety and security initiatives, and
- an update on recent legislation affecting Metro.

Metro history and relationship to the federal government

Let me begin by providing some background on the creation of the Metro system. The vision of a world-class rapid rail system to serve the National Capital Region was born in the 1950s through a partnership between leaders at the federal level and in the National Capital Region. This vision was reflected in the National Capital Transportation Act of 1960, which included the following statement:

> *The Congress finds that an improved transportation system of the national capital region is essential to the continued and effective performance of the functions of the Government of the United States, for the welfare of the District of Columbia, for the orderly growth and development of the national capital region and for the preservation of the beauty and dignity of the Nation's Capital.*

In 1965, in a letter to Congress, President Johnson reiterated the federal interest in transportation around this region:

> *The problem of mass transportation in the Washington area is critical. It is also a problem in which the federal government has a unique interest and responsibility… improved transportation in this area is essential for the continued and effective performance of the functions of the government of the United States, for the welfare of the District of Columbia, [and] for the orderly growth and development of the National Capital region.*

In 1966, Congress authorized the creation of the Washington Metropolitan Area Transit Authority as an interstate compact agency to plan, construct, finance and operate a rapid rail system for the region, and early the following year Metro was "born."

That partnership between federal leaders and the local jurisdictions continued through the years that followed, years which saw the construction of a rail system that now spans 106 miles with 86 stations, the creation of Metrobus in the early 1970s--now a fleet of more than 1,500 buses serving more than 12,000 bus stops along 340 routes--and the beginning of MetroAccess, our paratransit service, in 1994.

Today, the federal government is uniquely dependent upon Metro, something that distinguishes it from other U.S. transit systems. Half of all Metrorail stations are located at federal facilities, and over 40 percent of peak ridership consists of federal employees. In fact, ten percent of Metro's ridership is from Metrorail stations that serve the U.S. Congress and the Pentagon. It is not surprising that in 2005, a "Blue Ribbon" report found that the federal government, the region's largest employer, is the "largest single beneficiary" of Metro.

The federal government is particularly reliant on Metro for special national events such as inaugurals and state funerals, transportation of visitors to the Nation's Capital and persons doing business with the federal government, as well as in response to new requirements such as Base Realignment and Closure relocation to Metro locations (e.g., Bethesda Naval Hospital). A safe, secure, and reliable Metro system is also a critical component for ensuring the continuity of federal government operations during an emergency. Federal recovery plans rely heavily on Metro, and Metro played a key role on September 11th in moving people out of the downtown core.

Recognizing this unique relationship, the federal government, which pays no state or local property taxes despite being one of the largest landowners in the region, provided over two-thirds of the capital funding to construct the original 103-mile Metrorail system, which was completed in 2001. Today, Metro's costs, both operating and capital, are paid for primarily by passenger fares, other business revenues, and by the local jurisdictions we serve: the District of Columbia, the counties of Prince George's and Montgomery in Maryland, and the counties of Fairfax and Arlington, as well as the cities of Alexandria, Falls Church, and Fairfax, in Virginia. The interstate compact provides that as far as possible, the system's costs are borne by customers, and any remainder is equitably shared among the federal and participating local governments. The allocation of remaining costs among the local governmental partners is determined by mutual agreement. In FY2009[1], for example, passenger fares and parking fees, together with advertising, other business revenues, and debt, will pay for almost half of Metro's total budget of $1.9 billion. Local governments paid for nearly 40 percent, and the federal government provided the remainder (14 percent). (The federal funds were for capital projects only; the federal government does not provide any funds to support Metro operations.)

The current governance of Metro rests with a Board of Directors, composed of 6 voting members, two each from the District of Columbia, Maryland, and Virginia, and 6 alternates, also equally divided among the jurisdictions.

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[1] All fiscal years referred to in this testimony, unless otherwise noted, are Metro's fiscal year, which runs from July 1 to June 30.

Current funding challenges

I am pleased to be able to report to the Subcommittee that Metro ended FY2008 $13.2 million under budget, and we have been in good financial shape for FY2009. However, as I am sure the members of the Subcommittee are aware, this has been a very challenging year for transit agencies all across the country, with the news headlines telling the story of major lay-offs and severe service cuts. Of course, the economic crisis is not just affecting transit agencies; it is affecting local governments and individuals, which again is evident from the news.

At Metro, we understood the pressure our customers and our partner jurisdictions would face this year, and we went into the budget process for FY2010 with certain assumptions. First, in keeping with Board policy, there would not be a fare increase in FY2010. Second, we would keep the overall level of subsidy the same as it was the year before.

Taking those two assumptions as a starting point, we projected that we would face a gap in our operating budget for FY2010, and so we began our preparations for the FY2010 budget this year. Metro managers made reductions in their FY2009 operating budgets of about 10%. Metro also froze hiring and reduced or delayed support expenses such as training, travel, and outside contractor support.

When we presented the first draft of the FY2010 budget in January of this year, the projected shortfall was $154 million. Over the next several months, I made a number of difficult decisions to eliminate $119 million in operating costs, which represents an 8 percent reduction in Metro's FY2010 operating budget. This reduction includes the elimination of 313 positions, which is on top of the loss of 254 support positions that had taken place between 2006 and 2008. In concert with our Board, we also revised our revenue estimate by about $6 million. Every area of the proposed operating budget was scrutinized for efficiency, and actions were taken to ensure we get the most out of each dollar spent. Through these actions, management has reduced the projected shortfall from $154 million to the current level of $29 million.

Having reduced the budget gap by more than 80%, we considered many options to bring us to a balanced budget. Among the items considered were an across-the-board fare increase, charging for parking on weekends, diverting funds from the capital budget to the operating budget, and modifications of Metrorail and Metrobus service. Ultimately, though, our jurisdictional partners recommended increasing their subsidy contributions and/or reducing, transferring or eliminating bus service specific to their jurisdictions. As a result, Metro held a series of six public hearings on those bus service adjustments during the week of April 13th. Two hearings were held in each jurisdiction. Approximately 450 people attended the hearings, 159 spoke at the hearings, and we have received 2,817 written comments. We will be presenting a report on the results of these hearings to the Metro Board on April 30. It is our hope that the Board will approve that report as presented, and--after careful consideration of the public input--take action that will balance the Metro operating budget for the next fiscal year.

There is another important financial challenge that has recently emerged. In the late 1990s and the early 2000s, the Federal Transit Administration (FTA) allowed Metro to enter into 16 leaseback agreements with banks, and the agreements provided about $100 million to Metro for capital improvements and a tax benefit to the banks. These agreements--approved and encouraged by FTA--required that leaseback payments from the trust account, set up as part of the agreement, be guaranteed by an insurer with a high credit rating, such as AIG.

In 2004, the federal law changed and would no longer allow tax deductions to the banks for these lease agreements. Compounding that, in 2008, the Internal Revenue Service offered a settlement to the banks that had entered into these agreements, if those banks would agree to forego the majority of their anticipated tax benefits.

As a result of the deepening worldwide economic crisis, insurance and financial services companies, like AIG, had their credit ratings downgraded last year, which provided an opening for banks to declare transit agencies in "technical default" on these leaseback agreements. This put Metro at risk of having to pay up to $400 million in termination fees for these leaseback agreements.

Metro reacted quickly, ending three agreements at little or no cost to the agency and bringing a lawsuit on a fourth agreement to an end through a negotiated settlement. However, the threat of being placed in technical default remains, and we continue to seek the assistance of the Congress and the Administration to prevent the banks from collecting millions of dollars in termination payments from transit agencies.

A look toward the future

Our current funding challenge is significant, in large part due to surging ridership on our trains, buses, and paratransit vehicles. In FY2008, the Metro system provided nearly 350 million trips, about 215 million of which were on the rail system and 133 million on Metrobuses. Over the last three years (FY2005-2008) ridership on

Metrobuses has grown by 6 million annual passenger trips (a 5% increase) and ridership on the rail system has grown by 20 million annual passenger trips (a 10% increase). MetroAccess ridership has been growing as well; for example, total ridership through the third quarter of FY2009 was 1.53 million trips, an increase of 21.5% as compared to the same period a year earlier.

These figures clearly demonstrate that the Metro system – bus, rail, and paratransit – is essential to mobility in the National Capital Region. Imagine this area without Metro: many of our riders would be forced to drive, adding hundreds of thousands of additional cars to our clogged roadways. Others would be left with few options. For example, those without automobiles might be able to rely on friends or family to get them to the occasional medical appointment, but might not be able to hold jobs if they cannot access work and child care locations on a daily basis. Visitors intending to do business with the federal government, or to visit our many national monuments and museums, would find themselves instead mired in gridlock due to traffic congestion.

The dependence of this region on Metro was never so clear as on Inauguration Day in January 2009. By virtue of our location in the National Capital Region, Metro simply had to meet the challenge of transporting a large number of the millions of visitors coming to witness this historic event. In order to accommodate various Inaugural activities, Metro ran extended hours of service throughout the January 18-20 period, including 17 hours of Metrorail rush hour service on Inauguration Day. During those three days, Metrorail set three ridership records: a Sunday record, and back-to-back weekday records, with ridership reaching 1,120,000 trips on January 20th. On

Metrobus, twenty-three "Presidential" bus corridors supplemented regular service to ease crowding in the rail system. More than 8,000 Metro employees worked on Inauguration Day, including 417 Transit Police officers and 340 employees who volunteered to be Metro "Ambassadors," as well as 266 volunteer police officers from other police agencies. Metro served the unprecedented crowds that weekend safely and reliably.

Metro's outstanding performance was noted by regional leaders and federal officials, including the Acting Deputy Administrator of the FTA, who stated that "Metro bus and rail transit and security personnel showed excellent judgment in their ability to manage and control enormous crowds, to handle emergencies calmly as they arose, and above all to keep the traveling public safe and on-the-go throughout the celebration." As envisioned by its founders in the 1950s and 1960s, Metro serves the needs of the federal government no matter the magnitude of the occasion.

Pleased as I am with the dedication and service of all of Metro's employees on Inauguration weekend, I am left with one lingering thought: as crowded as the system was on January 20, it will not be long before the ridership records we set that day are just a typical day's work. Projections show that by 2029, our system will be called upon to handle crowds of that size on a daily basis. In 20 years, Metrorail will be expected to carry close to a million people every single weekday, and we will need to expand our rail system infrastructure and fully leverage our bus service with rapid and express routes to lessen the load of passengers on the rail system. It is a daunting future, and one that we must begin to prepare for today.

The Metro system is feeling its age. To use an analogy: our crowded house is over 32 years old, and our needs go far beyond a spring cleaning and a fresh coat of paint. We have a wet basement, rusting pipes, cracked tiles, old wiring and the equivalent of a 1976 model car in a 100-year-old garage. If we are to help meet the future transportation needs of the federal government and this region, we must begin our planning process now.

Recognizing this fact, Metro staff recently conducted a detailed capital needs inventory for the period between FY2011 and FY2020. In September 2008, Metro outlined the agency's future capital needs over that period, which total $11.3 billion. The inventory does not include funding for any expansions of the existing Metro system. Over half of the needs are focused on Metro's aging infrastructure and are necessary to maintain the system's performance; about 30 percent is focused on capacity investments to meet future ridership growth, and some 6 percent is focused on improvements to enhance the customer experience.

According to the capital needs inventory, Metro will need more than $7 billion over the period of FY2011-2020 to maintain the current bus, rail and paratransit system in a state of good repair and to deliver safe and reliable service. These needs include repairing leaking tunnels and crumbling platforms, fixing escalators, replacing about 100 buses every year, replacing very old bus facilities (including one that is 100 years old), and updating critical software. Metro also needs to replace one-third of the rail car fleet, including some cars that are more than 30 years old and near the end of their lifecycle.

Nearly $3.5 billion would be used to address the growing ridership demands on Metro's bus, rail and paratransit system during the next decade. Between FY2010 and FY2020, Metrorail ridership is expected to grow 22 percent to more than 900,000 trips per day, and Metrobus ridership is expected to grow 9 percent to over half a million trips per day. To move all those new riders, Metro needs power upgrades and additional rail cars to run longer trains on all lines during rush and non-rush hours, more than 300 new buses, and additional MetroAccess vehicles. Demand for this service to transport people with disabilities who are unable to take Metrorail or Metrobus is expected to double to 4.5 million trips per year by 2020.

Lastly, we have identified more than $700 million in improvements that would directly enhance the customers' experience, such as additional platform canopies, improved station signage, and allowing for expanded payment with credit cards at Metrorail parking facilities. We frequently receive requests for such improvements from our customers.

Recognizing that there may well be a gap between the $11.3 billion in capital needs and the ability of our federal and jurisdictional partners to fund the entire inventory, Metro is working with its regional funding partners to prioritize the projects in the capital needs list. This process is underway and will yield a framework for the continuation of Metro's capital program. Clearly, meeting our highest priority future needs will require a renewed partnership between the federal government and the region.

Safety and Security Initiatives

Let me say a few words about some of the other important initiatives going on at Metro. Since I arrived, I have taken steps to create a new corporate culture at Metro built on a solid foundation of safety. Safety committees were established at all of Metro's work locations, and I made clear that I expected each and every employee to make safety his or her own personal responsibility.

These efforts have had positive results. In 2008, there were no work-related employee fatalities, nor were there any Metro-related pedestrian fatalities. Additionally, the number of workers compensation claims was reduced by 10.2% in FY2008 (compared to FY2007), and in the first half of FY2009 they had fallen by 17.4% (compared to the same period in FY2008).

Additional safety initiatives include the following:

- At Metrorail stations throughout the region, we are replacing white platform edge lights with red lights to increase customer awareness of the platform edge and of approaching trains. To date, a total of 37 stations have been outfitted with red lights.
- Metrobus operators now receive training on a bus simulator, as well as "Street Smart" training that teaches bus operators to understand traffic from a pedestrian's perspective. Metro also continues to partner with our local jurisdictions to conduct a semi-annual regional Street Smart pedestrian and bicyclist safety education campaign.

In addition to our focus on safety, Metro has also been very active in the realm of security and emergency preparedness. As the largest transit provider for the National

Capital Region with bus service and rail stations on Capitol Hill and the Pentagon, Metro treats its responsibility with regard to homeland security with the seriousness it demands. Metro's approach to transit security involves a partnership among employees, customers, our transit police, other public safety agencies in the region, and the federal government. It is a strategic approach that merges the application of technology with enhanced operational awareness, and puts an emphasis on training, public outreach campaigns, and the use of security assessments that take into consideration the unique designs of transit. Working in partnership with the American Public Transportation Association (APTA) and other transit systems across the country, Metro has assisted in the development and is utilizing many of the industry's best practices to implement this strategy.

Metro has committed a majority of its Department of Homeland Security (DHS) grant funds between federal FY2003 through FY2007 ($28 million) towards the development of an Alternate Operations Control Center (OCC), since our main OCC is located in downtown Washington. The lack of redundancy in our operations control capability was highlighted in two external security assessments conducted by the FTA and DHS following the terrorist attacks of September 11, 2001. Metro has also significantly expanded and enhanced our chemical detection capability, increased the size of the Metro Transit Police Department's (MTPD) K-9 team, purchased anti-terrorism equipment for MTPD, increased security at major employee facilities, and installed security cameras on buses and portal intrusion detection in the Metrorail system. Metro is currently allocating existing security grant funds toward enhancing and integrating the closed circuit television (CCTV) camera system throughout the

Metrorail system, expanding portal and shaft detection, and increasing the security at bus facilities.

We have also placed a great emphasis on training, with initiatives designed to enhance emergency preparedness capabilities of both Metro and the region. We continue to enhance and extend our training partnerships with the region's first responder community and DHS through Metro Transit Police-sponsored initiatives such as "Managing Metro Emergencies," the Metro Citizens Corps, and advanced behavior assessment training for regional law enforcement. Launched in 2004, "Managing Metro Emergencies" was devised and developed primarily in response to the Madrid bombings. The "Managing Metro Emergencies" course has provided enhanced training to over 5,000 regional law enforcement, fire and rescue, and department of transportation personnel, as well as to Metro employees, in mitigating and recovering from a major service disruption in our system, including evacuation and emergency transportation.

Metro's Emergency Management team has trained more than 15,000 federal, state and local emergency personnel a year at our Emergency Response Training Facility. The facility includes a 260-foot tunnel, two Metrorail cars, and a simulated electrified third rail for mock fire and rescue exercises. The tunnel is used for terrorism, disaster, and tactical response drills. The facility also houses the nation's first passenger rail emergency evacuation simulator. Metro's Office of Emergency Management is also initiating a new training course for an estimated 8,000 Metro front-line employees. Funded through the DHS Transit Security Grant Program (TSGP) and regional Urban Area Security Initiative (UASI) funds, this program will raise awareness of security-related issues and instruct operational employees in how to implement the proper response procedures and command system structure during the initial and developing phases of a Metro-specific incident or emergency.

Update on recent legislation affecting Metro

As I stated earlier, meeting Metro's highest priority future needs will require a renewed partnership between the federal government and the region. With the leadership of the Oversight and Government Reform Committee, Congress took the first step along that path with the passage of Title VI of the Passenger Rail Investment and Improvement Act of 2008, or "dedicated funding bill." Again, I thank you for that effort.

That legislation required the interstate compact which created Metro to be amended to do three things: 1) add two members and two alternates to the Metro Board representing the federal government; 2) establish an Office of Inspector General at Metro; and 3) provide that the local match for the authorized federal funds would be derived from dedicated sources. In order for the Metro Compact to be amended, each of the signatory jurisdictions must pass identical legislation, which must be approved by the Congress. The District of Columbia, State of Maryland, and Commonwealth of Virginia have all passed bills to amend the Metro Compact, though not all have identical language. The region continues active discussions regarding the process for conforming all three pieces of legislation.

The Metro Board did not wait for the bill's passage before establishing an Office of Inspector General, which they did in 2006; they agreed with the sentiments of the bill's supporters that an independent office to conduct audits and reviews of Metro programs and operations would contribute positively to Metro's stewardship of public funds. Having come from an agency with an Inspector General, I absolutely agree and find this additional internal control to be an invaluable resource.

The legislation also requires Metro to provide access to the rail system to wireless providers on a specific schedule, with the first deadline being October 16, 2009. In February 2009, the Board authorized staff to proceed with an agreement with a consortium of wireless providers. We have been in final negotiations with the consortium since that time and expect a signed contract within a few weeks.

Metro's entire Congressional delegation has written to the President requesting inclusion of $150 million for Metro in the Administration's detailed federal FY2010 budget request, and we are seeking the first installment of $150 million from Congress in the federal FY2010 appropriations cycle. While this funding would not meet all of our future capital needs, it would go a long way toward addressing some of our most urgent priorities.

Finally, I want to acknowledge the recent effort by the entire Congress and Administration to help Metro and the nation counter the effects of the economic downturn: passage of the American Recovery and Reinvestment Act. We greatly appreciate your recognition that transit is an essential component of our national economic recovery plan. We anticipate that Metro will receive approximately $200 million in transit formula grants under the Recovery Act and will use this funding to address some of the agency's most urgent unfunded capital needs. We will also be applying for various competitive grant programs authorized in the Recovery Act. Metro is selecting from its capital needs inventory those projects which can be implemented quickly (i.e., are "shovel-ready") and best meet our strategic goals. Examples of projects include:

- replacement of oldest buses,
- replacement of crumbling platforms,
- track maintenance equipment,
- upgrade three oldest stations and systems,
- additional station alarms and chemical sensors,
- bus real-time, route and schedule systems, and
- additional SmarTrip® fare machines.

We are on track to meet all of the deadlines and requirements in the Recovery Act. Again, this funding will certainly not meet all of our needs, but it will help us to address some urgent priorities that would not otherwise have been addressed this year.

Conclusion

It is a tremendous privilege for me to head the transit system that serves our Nation's Capital. I thank you for the opportunity to speak to you today about the Metro system, our initiatives, challenges, successes, and future. I would be happy to respond to any questions.