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SEPTA’S BUDGET CRISIS; ECONOMY LEAGUE ANALYZES “PLAN B”

Analysis Shows Reduced Service Would Harm Region’s Economy

May 11, 2007 – Philadelphia, PA – With SEPTA’s budget crisis reaching a critical point, the Economy League of Greater Philadelphia (ELGP) released a detailed economic impact study showing that SEPTA’s “Plan B” service cuts and fare increases would be punishing to southeastern Pennsylvania.

The William Penn Foundation provided funding for the study.

“This is a Tipping Point moment – not just for SEPTA, but for the entire region,” said Steven T. Wray, Executive Director of Economy League of Greater Philadelphia. “SEPTA is no stranger to difficult budget times, but the crisis seems especially dire this time. As our analysis shows, this is not just about ‘money for SEPTA;’ this is about ensuring regional economic vitality.”

Background

SEPTA’s budget gap of \$129.6 million must be closed by June 30, 2007. If the Commonwealth does not act upon a funding solution before then, SEPTA will have to implement service cuts and fare increases to close this gap and balance its budget.

SEPTA’s Board of Directors is scheduled to vote on its operating budget May 24th. There has been significant attention focused on the so-called Plan B as the most likely option.

Plan B calls for fares to increase by an average of 31 percent, routes to be cut by 20 percent, and 300 to 400 employees to be laid off. SEPTA has estimated it would lose 10 percent of its riders -- about 30 million passengers a year. Under Plan B, the base cash fare for buses and subways would increase from \$2 to \$2.50, and tokens from \$1.30 to \$1.80. Regional rail prices would rise as well.

According to the Economy League’s analysis, the implementation of Plan B would have an immediate impact individuals and businesses. Over time, it would become a significant drag on the regional economy.

Immediate Impacts

The Economy League's analysis shows that implementation of Plan B would have an almost instantaneous affect on commuters and, consequently, the region's businesses. Specifically:

- For **drivers**, the roads would become more crowded. That will result in longer commutes either in time or distance (to avoid traffic) or both. There would be more money spent on gas, and a longer rush hour. All told, the Economy League estimates that Plan B would cost drivers an additional \$38.9 million annually. This figure includes \$24.5 million in additional travel time due to increased traffic congestion and an additional \$14.4 million in parking prices for commuters traveling to Center City.
- For **SEPTA riders**, there would be an increase in cost and a decrease in convenience. The Economy League analysis shows that under Plan B passenger volume will increase at all times of day, particularly at rush hour. The cost to SEPTA riders will be significant – service cuts and fare increases combined would cost transit riders an additional \$182 million annually. The analysis shows that riders would:
 - Pay \$68 million in additional fares,
 - Lose \$92 million in wait times, and
 - For, transit riders who opt for their cars, pay an added \$22 million in new travel costs.
 - A typical transit rider will pay an additional \$1.20 per day to commute.
- **Businesses** of all sizes will feel the impact on their workforces, as a significant number of commuting employees or clients/customers will be affected. Specifically, there will be:
 - Increased demand for parking – particularly for businesses sited close to or at transit stations.
 - Difficulty staffing early morning, night, and weekend shifts.
 - Increased requests to work from home.

Long-term Impacts

Over time, the implementation of Plan B would negatively impact the regional economy on a number of fronts. Specifically, the Economy League analysis shows that Plan B would create:

- A rise in parking prices due to increased demand. A typical commuter will pay an additional \$1.06 per day to park in Center City.
- Devaluation of real estate at transit nodes and, thus, increased sprawl. Property values in Bucks, Chester, Delaware, and Montgomery Counties would depreciate up to 6.6 percent, a net value reduction of as much as \$4.45 billion.

- Job loss in the city and the counties due to an inability to efficiently get to the job. This would lead to reduced tax revenues (wage, income, and property). The city of Philadelphia would lose up to 43,800 jobs, resulting in a net earnings loss of up to \$1.67 billion. City property values would depreciate up to 6.5 percent, a net value reduction of as much as \$2.89 billion.
- Less competitive region for new investment.

“The region’s most important business sectors – education, health care, hospitality and tourism – need employees to work at night, weekends, and early morning. Many depend on SEPTA to get to those jobs – not to mention the patients, students, and visitors that these employees serve,” said Wray.

“Service cuts will affect everyone, not just current SEPTA riders,” said Feather Houstoun, President of the William Penn Foundation. “As the Economy League analysis shows, the implementation Plan B will have an effect on individuals, businesses government and the region alike. We are putting decades of progress at risk and it is time for our region to make the commitment to support public transit.”

About the Report

“The Price of Inaction” was prepared by the Economy League of Greater Philadelphia and funded by the William Penn Foundation. The impacts of service cuts and fare increases were prepared by Econsult on behalf of the Economy League, utilizing SEPTA ridership projections, Delaware Valley Regional Planning Commission congestion modeling, economic models prepared for the Philadelphia Tax Reform Commission, and U.S. Census data. The analysis quantifies economic impacts that will develop over a five-year period of time. For the full report, visit www.EconomyLeague.org.

About the Economy League of Greater Philadelphia

The Economy League of Greater Philadelphia is an independent, nonpartisan, nonprofit organization dedicated to research and analysis of the region’s resources and challenges with the goal of promoting sound public policy and increasing the region’s prosperity. ELGP is an affiliate of the Pennsylvania Economy League, Inc., with offices in Harrisburg, Wilkes Barre, and Pittsburgh. For more information, visit www.EconomyLeague.org.

About the William Penn Foundation

The William Penn Foundation, founded in 1945 by Otto and Phoebe Haas, is dedicated to improving the quality of life in the Greater Philadelphia region through efforts that foster rich cultural expression, strengthen children’s futures, and deepen connections to nature and community. In partnership with others, the Foundation works to advance a vital, just, and caring community. Learn more about the Foundation online at www.williampennfoundation.org.

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