

HEARING EXAMINER'S
REPORT AND RECOMMENDATION REGARDING
SEPTA'S
PROPOSED FISCAL YEAR 2011 OPERATING BUDGET
AND
PROPOSED TARIFF CHANGES
AND
FISCAL YEARS 2012 - 2016 FINANCIAL PROJECTIONS

Honorable James Gardner Collins
Hearing Examiner

May 7, 2010

CONTENTS

	Page
I. SEPTA HISTORY AND ORGANIZATIONAL STRUCTURE	2
II. THE HEARINGS	3
Appointment of the Hearing Examiner	3
The Hearing Process	4
Exhibit Lists	5
SEPTA Exhibits	5
Public Exhibits	10
III. GENERAL DISCUSSION OF THE SEPTA FARE PROPOSAL	14
IV. GENERAL ECONOMIC FACTORS	15
V. EXAMINER'S RECOMMENDATION AND FARE AND SERVICE ADJUSTMENTS	16
VI. DISCUSSION OF TESTIMONY	20
Montgomery County Hearings	20
Delaware County Hearings	22
Chester County Hearings	24
Philadelphia County Hearings	27
Bucks County Hearings	34
VII. SPECIFIC RECOMMENDATIONS OF THE HEARING EXAMINER	36

I. SEPTA HISTORY AND ORGANIZATIONAL STRUCTURE

The Southeastern Pennsylvania Transportation Authority (hereinafter "SEPTA") was created by an Act of the Pennsylvania General Assembly in 1964 to provide efficient public transportation services to Bucks, Chester, Delaware, Montgomery and Philadelphia Counties. SEPTA has its genesis in the Philadelphia Traction Company, later the Philadelphia Transportation Company, and several other private transportation assets which it has acquired throughout its existence. These include the former Red Arrow line, the Philadelphia Suburban Transportation Company and the Commuter Rail Routes of the now bankrupt Pennsylvania and Reading Railways. As the sixth largest transit system in the United States, SEPTA operates:

- 117 Bus Routes
- 8 Trolley (light rail) Lines
- 3 Trackless Trolley Routes
- 2 Subway/Elevated (heavy rail) Lines
- 1 Interurban High-Speed Line (heavy rail)
- 13 Regional Railroad (commuter rail) Lines
- Shared Ride Service in the City of Philadelphia
- ADA Paratransit Service Throughout the Five-County Region

The SEPTA heavy rail lines provide direct rail service to the Philadelphia International Airport, as well as Amtrak through its stop at the 30th Street Station. The system is unique in that passengers may also directly connect with New Jersey Transit rail service and the Port Authority Transit Corporation (PATCO) high speed line to New Jersey.

The five county Southeastern Pennsylvania Region has an estimated population of over 3.9 million (2008 D.V.R.P. estimate). SEPTA's service area covers an astonishing 2,202 square miles. In the aggregate, SEPTA provided 1.48 billion annual passenger miles in the calendar year 2009.

Southeastern Pennsylvania, as a region, is the Commonwealth's largest generator of tax revenues, as well as providing employment for more Pennsylvanians than any other region of the Commonwealth. Despite this, its mass transit system has been historically underfunded.

II. THE HEARINGS

Appointment of the Hearing Examiner

The Chairman of the SEPTA Board, Pasquale T. Deon, Sr., appointed James Gardner Colins, Retired President Judge of the Commonwealth Court of Pennsylvania, as Hearing Examiner on February 18, 2010, to conduct public hearings and, from the record of such hearings, develop and issue a report to the Board containing the Hearing Examiner's recommendations concerning SEPTA's proposed fiscal year 2011 Operating Budget, proposed tariff changes and proposed changes in service. A copy of the Appointment is contained in the record as SEPTA Exhibit No. 1.

Subsequent to this appointment, on Thursday, February 25, 2010, the Board of the Southeastern Pennsylvania Transportation Authority (SEPTA) adopted a new "Set of Regulations that Southeastern Pennsylvania Transportation Authority must follow in connection with tariffs, emergency services, special services, promotions and public hearings." These regulations were designated to take effect on Monday, March 1, 2010. The Hearing Examiner has examined the regulations and has found that their adoption is in complete compliance with 74 Pa. C.S. §§ 1701-1785.

The Hearing Examiner finds that his appointment is lawful under either set of regulations.

The Hearing Process

The hearings were properly advertised and then readvertised a second time when evening hearings were additionally scheduled in Bucks, Chester, Delaware, Montgomery and Philadelphia Counties. The hearings were held as follows:

Wednesday, April 14, 2010 at 2:00 p.m. and 6:00 p.m. in Montgomery County, at the Montgomery County Human Services Center, Community Room, Main Floor, 1430 DeKalb Pike, Norristown, Pennsylvania.

Thursday, April 15, 2010 at 2:00 p.m. and Friday, April 16, 2010 at 6:00 p.m. in Chester County, at the West Chester Borough Hall Council Chambers, 401 East Gay Street, West Chester, Pennsylvania.

Thursday, April 15, 2010 at 6:00 p.m. and Friday, April 16, 2010 at 2:00 p.m. in Delaware County, at the Delaware County Court House, Government Center Building, Room 110, 201 West Front Street, Media, Pennsylvania.

Monday, April 19, 2010 at 11:00 a.m. and 5:00 p.m. in Philadelphia County, at SEPTA's Board Room, Mezzanine Level, 1234 Market Street, Philadelphia, Pennsylvania.

Tuesday, April 20, 2010 at 2:00 p.m. and 6:00 p.m. in Bucks County, at the Bucks County Free Library, Pearl Buck Meeting Room, 150 South Pine Street, Doylestown, Pennsylvania.

The Hearing Examiner physically inspected the access and egress to all hearing sites to personally validate that all of the sites were accessible to the handicapped and that they further complied with the requirements of the Americans with Disabilities Act.

Additionally, a notarized affidavit was filed by SEPTA as Exhibit No. 5(a) that, at the request of SEPTA, the Notice of Public Hearings on SEPTA's 2011 Operating Budget and Fiscal Years 2012 - 2016 Financial Plan were read into 4-track audio cassettes and distributed to the Philadelphia Library for the Blind, as well as made available on ASB Website (www.ASB.org) and through the National Federation of the Blind (NFB) newline toll free telephone service.

It is the Hearing Examiner's conclusion that all public notice requirements were met and that SEPTA should be commended for the thoroughness of its notification methodology.

List of Exhibits

SEPTA's Exhibits.

SEPTA Exhibit No. 1: Copy of James Gardner Colins Appointment to be Hearing Examiner for these public hearings on the Proposed Budget.

SEPTA Exhibit Nos. 2(a) - (j): Proofs of publication of the Notice of these public hearings in local newspapers.

SEPTA Exhibit Nos. 3(a) - (s): Affidavits stating the posting of the Notice at various SEPTA offices and buildings.

SEPTA Exhibit No. 4: Copy of text of the Notice of this series of public hearings.

SEPTA Exhibit No. 5(a): Affidavit indicating that a summary of SEPTA's Operating Budget Proposal, 2012-2016 Financial Plan, Selected Tariff Changes and Proposed Fare Increases, was read onto 4-track audio cassettes and distributed to the Philadelphia Library for the Blind, as well as made available on ASB website (www.asb.org) and through the National Federation of the Blind (NFB) Newsline toll free telephone service.

SEPTA Exhibit No. 5(b): CD disc identical to that provided by SEPTA to the Library for the Blind and Physically Handicapped as indicated in SEPTA Exhibit No. 5(a). SEPTA has also made information about its Operating Budget Proposal available on SEPTA's web page, www.SEPTA.org.

SEPTA Exhibit No. 6: Copy of the Fiscal Year 2011 Operating Budget Proposal and Fiscal Years 2012 to 2016 Financial Projections.

SEPTA Exhibit No. 7: Copy of the text of SEPTA's Budget Testimony.

SEPTA Exhibit No. 8: Copy of proposed City Transit Division Tariff No. 1, Supplement No. 36, being the Tariff Governing Fares in the City Transit Division currently in effect.

SEPTA Exhibit No. 9: Copy of proposed All Transit Divisions Tariff No. 2, Supplement No. 21, being the Tariff setting forth Rates and Regulations Governing Passenger Transportation by Motorbuses in Charter Services in Philadelphia, Bucks, Chester, Delaware and Montgomery Counties.

SEPTA Exhibit No. 10: Copy of proposed City Transit Division Tariff No. 4, Supplement No. 16, being the Tariff setting forth Rates of Fare, Rules and Regulations Governing Motorbus Excursion Service in Philadelphia County to the Mann Music Center.

SEPTA Exhibit No. 11: Copy of proposed City Transit Division Tariff No. 112, Supplement No. 15, being the Tariff Governing Rates of Fares for SEPTA Passengers Connection with Service of The Port Authority Transit Corporation ("PATCO").

SEPTA Exhibit No. 12: Copy of proposed Interdivisional Tariff No. 132, Supplement No. 27, being the Tariff setting forth Local Rates of Fare and Regulations Governing the Furnishing of Passenger Transportation on Regularly Scheduled Service between SEPTA Divisions.

SEPTA Exhibit No. 13: Copy of proposed Regional Rail Division Tariff No. 154, Supplement No. 38, setting forth Local Rates of Fare, Routes, Rules and Regulations Governing Regional Rail Division Passenger Transportation within the SEPTA Metropolitan Area ("SMA").

SEPTA Exhibit No. 14: Copy of proposed Suburban Transit Division Tariff No. 155, Supplement No. 25, being the Tariff setting forth Local Rates of Fare and Regulations Governing the Furnishing of Passenger Transportation on Regularly Scheduled Service.

SEPTA Exhibit No. 15: Copy of proposed Customized Community Transportation-CCT Connect Service Tariff No. 229, Supplement No. 9, being the Tariff setting forth Local Rates of Fare and Regulations Governing the Furnishing of Passenger Transportation on Demand-Responsive Service, the Americans with Disabilities Act Complementary Paratransit Program.

SEPTA Exhibit No. 16: Title VI 2010 Trip Analysis.

SEPTA Exhibit No. 17: Route 44 - Independence Mall to Ardmore or Gladwyne, Base Route Description Appears in Tariff No. 23.

SEPTA Exhibit No. 18: SEPTA's Fiscal Year 2011 Evaluation of Fiscal Year 2009 Added Service Initiatives.

SEPTA Exhibit No. 18(a): SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Mark Wilson Frederick.

SEPTA Exhibit No. 19: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Douglas Diehl.

SEPTA Exhibit No. 19(a): SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Roderick Powell.

SEPTA Exhibit No. 19(b): Written statement of Testimony of Roderick Powell.

SEPTA Exhibit No. 20: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Alfred Achtert, Jr.

SEPTA Exhibit No. 21: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of William E. Leung.

SEPTA Exhibit No. 22: SEPTA General Manager Joseph M. Casey's April 15, 2010 reply letter addressed to Gary Kraus.

SEPTA Exhibit No. 23: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Creighton Rabs.

SEPTA Exhibit No. 24: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Pat Ackerman.

SEPTA Exhibit No. 25: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Walter Hodorowski.

SEPTA Exhibit No. 26: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Bernice Hall.

SEPTA Exhibit No. 27: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Anne C. Croisier, Ph.D.

SEPTA Exhibit No. 28: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Greg Hirschhorn.

SEPTA Exhibit No. 29: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Patricia Russell.

SEPTA Exhibit No. 30: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Thaddeus Robinson.

SEPTA Exhibit No. 31: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of William E. Leung.

SEPTA Exhibit No. 32: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Susan Cox.

SEPTA Exhibit No. 33: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Lance Haver.

SEPTA Exhibit No. 34: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Tom Dorricott.

SEPTA Exhibit No. 35: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Matthew Mitchell.

SEPTA Exhibit No. 36: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Sharon Shneyer.

SEPTA Exhibit No. 37: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Lorraine Brill.

SEPTA Exhibit No. 38: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Blayne B. Stokes.

SEPTA Exhibit No. 39: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Judith Gratz.

SEPTA Exhibit No. 40: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Antoinette Hartdegen.

SEPTA Exhibit No. 41: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Michelle Peterson.

SEPTA Exhibit No. 42: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Lisa Miller.

SEPTA Exhibit No. 43: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Ron Greenwald.

SEPTA Exhibit No. 44: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of William McCullough.

SEPTA Exhibit No. 45: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Mark Wilson Frederick.

SEPTA Exhibit No. 46: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Ben Simmons.

SEPTA Exhibit No. 47: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Robert Henderson.

SEPTA Exhibit No. 48: Comparison of Current Base/Cash Fares (3-15-10) Chart.

SEPTA Exhibit No. 49: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Lucia Esther.

SEPTA Exhibit No. 50: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Eugene R. Lang.

SEPTA Exhibit No. 51: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Eddie Glover.

SEPTA Exhibit No. 52: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Tanya Walker.

SEPTA Exhibit No. 53: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Doris Thomas.

SEPTA Exhibit No. 54: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Matthew Mitchell.

SEPTA Exhibit No. 55: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Max Ray.

SEPTA Exhibit No. 56: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Elizabeth Perry.

SEPTA Exhibit No. 57: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Mary Rose Campbell.

SEPTA Exhibit No. 58: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of James Royal.

SEPTA Exhibit No. 59: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Tony Dphax King.

SEPTA Exhibit No. 60: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Bridget Chadwick.

SEPTA Exhibit No. 61: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Dimka Braswell.

SEPTA Exhibit No. 62: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Andre Bustamante.

SEPTA Exhibit No. 63: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Katherine L. Yaksick.

SEPTA Exhibit No. 64: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Jesse Hunley.

SEPTA Exhibit No. 65: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Wallace Kemp.

SEPTA Exhibit No. 66: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of D. Curtis.

SEPTA Exhibit No. 67: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Ben Simmons.

SEPTA Exhibit No. 68: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Regina S. Litman.

SEPTA Exhibit No. 69: SEPTA's Fiscal Year 2011 Public Hearing Testimony Form of Ada Welch.

SEPTA Exhibit No. 70: SEPTA Regional Rail Division, Tariff No. 154, Supplement No. 38, Local Rates of Fare, Routes, Rules and Regulations Governing Regional Rail Division Passenger Transportation Within the SEPTA Metropolitan Area (SMA).

SEPTA Exhibit No. 71: Zone 1 TrailPass on Regional Rail Under the New Fare Proposal documents.

SEPTA Exhibit No. 72: Redefining of Peak Hour Fares documents.

SEPTA Exhibit No. 73: Comparison of Fares -- Other Transit Agencies documents.

SEPTA Exhibit No. 74: TransPasses on Regional Rail Under the New Fare Proposal document.

SEPTA Exhibit No. 75: Transfers documents.

SEPTA Exhibit No. 76: Disabled Rides Analysis document.

SEPTA Exhibit No. 77: May 4, 2010 "Service Stabilization" response memo to L. Haver -- Public Exhibit No. 44.

Public Exhibits.

Public Exhibit No. 1: Letter from Nikola Sizgorich (to be read into the record).

Public Exhibit No. 2: E-mail from Kathy Walker.

Public Exhibit Nos. 3: E-mail from Jonathan Wright.

Public Exhibit No. 4: E-mail from Daniel Torigoe.

Public Exhibit No. 5: E-mail from Justin Nachod.

Public Exhibit No. 6: E-mail from Dolores Mucci.

Public Exhibit No. 7: E-mail from Ann Lupica.

Public Exhibit No. 8: E-mail from Rob Simmons.

Public Exhibit No. 9: E-mail from Bill Surman.

Public Exhibit No. 10: E-mail from Deirdre O'Grady.

Public Exhibit No. 11: E-mail from M.C. Marsella.

Public Exhibit No. 12: E-mail from Joyce Osborne.

Public Exhibit No. 13(a): Fiscal Year 2011 Public Hearing Testimony Form of John A. Dawson.

Public Exhibit No. 13(b): Fiscal Year 2011 Public Hearing Testimony Form of Shayne Trimbell.

Public Exhibit No. 13(c): Fiscal Year 2011 Public Hearing Testimony Form of John Barr.

Public Exhibit No. 13(d): Fiscal Year 2011 Public Hearing Testimony Form of Jefferson Eng.

Public Exhibit No. 13(e): Fiscal Year 2011 Public Hearing Testimony Form of John Wireman.

Public Exhibit No. 14: Written testimony of John A. Dawson.

Public Exhibit No. 15: G.V.F. testimony for SEPTA Fiscal Year 2011 Operating Budget Proposal.

Public Exhibit No. 16: Fiscal Year 2011 Public Hearing Testimony Form of Scott Maits.

Public Exhibit No. 17: Fiscal Year 2011 Public Hearing Testimony Form of Randy Waltermeyer.

Public Exhibit No. 18: Written testimony of Anne C. Croisier, Ph.D., MBA.

Public Exhibit No. 19: Written statement of Matthew Mitchell on behalf of the Delaware Valley Association of Rail Passengers.

Public Exhibit No. 20: Written testimony of Sharon Shneyer.

Public Exhibit No. 21: Written statement of James Royal, Chairman of Citizens for Better Transportation.

Public Exhibit No. 22: Written statement of Charles Bode, Chairman, Tri-State Council on Transportation.

Public Exhibit No. 23: Written testimony of Ann L. Rappoport, Ph.D.

Public Exhibit No. 24: E-mail statement of David L. Bowman.

Public Exhibit No. 24(a): SEPTA's reply to e-mail to statement of David L. Bowman.

Public Exhibit No. 25: E-mail statement of Chris Blazic.

Public Exhibit No. 25(a): SEPTA's reply to e-mail to statement of Chris Blazic.

Public Exhibit No. 26: E-mail statement of Benjamin Safran.

Public Exhibit No. 26(a): SEPTA's reply to e-mail to statement of Benjamin Safran.

Public Exhibit No. 27: E-mail statement of Shaheen J. Dibai with attached reply from SEPTA.

Public Exhibit No. 28: Letter from Frank P. Gormley, SEPTA to Tom Dorricott, Pennsylvania State Legislative Representative.

Public Exhibit No. 29: Written statement signed from "An Unhappy Rider" addressed to Joe Casey, SEPTA General Manager.

Public Exhibit No. 30: E-mail statement of Cynthia W. Lister.

Public Exhibit No. 31: Letter from John E. Pickett, AICP, Director, Delaware County Planning Department addressed to Secretary of the Board, SEPTA.

Public Exhibit No. 32: Letter (second) from John E. Pickett, AICP, Director, Delaware County Planning Department addressed to Secretary of the Board, SEPTA.

Public Exhibit No. 33: Written statement from Patricia A. Russell, Chairperson, SEPTA Advisory Committee for Accessible Transportation (SAC).

Public Exhibit No. 34: E-mail statement of Bob Clearfield, Vice Chair, SEPTA Citizen Advisory Committee.

Public Exhibit No. 35: Written testimony of A. Reed, Delaware Valley Healthcare Council, with attached SEPTA reply.

Public Exhibit No. 36: E-mail statement of Judith Gratz, MA, Environmental Studies, with attached SEPTA reply.

Public Exhibit No. 37: Written testimony (oral testimony) of Judith Gratz, MA, Environmental Studies, with attached SEPTA reply.

Public Exhibit No. 38: Written testimony of Olga S. McHugh, Wyncote, Pa.

Public Exhibit No. 39: Written testimony (second) of Olga S. McHugh, President, Cheltenham Chamber of Citizens, with attached SEPTA reply.

Public Exhibit No. 40: E-mail statement of Louis Agre, with attached SEPTA reply.

Public Exhibit No. 41: E-mail statement of Allison M. Nguyen, Wyncote, Pa.

Public Exhibit No. 42: E-mail statement of Grace Insogna, with attached SEPTA reply.

Public Exhibit No. 43: E-mail public comment Nico Amador, Riders Against Gender Exclusion, with attached SEPTA reply.

Public Exhibit No. 44: E-mail statement of Susanne Whitehead, Jenkintown, Pa. with attached SEPTA reply.

Public Exhibit No. 45: E-mail statement of Theresa Camerota, Cheltenham Township, Pa., with attached SEPTA reply.

Public Exhibit No. 46: E-mail statement of Thomas K. McHugh, Wyncote, Pa., with attached SEPTA reply.

Public Exhibit No. 47: Brief from the Mayor's Office of Consumer Affairs. Room 167, City Hall, Philadelphia, Pa.

III. GENERAL DISCUSSION OF THE SEPTA FARE PROPOSAL

SEPTA's fiscal operating year for the next budgetary period will commence July 1, 2010 and continue through June 30, 2011. This fiscal year 2011 Operating Budget Proposal totals \$1.18 billion, representing an increase of \$47.8 million from the fiscal year 2010 budget.

The significant contributing factors to this \$47.8 million cost increase are labor costs consistent with the five year agreement reached in the year 2010 with Transport Union Local 234, the authority's largest bargaining unit. It is anticipated that agreements reached with the remaining bargaining unions will be patterned after the TWU-234 agreement. Benefit costs, including healthcare and prescription drug coverage will continue to rise at a rate greater than inflation. Material and service costs will escalate in vehicle and non-vehicle parts, contract services, and utilities. The cost of propulsion power will escalate, including electric rates which are estimated to increase in excess of 10% when the legislative rate caps expire on December 31, 2010. The Board of SEPTA must adopt a balanced budget before the start of each fiscal year in accordance with the enabling legislation of the Commonwealth of Pennsylvania. In SEPTA Exhibit No. 6, page 11, a balanced budget is defined as "one in which expected operating revenues and subsidies equal expected operating expenses."

SEPTA's reporting and budgeting metrics are in conformity with Generally Accepted Accounting Principals (GAAP) as applied to government units. It is clear that an analysis of Exhibit No. 6 (the Operating Budget Proposal) and the presentation of the SEPTA officials at the various hearings that tariff increases are justified. The only other alternative would be to institute significant service reductions.

A synopsis of the increased costs follow:

FY 2011 Operating Budget

- **Total Budget – \$1.18 Billion***
- **Approximate 4.6% increase**
 - **Labor**
 - **2.5% wage increase per labor agreements**
 - **Pattern wage increases for railroad labor agreements**
 - **Materials and Supplies – 4.5% increase**
 - **Medical, Rx and Pension – 8% increase**
 - **Electricity – 10% increase in January 2011**
 - **Claims – 8% increase**
 - **Diesel Fuel – No increase**

*Excludes lease costs for Silverliner v. rail cars.

IV. GENERAL ECONOMIC FACTORS

From late 2008 until the present, our national, state and Delaware Valley economies have been reeling from the effects of the worst economic downturn since the Great Depression. This severe recession has negatively impacted SEPTA ridership. As testified to by Mr. Frank G. Gormley, Director of Operating Budgets for SEPTA, for the first nine months of fiscal year 2010, ridership was 3.4% less than for the corresponding period of fiscal year 2009. Average daily passengers are down by 27,000. Transit ridership has been down 3.5% and railroad ridership dipped 2.7%. Despite this, SEPTA has done a commendable job of maintaining service levels despite extremely adverse economic circumstances.

This opinion of the Hearing Examiner was shared at the Philadelphia hearing by Mr. Lance Haver, the City of Philadelphia Consumer Advocate, who testified (April 19, 2010, 10:00 a.m. hearing, Transcript, Page 59) that "I'd like to start out by noting that SEPTA has improved. As someone who has followed SEPTA for over thirty years now, I'd like to just state for the record that I recognize that there have been drastic improvements and I'd like to congratulate SEPTA management and its Board for taking those steps. That, however, doesn't mean that I don't have questions about this fare proposal." Mr. Haver's comments regarding the fare proposal and the "Surplus Rate Stabilization Fund" will be discussed later in this report. SEPTA's generally bleak funding status has recently been dealt another severe blow as the Federal Highway Administration has recently rejected the Commonwealth of Pennsylvania's request to toll Interstate 80. As testified to, credibly, at the hearing, without full funding of Act 44, SEPTA will experience a reduction of \$10 million in operating funds and \$110 million in capital funds beginning this July. The loss of this funding seriously impinges upon SEPTA's ability to install a modern fare collection system such as is used by other urban mass transit systems throughout the country (i.e., New York City, the Washington, DC Metro, New Jersey Transit and the EMTA (Boston)).

Even if all of the proposed tariff increases are enacted by the Board, it will still be necessary for SEPTA, as proposed, to eliminate forty positions in the SEPTA workforce, hopefully through attrition, and to enact certain service adjustments resulting in a minimal decrease of bus frequency. On the positive side, through effective fiscal planning, 2011 SEPTA passengers will be able to enjoy 120 new environmentally friendly hybrid diesel-electric buses, equipped with surveillance cameras and an automatic passenger counting system. One hundred twenty new Silverliner V Commuter Railcars will also be placed into service, as also will be 77 new Paratransit vehicles.

V. EXAMINER'S RECOMMENDATION AND FARE AND SERVICE ADJUSTMENTS

It is the Hearing Examiner's recommendation that the Board accept the proposed tariff changes and service changes as recommended by management. The Hearing Examiner's opinion is that fare increases are mandated by the statutory requirement that SEPTA propose a balanced budget. In order to maintain this balanced budget, SEPTA must either impose the proposed fare increases, as follow, along with the limited service cuts, the details of which also follow, or embark upon devastating service cuts.

The Hearing Examiner shares SEPTA's concern about the long-term fiscal stability of Pennsylvania's public transportation trust fund as established by Act 44 of 2007. Commonwealth operating subsidies for the fiscal year 2011 are expected to remain level for the third consecutive year. However, a decrease in subsidies cannot be ruled out due to diminishing tax receipts.

The recent federal rejection of the Commonwealth's request to toll Interstate 80 will result in a reduction of approximately \$10 million of operating funds and \$110 million in capital funds beginning in July of 2010.

FISCAL YEAR 2011 OPERATING BUDGET PROPOSAL

SUMMARY OF PROPOSED FARE CHANGES

Transit Division

	Current Fare	Proposed Fare
Cash	\$ 2.00	\$ 2.00
Token	\$ 1.45	\$ 1.55
Transfer	\$ 0.75	\$ 1.00
Weekly TransPass	\$ 20.75	\$ 22.00
Monthly TransPass	\$ 78.00	\$ 83.00
Cross County Pass	\$ 96.00	\$103.00
Day Pass	\$ 6.00	\$ 7.00
Individual Independence Pass	\$ 10.00	\$ 11.00
Family Independence Pass	\$ 25.00	\$ 28.00
PATCO Joint Fare	\$ 2.40	\$ 2.60
PATCO Joint Fare Return Trip	\$ 0.95	\$ 1.05
Suburban Zones	\$ 0.50	\$ 0.50
Disabled Off Peak	\$ 0.75	\$ 1.00
Disabled Transfer Off Peak	\$ 0.30	\$ 0.50
Disabled Zone Fee (Off Peak)	\$ 0.25	\$ 0.25
Mann Music Center	\$ 4.50	Regular Base Fare or Transfer

Regional Rail Division

	Current Fare	Proposed Fare
Peak 1 Advance Purchase	\$ 3.50	\$ 4.00
Peak 2 Advance Purchase	\$ 4.25	\$ 4.50
Peak 3 Advance Purchase	\$ 5.00	\$ 5.50
Peak 4 Advance Purchase	\$ 5.50	\$ 6.25
Peak 5 Advance Purchase	\$ 6.00	\$ 6.25
Peak 6 Advance Purchase	\$ 8.00	\$ 8.75
Peak 1 Cash Fare	\$ 4.00	\$ 4.00
Peak 2 Cash Fare	\$ 5.00	\$ 5.00
Peak 3 Cash Fare	\$ 6.00	\$ 6.00
Peak 4 Cash Fare	\$ 7.00	\$ 7.00
Peak 5 Cash Fare	\$ 7.00	\$ 7.00
Peak 6 Cash Fare	\$ 9.00	\$ 10.00
Off Peak 1 Advance Purchase	\$ 3.50	\$ 3.50
Off Peak 2 Advance Purchase	\$ 3.50	\$ 3.50
Off Peak 3 Advance Purchase	\$ 4.25	\$ 4.75
Off Peak 4 Advance Purchase	\$ 4.75	\$ 4.75
Off Peak 5 Advance Purchase	\$ 4.75	\$ 4.75
Off Peak 6 Advance Purchase	\$ 8.00	\$ 8.75
Off Peak 1 Cash Fare	\$ 4.00	\$ 4.00
Off Peak 2 Cash Fare	\$ 5.00	\$ 4.00
Off Peak 3 Cash Fare	\$ 5.00	\$ 6.00
Off Peak 4 Cash Fare	\$ 6.00	\$ 6.00
Off Peak 5 Cash Fare	\$ 6.00	\$ 6.00
Off Peak 6 Cash Fare	\$ 9.00	\$ 10.00

Regional Rail Division (continued)

Ten Trip 1	\$ 32.50	\$ 36.00
Ten Trip 2	\$ 40.00	\$ 42.50
Ten Trip 3	\$ 47.50	\$ 52.50
Ten Trip 4	\$ 52.50	\$ 59.00
Ten Trip 5	\$ 57.50	\$ 59.00
Ten Trip 6	\$ 70.00	\$ 77.50
Weekly TrailPass 1	\$ 22.50	\$ 24.75
Weekly TrailPass 2	\$ 31.50	\$ 34.75
Weekly TrailPass 3	\$ 39.00	\$ 42.75
Weekly TrailPass 4	\$ 44.50	\$ 48.50
Weekly TrailPass 5	\$ 50.50	\$53.00
Monthly TrailPass 1	\$ 84.00	\$ 92.50
Monthly TrailPass 2	\$116.00	\$128.00
Monthly TrailPass 3	\$142.50	\$157.00
Monthly TrailPass 4	\$163.00	\$179.00
Monthly TrailPass 5	\$181.00	\$191.00
Individual Independence Pass	\$ 10.00	\$ 11.00
Family Independency Pass	\$ 25.00	\$ 28.00
Intermediate 2 zones (advance)	\$ 3.00	\$ 3.25
Intermediate 3 zones plus (advance)	\$ 3.50	\$ 3.75
Intermediate 2 zones cash	\$ 4.00	\$ 4.00
Intermediate 3 zones plus (cash)	\$ 4.00	\$ 4.00
Intermediate 2 zones Child/Disabled	\$ 1.50	\$ 1.50
Intermediate 3 zones + Child/Disabled	\$ 1.75	\$ 1.75
Intermediate 2 zones Child/Disabled Cash	\$ 2.00	\$ 2.00
Intermediate 3 zones Child/Disabled Cash	\$ 2.00	\$ 2.00
Intermediate (IM-1)	\$ 69.00	\$ 75.00
Via Center City Philadelphia	\$5.00-\$9.00	\$5.50-\$9.50
Via CCP Child/Disabled	\$2.50-\$4.50	\$2.75-\$4.75
Via Center City Philadelphia (cash)	\$6.00-\$10.00	\$6.00-\$10.00
Via CCP Child/Disabled (cash)	\$2.50-\$4.50	\$2.75-\$4.75
Center City Fare (advance)	\$ 3.50	\$ 4.00
Center City Fare (cash)	\$ 4.00	\$ 4.00
Senior Citizens	\$ 1.00	\$ 1.00
Seniors out of PA	\$2.00-\$4.25	\$2.00-\$5.00
Child/Disabled (advance)	\$1.75-\$4.00	\$2.00-\$4.25
Child/Disabled (cash)	\$2.00-\$4.50	\$2.00-\$5.00
Family Fares	\$17.50-\$40.00	Replaced by Independence Pass
Special Event Day Pass	\$ 9.00	Replaced by Independence Pass

FISCAL YEAR 2011 OPERATING BUDGET PROPOSAL

SUMMARY OF PROPOSED SERVICE CHANGES

Fiscal Year 2011 Service Adjustments

1. Route 14	-- Continue with exclusive use of articulated buses and slightly increase headways during weekdays.
2. Route 28	-- Increase headway from 60 to 75 minutes n Sundays.
3. Route 31	-- Retain headway of 20 minutes for AM service, and increase headways for PM service from 15 to 20 minutes on weekdays.
4. Route 58	-- Increase headway from 15 to 20 minutes between 10:00 AM and 5:00 PM on Sundays.
5. Route 70	-- Increase headway from 3 to 4 minutes between 7 & 8 AM weekdays. -- Increase headway during weekday and Sunday evening from 20 to 30 minutes until 11:00 PM.
6. Route 93	-- Discontinue additional weekday service between Norristown TC and Collegeville.
7. Route 99	-- Discontinue last trip from Phoenixville on Sundays.
8. Route 104	-- Increase headway from 20 to 30 minutes to West Chester during weekday peak hours.
9. Route 111	-- Increase headway from one hour to two hours between Granite Run Mall and Chadds Ford on Saturdays. -- Increase headway from one hour to two hours between Granite Run Mall and Chadds Ford on Sundays.
10. Route 120	-- Discontinue two round trips on Sundays.
11. Route 124	-- Combine underutilized trips from Wissahickon TC with trips from Center City during weekdays. -- Discontinue 3 mid-day trips from King of Prussia to Wissahickon TC on Sundays.
12. Route 125	-- Combine underutilized trips destined to Wissahickon TC with trips to Center City during weekdays. -- Discontinue last trip from King of Prussia to Wissahickon TC on Saturdays. -- Discontinue 2 mid-day trips from King of Prussia to Wissahickon TC on Sundays.
13. Route 129	-- Modify Sunday service to operate every 90 minutes instead of every 60 minutes.
14. Route 201	-- Revert back to connecting with only reverse-peak direction trains to/from Philadelphia on weekdays.
15. Route J	-- Increase headway from 15 to 17 minutes in the PM weekdays.
16. Route K	-- Increase headway from 20 to 30 minutes between 7 PM & 10 PM on Saturdays.
17. Route R	-- Increase headway from 15 to 20 minutes in the base period and from 20 to 30 minutes between 7 PM & 10 PM on Sundays.
18. NHSL	-- Increase headway from 20 to 30 minutes on the Norristown High Speed Line on Sunday.
19. Trenton (R7)	-- Discontinue late trains between Center City and Trenton (after midnight on Fridays only).

VI. DISCUSSION OF TESTIMONY

Montgomery County Hearings

The 2:00 p.m. scheduled hearing for Montgomery County started approximately twenty minutes late, as no members of the public, wishing to testify, had arrived promptly. Present at the hearing and seated at the Hearing Examiner's table were Mr. Dennis Miller, Director of Ridership Marketing; Mr. Daniel Casey, Director, Revenue, Budgets, Pricing and Analysis; and Mr. John Callon, Manager, Suburban Service Planning and Schedules. Mr. Gormley offered into evidence management's testimony as recorded in SEPTA Exhibit No. 7.

The first witness was Mr. John A. Dawson. Before his retirement, Mr. Dawson worked as a transportation analyst for the Delaware Valley Regional Planning Commission and, prior to that, he was employed by a consulting firm in Washington, D.C. as a transportation economist. Mr. Dawson testified that it was his opinion that fare and tariff changes should be limited to cover anticipated revenue operating shortfalls and not attempt to alter the fare structure in any fundamental ways. Mr. Dawson continued to state that the elimination of off peak fares for mid-day travel would be a bad idea since the marginal cost of providing seats during these hours is considerably less, in his opinion, than the cost of adding seats during peak hours. Mr. Dawson continued to state that the price of transfers should not be increased to \$1.00 as it is uniquely burdensome to Philadelphia ridership.

The Hearing Examiner must note that the paper transfer, familiar to the riders of the transit division of SEPTA, is the dinosaur of the system. While there are free transfer points from the Market-Frankford El to the Broad Street subway and the trolley lines originating from the Juniper Street Station, and vice versa, to transfer from one SEPTA bus route to another or from the bus route to the subway or Market-Frankford El, one presently must request the transfer when making their initial payment of \$0.75 (\$1.00 proposed) and present the transfer to the operator of the next route. The overhead costs of such a transfer system are higher due to the lack of an automated system, as well as the potential for a dishonest rider to sell the transfer or simply give it to another individual once leaving their original vehicle or train, and that individual would then obtain a ride without having paid the appropriate fare. Mr. Dawson felt that such beliefs are more anecdotal than factual and that the additional dollar paid for the transfer amounts to SEPTA penalizing the ridership for its ineffective and inefficient layout of its system. The Hearing Examiner notes, finds and recommends the adoption of a state-of-the-art automated fare system. SEPTA has been seeking capital funding for the implementation of such a system for many years. The I-80 tolling project would have, as implemented with Act 84, provided capital funding to SEPTA such that the Act 44 tolling for bridges and capital improvements would have released other funds from the capital budget such that an appropriate fully automated fare system could have been implemented. Unfortunately, this will not occur in this FY2010-2011.

Mr. Dawson also was critical of the recommended changes to the off peak fares during daytime hours. Tariff 154, Supplement 38 eliminates the off-peak fares on weekdays on all regional railroads on trips commencing prior to 7:00 p.m., but retains it after 7:00 p.m. and on weekends. This concern for the elimination of the off-peak fares and its accompanying financial

penalty was a theme which repeated itself at each hearing and will be discussed later in this report.

Also testifying at the Montgomery County hearing was Mr. Shayne Trimbell. Mr. Trimbell was identified as a project manager with the Greater Valley Forge Transportation Management Association. Mr. Trimbell stated that SEPTA should be applauded for their efforts to partner with Google for the recent Google transit on both rail and buses. While Mr. Trimbell's testimony was both interesting and educational, it was irrelevant to the fare increase issue and, therefore, will not be discussed further.

Mr. John J. Barr testified that he was disappointed with the fare increase request, that he found that the Route 103 and 106 leave Ardmore at the same time, as well as arriving at 69th Street at the same time. However, the departures are scheduled one hour apart and that it would be wiser to schedule them at half hour intervals to eliminate the one hour waiting time between buses should you wish to travel from Ardmore to 69th Street. Mr. Barr expressed his firm opinion that "Trying to finance a fare system with tolls from northern Pennsylvania is smoke and mirrors. There is no such thing in this country as a free lunch." Mr. Barr felt that there should be a minimum \$2.00 fare with no discounts for tokens. Mr. Barr continued to express an often repeated theme that having token booths with cashiers that do not sell tokens but rather direct the customer towards token dispensing machines which do not accept credit cards, is quite inefficient.

Dissatisfaction with the integrity and inefficiency of the SEPTA fare collection system was a recurring theme in both the written comments and testimony throughout the hearings and written comments submitted thereat. The Hearing Examiner wishes to comment that the SEPTA managerial personnel present who testified at the hearings as well as the submitted and written testimony have all agreed that the acquisition and implementation of a modern electronic fare vending system is critical to the improved operation of SEPTA. However, such a system cannot be implemented without appropriate capital funding.

The Hearing Examiner recommends that SEPTA also consider vendor financing as a method of purchasing and implementing a modern electronic fare system.

The Montgomery County hearings were reconvened at 6:02 p.m. on Wednesday, April 14, 2010. The first witness, Mr. Jonathan Eng testified as to his opinion that the off-peak fare increases on the regional rail system was unwise. These comments were mirrored by other witnesses.

Mr. Gormley of SEPTA, countered these comments in his morning testimony as well as his prior testimony by stating that, in addition to the additional revenues generated by the elimination of off-peak rail fares, ridership confusion is also an issue. Many riders do not understand which trains are peak versus off-peak and as a result thereof board peak trains in center city with off-peak return tickets. The conductors then must discuss the issue with the rider, and collect the cash fares. Often the riders are upset or disturbed and the ensuing discussions impede the conductors and train men from making their route throughout the car to collect tickets and fares.

Delaware County Hearings

Hearings in Delaware County were conducted on Thursday, April 15, 2010 at 6:00 p.m. and again on Friday, April 16, 2010 at 2:00 p.m. Present at the hearing were only three witnesses, including Mr. Vincent Puppio, a SEPTA employee, and Scott Maits, who identified himself as the Vice President of Delaware Valley Association of Rail Passengers. Mr. Maits chose not to testify as he had previously testified in the afternoon hearing in West Chester, Pennsylvania.

The next Delaware County hearing was convened on Friday, April 16, 2010 in the County Council Room of the Government Center Building, Delaware County Courthouse, 201 W. Front Street, Media, Pennsylvania. Attending that hearing representing SEPTA were Mr. Joseph Cattalo, Mr. John Calnan, Mr. Tom Kelly and Mr. Frank Gormley.

The first member of the public to make a presentation was Mr. Mark Wilson Frederick. Mr. Frederick commented that he wished to make comments concerning the capital budget and he was instructed that the capital budget hearing would be held in Philadelphia on the following Wednesday at 11:00 a.m. and 5:00 p.m. Mr. Frederick further testified that he was very concerned as to the loss of revenues from the now failed tolling of I-80 and that he was concerned with the negative effects of same.

Mr. Frederick also expressed environmental concerns involving fuel usage and he was instructed by Mr. Calnan of SEPTA that all of their diesel buses were using ultra-low sulfur fuel.

The next witness was Mr. Douglas Diehl, who identified himself as President and Founder of Tri-State Transit 21, which he identified as a transit advocacy group as well as a historical organization which follows the history of public transportation in Philadelphia. Mr. Diehl testified that he supported all of the tariff increases except for the hiking of the transfers from \$0.75 to \$1.00. Mr. Diehl referred to this as "totally outrageous." He continued to state that "this transit authority(s) got the highest pricing for transfers of any transit system in the country."

The comments of Mr. Diehl regarding the pricing of the transfers echoed those of Mr. Dawson, who testified in Montgomery County as well as those of many individuals who submitted written comment but did not testify. Mr. Diehl also commented upon security concerns and expressed his outrage at a recent incident where a SEPTA operator was allegedly instructed to finish her route rather than seek medical attention for an individual who had passed out, and subsequently died while on the SEPTA vehicle.

Next to testify was Mr. Roger Powell, Vice Chair, SEPTA Advisory Committee for Disabilities. Mr. Powell himself is blind and represents a population of blind and visually impaired transit riders. He noted that 80% of America's blind population is unemployed and he strongly urged that SEPTA adopt a fare that would allow the blind free transportation any time of the day. Presently, the blind or the handicapped can ride at half-fare other than at peak morning travel times, when they must pay full fare. **The Hearing Examiner finds merit in Mr. Powell's contentions and recommends that the SEPTA board develop and propose a tariff**

that would allow free transport for the blind and handicapped system wide other than at morning peak hours.

The final witness to testify at the Delaware County hearing was Mr. Alfred Achtert, Jr. Mr. Achtert indicated that he would like to support Mr. Powell's testimony that the handicap fare should apply all day, and during peak and off peak hours as well. Mr. Achtert was further critical of many of the proposed tariff changes as well as the service provided by SEPTA.

Chester County

The first Chester County hearing commenced at 2:00 p.m. on Thursday, April 15, 2010 in the West Chester Borough Hall, Council Chambers, 401 E. Gay Street, West Chester, Pennsylvania. After the reading of the prepared SEPTA statements Mr. McIntyre questioned Mr. Gormley, SEPTA's Operating Budget Director, concerning the losses to the Capital Budget which would be incurred as a result of the Federal Government's rejection of tolling I-80. The Hearing Examiner informed Mr. McIntyre that the capital budget issue was not directly relevant to the instant tariff hearings. However, the Hearing Examiner allowed Mr. John Calnan, Manager of Suburban Service and Planning Section for SEPTA, to comment. Mr. Calnan testified that the loss of the \$110 million of projected revenue from the I-80 tolling would greatly impact proposed capital improvements in Chester County such as the L-1, the Wawa extension of the R3 Media/Elwyn line as improvements at the Exton Train Station (the installation of high level platforms). The postponement of the new payment technologies would also eliminate funding for technological improvements at the Paoli Transportation Center allowing full integration with Amtrak at the Paoli Station.

Mr. Dennis Hillar, SEPTA's Chief Officer, Revenue, Ridership, Marketing & Sales, asked to be recognized so that he could dispute testimony made by Mr. John Barr the preceding day in Montgomery County, that New Jersey Transit was doing a "better job" with off-peak fares and in maintaining lower fares generally. Mr. Hillar testified that on April 14, the New Jersey Transit Board had approved a revised fare and service plan to help close that Agency's \$300 million budget gap. The Plan was to take effect on May 1 and included a 10% increase for light rail and bus rides, a 25% increase for one-way commuter rail rides and that further off-peak rail round trip discounts would not be sold after April 30 and that they will not be accepted after May 23. **Mr. Hillar continued to state that the overall revised fare plan for New Jersey Transit would result in a system-wide fare increase of 22%. The Hearing Examiner notes that this figure is well over the system-wide fare increases proposed by SEPTA for Fiscal Year 2011.**

Also present at the hearing was Ms. Liz Hulse, Assistant to State Representative Barbara McIlwain-Smith, who wished to know the time and place of the capital budget hearing. Dan Casey, Director of Revenue, Budgets, Pricing and Analysis for SEPTA advised Ms. Hulse as to the time and place of the hearing at the SEPTA Board Room in Philadelphia.

The next witness to testify was Scott Maits, who identified himself as a Vice President of the Delaware Valley Association of Rail Passengers. Mr. Maits testified that it was true that New Jersey Transit had reduced the cost of some rides. They, however, had also instituted severe service cut backs.

The final witness at the initial Chester County Hearing was Mr. Walter Myer, who is employed as a Transportation Planner, for the Chester County Planning Commission. Mr. Myer wished to indicate that his comments were those of himself personally and not necessarily the official views of the Chester County Planning Commission. Mr. Myer commented upon the limited availability of fare purchasing locations in Chester County, i.e., that there were only seven locations in which to purchase passes or tokens in all of Chester County and that, in addition to being inconvenient for the riders, it creates difficulty for SEPTA in the general

administration of fares. Mr. Hillar addressed Mr. Myer and agreed that there were too few external outlets for the purchase of SEPTA passes and tokens in Chester County. However, he has had great difficulty in recruiting vendors since SEPTA does not pay commissions and many vendors do not wish to carry a non-revenue producing product or service. Further, all fare outlets must meet the requirements of the Americans with Disabilities Act and the operators of private retail business, understandably, do not want to expend capital that will not result in a commensurate increase in revenues.

The second Chester County Hearing was held again at the West Chester Borough Hall Council Chambers on Friday, April 16, 2010 at 6:02 p.m. Present at the second Chester County Hearing to represent SEPTA were Mr. John Calnan, Manager of the SEPTA Suburban Service Planning Schedule Section; Mr. Christopher Natale, an employee of the SEPTA Operating Budget Department; Mr. Joseph Cattalo, Manager of Tariffs and Revenue Budget; and Mr. Thomas Kelly, Director of Sales.

The first witness to testify was Mr. William E. Leung. Mr. Leung presented most interesting and compelling testimony concerning his observations and experiences resulting from his unusually long commute from the Harrowgate section of Philadelphia to the city of West Chester via the Market-Frankford elevated line to 69th Street and then the Route 104 bus to West Chester. Mr. Leung explained how many of the bus operators themselves did not understand what travel was allowed with a Zone 1 TransPass and how riders, either through lack of knowledge or mistake, put an extra \$0.50 in the fare box. The Hearing Examiner wishes to note that the strongest observation that he has taken from conducting these hearings is that the SEPTA multiple tariff, multiple fare/TransPass and TrailPass system is at times almost incomprehensible to the average rider. Mr. Leung's testimony is introduced below, not to indicate any mal-intent on SEPTA's behalf but, rather, to **underscore the need for tariff simplification and consolidation that can only occur after the design, purchase and installation of a state-of-the-art electronic, digital, horizontally and vertically integrated fare collection system.**

Mr. Leung's testimony follows:

Currently SEPTA, I don't think they intended this, but they're ripping off the suburban transit riders. Some time ago the last rate increase or the one before reestablished a Zone 1 TrailPass for the first time in 15 or 20 years. And net effect is that a lot of people on transit, not on rail, but the people on transit are buying too much ticket.

People didn't have a Zone 1, people coming to West Chester paid – often bought a TransPass and put .50 in the meter every day, because that was cheaper than buying Zone 2. And other people just bought the Zone 2 to come to West Chester. Well, you don't need a Zone 2, you need a Zone 1.

There's a fallacy here. Everybody thinks Zone 1 is for 1 zone, it's not. Zone 1 is for one railroad zone. On transit, a TransPass covers the first zone on any bus or trolley car or E1 or whatever,

other than regional rail you want to get on, on SEPTA, no matter where it is. If it's all the way up at Doylestown or downtown Philadelphia. TrailPass is good for that original zone that a TransPass would be good for, plus the number of zones that it lists. So a Zone 1 TrailPass on transit is good for a 2 zone rate.

And this last year I told at least three people that I observed getting on the 104 they had too much ticket, and they looked at me like I was crazy because nothing SEPTA puts out says anything like this, except there was a sign in the information center at 69th Street that said exactly what I'm saying right now, that on transit TransPass covers the first zone and a TransPass cover the first zone plus the number of zones listed on the TransPass. In other words, it's a 1 zone shift.

(Notes of testimony, April 16, 2010, Chester County Hearing, Page 16, Line 21 to Page 18, Line 8).

The next individual to testify was Mr. Creighton Rabs. Mr. Rabs seconded Mr. Young's concerns relating to the confusion over Zone 1 versus Zone 2 fare rates and he felt that this confusion also applied to Route 199. Mr. Rabs spoke of the inconvenience for riders traveling to and from West Chester specifically, and throughout Chester County generally. He spoke of the personal hardship that the increase of "headways" on the Chester County routes would generate.

Mr. Rabs also detailed the hardships caused by the lack of sales outlets for the TransPass or TrailPass in West Chester and that, in order to enjoy the significant monthly savings of a TransPass or a TrailPass, his only option was to travel to the 69th Street transportation center in Upper Darby to purchase a pass. Mr. Rabs continued on to state "It seems like the overall scheme of things when it comes to convenience for us riders, West Chester is at the bottom of the list. Whether it is for sales or inconsistent service on the 104, where it seems at least a couple of times a day drivers fail to get in the loop on time. . ." **The Hearing Examiner notes that bus travel to and from West Chester is limited and difficult. These difficulties will be increased by the additional "headway" times.**

The final member of the public to testify was Ms. Pat Ackerman. Ms. Ackerman testified that the increase in the monthly TrailPass rates of approximately \$10 would cause personal financial hardship for her and that it is not warranted due to the deplorable condition of the aging rolling stock. Mr. Cattalo, the SEPTA representative, countered that many of the older trains will be eliminated from service, once the 120 new Silverliner Vs are placed into service.

Philadelphia County

The Philadelphia County hearings commenced at 10:00 a.m. on April 19, 2010 at SEPTA Headquarters in the Public Meeting Room, Mezzanine Level, 1234 Market Street, Philadelphia, Pennsylvania. In addition to the previously mentioned Mr. Hillar, Mr. Casey and Mr. Gormley, also present on the dais were Mr. Charles Webb, Chief Officer, SEPTA Service Plant and Mr. Harry Garforth, Manager of Rail Plan.

The hearings were well attended, lively and spirited. The following individuals presented testimony or comments at the hearings:

10:00 a.m. Session

Pat Ackerman
Walter Hodorowski
Bernice Hall
Anne C. Croisier, Ph.D., MBA
Greg Hirschhorn
Patricia Russell
Thaddeus Robinson
William E. Leung
Susan Cox
Lance Haver, Director, Mayor's Office of Consumer Affairs
Tom Dorricott
Matthew Mitchell
Sharon Shneyer
Lorraine Brill
Judith Gratz
Antoinette Hartdegen

5:00 p.m. Session

Lisa Miller
Ron Greenwald
William McCullough
Mark Wilson Frederick
Ben Simmons
Robert Henderson
Lucia Ester
Eugene R. Lang
Eddie Glover
Doris Thomas
Matthew Mitchell
Max Ray
Elizabeth Perry
Mary Rose Cambell
James Royal
Tony Fax (King Fax)

Bridgette Chadwick
Dimka Braswell
D. Curtis

At the morning hearing, several individuals completed the Public Hearing Testimony Form and chose not to verbally testify but, instead, offered written comments. It would be safe to observe that these comments echoed those written by Walter Hodorowski, who commented negatively that the trolley service is poor and that the fare increase should not be passed.

Ann Croisier, Ph.D., M.B.A. testified that she supported the 11% fare increase for "the best connected transit system in the entire country, and even better than Manhattan." Ms. Croisier also commented on the dilapidated condition of many of the SEPTA facilities. She specifically mentioned the 19th Street subterranean trolley stop, which seems to have constantly leaking water collecting on the platform. The Hearing Examiner, as a daily rider of SEPTA and user of the 19th Street stop, concurs with Ms. Croisier's comments. However, with the lack of the I-80 tolling funds for the Capital Budget, it is impractical and unlikely that even the most deteriorated "EI" stops and below ground trolley stations will soon be renovated.

Recurring themes brought out through the public comment sessions of the hearings in Philadelphia were:

1. Shabby and/or unclean "EI" and trolley stops.
2. Lack of proper trash disposal facilities, inadequate shelters and seating areas at many of the high volume bus and trolley stops.
3. Rude employees and employees who simply do not stop to pick up waiting passengers.
4. Operators seemingly intentionally passing waiting passengers standing in clearly marked bus and trolley stops.
5. Mr. Gregg Hirshorn specifically complained about bus drivers not stopping for passengers and also as to the rudeness of certain SEPTA operators.

The Hearing Examiner, as a regular rider of SEPTA, has also observed rude and inconsiderate behavior evidenced by operators towards passengers. And while the comments of the witnesses may well be valid in certain specific incidents, it is not the policy of SEPTA to tolerate such behavior from its operators. Such behavior is not the norm.

Throughout the five days of hearings, the Hearing Examiner was impressed with the testimony concerning the efforts of SEPTA management to improve the riding experience for its ridership. The Hearing Examiner is confident that management will continue to seek out, monitor and discipline employees who fail to exhibit proper conduct towards SEPTA customers.

Due to the large number of witnesses who participated in the Philadelphia hearings, it is the Hearing Examiner's opinion that rather than deal with each specific attendee's testimony, either oral or written, it is more important to deal with the major issues discussed by the public and SEPTA's response thereto. Therefore, these issues will be dealt with seriatum.

1. Handicapped Accessibility and Fares.

Patricia Russell, the Chairperson of the SEPTA Advisory Committee (SAC) and Mr. Thaddeus Robinson, also affiliated with SAC, protested the transit and rail fares for the disabled including the fact that there are peak hours in which the disabled have to pay full fare. Mr. Robinson testified that PAT in Pittsburgh has had reduced fare 24 hours a day for years and NANTA in Lehigh County offers free rides, as well as reduced fare cards on weekends and holidays. As other disabled riders had previously testified, Mr. Robinson felt quite strongly that it was irrational to allow senior citizens free travel on transit lines and \$1.00 travel on the regional rail lines, regardless of time or zone, and not to have the same tariffs for the disabled. The Hearing Examiner finds that the disabled fare tariffs should, in future budgets, be re-evaluated. However, due to the apparent fiscal crisis which is confronting SEPTA, the Examiner repeats his finding that the **SEPTA Board should develop and propose a tariff that would allow free transit for the blind or handicapped, system-wide, other than at morning peak hours.** However, such tariff should not be studied and proposed until the fiscal 2012 budget.

2. Environmental Concerns.

The Hearing Examiner finds that SEPTA is acting in an environmentally responsible fashion. The official SEPTA representatives testified that in the fiscal year 2011, 120 environmentally friendly hybrid diesel electric buses, equipped with surveillance cameras and an automatic passenger counting system, will be placed into service, along with 77 new efficient energy-conscious paratransit vehicles. SEPTA is instituting green technologies by a comprehensive program to systematically replace fluorescent lamps with energy efficient LED fixtures in subway stations, shops and signal systems. Recycling programs have been instituted in SEPTA shops and offices. Antifreeze from buses is recycled and reused on site, as are batteries from buses, trains and signals. Waste oil is recycled and scrap metal programs have been instituted to recover platinum from used catalytic oxidizers and mercury from fluorescent lamps. Used railroad ties are disposed of via a co-generation facility and water is reclaimed at vehicle washing sites throughout the authority. SEPTA is to be commended for its civic consciousness.

3. Fare Accountability and Collection.

Ms. Susan Cox was strongly critical of the antiquated cash fare collection system employed by SEPTA. As has been previously stated by the Hearing Examiner, SEPTA is well aware of the problems with its present cash fare system. It has been and will continue to seek the implementation of a modern fare collection system, but has been deterred in its efforts through the lack of appropriate capital funding.

4. Tariff Increases.

The overwhelming majority of witnesses opposed the tariff increases for a variety of reasons. Mr. Tom Dorricott, the Legislative Representative for the Brotherhood of Locomotive Engineers and Trainmen, testified that while being generally supportive of the fare increase, the union suggests that SEPTA put the elimination of off peak fares in on a temporary basis and that it be re-evaluated after six months to make sure that the revenue increases are beneficial as compared to the ridership loss. The Hearing Examiner shares their concerns but feels that a one year period, as proposed in the tariff, would be a better trial run.

Also speaking in Philadelphia was Mr. Matthew Mitchell, appearing on behalf of DVARP, the Delaware Valley Association of Rail Passengers. Mr. Mitchell, speaking for the DVARP, was generally supportive of the fare increases in the proposed tariffs until they reached the 6% level. However, he noted that the actual fare increase for rail riders is over 9% and many riders will face a fare increase over 10%. Mr. Mitchell also strongly opposed the increase of the transfers to \$1.00 as, obviously, that represents a 150% increase in the transfer fare over the last ten years. **As previously noted by the Hearing Examiner, in this period of shrinking revenues from a loss of ridership and a loss of public subsidies, it is necessary for the tariff increase proposed by SEPTA to be implemented as the alternatives would be drastic service cuts.**

Ms. Sharon Shneyer followed Mr. Dorricott's testimony, and was extremely critical of the recent renegotiation and renewal of the Transit Division's Labor Agreement. Ms. Shneyer commented that "I know of no other union who goes out on strike for a week and comes back with a \$1,200 bonus." The Hearing Examiner will not comment on the merits of the Labor Agreement that was reached as it is in effect it cannot be abrogated and, instead, must be funded.

5. Construction of the Jenkintown Wyncote Station.

A number of citizens appeared and presented strong opposition to the construction of the parking garage at the Jenkintown Wyncote Station. The Hearing Examiner notes that this is a Capital Budget issue and not a tariff or service issue. Therefore, the Hearing Examiner will have no comment.

6. Testimony Both Oral and Submitted of Lance H. Haver, Director of Mayor's Office of Consumer Affairs.

Mr. Haver, in his official capacity, has submitted six well argued and well written "issues" for the consideration of the Hearing Examiner:

(1) Should SEPTA be permitted to raise fares without disclosing how many tens of millions of dollars are in its "Service Stabilization Fund?"

At the hearing, the court informed Mr. Haver that he would direct that SEPTA provide information regarding the Service Stabilization Fund and that the record would be kept open until such time as it was received. On May 4, 2010, a letter responding to the Examiner's inquiries was received and has been marked as SEPTA Exhibit No. 77. As of June 30, 2009, the

balance of the Fund was \$142.5 million. While this amount may seem inordinately large, the Hearing Examiner feels that in light of the present state of the economy, it would be unwise, at this time, to invade the Service Stabilization Fund.

As previously noted for the first nine months of fiscal year 2010, SEPTA experienced an operating deficit of \$29 million. The Hearing Examiner believes that this deficit will increase further by the end of the fiscal year. As indicated in Mr. Gormley's response, SEPTA has been advised that for FY 2010 and 2011, the state subsidies will be held constant at \$517 million. However, the Hearing Examiner notes that this figure will, in all probability, be illusory as Act 44 funding is tax revenue dependent.

The Examiner takes note that all reports from the executive and legislative branches of government indicate that tax revenues for the second half of FY 2009-2010 are way down. The purpose of the Service Stabilization Fund is to provide SEPTA with sufficient capital should there be serious revenue subsidy shortfalls or any unanticipated major expenditures. The Hearing Examiner feels that SEPTA, with an impaired subsidy base and aging physical assets, would be acting in an imprudent fashion if it were at this time to invade the fund.

It is not outside of the realm of possibility that SEPTA would have to deal with the sudden failure or condemnation of some of its decrepit assets which include bridges and power stations which are well beyond their useful lives (some bridges in excess of 100 years old without a major renovation). SEPTA should have the liberty in the event of failures or interruptions to make emergency repairs funded by the "Service Stabilization Fund." By definition, this is the purpose of the fund. Further, with the removal of revenues from the I-80 funding, SEPTA's capital budget has been severely negatively impacted.

(2) Should SEPTA be permitted to raise fares without first attempting to seek revenues from other sources?

Mr. Haver's second issue, "Should SEPTA be permitted to raise fares without first attempting to seek revenues from other sources?" is largely rhetorical for the purposes of the upcoming fiscal year. While the Office of Consumer Affairs has raised, in the abstract, a valid point, there is no evidence of record to support any allegations that SEPTA is taking no efforts to seek additional revenue streams. It is not within the province of this Hearing Examiner to order SEPTA to undertake any course of action regarding future non-tariff related revenue streams.

The Hearing Examiner notes that the proposed budget includes projected revenue of \$29.3 million from real estate leasing, parking lot fees, advertising income and scrap sales. The budget not only shows significant income from other revenue sources, but also reflects an increase from the "other income" allocation in the FY 2010 budget.

(3) Should SEPTA be permitted to raise fares without first attempting to protect itself from the projected rising electric rates?

In issue number (3), Mr. Haver argues that SEPTA should not be permitted to raise fares without first attempting to protect itself from the projected rising electric rates. The

Hearing Examiner agrees that SEPTA must act prudently on its riders' behalf. There is no evidence of record to suggest that SEPTA has not acted prudently in pursuing the lowest electrical rates available. Further, this is not an issue for recommendations from the Hearing Examiner but, rather, one of inherent managerial prerogative.

(4) Is the current share of local funding subsidies fair and just?

While the Hearing Examiner may feel as Mr. Haver does, that the current share of local funding subsidies is not necessarily fair and just, this is an area of legislative concern. SEPTA was created through bicameral legislation, signed by the Governor, and changes to its organic structure can only be made through bicameral legislation signed by the Governor.

(5) Is SEPTA's proposed changes in fares fair, justifiable and warranted?

As has been previously stated by the Hearing Examiner, while not perfect (as very few things in this universe are), the proposed changes in fares are both justifiable and warranted. Further, the Hearing Examiner finds that although the proposed fare increases impose financial hardship upon some classes of riders, it has not been done in an arbitrary or discriminatory fashion.

The term "fair" is extremely subjective. What one person considers fair, another person often considers unfair. The Hearing Examiner must base his conclusion upon facts and statistics which are of record and not upon his personal political or social philosophy.

(6) Is SEPTA doing everything it can to inform its riders about the coming difficulties?

Again, the Hearing Examiner, respectfully, disagrees with Mr. Haver's observations in part. Indeed, SEPTA is one of, if not the greatest, economic driver in the Southeastern Pennsylvania region. The five county economy is dependent upon the ability of the work force to travel from residential centers to employment centers, often across county lines.

The Examiner disagrees that SEPTA is diverting the public's attention from an "impending crisis." The SEPTA representatives have been frank in their portrayal of a physically challenged utility whose already difficult mission is being made more difficult by matters completely beyond its control, i.e., the greatest economic slowdown since the Great Depression, accompanied by plummeting tax revenues, leading to lower subsidies, thereby further impeding SEPTA's ability to replace an aging, if not antique, infrastructure.

7. Title VI Compliance.

Pursuant to Title VI of the Civil Rights Act of 1964 (42 U.S.C. Section 2000(d) and the Federal Transit Law, as amended (49 U.S.C. Chapter 53, et. seq.)). The United States Department of Transportation ("Department") has promulgated Title VI regulations (49.CFR Part 21).

Chapter 5 of these regulations imposes program-specific requirements and guidelines for recipients serving large urbanized areas, such as SEPTA. This chapter, in summary, is designed to ensure available transit service in minority and low-income populations within the Fund's recipient's service area. Also, the regulations require a relative parity in transit costs between minority and non-minority areas. SEPTA introduced as their Exhibit No. 16 their "Title VI 2010 Trip Analysis." The Hearing Examiner states that he thoroughly analyzed this exhibit and commends SEPTA for its thoroughness and methodology. The Hearing Examiner finds that both the route structure and the fare structure involved in the proposed tariff and service changes for the 2011 budget are fully compliant with Title VI.

The Hearing Examiner will not analyze the remainder of the individual testimony and SEPTA and Public Exhibits introduced at the Philadelphia evening hearing as it was largely redundant or cumulative of the information introduced at the daytime session.

Bucks County

The first of two hearings scheduled for Bucks County commenced at 2:00 p.m. on April 20, 2010 in the Bucks County Free Library, 150 South Pine Street, Doylestown, Pennsylvania 18901. Attendance was extremely light, with only two witnesses testifying. Present at the hearing to represent SEPTA and testify as necessary were Mr. Harry Garforth, Manager of Rail Planning and Scheduling for SEPTA; Mr. Joseph Catillo, Manager of Tariffs and Revenue Budgets; Mr. Frank Gormley, Director of Operating Budgets; and Mr. Thomas Kelly, Director of Sales.

At this hearing, Mr. Catillo presented an amended tariff, Number 154, Supplement 38. The amended tariff contained clarifying language relating to Zone 1 TrailPasses, peak and off peak times, altered the time for using the intermediate family fare zone from 6:30 a.m. to 7:00 p.m., as well as the elimination of certain off peak fares.

The first public witness to testify was Regina S. Litman. Ms. Litman testified that she was a reverse commuter. She strongly protested the elimination of off peak fares and the so-called "penalty fare" that one must pay for purchasing a ticket on the train, even if the ticket office is closed.

Mr. Garforth, the SEPTA representative, testified that in these situations, where one has to pay a cash fare because there is not a ticket office open, if you are traveling into center city, you can stop at the ticket office and purchase a return ticket and get credit for the penalty fare imposed upon the train. Ms. Litman also commented upon the lack of sales locations for SEPTA TrailPasses, TransPasses and tickets in Bucks County. Her comments were similar to those made by several Chester County residents and commuters. Again, the Hearing Examiner stresses that these issues, as well as cash handling issues, will be improved by the implementation of a modern electronic fare system. However, as previously noted, SEPTA must aggressively seek out more suburban outlets for ticket and pass sales.

Also present to testify in Bucks County was Ms. Ada Welch. Ms. Welch indicated that she was testifying on behalf of an organization named R-A-G-E, an acronym which stands for Riders Against Gender Exclusion. Ms. Welch and her organization are seeking to have SEPTA take the "male" and "female" gender stickers off of the TransPasses and replacing it with a "less discriminatory system." Since, many times, a transgendered individual's appearance will not conform with the declaration of gender on the pass, this often results in the driver "calling the people out" because the sticker does not match what the driver sees as the person's gender. It is the contention of R-A-G-E that, while the stickers are intended to prevent sharing between heterosexual couples, when the person is non-gender confirming it can be humiliating. Also, it has resulted in some people being stranded due to the bus driver not allowing entry upon the vehicle. Ms. Welch further testified that this could also be dangerous as it is drawing attention to someone who already may be experiencing discrimination or retaliation. The Hearing Examiner notes that similar testimony was received in Philadelphia County the prior evening from another member of R-A-G-E, Max Ray. The sincere testimony of Ms. Welch was most compelling and **the Hearing Examiner recommends that SEPTA institute a sensitivity training course instructing their operators and personnel how to deal with this situation.**

The evening hearing was commenced at 6:00 p.m. in a different, but well marked room in the Bucks County Free Library. No one appeared to testify and the hearing was adjourned at 6:25 p.m.

VII. SPECIFIC RECOMMENDATIONS OF THE HEARING EXAMINER

The Hearing Examiner specifically recommends that the Board of the Southeastern Pennsylvania Transportation Authority adopt the following tariffs and service changes.

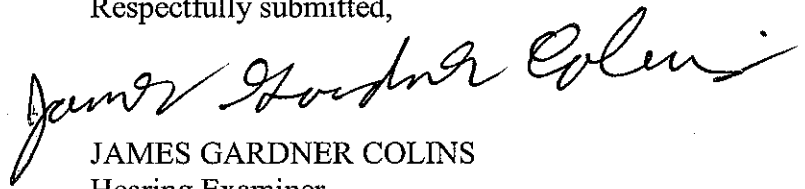
1. Tariff No. 1, Supplement No. 36.
2. Tariff No. 2, Supplement No. 21.
3. Tariff No. 4, Supplement No. 16.
4. Tariff No. 112, Supplement No. 15.
5. Tariff No. 132, Supplement No. 27.
6. Tariff No. 154, Supplement No. 38, as amended April 20, 2010.
7. Tariff No. 155, Supplement No. 25.
8. Tariff No. 229, Supplement No. 9.

The Hearing Examiner makes these further tariff-related recommendations to the Board.

1. The Board must embark upon a program of tariff simplification and consolidation as the present tariff structure is too confusing, bordering on the byzantine.
2. The Board must, with all due haste, contract for the design, purchase and installation of a state-of-the-art electronic digital, horizontally and vertically integrated fare collection system.
3. The Board should consider vendor financing as a method of purchasing and implementing the aforementioned modern fare collection system.
4. Since a modern electronic fare collection system is necessary for the continued viability of SEPTA, the Board should, as a last resort, consider using the Service Stabilization Fund for partial financing.
5. The Hearing Examiner recommends that the SEPTA Board develop and propose a tariff that would allow free transport for the blind and handicapped, system-wide other than at morning peak hours.

6. SEPTA must establish more outlets for pass and ticket sales in Bucks and Chester Counties.

Respectfully submitted,

A handwritten signature in cursive script, reading "James Gardner Colins".

JAMES GARDNER COLINS
Hearing Examiner