

The Case for **BUSINESS**



AMERICAN
PUBLIC
TRANSPORTATION
ASSOCIATION

INVESTMENT in **Public Transportation**



Public transportation is an enterprise with expenditure of \$55 billion in the United States. There has been a steady growth trend over the past three decades, with long-term economic and social trends (population, energy, public choice) all pointing to an even more prominent future standing. Since 1980, the number of fixed-guideway systems has grown exponentially with a bevy of projects positioned to become the next generation of investment. Investment from all levels of government is on a long-term upward trend, and public support for more and better public transportation, as measured through ridership and public approval of transit ballot measures (a 73 % approval rate over the past 12 years) continues to increase.

This report focuses on issues critical to private investors as they consider investments or future expansion into the public transportation industry. Investment questions typically focus on public transportation financing sources, process, and dependability, finding targets for investments, and funding needs.

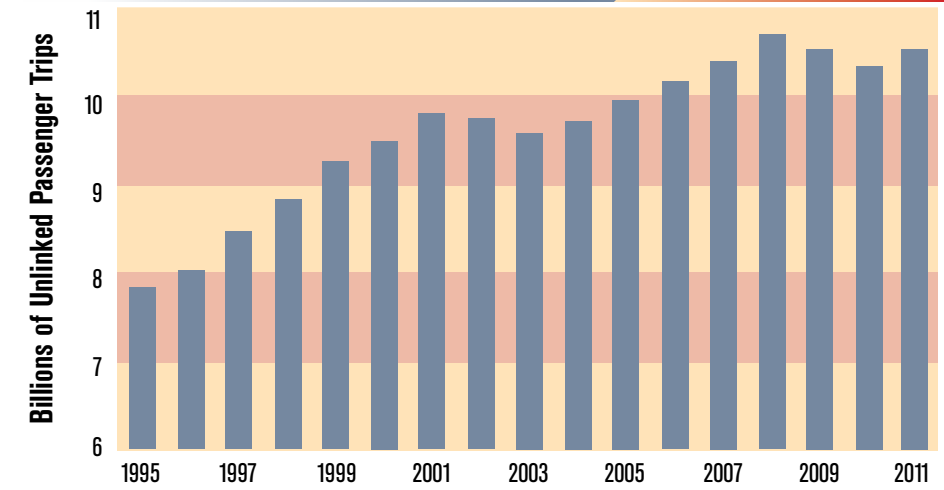


State of the Transit Industry - Growth in Ridership, Service and Funding

The public transportation industry has recently experienced significant growth; in ridership, funding levels, and services provided. America's public transit systems will carry more than 10 billion passenger trips for the sixth consecutive year in 2011.

Public Transportation Will Carry Over 10 Billion Passenger Trips for Six Straight Years

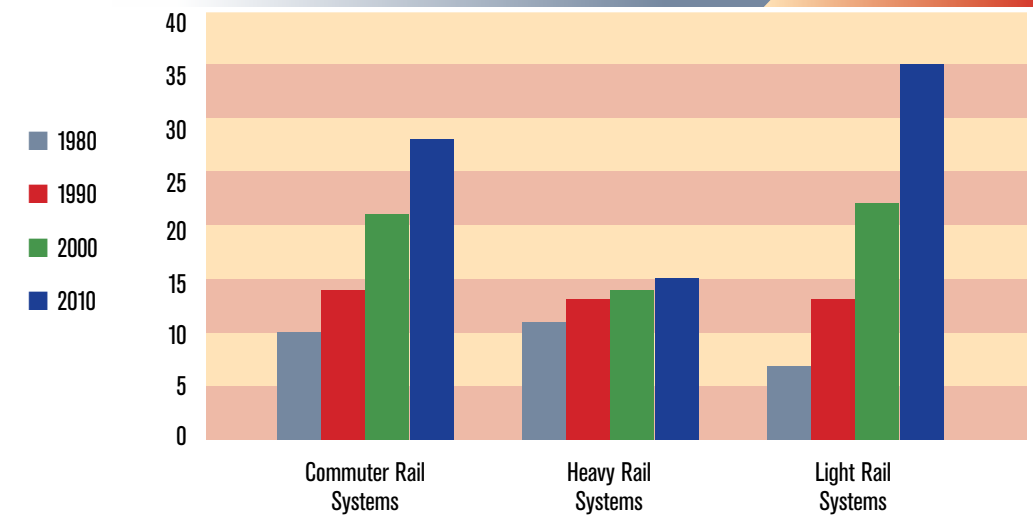
FIGURE 1



Source: APTA Public Transportation Fact Book 2011

Since 1980 The Number of Rail Systems Has Increased More Than Two and One-Half Times

FIGURE 2



Source: APTA Public Transportation Fact Book 2011 Appendix A



The number of public transit agencies operating rail systems has grown continuously over the past three decades. In 1980 there were only 10 commuter rail systems by 2010 there were 28. Four new heavy rail systems opened between 1980 and 2010. The number of light rail systems increased five-fold, from seven in 1980 to 35 in 2010. Rail transit systems, including automated guideway transit and inclined planes, now provide public transportation service in 32 states, the District of Columbia and Puerto Rico.

Existing systems have also expanded during those years, extending and adding routes. From 1980 through 2010, ridership on commuter rail systems increased 67 percent, on heavy rail systems ridership increased 66 percent, and on light rail systems ridership increased 250 percent.

FACT

Most public transportation systems are self-governing stand-alone entities within some form of local or regional government structure. Most have their own Board of Directors and operate in a mode of quasi-private enterprise. A large portion of transit agency budgets are covered through dedicated revenue sources that are, in comparison to many industries, stable and include a mix of local, state and federal resources.

Diverse and Stable Source of Public Transportation Funding

Public transportation funding is provided from a mix of federal, state, local and transit agency sources. In total, transit industry revenues reached \$57.1 billion in 2009, of which \$38.9 billion was for agency operations and \$18.2 billion for agency capital programs. This report focuses primarily on capital programs. Public transit revenue is generated from four primary sources:

- **Directly Generated Revenues** are acquired by the transit agency through their own activities including fares, taxes levied by the system and other revenue, including advertising, concessions, parking revenues or private contributions.
- **Local Revenues** are taxes or fees generated by a local or regional government. Examples include local sales, income, property or other local taxes.
- **State Revenues** are taxes or fees imposed by a state government.
- **Federal Revenues** originate from federal government funds.

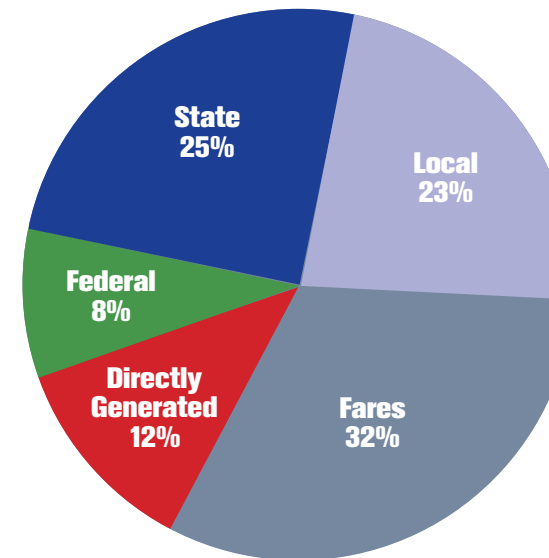
Most operating revenue is generated by the agency or local tax revenue sources, with only 33 percent of funds coming from state or federal sources. Capital funds are generated from a more diverse range of resources with the federal government providing more than 40 percent of these funds.

A relatively large portion of funds are generated from dedicated revenues with the majority coming from sales taxes. Dedicated revenues are taxes levied with the express purpose of funding public transportation and are, therefore, less susceptible to short-term changes in political support. Dedicated revenues may vary depending on economic conditions.

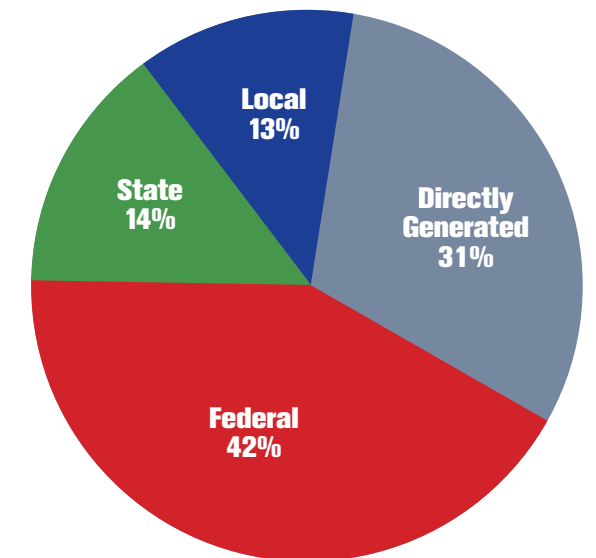
Sources of Public Transportation Funds

FIGURE 3

Sources of Operating Funds, 2009



Sources of Capital Funds, 2009



Source: APTA Public Transportation Fact Book 2011

Diverse Funding with Significant Share of Dedicated Funds - Sources of Capital Funds, 2009

TABLE 1

Year	Directly Generated		Federal	State		Local		Total
	Other	Dedicated		General Revenue	Dedicated	General Revenue	Dedicated	
Amount of Funding (Millions of Dollars)								
2007	2,280	2,509	5,864	474	1,127	455	1,601	14,310
2008	2,367	3,284	6,954	489	1,657	799	1,895	17,445
2009	4,457	1,157	7,686	653	1,961	952	1,363	18,229
Percent of Annual Total								
3-Year Average	18.2%	13.9%	41.0%	3.2%	9.5%	4.4%	9.7%	100.0%

Source: APTA Public Transportation Fact Book 2011

TABLE 2 Dedicated Revenue by Type of Tax Source for Public Transportation in Urbanized Areas, 2009

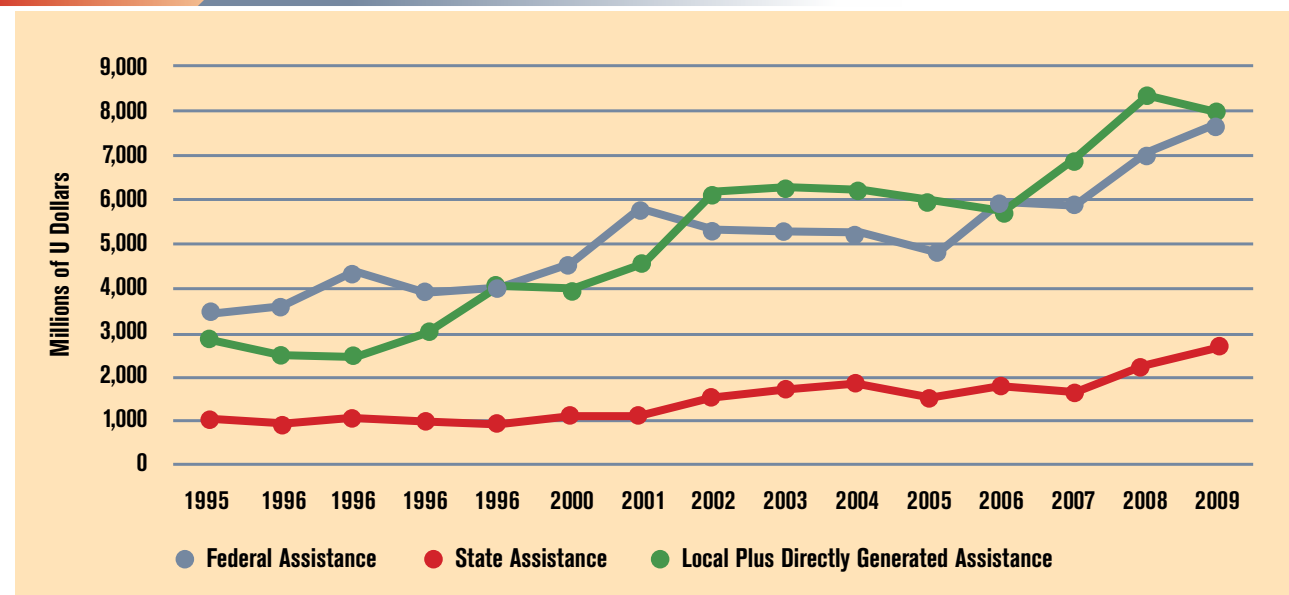
Type of Tax	Dedicated Operating Revenue (in Millions)				
	Directly Generated	State	Local	Total	Percentage of Total
Sales Tax	1,653	3,244	3,641	8,539	67%
Income Tax	0	857	81	938	7%
Gasoline Tax	0	600	159	759	6%
Property Tax	325	4	392	721	6%
Other Tax	231	1,333	233	1,797	14%
Total	2,209	6,038	4,507	12,754	100%

Source: National Transit Database 2009

Consistent Growth in Funding for Public Transportation

Since 1995, capital funding provided by the combined total of directly generated and local sources has increased 180 percent. Federal funds have grown 125 percent and state funds have grown 155 percent.

FIGURE 4 Capital Funding by Source (1995-2009)



Source: APTA Public Transportation Fact Book 2011 Appendix A

FACT

Public transportation systems are funded by local, regional, state and federal sources. Funding has continued to grow significantly for more than a decade and political support for transit investment continues to increase. Local and regional sales taxes dedicated to investment in public transportation have grown by 275 percent over the past 15 years, and growth has continued even after the economic downturn in 2008.

Federal authorizations for the transit program have grown from \$5.1 billion in FY 1995 to \$10.5 billion in FY 2011. Since 1998 the appropriations have nearly matched the authorization every year. In addition to funds appropriated to the Federal Transit Administration programs, some funds appropriated to Federal Highway Administration programs may be transferred to transit uses at the request of states. Transit projects have competed well for those flexible funds and have received over \$17 billion from the program's inception in 1992 through 2010. Since 2009, the flexible funding programs have been supplemented with additional cross-modal discretionary programs such as the TIGER (Transportation Investment Generating Economic Recovery) program, through which \$225 million has been provided from FY 2009 through FY 2011. Including all U.S. DOT sources, transit received \$12.2 billion in FY2010.

Federal Funding 2007 to 2011 **TABLE 3**

Fiscal Year	Transit Authorization (Millions)	Transit Appropriation (Millions)	Percent of Authorized Funds Appropriated (Millions)	Flexed Funds (Millions)	Transit Appropriation Plus Flexed Funds (Millions)
2007	8,975	8,975	100.0%	1,023	9,998
2008	9,731	9,492	97.5%	894	10,386
2009	10,338	10,231	99.0%	1,281	11,512
2010	10,508	10,508	100.0%	1,455	11,963
2011	10,529	10,096	95.9%	NA	NA

Source: APTA Primer on Transit Funding, July 2011

In addition to relatively stable revenue sources, public transportation has generated a high degree of ongoing support from the electorate as demonstrated by the high approval rate for transit ballot measures. Between the years 2000 through 2011, over 73 percent of the transit ballot measures have been approved, with such approval consistent across regions of the country and across party affiliations.

TABLE 4

Widespread Political Support for Public Transportation - Local Public Transportation Referenda Approvals Nationwide

Year	Measures on Ballot	Measures Approved	Percent Approved
2010	56	43	77%
2009	11	8	73%
2008	47	35	74%
2007	18	12	67%
2006	45	34	76%
5-Year Total	177	132	75%

Source: Center for Transportation Excellence

Public transportation systems continue to find ways to leverage revenue streams through programs such as the America Fast Forward program in Los Angeles, the Eagle Public Private Partnerships (P3) programs in Denver, and advance construction programs funded through U.S. DOT's TIFIA (Transportation Infrastructure Finance and Innovation Act) program.

Capital Funding for Public Transportation Supports A Wide Range of Business Sectors

Based on the most recent data available (2009), the largest portion of capital expenditures was spent on facility construction (57 percent), including fixed-guideways, stations, administration buildings and maintenance facilities. Purchases for passenger and service vehicles accounted for 33 percent of capital expenditures. Fare revenue collection equipment, communication and information systems, and other capital accounted for the remainder.

Capital Expense by Mode and Type of Investment 2009 (Million \$)

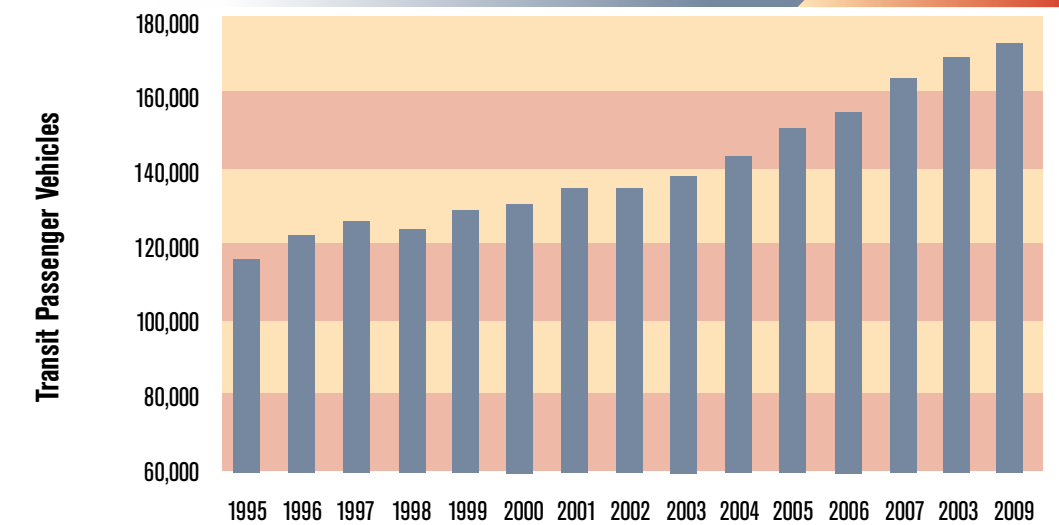
TABLE 5

Type	Bus	Commuter Rail	Paratransit	Heavy Rail	Light Rail	Trolley Bus	Other	Total	% of Amount Total
Guideway	100	1,384	0	2,333	2,534	6	38	6,400	36%
Passenger Vehicles	2,439	456	561	1,646	404	14	228	5,748	32%
Stations	342	413	6	1,311	358	<1	50	2,481	14%
Communication and Information Systems	241	94	84	558	114	2	10	1,103	6%
Maintenance Facilities	575	246	38	60	158	<1	14	1,092	6%
Fare Revenue Collection Equipment	104	13	5	81	34	<1	1	238	1%
Administrative Buildings	160	3	37	16	2	<1	17	234	1%
Service Vehicles	39	5	5	40	7	1	<1	96	1%
Other	140	137	28	182	30	<1	9	527	3%
Total	4,139	2,751	764	6,228	3,647	23	368	17,919	100%

Source: APTA Public Transportation Fact Book 2011

The Transit Passenger Vehicle Fleet Has Grown Steadily

FIGURE 5



Source: APTA Public Transportation Fact Book 2011 Appendix A

The replacement and expansion of the transit vehicle fleet is a significant focus of transit investment. The roadway vehicle fleet for the transit industry exceeds 150,000 with rail cars bringing the total fleet to more than 172,000 passenger vehicles. Two out of three roadway vehicles operated in urbanized areas are buses, with vans representing the majority of the remainder. Among the bus fleet, two out of three buses are approximately 40-foot in length and represent the most significant part of the potential new vehicle market. Public Transportation agencies generally replace vehicles according to guidance provided by the Federal Transit Administration, which for typical 40-foot buses is every 12 years, but varies by vehicle type.

TABLE 6 Active Transit Roadway Vehicle Fleet in Urbanized Areas, 2009

Type of Vehicle (NTD Categories)	Mode of Service, All Vehicles							
	Bus Service		Demand Response		Vanpool and Publico		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Buses	60,507	93%	10,081	30%	10	0%	70,598	61%
Articulated buses	3,767	6%	0	0%	0	0%	3,767	3%
Double decked buses	140	<1%	0	0%	0	0%	140	<1%
Vans/taxicab vans	552	1%	16,091	47%	17,196	100%	33,839	29%
Taxicab sedan/station wagon/automobiles	7	<1%	7,635	23%	35	<1%	7,677	7%
Other	189	<1%	102	<1%	0	0%	291	<1%
Total	65,162	100%	33,909	100%	17,241	100%	116,312	100%

Source: National Transit Database 2009

Active Buses by Length and Mode of Service in Urbanized Areas, 2009 **TABLE 7**

Length	Mode of Service, Buses Only by Length							
	Bus		Demand Response		Vanpool and Publico		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
46 ft and Longer	3,881	6%	0	0%	0	0%	3,881	5%
42 ft to 45 ft	3,664	5%	3	0%	0	0%	3,667	5%
35 ft to 41 ft	47,098	69%	93	1%	0	0%	47,191	61%
25 ft to 34 ft	8,136	12%	3,658	41%	1	10%	11,795	15%
24 ft and shorter	5,228	8%	5,228	58%	9	90%	10,465	14%

Source: National Transit Database 2009

Transit Roadway Vehicle Fleet by Type and Length in Rural Areas, 2009 **TABLE 8**

Length of Vehicle	Type of Vehicle, Rural Areas Only						
	Bus, All Types	Cutaway	Van	Automobile, Minivan, and SUV	Other	Total	Total
	Number	Number	Number	Number	Number	Number	Percent
35 ft and Longer	1,078	12	0	0	53	1,143	5%
25 ft to 34 ft	2,067	2,622	4	3	35	4,731	23%
24 ft and Shorter	620	5,840	4,923	3,574	59	15,016	72%
Total, Number	3,765	8,474	4,927	3,577	147	20,890	100%
Total, Percent	18%	41%	24%	17%	1%	100%	---

Source: National Transit Database, Rural Areas 2009



The market for rail vehicles is less consistent year to year with longer life cycles than typical bus vehicles. Rail vehicles by year-manufactured data are available in the APTA Public Transportation Vehicle Inventory and provide an indication of the relative market size year to year.

TABLE 9 Rail Vehicles by Year of Manufacture

Vehicle Type	From 2011 APTA Public Transportation Vehicle Inventory				
	2010	2009	2008	2007	2006
Commuter Rail Car	24	126	174	154	382
Heavy Rail Car	382	447	578	281	170
Light Rail Car	48	25	99	150	80
Total	454	598	851	585	632

Source: APTA Public Transportation Vehicle Database 2011

The data are as of January 1, 2011, hence many vehicles manufactured in 2010 may not yet have been delivered and accepted by agencies and are not included in 2010 numbers.

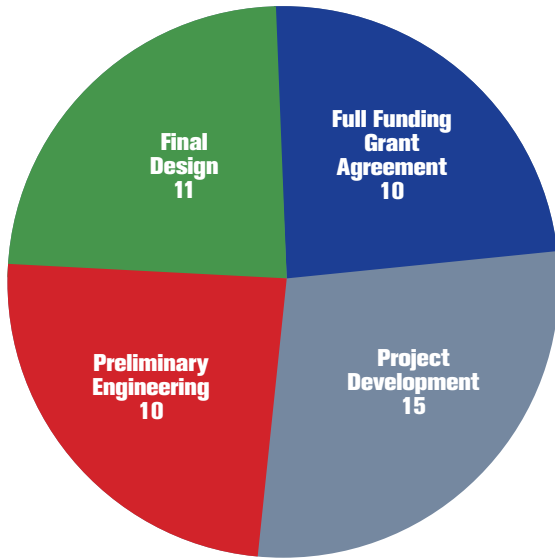
FACT

Public transportation vehicles are manufactured using parts made throughout the United States. Value chain analysis by the Duke University Center on Globalization, Governance and Competitiveness have identified railcar or locomotive original manufacturer facilities located in 15 states and subsystems and parts suppliers in 35 states. Bus original equipment manufacturer facilities were identified in 14 states and subsystems and parts were supplied from locations in 29 states, with a total of 32 states involved in bus manufacturing.

Widespread Interest in Expansion of Transit Through Major Capital Projects

The New Starts Program, which funds new capacity transit projects, also represents a significant target of investment for the federal transit program with over \$1.5 billion in funding from the federal government in each of the past five years. Typically projects are matched with state and local funding for approximately one-half of the total cost, though the portion of matching funds varies by project. Projects move through various stages of planning, design and construction with a high degree of oversight from the federal government. As shown in Figure 6, many projects continue to move through the New Starts process.

Number of New Start Projects Proposed for Fiscal Year 2012 **FIGURE 6**



Source: Federal Transit Administration Annual Report on New Starts 2012

Transit capital investment is a partnership of continued support from all levels of government. In 2009 the federal government provided 42 percent of transit capital funding, state governments 14 percent, and local government and transit sources 44 percent. This shared support shows that transit investment is a priority at all levels of government.

FACT



Continued funding for rail transit construction has resulted in the steady expansion of transit rail infrastructure. Rail transit systems have added 1,500 miles of trackage in the past five years. Increased trackage resulted in the opening of new transit systems, as well as the expansion of existing systems to meet growing travel demand.

TABLE 10 Miles of Transit Rail System Trackage

Year	Miles of Track by Mode				
	Commuter Rail	Heavy Rail	Light Rail	Other Rail	Total
2009	8,424	2,272	1,636	30	12,363
2008	8,018	2,277	1,538	30	11,865
2007	8,059	2,277	1,493	38	11,868
2006	8,017	2,277	1,464	38	11,796
2005	7,948	2,277	1,385	30	11,640
2004	7,284	2,210	1,321	30	10,845

Source: APTA Public Transportation Vehicle Database 2011

Over the last 15 years public transportation has experienced continuous long-term growth.

- Long-term growth in demand as shown by increased ridership
- Long-term growth in investment in facilities as shown by larger vehicle fleets and more rail systems
- Long-term growth in support: support from the public as shown by the high-rate of referendum approvals to fund transit and support from elected officials as shown by federal, state, regional, and local government’s increasing financial support for transit operations and capital investment.

References and Other Sources:

Public Transportation Fact Book: The APTA Fact Book is a summary of national total data for the entire transit industry for a single year. *Appendix A: Historical Data*, provides data for every year as far back as 1902. *Appendix B: Transit Agency and Urbanized Area Operating Statistics*, ranks transit agencies and urbanized areas by size for six operating statistics.

Public Transportation Vehicle Database: The APTA Vehicle Database lists vehicles reported by participating transit agencies for the active fleet, under contract for purchase, and planned purchases.

APTA Primer on Transit Funding: *The Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users, and Other Related Laws, FY 2004 Through FY 2011*. The Primer describes the amount of funds from federal transit programs, how they can be used, and how they are distributed among transit agencies and states.

Annual Report on Funding Recommendations (“New Starts Report”): FTA publishes an annual report outlining the status of various projects being considered for funding under the New Starts program.

National Transit Database: A comprehensive source of data collected from transit agencies in urbanized areas which operate 10 or more vehicles produced by FTA. Data is typically released 12-18 months after the end of the reporting period. A less detailed report is also produced for rural area transit systems.

Center for Transportation Excellence: The CFTE maintains an complete, up-to-date listing and analysis of all transportation ballot measures throughout the U.S. that include a transit component.

Public Transportation Investment Background Data: This APTA Investment Background Data report is the source of the data included in this publication. The Investment Background Data report includes an extensive analysis of transit revenue sources and what transit funds are spent for with descriptions of the availability, quality, and meaning of data from primary sources. Data in this report are updated whenever they are updated in those primary sources.



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This report was developed by the private-sector business members of the American Public Transportation Association.

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