
**Written Testimony of Pennsylvania Turnpike CEO Mark Compton
To the Pennsylvania Senate Transportation Committee**
—July 31, 2013—

Good morning, Chairman Rafferty and committee members.

I'd like to thank you and the committee for the opportunity to discuss the Pennsylvania Turnpike Commission's ongoing efforts to modernize operations, improve efficiencies and increase transparency and accountability.

We have taken several steps to ensure that we maintain the trust of our customers, business partners and stakeholders, including the members of the General Assembly. This effort predates the March 2013 action by the Office of Attorney General (OAG). Prior to the OAG action, we created the Office of Compliance to ensure that our employees are following our code of conduct and that industry best practices for auditing and investigation are being followed. We created an Office of Diversity and Inclusion to ensure that public projects are available to a wide variety of potential contractors. We adopted a new procurement process for awarding professional-services contracts to ensure that only the most qualified firms are considered and selected.

In March, I announced a series of steps designed to bolster these actions. We have initiated a comprehensive, mandatory code-of-conduct training program for employees. We continue our review of current and expired contracts with companies that were named in the OAG's presentment through third-party audits and integrity interviews. In addition, Commission staff is reviewing contracts with companies that were mentioned in testimony cited in the presentment.

In addition, the Commission has approved the formation of a special advisory committee that will review current Turnpike policies and procedures relating to contracting and business practices. The first advisory-committee meeting is scheduled in August. The committee's first order of business will be to review the findings of the integrity interviews and the results of the third-party audits. Committee members are:

- John L. Gedid of Mechanicsburg, Pa., a retired law professor and founder and director of the Law & Government Institute at Widener University School of Law's Harrisburg Campus;
- Maureen Lally-Green of Cranberry Township, Pa., a longtime and now retired State Superior Court judge and adjunct professor at Duquesne University School of Law, Pittsburgh, who serves or has served on numerous boards across Pennsylvania and who presently serves as an associate general secretary of the Catholic Diocese of Pittsburgh; and
- M.G. Patel of Harrisburg, Pa., a former construction-company executive and retired Chief Engineer at Pennsylvania Department of Transportation who served at PennDOT more than 30 years.

Beyond these steps, the Turnpike Commission is focused on a number of other initiatives to ensure that we are making the best use of toll dollars while making significant investments in our system.

These initiatives run the gamut, from Mapping the Future — a joint effort with PennDOT to identify opportunities to share resources — to our transition to a cashless, All-Electronic Tolling (AET) system, an initiative that represents the most significant operational change in our 75 year history. I am confident that these initiatives reflect our mission to responsibly operate and manage a safe, reliable and efficient toll-road system, serve as a transportation services leader and foster innovation to better serve our customers.

I am happy to provide an update on those initiatives, our overall financial picture and several significant milestones we have achieved in recent months.

We continue to achieve significant savings for our agency and PennDOT through the Mapping-the-Future initiative, launched jointly in 2011. Our agencies are studying overlapping areas of our businesses to eliminate duplicative efforts and share services, materials, equipment and experience. The agencies have begun sharing expenses in areas like training and facilities design, and we're also sharing assets — including stockpiles and physical facilities — when it makes sense geographically. Seven breakout groups are exploring new alliances to cut operating costs in other areas.

One Mapping-the-Future initiative is allowing PennDOT to utilize our three new line-painting trucks. When not being used by the Turnpike, they will be put to work on PennDOT roads — a savings of approximately \$1.5 million. Here are a few other examples of accomplishments to date...and the effort continues:

- Developing shared maintenance facilities to be utilized by personnel from both agencies. Agreements are being developed or in place at three sites: Wyoming Valley, Donegal and Somerset.
- Implementing joint training for such jobs as equipment operators, paint crewman and others.
- Sharing specialty equipment like snooper cranes and tunnel scrubbers for bridge/tunnel maintenance.
- Coordinating inspection contracts between agencies to promote sharing of inspectors at structural-steel plants to reduce overall inspection costs.

While we enjoy a strong working partnership with PennDOT on several fronts, as an independent agency, we are able to make significant investments in our system without unduly burdening PennDOT or taxpayers. Over the years, the General Assembly has turned to our agency to take on major infrastructure projects to add new capacity for our Commonwealth and our agency has stepped up and delivered.

The Commission continues our transition to AET — a major undertaking that will fundamentally change how we operate. As you are aware, under AET, customers will pay without slowing down or stopping at tollbooths. AET reduces travel time and increases customer convenience; is safer as a result of fewer crashes on barrier-free highways; and improves air quality because there is no idling at toll plazas. AET is a much more efficient way to collect toll dollars as well. The transition will not be complete until 2018 and the Commission still has a lot of work ahead of it.

We recently surpassed 100 miles of total highway reconstruction, much of it widened from four to six lanes. Our Capital Improvement Program is also helping to create new capacity – a critical component of our Commonwealth’s overall economic development efforts. In addition to our total reconstruction efforts, which began in 2000, we have completed approximately 50 miles of the Mon-Fayette Expressway and Southern Beltway projects – located in Southwestern PA – in roughly the same timeframe.

Yesterday, we broke ground on the first stage of the I-95 Interchange Project, which will directly connect the PA Turnpike and Interstate 95 in Bucks County. This \$1.4 billion project will complete the I-95 routing through the Mid-Atlantic region making I-95 continuous from Maine to Florida.

We also continue to meet our financial obligation of Act 44 of 2007, which requires the Commission to transfer \$450 million annually to PennDOT for off-Turnpike road, bridge and transit projects around the Commonwealth. In fact, the Commission yesterday transferred a quarterly payment of \$112.5 million to the Commonwealth, bringing the total amount provided to date under Act 44 to \$3.9 billion.

We are concerned that this Act 44 obligation, unless modified, could jeopardize our ability to continue our current level of investment in our own system. I look forward to working with this committee to address these concerns. It is important to note that Act 44 has had an impact on our financial outlook. However, the bond rating agencies, independent analysts and some of the largest institutional investors in the world agree that the debt is manageable and our finances are sound. Our bond offerings have been oversubscribed – which means there is more demand for our bonds than we can offer. We view this as a strong signal from Wall Street that our bonds remain a solid investment.

Our efforts to operate more efficiently are reflected in our ability to increase E-ZPass usage by our customers. Customers are enrolling in record numbers to take advantage of the approximate 25% savings they earn by paying electronically. E-ZPass now accounts for more than 70% of total customer toll transactions — a 6% increase over last year’s totals. E-ZPass offers operational benefits: We can process traffic more efficiently and realize significant savings on the cost to collect tolls (it costs approximately four times as much to process a cash payment than an E-ZPass transaction).

Finally, I would be remiss if I did not point out that the General Assembly has an opportunity to assist our agency in becoming more efficient. Senate Bill 1 includes several provisions that affect the Pennsylvania Turnpike directly. This legislation includes provisions to modify our Act 44 payments, establish a consistent collection and penalty process for all tolling entities and allow the Turnpike to enter into reciprocity agreements with neighboring states so we can collect tolls from out-of-state drivers more effectively.

We look forward to working with this Committee on these provisions and others that will help us move forward.

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