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Fitch: US Transit Woes Will Continue Until Funding Is Clear.

Fitch Ratings-New York-19 August 2016: Maintenance problems that halted two of the US's largest transit systems will likely spread to other systems unless funding needs are addressed and adequately managed, Fitch Ratings says, noting that long-term planning will help manage maintenance and capital requirements.

Although Washington Metropolitan Area Transit Authority's (Metro) funding process has begun, Metro demonstrates that successful funding requires effective planning and oversight.

Following an accident in 2009, the National Transportation Safety Board recommended that Metro implement a series of costly safety improvements. In 2010, Metro began a \$5 billion, six-year capital-improvement plan to address those recommendations and others. As of January 2016, the authority had spent approximately \$3.7 billion of the capital plan. Despite the expenditures, safety issues remain due to lack of planning and oversight. Last month, Metro began a project that will last for the rest of the year and shut down some train lines for as long as 24 days at a time to address emergencies.

In June, Southeastern Pennsylvania Transportation Authority (SEPTA) removed one-third of its train fleet due to a defect. Last week, it announced a plan to bring some of the cars back into service on Aug. 21. The defect's source appears to have been attributable to the manufacturer. However, SEPTA's significant long-term capital improvement backlog could contribute to maintenance issues that may interrupt its service.

Between fiscal 2011 and 2014, SEPTA's capital program funding fell to approximately \$300 million per year on state funding cuts. In 2013, the authority estimated its repair backlog to be \$5 billion, dwarfing the amount of the capital program. A rise in state funding is projected to nearly double the annual capital program by fiscal 2018. However, at that rate, the repair backlog will take many years to address, raising the likelihood of additional costly service disruptions.

The knock-on effects of the downtime to these systems will affect an increasingly large number of people and businesses. For many transit systems, increased demand has been rising as migration to US cities has increased. According to the US Census Bureau, the population of 19 of the 20 largest cities rose in 2015, while New York City saw the largest number of new residents. Reflecting the city's growing population, the Metropolitan Transportation Authority, New York's largest transit system, reported that it provided 1.7 billion annual rides in 2015 — the highest since 1948.

Contact:

Scott Zuchorski
Senior Director
Global Infrastructure & Project Finance
+1 212 908-0659

Michael Rinaldi

Senior Director
U.S. Public Finance
+1 212 908-0833

Rob Rowan
Senior Analyst
Fitch Wire
+1 212 908-9159

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email:
elizabeth.fogerty@fitchratings.com.

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