

PENNDOT's Study of Transit Consolidation: Late and Incomplete

Under the terms of Act 72 of 2013, the law that reformed the Port Authority (PAT) board of directors, the Pennsylvania Department of Transportation (PENNDOT) was directed to complete a study to determine if consolidation of PAT and other providers of mass transit in southwestern Pennsylvania and a study of whether privatization of PAT operations would result in cost savings. The statutory language is outlined in a *Brief* from 2013 (see *Volume 13, Number 46*). The study, which is now complete and available on PENNDOT's website, is separated into two parts (one on consolidation, one on privatization). This *Policy Brief* focuses on the consolidation report. A follow up *Brief* will examine the privatization report.

The 2013 law allowed for 270 days to complete the report and that put the deadline at April of 2014. The report was finally released in very late March 2015. Why the nearly yearlong delay? It is not as though PENNDOT wrestled for a year with whether to come out with a stance on whether or not to consolidate (the report's introduction notes "this document contains a description of the approach, findings, and results of the consolidation study. It does not express an opinion on whether or not consolidation should occur") and if one is looking to find out how bus routes, bus drivers, fares, or public money would be affected, the PENNDOT report will greatly disappoint.

Indeed, as we noted in a *Policy Brief* last November (see *Volume 14, Number 54*) the seven month delay (as of November) in releasing the report was extremely unfortunate in that it might have had some impact on the debate over the amount of aid that should be forthcoming for PAT during the debate over Act 89 that provides massive increases in state funds for PAT.

The report presents a compilation of statistics and data of 14 agencies that provide a variety of mass transit service in ten counties in southwestern Pennsylvania, including statistics on how the agencies are governed, whether or not their operators are "in house" employees or contracted, and collective bargaining unit representation. Approximately 32 pages of the report are devoted to providing detail and narrative on the current characteristics of the agencies, and eight pages cover proposed organization charts for administrative functions for a consolidated ten county agency. That plan would contain a central division that would essentially keep intact PAT's bus, light rail, and incline

services. Three alternative consolidation models for the ten county agency are described, including two that would involve just the agencies outside of Allegheny County.

Reading the report was almost a walk down memory lane for the Institute since we have written about the topic of transit consolidation as far back as 2005 (see *Report #05-05*), and did an analysis of a regional transit agency in 2011 (see *Report #11-06*). In that report we noted that “Dissolving...separate transit agencies and molding them into one would require a delicate balancing act on two of the key topics highlighted in the analysis on the carriers, namely contracting and wages/union status. A third factor is the issue of legacy costs, particularly the extraordinarily high levels at PAT.”

PENNDOT’s report notes that a consolidation of PAT and other carriers “...would present the following absolute and potential challenges: ensure that no portion of [PAT’s] financial losses and legacy costs are subsidized by surrounding counties, varying labor costs and work rules within the single regional entity, and potential requirement to amend state legislation regarding [PAT]”. All that time and work to reach the inevitable, glaring conclusion in a report that was a year overdue. And at what cost?

The issues involved in a consolidation of transit agencies are the same that come up in proposed municipal, school district, and City-County consolidations. How do you prevent the built up legacy costs of one of the consolidation partners from becoming the obligation of someone else? How would unionized employees co-exist with non-unionized employees? How would different bargaining units co-exist? How do pay levels get equalized?

Six of the 14 agencies purchase (contract out) operations fully, seven have no labor representation, and only PAT and the New Castle Transit Authority have a benefit to wage ratio of 100 percent or more. As a share of the ten county region presented in the report, PAT carries 93 percent of the passengers, accounts for 86 percent of the total expense, and has 86 percent of the full-time equivalent employees. How the Allegheny County agency would not inevitably dominate a new five or ten county regional authority would be hard to fathom.

This is not to overlook the fact that the study does point out possible benefits that could come from a consolidation in the way of savings, and improving the coordination of regional travel, reverse commuting, and integrated service plans. And the study does note that there are already things that are being done that could be considered “regional” cooperation in nature, such as being able to get to Allegheny County on services provided by six separate agencies, integrated fare collection, buses from various counties that can drive on exclusive rights of way, and park and ride lots located on the Allegheny County border. But these hardly rise to the level of consolidation.

So how much could be saved from a consolidation? The report “...focuses on administrative services and assumes no change to existing service, fare structure, and rates”. By looking at the administrative positions in the ten county area—non-represented employees and supervisors, secretaries, dispatchers, first level supervisors,

and janitorial staff as described by the report—the net impact in headcount would be a decrease of 72 positions. The projected annual savings from the salaries and benefits from these positions, as well as savings in fees, rent, supplies, information technology and a boost in advertising would be in the neighborhood of \$7.5 million annually. That represents about two percent of the total operating costs of mass transit in the ten counties.

Thus, if mass transit and elected officials in the ten counties like the sound of the administrative savings and decide they want to go further, then additional study on “facility, fleet, fare, and technology” would have to be undertaken. But then the issue comes back to the desire to keep PAT costs separate and still come up with an integrated system that is heavily represented in terms of service and headcount by that agency.

In short, the overwhelmingly prohibitive hurdle of how to work PAT’s extraordinary cost structure into a combined regional transit agency makes further investigation useless. Too bad the state had to spend hundreds of thousands of dollars chasing this chimerical proposition.

One last point. Why does the PENNDOT study not mention the role of the Baker Company with whom it had contacted to do the study and whose spokesman said in October of 2013, the study would be ready on time?

Jake Haulk, Ph.D., President

Eric Montarti, Senior Policy Analyst

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<p>Allegheny Institute for Public Policy 305 Mt. Lebanon Blvd.* Suite 208* Pittsburgh PA 15234 Phone (412) 440-0079 * Fax (412) 440-0085 E-mail: aipp@alleghenyinstitute.org</p>
