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Two Questions the PAT Board Should Be Asking

In 2013 the state enacted changes to the makeup of the Port Authority (PAT) board of directors. As described in two *Policy Briefs* from that year (*Volume 13, Numbers 29 and 36*) the board changed from a nine member, County appointed, no restriction on term of service to an eleven member, mixture of state and County appointed, term limited board.

The first meeting involving the new board was held at the end of September 2013. Under the new arrangement the board has been steering the Authority for nearly a year and a half, a tiny fraction of the time the Authority has been in existence, but there are some critical questions the board should be asking regarding some of the issues that may color the short and long-term future of PAT.

Question one: What does the data from the American Public Transportation Association (APTA) showing a decline in PAT ridership mean? Compared to 2013, ridership on all PAT modes in 2014 was down 1.26 percent from 64.1 million to 63.3 million unlinked trips. Compared to the highpoint of the 2010-2014 period (2012) unlinked trips on all modes are down 2 million. Consider that in 2012 when PAT ridership was up along with U.S. ridership, local news coverage pointed out that ridership here was "reflecting a national trend" but last year's drop did not match the 1 percent increase over 2013 that occurred nationwide.

Overall from 2010 to 2014 *national* bus unlinked trips stayed essentially flat (0.6% higher) and light rail trips were up 15 percent. Over that same time frame PAT bus ridership was down 5 percent and light rail trips were up 16 percent.

APTA Data for PAT Ridership, 2010-14

Indicator	2010	2011	2012	2013	2014	% Change, 2010-14
Total Ridership, All Modes (000s)	65,116	63,542	65,464	64,190	63,380	-3
Bus (000s)	55,291	53,926	54,772	52,868	52,287	-5
Light Rail (000s)	7,013	6,751	7,745	8,321	8,166	16

PAT staff noted that most of the decline in 2014 could be attributed to the first quarter of the year and that where service was added back ridership increased. But the APTA data covering the 2010-14 period, on an annualized basis, shows three years of declines in bus ridership and two years of declines in light rail ridership. Notice that bus trips in 2014 were well below the 2010 level and have fallen in the last two years. In fact, they are below the low reading of 2011 which had slipped substantially from the 2010 level. In the case of light rail, APTA data show a significant two year pickup in riders following the opening of the North Shore Connector in March of 2012 and PAT's decision to offer free rides between Downtown stations and the North Shore stations.

According to audited PAT data, free rides (which includes bus and light rail modes in the free fare zone) rose from 1.692 million in Fiscal Year 2011 to 1.869 million in FY 2012, almost certainly due to the pickup in North Shore free rides during the last three plus months (part of March, April, May and June) of FY 2012. In FY 2013 free rides rose to 2.364 million. The 2012 to 2013 free ride increase matches closely the rise in overall light rail ridership. In FY 2014 light rail ridership was down even though free rides were up slightly suggesting non-free rides were down somewhat. Not a good exchange.

Unfortunately, falling total ridership has not been accompanied by falling operations spending at PAT. Indeed, the 2014-15 budget includes a major rise in compensation, especially pension and other benefits.

Here's a second important question: does providing free light rail rides between North Shore stations and Downtown stations make economic sense for PAT? When the 2012 deal to make the North Shore stations part of the Downtown free fare zone was announced we noted (see *Policy Brief Volume 12, Number 10*) "obviously the strategy is to get people accustomed to using the service and at some point begin to charge passengers or renegotiate the amounts being paid by the parties…" Last week the decision was made to extend the agreement to 2020 at an amount of $1.2 million ($240,000 annually) to be split between two parties: a parking company and the Stadium Authority that reports almost all of its audited "cash flows from operating activities" come from parking. Of course it makes sense for those parties: if they can spend $120,000 a year to generate equal or greater revenue in parking receipts (after parking taxes) who can blame them for entering into the agreement with PAT? Interestingly, the Stadium Authority just announced significant parking rate hikes for its facilities.

The truly important question is whether it makes economic sense for PAT to offer free rides to and from the North Shore stations to Downtown stations in exchange for $240,000 per year.

That answer will depend on what it costs to run the trains between Downtown and the North Shore stops. In the 2012 *Policy Brief* we asked "What will it cost PAT in driver wages and benefits, electricity, repairs, insurance, security, management overhead and other expenses to run the trains between Downtown and the North Shore?" In a November 2010 newspaper article the Authority's rail operations/engineering officer stated the extension "…was projected to add about $1 million to the authority's operating costs". When the PAT board voted to accept the agreement with the Stadium Authority in January of 2012, the minutes of the board meeting noted:

> *Management believes that the free fare on this portion of the T system will increase use and ridership and help the Authority achieve significant operational cost savings. This agreement is anticipated to generate a net income financial benefit to the Authority in excess of $200,000 annually, as the agreement both offsets lost cash revenue from perspective riders and reduces expenses associated with fare collection on the rail system. The agreement also allows Port Authority to continue to solicit other partnership agreements at North Side Station as it did not provide for any advertising or other sponsorship activities in the station.*

To which the obvious response is: Where is the evidence (or logic for that matter) that free riders increase cost savings? And is it even reasonable to argue that the cost of fare collections can possibly be as high as all the other operating costs associated with trains running back and forth between the North Shore and Downtown stations?

More to the point now, what is the yearly number of free rides using the North Shore stations to one of the four stations in the Golden Triangle? At a nominal $1 per trip (someone making a round trip would pay $2 to ride under the river) the Authority would need 460 riders per weekday to net the sponsorship amount. Based on the PAT data which showed 2.477 million total free rides in FY 2014 minus the 1.692 million free rides in 2011(pre Connector completion) and assuming free bus rides are essentially unchanged, we estimate free riders using the Connector to be around 750,000 in 2014. A dollar per ride would triple PAT's income—although it would likely not be enough to cover the costs.

Clearly, it is incumbent on the board to ask PAT management about the actual yearly cost of the North Shore service, if they have not already. If the amount is a million or more dollars annually, then the $240,000 collected to cover free service is grossly inadequate. After spending $517 million to build the Connector, the Connector project needs to be a net revenue generator and not still more of a burden to taxpayers.

We warned about this problem long before construction on the Connector started. The cost-benefit analysis used to justify construction was tossed out the window when costs escalated from under $400 million and the Steel Plaza to the Convention Center leg was dropped—a leg that promised a large portion of the all the economic benefits in the original proposal. Those benefits simply went away. But political forces pushed ahead with a variety of arguments that were easily dismissed. One red herring that kept popping up was that the Connector would lead to light rail service to the airport or through the North Side.

Now the next big capital project in the works is for Bus Rapid Transit, the main virtue of which, according to proponents, is that its up-front capital cost is significantly lower than light rail. Clearly, $517 million in capital costs for the Connector along with added operating costs and only $240,000 in annual revenue to show for all the investment is not a good story.

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