POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

March 8, 2005 **Volume 5, Number 10**

Bus Transit Costs--What's to be Done?

Now that the Governor has miraculously found $666 million in unanticipated federal money and provided an overly generous two-year bailout of SEPTA and the Port Authority of Allegheny County (PAT), it would be very tempting to forget the real problems at Pennsylvania's major mass transit systems and wait for the Governor's new Task Force to make recommendations after the 2006 elections. But that would be a mistake. There is no justification for allowing the continued massive waste of taxpayer money for two more years.

In this Policy Brief, we review the cost picture at PAT and offer recommendations to help correct the excessive spending by the transit system's bus service.

Briefly stated, PAT's bus service costs too much and is very inefficient. Compared to other systems around the country, Port Authority operations costs per passenger are among the very highest. These high comparative costs stem from two factors; low ridership per hour of bus operations and lofty labor costs.

For example, the Port Authority's bus passenger trips per hour rank in the lower third of the systems examined, lagging well behind Baltimore, Milwaukee, Broward County (FL), and Atlanta and very far behind Chicago, New York and Los Angeles. Each of those systems had lower average hourly driver costs than the Port Authority and therefore much lower driver cost per passenger.

Meanwhile, in an analysis using 2003 data of 22 bus systems from around the country, including some of the very largest as well as some in PAT's size range, it was learned that average driver wages per hour of operation at the Port Authority ($21.25) ranked second only to Seattle. By contrast, Cincinnati, Atlanta, Buffalo, and Dallas drivers averaged just over $16.00 per hour. Thus, PAT driver earnings exceed wages in many competitive areas by 30 percent. For the entire group of 21 other systems, PAT wages were 23 percent higher.

What's worse, in a comparison to peer group cities; Baltimore, Buffalo, Charlotte, Cincinnati, Cleveland, and Columbus, the PAT bus system has the highest per passenger total labor cost, administrative expenses, and vehicle maintenance cost of all the systems except Columbus. PAT's per rider labor expense is 25 percent above the six-city average while vehicle maintenance per passenger is 33 percent above the six-city average.

The Allegheny Institute will release a full, detailed report on this analysis in a couple of weeks.

Moreover, recent developments and trends suggest the picture is not improving. Bus ridership at PAT has plummeted by almost 12 percent since 2000 following a very small rise from the 1996 level. In fiscal 2005, labor costs have skyrocketed because of health and pension payments. Indeed, total bus operating costs have risen an estimated 16 percent in two years. Unfortunately, during a period in which ridership was relatively flat or declining, PAT increased hours of bus operations by 20 percent from 1996 to 2002. As a result, riders per hour have plunged, pushing up per passenger costs.

Furthermore, the long-term trend in commuter use of mass transit in Pittsburgh is not promising for PAT's bus ridership. In 1960, 24 percent of Allegheny County workers used mass transit to get to work. By 2000, the fraction of workers using mass transit had fallen to10 percent and the usage rate has dipped further over the last 5 years. The preponderance of PAT's bus riding commuters are going into Downtown or Oakland to their jobs. And as we noted in an earlier Policy Brief, Downtown office space use and attendant employment are slipping fairly fast. Thus, absent an unforeseen rapid turnaround, commuter use of buses is not likely to rise appreciably in the next few years, if ever.

In light of all this, what does PAT need to do to achieve financial viability other than continually asking for ever more taxpayer money? Sadly, the Governor's promised two-year bailout takes away the incentives to do much of anything. However, the General Assembly might want to insist on some changes before it renews normal PAT funding in the 2006 budget.

First, PAT should proceed on its own to eliminate the most egregiously underused routes.

Second, PAT should proceed with the fare hike to $2.00. The Commonwealth should establish a staggered voucher program for workers who earn less than $20,000 per year. The vouchers would be $350 per year for those at $15,000 or less and drop to $250 per year for those earning from $15,000 to $20,000. Recipients would get a credit card to be used to help pay for PAT monthly or annual passes The voucher program should be funded from an existing jobs program since the idea is to help people get to work. This program would cost $10 million to $15 million.

Third, PAT should immediately shut down its Wabash Tunnel, which serves only automobiles that are in direct competition for its bus and rail passengers. Closing the tunnel could save upwards of a million dollars per year. At the very least PAT should turn the project over to PennDOT to maintain and operate. No mass transit funds should go to fund Wabash Tunnel operations.

Fourth, PAT should abandon the North Shore connector project, which consists largely of a tunnel under the Allegheny River. Barring any cost overruns, it will cost over $300 million to build and will add substantially to PAT's operations costs with no offsetting increase in revenues. Moreover, as we have demonstrated elsewhere, the justifications for the project fail utterly to rise to the level of being credible.

Fifth, and perhaps most important for the long term, PAT should be required to begin competitively outsourcing many of its operations such as vehicle maintenance, low volume routes, security, parking lot operations, etc. The upcoming bargaining agreements should contain no language that would deter or hinder PAT management from competitively contracting many of the functions currently provided in-house. Other systems around the country have successfully adopted such measures.

If there are state statutes that prevent needed work rule changes or otherwise inhibit competitive contracting, they should be amended immediately. Failure of the union and the management to come up with contract appropriate language vis-à-vis competitive contracting should result in a sizable reduction of the Commonwealth's 2006 budget allocation to the transit agency.

Finally, PAT management must be encouraged and empowered to hold firm in upcoming labor negotiations to begin the process of reining in labor costs to bring them more in line with other systems around the country. Pittsburgh and Allegheny County are not the economic powers they once were and it is no longer appropriate to pay public employees as if the state and county were in a position to continue subsidizing excessive compensation levels. In light of the critical shortage of funds for bridges and highways, state spending on mass transit has to be brought under better control.

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