POLICY BRIEF

An electronic publication of
The Allegheny Institute for Public Policy

May 25, 2011 **Volume 11, Number 31**

What to Do About Mass Transit Costs in PA?

“Let’s face it—transit agencies are not private companies and do not make a profit. Public transit has both a business and a social mission”. So began the presentation on mass transit made by PENNDOT to the Governor’s Transportation Funding Advisory Commission (TFAC) on May 16th.

Monopoly transit agencies do not face cost pressures from competition, so riders and taxpayers are constantly being squeezed in order to keep service running as cost increases regularly outstrip available revenues. And for a public sector monopoly this problem is even more pronounced. The TFAC must not ignore this side of the “funding” issue in its deliberations. Consideration must also be given to the difficulties created by the absence of cost containment pressures competitive private firms face.

Pennsylvania has 74 transit agencies serving urban, mid-sized, and rural areas. SEPTA (Philadelphia) and PAT (Pittsburgh) are the largest carriers providing several modes of service (bus, light rail, demand-response, etc.). According to the National Transit Database, total cost per passenger bus trip in 2009 (operating expense plus capital expense per passenger) was $5.24 at PAT and $3.57 at SEPTA. PAT’s nearly 50 percent higher cost than its southeastern sister agency reflects numerous problems with compensation and inefficiencies as outlined in the Governor’s transportation task force of 2005-06.

How do these two agencies compare with bus companies serving Pennsylvania’s other larger urban areas? The table below displays the 2009 bus passenger costs for SEPTA, PAT, and six other transit agencies (ranked by the number of unlinked passenger trips).

All agencies in the sample delivered at least 1 million unlinked passenger trips in 2009—the cutoff for inclusion in this analysis. Combined, the group had $1.032 billion in total operating and capital costs and 256 million total passenger trips resulting in an average per passenger cost of $4.02. Three agencies (SEPTA, LANTA, and COLTS) had below average costs. PAT was 30 percent higher and only two agencies had a higher per passenger cost than PAT, Harrisburg and York. York’s cost—the outlier of the group—was nearly double the agency average.

Agency (Primary City)	Total Expense (Operating + Capital, $000s)	Unlinked Bus Trips (000s)	Per Passenger Cost
SEPTA (Philadelphia)	$645,855	180,654	$3.57
PAT (Pittsburgh)	$306,533	58,485	$5.24
LANTA (Allentown)	$18,738	5,505	$3.40
EMTA (Erie)	$13,553	3,025	$4.48
BARTA (Reading)	$14,598	2,916	$5.01
CAT (Harrisburg)	$15,245	2,664	$5.72
COLTS (Scranton)	$7,283	1,960	$3.71
YCTA (York)	$10,886	1,410	$7.72
Total	*$1,032,691*	*256,619*	*$4.02*

According to the PENNDOT presentation to TFAC, SEPTA and PAT are levying base fares of $2.00. That means taxpayers are subsidizing bus trips at a rate of $1.57 in Philadelphia and $3.24 in Pittsburgh. Only two agencies in Pennsylvania (SEPTA was one) are bringing in more than 40 percent of their operating expense from fare revenue.

By way of comparison, back in 2000 these same eight agencies had total costs of $712.6 million and delivered 241.8 million unlinked bus trips, resulting in an average per passenger trip cost of $2.94. That means the bus passenger cost grew 37 percent over the decade, which was faster than the change in the Consumer Price Index for the Northeast (29%). SEPTA (38%), PAT (42%), BARTA (121%), and YCTA (98%) all outstripped both the peer group cost increase as well as the rate of inflation.

Generally speaking, there are economies of scales in providing bus service. That is to say, more heavily and more densely populated areas offer the opportunity to run more routes with higher volumes of riders per trip. Thus, SEPTA's low passenger cost compared to other agencies in the state is not surprising. On the other hand, as the state's second largest transit service, PAT's far above average cost per rider reflects very poorly on cost containment and efficiency of operations. But this comes as no surprise in light of the well documented financial problems at PAT over the last few years.

To review: the TFAC has been instructed to find "…reliable, dedicated, inflation sensitive" revenue; the PENNDOT presentation opines that transit agencies cannot act like profit-seeking or profit-maximizing entities; the state permits workers at transit agencies to strike and gives agencies monopoly status that shields them from competitive forces; passenger costs for buses have outpaced inflation in the last decade; and transit agencies, especially PAT, have seen the state ride to the rescue time and again with money whenever there is a shortfall.

Given the situation just described, what are the incentives and opportunities for mass transit agencies in Pennsylvania to become cost-effective and more attentive to the bottom line? The TFAC must not allow this crucial reality to escape their notice and review as they look for ways to fund transit operations. One principle must surely be at the forefront of their thinking: to wit, if the state is going to provide a large percentage of operating and capital costs, the state must insist on fundamental changes that will insure transit agencies do not become bloated bureaucracies, that every viable and cost saving opportunity to outsource service is exploited and that collective bargaining agreements do not saddle future riders and taxpayers with the kind of financial chaos that currently dominates the Port Authority of Allegheny County.

Jake Haulk, Ph.D., President **Eric Montarti, Senior Policy Analyst**

Policy Briefs may be reprinted as long as proper attribution is given.
For more information about this and other topics, please visit our website:
www.alleghenyinstitute.org

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