



ALLEGHENY INSTITUTE
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*Regional Transit:
Will Bigger Be Better?*

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Key Findings

- There are seven special purpose authorities in southwestern Pennsylvania that provide mass transit service.
- Three of these agencies contract out bus operations to private sector providers.
- The weighted average hourly wage for an authority bus driver in southwestern Pennsylvania is \$24.38. At the Port Authority the weighted average hourly wage is \$25.48; at the other agencies it is \$15.23.
- There are roughly 1,300 full-time bus operators combined at the seven agencies. Workforces at five of the seven authorities are unionized.
- Combined, these agencies provided more than 59 million unlinked trips at a cost of \$277 million in 2010. That worked out to a per passenger cost of \$4.63.
- A consolidated southwestern Pennsylvania transit authority would have a higher per passenger bus cost than that of SEPTA.
- The impediments to merging or consolidating the seven authorities in southwestern Pennsylvania would hinge on wage and benefit packages, contracting status, and the legacy costs of the Port Authority.

Introduction

Should southwestern Pennsylvania have a multi-county special purpose agency to deliver mass transit services the way the Philadelphia region is served by the Southeastern Pennsylvania Transit Authority (SEPTA)? Would a new agency be more cost-effective and efficient than the largest carrier, the Port Authority of Allegheny County (PAT)?

Alluding to the latest dire financial forecast that threatens PAT in FY2013—a shortfall of \$64 million—a candidate for Allegheny County Chief Executive recently offered the idea that it would perhaps be better to have a regional transit agency, much like SEPTA, to handle transit operations here.¹

This is not a new idea; in fact, high ranking officials have at various times over the years advocated the creation of a regionwide transit system for southwestern Pennsylvania that would effectively merge all the existing county agencies into one super agency.²

What would such a system look like? Would it cover Allegheny County and the four neighboring counties of Butler, Beaver, Washington, and Westmoreland that already have a publicly operated bus service? Or would it be a larger system covering other counties contiguous to Allegheny County's neighbors? Would state lawmakers and the Governor get appointments to the board of directors? Would there be a new uniform funding mechanism? How much would operators be paid and what benefits would they receive? How would union and non-union workers co-exist, if at all? Would all the existing transit agencies be eliminated by state law and all employees terminated with the new super agency having the power to hire whomever it chooses? What happens to retirees and their benefits? These are just a few of the critical questions raised by the proposal to create a regionwide transit system and just a few of the areas this report will cover.

Mass Transit in Southwestern Pennsylvania

According to the Southwestern Pennsylvania Commission (SPC), there are ten providers of fixed route bus service in the ten counties comprising the southwest corner of the state. Seven of them—PAT, Beaver County Transit Authority (BCTA), Butler Transit Authority (BTA), Indiana County Transit Authority (ICTA), Mid-Mon Valley Transit Authority (MMVTA), New Castle Area Transit Authority (NCATA) and Westmoreland County Transit Authority (WCTA)—are separate authorities whose specific purpose is to provide mass transit service. These seven agencies will be the focus of this report.³

¹ Lauren Daily, "PAT's Legacy Would Make Regional Transit System a Tough Sell" *Pittsburgh City Paper*, September 28, 2011 <http://www.pittsburghcitypaper.ws/gyrobase/Content?oid=oid%3A100962> ; Tim McNulty "Fitzgerald Backs Senior Tax Breaks, Blasts Assessments" *Pittsburgh Post-Gazette*, September 13, 2011 <http://www.post-gazette.com/pg/11256/1174352-100.stm> ; Jeremy Boren "Regionalize Public Transit, says Allegheny Exec Hopeful" *Pittsburgh Tribune Review*, September 14, 2011 http://www.pittsburghlive.com/x/pittsburghtrib/news/pittsburgh/s_756650.html

² Our 2005 report "Contracting and Consolidation: New Directions for the Port Authority" touched on the issue of a regional carrier when the idea was last brought up

³ Southwestern Pennsylvania Commission, 2010 Regional Report Card http://www.spcregion.org/trans_transop.shtml#rttc The other carriers—Fayette Area Coordinated Transit, Town and

And though several of these authorities may offer another type of transportation service in addition to fixed route bus service (PAT has light rail, inclined plane, and demand response), the focus on efficiencies that can be gained in operations will be on buses.

Governance and Funding

Each authority is overseen by a board of directors appointed by the communities served, either by county or municipal officials. They range in size from six members to twenty-one. All receive Federal and state funding to support operations, and local matches come from either the respective county, member municipalities, or both. The table below details each agency’s board makeup and method of appointment, as well as the percentage of total funding provided by the Commonwealth of Pennsylvania. Two agencies of the seven received less than 50 percent of their funding from the state.⁴

Transit Authorities in SW Pennsylvania

Agency	Number of Board Members	Appointed By	% of Total Public Funding Provided by Commonwealth
BCTA	9	County	89
BTA	6	Municipalities	49
ICTA	7	County	53
MMVTA	21	Municipalities	73
NCATA	9	Municipalities	47
PAT	9	County	82
WCTA	7	County	54
Total	68	Regional Weighted Avg	81

Wages, Contracting, Union Status and Workforce

The weighted average hourly wage for transit bus drivers in southwestern Pennsylvania is \$24.38. Wages ranged from a high of \$25.48 at PAT to \$13.03 at MMVTA. The weighted average hourly wage for a non-PAT driver is \$15.23.

County Transit, and Washington City Transit—are not separate transit authorities but could be included in a consolidated/merger proposal. Additional information came from phone and/or e-mail conversations with the following officials: BCTA-Kathy Clark ; BTA-John Paul, Executive Director and Kelly Stewart; ICTA-John Kanyan, Executive Director and Amanda Clark, Finance Director; MMVTA-Marc Roncone, Executive Director and Bill Giordangeno, First Transit; NCATA-Vicky Antonio, Assistant Manager and Lenny Lostorio, Manager; PAT-Jim Ritchie, Communications Director; WCTA-Larry Morris, Executive Director, Alan Blahovec, Assistant Director, and Liz Diaz, Forsythe Transportation; SPC-Tom Klevan

⁴ Ibid. The share of state funding applies to total operations, all modes. Regional weighted average based on a total of \$228 million in state funding and \$283 million in total (Federal, state, county, and local) in 2010 for the seven agencies. It is pointed out to show that the state is typically the largest funder of mass transit operations, yet very rarely has any appointment power. In fact, according to PennDOT the SEPTA board is the only operating transit agency to which the state has appointment power.

Three area agencies—BTA, MMVTA, and WCTA—contract out their fixed route bus operations entirely to private providers. Each agency has a different contractor—that is to say; no contractor handles operations for more than one agency⁵.

Hourly Wage, Contracting, Union Status, and Full-Time Drivers (Ranked by Wage)

Agency	Average Hourly Wage	Bus Operations Contracted Out?	Unionized?	Number of Bus Drivers (Full time)
PAT	\$ 25.48	No	Yes	1167
NCATA	\$ 18.75	No	Yes	35
WCTA	\$ 15.90	Yes	Yes	17
ICTA	\$ 14.78	No	No	17
BTA	\$ 14.00	Yes	No	6
BCTA	\$ 13.76	No	Yes	34
MMVTA	\$ 13.03	Yes	Yes	31
Weighted Avg	\$ 24.38		Total	1307

Only two carriers have non-unionized drivers. One (BTA) contracts out its bus driving while the other (ICTA) is directly operated. In aggregate, there are over 1,300 full-time bus drivers employed directly or indirectly by the seven authorities.

Bus Operations and Costs

In 2010 total combined bus ridership for the seven authorities was 59.9 million unlinked trips. Total operating expenses for bus operations was \$277.6 million, resulting in a combined average per bus rider cost of \$4.63.

PAT’s relative size to the remainder of the carriers is evident in that it represented 93 percent of the total for both unlinked trips and operating expenses. The share of both vehicle hours and miles was also attributed heavily to PAT.

Aggregate Bus Operations and Expenses (Ranked by Unlinked Trips)

Agency	Unlinked Trips	Vehicle Revenue Hours	Vehicle Revenue Miles	Operating Expenses
PAT	56,367,910	1,655,901	22,034,482	\$ 255,549,573
NCATA	1,128,458	56,977	1,123,726	\$ 6,088,269
BCTA	845,798	54,872	892,844	\$ 4,088,030
ICTA	468,777	32,665	418,111	\$ 2,040,700
WCTA	447,429	43,306	862,208	\$ 4,441,871
MMVTA	427,861	50,748	888,763	\$ 4,087,134
BTA	229,799	17,852	195,418	\$ 1,332,328
Total	59,916,032	1,912,321	26,415,552	\$ 277,627,905

⁵ In subsequent tables these agencies will be italicized

The operations of the agencies can be broken down per rider (operating expense per unlinked trip), per mile of operation (operating expense per vehicle revenue mile) and per hour (operating expense per vehicle hour) basis. The data below shows how these agencies compare to each other and the weighted average for the group.

Bus Expense per Passenger⁶

Agency	Cost per Unlinked Bus Trip
WCTA	\$ 9.93
MMVTA	\$ 9.55
BTA	\$ 5.80
NCATA	\$ 5.40
BCTA	\$ 4.83
PAT	\$ 4.53
ICTA	\$ 4.35
Weighted Avg	\$ 4.63

The 2010 data from the SPC showed the three carriers who contract out service were higher on the per passenger costs than the weighted average for the group. Much lower population density in the surrounding counties and accompanying lower ridership account for the higher per passenger expense figures.

Bus Expense per Vehicle Hour⁷

Agency	Cost per Revenue Hour
PAT	\$ 154.33
NCATA	\$ 106.85
WCTA	\$ 102.57
MMVTA	\$ 80.54
BTA	\$ 74.63
BCTA	\$ 74.50
ICTA	\$ 62.47
Weighted Avg	\$ 145.00

On the basis of expense per vehicle hour, the largest agency (PAT) was much higher than the group average while the agencies that contracted out service were well below the average. This

⁶ Per the SPC report card, this is “calculated by dividing operating expenses per ridership [and] shows what the transit agency is spending for each ride provided”. Agencies ranked from highest to lowest.

⁷ Per the SPC report card, this is “calculated by dividing operating expenses by revenue vehicle hours...it simply evaluates how efficiently a system puts service on the street, irrespective of where the service goes or how much is utilized”. Agencies ranked from highest to lowest.

same result appeared in the expense per vehicle mile measurement, where PAT was above the weighted group average and those that contracted out service fell below.

Bus Expense per Vehicle Mile⁸

Agency	Cost per Revenue Mile
PAT	\$ 11.60
BTA	\$ 6.82
NCATA	\$ 5.42
WCTA	\$ 5.15
ICTA	\$ 4.88
MMVTA	\$ 4.60
BCTA	\$ 4.58
Weighted Avg	\$ 10.51

SWPTA vs. SEPTA

How would a consolidated transit system in southwestern Pennsylvania, let’s call it the Southwestern Pennsylvania Transit Authority (SWPTA), compare with SEPTA? The first important fact to keep in mind is that the population density of the Philadelphia region served by SEPTA is much higher than Allegheny County and its neighboring counties. Philadelphia itself has a density roughly ten times that of Allegheny County.

Population per Square Mile, SWPTA vs. SEPTA⁹

SWPTA Counties	Density	SEPTA Counties	Density
Allegheny	1,675	Bucks	1,034
Beaver	392	Chester	664
Butler	233	Delaware	3,040
Washington	242	Montgomery	1,655
Westmoreland	355	Philadelphia	11,379

Would SWPTA be more efficient than SEPTA on bus operating indicators? A quick review of the aggregate SPC data and that submitted by SEPTA to the National Transit Database (NTD) shows that SWPTA would be higher on per passenger bus costs and cost per vehicle hour, but lower on cost per vehicle mile and average hourly wage, a product of the lower wages in surrounding systems bringing down the average PAT wage. This comparison assumes a merger

⁸ Ibid, same definition and explanation substituting vehicle miles for vehicle hours. Agencies ranked from highest to lowest.

⁹ USA Today, Census 2010 Page <http://www.usatoday.com/news/census/index> . Population per square mile. Density measurements for Allegheny County and contiguous counties in southwestern Pennsylvania.

of existing carriers without any substantial changes to headcount, wage levels, miles driven, routes, contracting, or route redesigns that would eliminate overlap.¹⁰

Bus Operations, SWPTA vs. SEPTA

Indicator	SEPTA	SWPTA	SWPTA is...
Cost per Unlinked Trip	\$ 2.95	\$ 4.63	\$1.68 higher
Cost per Vehicle Mile	\$ 13.06	\$ 10.51	\$2.55 lower
Cost per Vehicle Hour	\$ 134.29	\$ 145.00	\$10.71 higher
Average Hourly Wage	\$ 24.85	\$ 24.38	\$0.47 lower
Full Time Drivers	2,363	1,307	1,056 lower

In order to get bus passenger costs to SEPTA’s level, the consolidated southwest system would have to either drive 35 million more unlinked trips or cut expenses by \$100 million annually. SWPTA would be lower on per vehicle mile cost and average hourly wage and it would employ significantly fewer operators than SEPTA.

Would a Bigger System Work?

Dissolving seven 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 issue is the issue of legacy costs, particularly the extraordinarily high levels at PAT.

The fact that three carriers contract out service would make for an uneasy relationship between them and the largest carrier in southwestern Pennsylvania. Contractors account for 2 percent of the total number of bus trips in southwestern Pennsylvania as of 2010. PAT union leadership has been consistently adamant in their opposition to any contracting out of bus service, vilify it, and try to downplay the positive cost and efficiency gains by any transit agency where contracting or outsourcing is practiced. A marriage between the carriers that operate “in house” and those that contract out work is unlikely to go smoothly. State law creating a new agency might stipulate that a certain percentage of vehicles or miles would have to be operated by contractors, something to which some unions might strenuously object.

Clearly, wage differences of the magnitude between PAT and other transit agencies in the region pose insurmountable obstacles to merging workforces. And that does not even take into account the gaps in non-wage compensation levels. Raising the wages of drivers from an outlying county to the level of PAT drivers would instantly make the system more costly. Conversely, very few PAT drivers would be keen on working for a much lower wage.

¹⁰ National Transit Database http://www.ntdprogram.gov/ntdprogram/pubs/profiles/2009/agency_profiles/3019.pdf
Wage information provided by Richard Maloney, SEPTA Public Affairs Office

Third, addressing the gigantic legacy cost problem at PAT will be a prerequisite to any talk of creating a regionwide transit system. As of PAT's most recent audit, unfunded pension and post-retirement health care liabilities stand at \$198 million and \$812 million respectively. Moving the liabilities associated with legacy costs off PAT's books would necessitate a massive state infusion of cash and is therefore very unlikely. There are simply not enough projected benefits to taxpayers arising out of a merged system to justify incurring such a cost. Alternatively, some form of bankruptcy that would allow PAT to lower its obligations to retirees substantially could work but is likely to be very hard to sell politically, especially in conjunction with an effort to regionalize transit.

Besides the economic concerns, there are serious issues to be addressed concerning governance of a new authority. With Allegheny County by far the largest source of ridership, revenue and likely employees, it would certainly want to have a dominant position in the governance of the new authority. A stance that would not sit well with other county transit agencies.

All things considered, there appears to be little chance we will see a regionwide transit system in southwestern Pennsylvania any time soon. So rather than wasting time trying to figure out a scheme to consolidate PAT and six other carriers—a sure recipe for drowning out the positives the smaller carriers bring to the table—perhaps a better approach would be to encourage PAT to look at what other transit agencies are doing right and encourage them to follow suit.

In the meantime, PAT needs the Legislature and the Governor to move ahead expeditiously on reforms that will help the Authority dig out from the death spiral it finds itself in. Dealing with PAT's legacy costs and curbing the power of intransigent unions ought to be at the top of the General Assembly's transit reform agenda. Certainly, such reforms should happen before trying to decide how much more taxpayer money is going to PAT to fund retiree benefits and excessively generous compensation packages—which do nothing to provide bus service to Allegheny County residents.