



### **PENNDOT Has a Critical Role in PAT's Future**

The last piece of legislation signed into law before the General Assembly's summer recess was Act 72, an act that made significant changes in the size, appointment, tenure, qualifications, and operation of the board of directors of the Port Authority of Allegheny County (PAT). The reformed board is coming together as of this writing.

That law also set into motion a study that is to be conducted by the Pennsylvania Department of Transportation (PENNDOT) to determine whether consolidation or privatization can deliver benefits for mass transit operations in southwestern Pennsylvania.

The act states as follows:

“The Department of Transportation shall study the consolidation of the authority with other local transportation organizations within geographical proximity as a means of reducing annual expenses or increasing annual revenues. The study shall examine the creation of service regions to determine whether consolidation would reduce annual expenses or increase annual revenues...The department shall study the potential privatization of authority services as a means of reducing annual expenses or increasing annual revenues...The department shall submit a report on its findings and recommendations to the Governor, the General Assembly and the authority within 270 days of the effective date of this section.”

There are many directions the study could go. Though it has nine months to recommend a course of action, it is not as if PENNDOT is starting from scratch. It has a Bureau of Public Transportation within the Department, and the Bureau has available on its website currently two consolidation reports from 2012 dealing with agencies in eastern Pennsylvania, numerous Act 44 performance reports including three on mass transit providers in southwestern Pennsylvania that could be involved in a possible consolidation with PAT, and annual performance reports on urban, rural, and community transportation providers going back to 2006-07.

In its 2011 annual report the Department stated “not exploring consolidation leaves Pennsylvania's transit providers on a path of continued service cuts, deterioration, unsustainable financial conditions, and impending crisis”. A consolidation could involve multiple counties resulting in a system similar to SEPTA in southeastern Pennsylvania, or it could involve combining a small fraction of bus or paratransit services in one area of the region. When we examined the idea of a SEPTA-type system here we found that the existing transit authorities have quite a variety in size, wages, methods of delivering service, and union status. Fashioning a new transit agency would require crafting a way to balance these issues while paying attention to the legacy costs of PAT.

In its 2009 annual report PENNDOT presented a skeptical view of the possibility that profit motive could have a positive impact on mass transit noting "...transit decisions are influenced by many factors, not just the bottom line. Because transit is not profitable, no competition exists".

The Allegheny Institute has long argued for privatizing a significant portion of PAT's bus operations. Privatization simply means contracting with a private vendor to provide service on specified routes. The contract could involve leasing of equipment to the firms. PAT would pay the contractor, presumably a lower amount than it costs PAT to provide the service. State and local tax subsidies would still flow to PAT who would use them to achieve better efficiencies and lower costs through outsourcing.

There are many advantages that could result from a gradual process of instituting a hiring freeze and then, when enough vacancies have occurred through normal attrition to produce a meaningfully large service block, ask for bids from firms and/or regional transit agencies to operate the services specified. With a cost saving bid in hand, enter into a contract and move to outsourced service. Over time the process could lead to 30 percent or more of the bus service being supplied by private firms.

PAT would set all the terms of service provision that the contractors would be obliged to live with. These would include safety, reliability, driver qualifications, cleanliness of the buses, etc. Fares would match those on like routes operated by PAT.

There is every incentive for the state to want to push this idea and it would be surprising if the PENNDOT report does not include a recommendation for PAT to pursue this option.

Time and again the data has shown that per passenger costs at PAT regularly top those of other providers in the state and the nation. How does that change? That's the charge placed on PENNDOT, and, eventually, the state and the reformed Authority board.

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