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A Year of Cheer for PAT?

Summary: The Port Authority's change to fare structure in 2017 will be a huge undertaking with potential problems and costs. The Authority has experienced a series of other important changes in recent years.

On January 1st the Port Authority (PAT) put into place a redesigned single zone price that eliminated the higher priced Zone 2 that charged more for riders traveling farther out into the service area. In addition, riders will now always pay when boarding the vehicle rather than the old way that varied payment on entrance or exit depending on the direction traveled. Those paying with cash rather than PAT's ConnectCard will pay more to ride.

On that same day a 2.75 percent increase for all wage and salaried employees also went into effect per the contract recently approved by the PAT board and union. With the parties agreeing to the four year pact, there is no threat of a labor stoppage like the one that occurred in Philadelphia this past November and was a real possibility during 2005, 2008, and 2012 PAT negotiations. The present contract was rejected initially by the union and did proceed to fact-finding, but it has been approved and will extend through June 2020.

In the FY2017 budget PAT allocated \$156.3 million for all wages and salaries, up 8.4 percent from the \$144.2 million in FY2007. Meanwhile, benefits rose to \$150.6 million in FY2017 from \$110.93 million in FY2007, a jump of 36 percent. Thus total pay and benefits in FY2017 at \$306.9 million represents 74 percent of total operating expense. In FY2007, the share of pay and benefits was 73 percent. In ten years, total employee compensation rose 20 percent. Over the past ten years transit operation employment has fallen from 3,127 to 2,608 or 17 percent. That means total compensation per worker has climbed from \$81,580 in FY2007 to \$117,676 in FY2017, a 44 percent jump.

The fare change is just the latest in a series of changes for PAT. By virtue of board action, state legislation, and collective bargaining agreements in recent years, PAT's pensions, retiree health care, board of directors, and state operating assistance have all undergone significant change. New hires are being placed into different benefit structures and no longer get lifetime medical coverage, the state has direct representation and significant power on the board by virtue of five appointments to the eleven member board, and Act 89 of 2013 provided PAT with additional operating and capital funding.

Based on the FY2017 budget document the fare change is expected to generate more paid ridership due to the elimination of the multiple zone price system and conversion to a single zone

fare. However, the change will also create lower revenue due to the elimination of the higher Zone 2 fare. In order to implement the fare change, including the additional police to enforce the new system, marketing, software, and the loss of Zone 2 revenue, the total cost to PAT is estimated at \$7.5 million.

Based on data from the American Public Transit Association's "Public Transportation Ridership Report" PAT provided 64.3 million trips via all of its modes (bus, light rail, incline, and ACCESS) in 2015 (the last year for which a full year of data is available). The fare change applies to the bus and light rail modes which, combined, accounted for 96 percent of those 64.3 million trips. In the last decade, from FY2007 to FY2017, PAT cut the number of buses in operation from 894 to 726, but maintained the same number of light rail vehicles (83), and has a slightly longer light rail system as a result of the North Shore Connector.

As we pointed out last June, the continuation of free T rides between the Golden Triangle and the North Shore stations might create headaches for the fare redesign. Riders staying within that zone won't have to pay upon boarding, but those going past the last stop in Downtown and on to the South Hills will have to. Thus additional enforcement, spot checking for proof of payment, and platform stop validation are in the mix to make sure that someone riding past the light rail free fare zone has indeed paid.

As we recommended in June, it would have been a better decision to eliminate all free rides (as was done for free bus trips Downtown) but the free T rides remain in place. Unless or until PAT provides the actual cost of providing service between Downtown and the North Shore, the taxpayers will not know the extent of the net subsidy (subsidy less the payments from a private parking operator and the Stadium Authority) being offered to riders using the Connector for trips into Downtown and back. In light of the enormous subsidy (hundreds of millions of dollars) already received in building the Connector, taxpayers have a right to know why rides are being given away.

Now that the threat of a strike has passed and other important changes have been made at the Authority the prospect of having to manage the fare policy change, while likely to have bumps ahead, may seem calm in comparison.

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