

Details on the Port Authority's Extremely Costly Bus Service

Summary: A recent *Policy Brief* (Vol. 18, No. 13) demonstrated the Port Authority of Allegheny County's (PAAC) very high bus operating expense compared to five comparably sized transit agencies. This *Brief* expands the number of agencies compared and looks at additional measures of efficiency and pay levels to develop a thorough understanding of the key differences that lead to PAAC's extremely expensive bus operations. The news is not good. PAAC's bus service is inexcusably costly and imposes far too heavily on taxpayers and Turnpike users.

As noted in the March *Policy Brief*, the most comprehensive measure of operating cost effectiveness for comparison purposes is operating expense per revenue hour. That is, the non-capital outlays required to deliver services divided by the hours buses are actually on routes picking up and discharging paying passengers.

Total operating expenses per revenue hour data for 2016 were gathered from the National Transit Database for 28 transit agencies across the country. Of the 28 only one, New York City at \$226, had higher operating cost per revenue hour than PAAC's \$189.69. Boston (\$185.14) and San Francisco (\$186.54) were close to PAAC. The next most expensive were Newark, N.J. at \$167.47, Seattle at \$159.41 and Southeastern Pennsylvania Transportation Authority (SEPTA) in Philadelphia at \$158.40. D.C. Metro was \$152.30 and Los Angeles was \$153.73.

No other agency in the group of 28 had total cost per revenue hour over \$150. Several were in the \$140s including Cleveland, Minneapolis, Miami, Syracuse and New Orleans. Chicago was \$139.14. The remaining 14 bus systems had costs per revenue hour ranging from \$101 to \$130, including Phoenix; Buffalo; Jacksonville; Dallas; Charlotte; Milwaukee; Columbus; Salt Lake; Denver; Indianapolis; Cincinnati; St. Louis; San Antonio and Atlanta.

For detailed comparison with PAAC, a group of 10 systems were selected: Charlotte; Cincinnati; Columbus; Cleveland; Milwaukee; Minneapolis; St. Louis; Atlanta; San Antonio and Salt Lake.

Operating expense per revenue hour is made up of several expenditures and factors, including operator wage expenses; wages of other employees necessary to produce bus services; fringe benefits of all employees involved in bus service delivery and nonemployee expenses (fuel, etc.), the percentage of vehicle hours that are actually on revenue-producing routes and any time for which drivers are paid while not actually operating a vehicle.

For purposes of this analysis the ratio of operator wages paid, other employee wages and fringe benefits for all bus-related employees to revenue hours and to vehicle hours were calculated for each of the comparison agencies. Recent estimates of average hourly wages for drivers for each agency were collected.

PAAC had a total operating expense per revenue hour of \$189.69 while the 10 agency comparison group averaged \$117.42, making PAAC 62 percent more expensive than the 10 system average. Of the 10 agencies, Cleveland had the highest cost per revenue hour at \$148.86 followed by Minneapolis at \$145.57. The lowest operating cost agencies were Charlotte (\$101.31), Milwaukee (\$101.28) and San Antonio (\$103.28).

Calculated on the basis of cost per *vehicle* hour, PAAC stood at \$161.58 and the average for the 10 was \$107.44 making PAAC 50 percent more expensive than the group average. Note that PAAC's 62 percent greater operating expense per revenue hour compared to the 10 systems is significantly higher than the 50 percent difference in the cost per *vehicle* hour. This results in part because only 85 percent of PAAC's vehicle hours are actually revenue hours while the average of the 10 comparison agencies was 91.5 percent.

A look at the components of operating expenses reveals the underlying problem with PAAC's extremely high relative operating expense per revenue hour.

The most obvious comparative cost measure is driver wage rate. PAAC's average of over \$25 per hour is 32 percent above the 10 system average of \$18.98. The highest wage rate agencies are in Milwaukee, Minneapolis and Cleveland with average hourly wages of between \$24 and \$25. The lowest hourly wage agencies were in Atlanta, San Antonio, St. Louis, Cincinnati and Salt Lake with wages between \$15 and \$17 per hour. Among the very large transit systems reviewed, Chicago's driver wage was just under PAAC's while Boston's was slightly higher. New York and San Francisco at \$31 plus per hour were much higher.

Total operator wages expended per revenue hour to deliver bus service were \$37.48 at PAAC and averaged \$28.77 for the 10 agencies, a difference of 30 percent. The highest wages per revenue hour for the 10 systems were in Minneapolis at \$36.19, followed by Cleveland \$32.12 and Cincinnati at \$32. The lowest operator wage expense per revenue hour was in Columbus (\$23), followed by Atlanta (\$25.45); San Antonio (\$25.88) and Salt Lake (\$25). The remaining three systems had expenses ranging from \$28 to \$30 per revenue hour.

Note that PAAC's total operator wage payments per *vehicle* hour were \$31.92, reflecting the fact that only 85 percent of vehicle hours are actually revenue producing hours. Still, the operator cost per *vehicle* hour is about \$6 higher than average driver wages per hour. This occurs because of overtime pay and pay for time the operators are not driving but are still on the clock.

For the remaining analysis only per revenue hour figures will be discussed since the relation of those costs to cost per *vehicle* hour has been established.

The second cost component examined is wage expense for bus service employees other than operators. For PAAC the wage expense per revenue for non-operator employees is \$39.85 while the average for the 10 comparison agencies is \$24.73 making PAAC 61 percent more costly than the group for this cost component. The highest expense among the 10 agencies was in Cleveland at \$36.80. The lowest non-driver wage expense agencies were Charlotte (\$17.20); Columbus (\$22.88); St. Louis (\$19.99); San Antonio (\$20.54) and Milwaukee (\$12.31).

The final component of employee cost is the fringe benefits for all bus service employees. At PAAC fringe expense per revenue hour in 2016 was \$72.76 and the average for the 10 systems was \$36.27 making PAAC's costs per hour 100 percent greater than the group. Cleveland had the highest fringe expense per hour at \$47.57, followed by Minneapolis at \$46.58. Charlotte was lowest at \$22.47. The rest ranged between \$31.50 and \$39.

Total employee cost per revenue hour at PAAC was \$150.08 compared to an average of \$89.77 for the 10 systems making PAAC employee costs per hour 67 percent higher than the group average. The highest employee cost system in the group was Cleveland at \$116.50 and Minneapolis at \$116.07. Lowest employee cost was posted by Charlotte at \$68.59. The other systems' employee costs ranged from \$78 to \$91 with most in the \$80s. In short, PAAC's employment expenses are enormous compared to these similar sized agencies.

Finally, the cost comparison analysis looks at non-employee costs. PAAC's non-employee expenses per revenue hour were \$39.61. The 10 system average was \$27.65, making PAAC's non-employee costs per hour 43 percent more expensive than the average.

All told, the operating expense per revenue hour was \$189.69 at PAAC. None of the 10 similar size systems came anywhere near that close to that figure with Cleveland the closest at \$148.90.

PAAC's costs are not just a problem for Allegheny County for matching funds and fares, the agency also receives substantial state funding. For many years, the management and boards at the authority succumbed to union pressures in order to avoid strikes.

Consider that if PAAC had the same cost per revenue hour as the 10 similar size agencies, it would have cost \$114.8 million less than the \$301 million PAAC actually spent for the 2016 level of service. Just lowering PAAC to SEPTA bus costs per revenue hour would save \$48 million per year at current operation levels. Then, too, finding ways to raise the ratio of revenue hours to vehicle hours to the level in the 10 system average would save a lot of money.

Public transit system funds have to come from the fare box or taxpayers, and in PAAC's case, from tolls paid by Pennsylvania Turnpike users, thanks to Act 89 of 2013. The decision made by the Legislature to allow unionized transit workers to strike and the unwillingness of management to face down unions threatening to strike has resulted in a cost structure that is far outside the norm. Then too, PAAC's non-employee costs are much higher than those expenses at comparison transit systems.

The PAAC situation demands action to correct the egregious costs PAAC is incurring. Why does the Legislature countenance this glaringly overly expensive transit system and make no effort to rein in the spending and at the very least remove the right of transit workers to strike?

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