



Port Authority bus service still very costly compared to peer agencies

Summary: As the Port Authority of Allegheny County (PAAC) continues to push its proposal for bus rapid transit from Pittsburgh's Oakland neighborhood to Downtown, it's time to look at the cost of current bus service for the agency. This *Policy Brief* provides an updated comparison of PAAC operating costs for PAAC and nine transit agencies from similar-sized cities.

This *Brief* updates *Vol. 18, No. 18*, that analyzed 2016 statistics. That report found PAAC's operating costs per revenue hour to be 62 percent higher than the peer group average. Indeed, PAAC costs per revenue hour were higher than Boston, San Francisco, D.C., Philadelphia and Seattle. Only New York City was more costly than PAAC.

Using 2017 data from the National Transit Database, the most recently available, this *Brief* looks at how PAAC compares to transit systems in nine cities: Cleveland, Charlotte, Cincinnati, Columbus, Indianapolis, Kansas City, Milwaukee, San Antonio and St. Louis.

Unfortunately, this updated comparison finds there has been no improvement in PAAC's cost structure compared to the other cities. It still has the highest total operating expense in this sample of 10 transportation systems (\$301.1 million). Total operating expenses for direct operating of motor buses includes items such as operators' wages and salaries, fringe benefits for operators, fuels, lubricants, tires and tubes used by the buses. It also includes vehicle maintenance, non-vehicle maintenance and general administration in the direct operation of motor buses.

For the entire 10-city sample the average operating costs were just \$134.9 million, meaning that PAAC was more than twice the average of this group of transit agencies. The next highest amount in the sample belonged to San Antonio (\$165.9 million). Thus, PAAC's total cost for running the bus system is \$135.2 million higher than the next largest spending system in the sample.

Because the peer group has a fairly wide range in the size of operations, a better comparison of costs takes size into account. One way to adjust for size difference is to compare total operating expense per revenue mile.

PAAC buses covered 21.05 million revenue miles in 2017 while buses in San Antonio (22.02 million) covered the most in this sample of 10 systems. The lowest revenue miles occurred in Indianapolis (6.92 million) while the average for the 10 cities was 13.81 million.

For the 10 agencies, average total cost per revenue mile in 2017 was \$9.63 and ranged from \$7.53 (San Antonio) to a high of \$14.30 (PAAC). These two transit systems also logged the most revenue miles in the group, yet PAAC's costs per revenue mile were 90 percent higher. Cleveland at (\$12.75) was the second-most expensive but still \$1.55 lower than PAAC. The group average of \$9.63 was \$4.67 (48 percent) below PAAC.

The most useful and relevant cost measurement for comparison is total cost per revenue *hour*. This measure reflects the expenses incurred per hour of operation, picking up and delivering passengers. The number of miles and the number of passengers can vary considerably by route and time of day. But the expenses pile up every hour of operation, regardless of miles and passengers. In 2017 PAAC recorded 1.62 million revenue hours, second only to San Antonio's 1.65 million hours. For the 10-agency group, average revenue hours stood at 1.07 million hours. Four systems fell below the million-hour mark (Charlotte, Cincinnati, Indianapolis and Kansas City) and six above.

Total cost per revenue hour average for the sample was \$123.69, with a range of \$185.91 (PAAC) to \$98.80 (Milwaukee). PAAC is \$62.22 higher than the sample average and \$87 higher than Milwaukee. Cleveland, the next highest agency had a total cost per revenue hour that is \$39 less than PAAC—a stunning indication of just how expensive bus transit is in Allegheny County. If PAAC operated at the average cost of \$123.69, with 1.62 million revenue hours, the agency could have saved about \$100.8 million in 2017.

One contributing factor to the high expense level is operator compensation. On a per revenue mile basis, PAAC had the highest operator wages and salaries per mile at \$2.86—15 cents higher than the next highest city, Cleveland. The average for the sample was \$2.42 per revenue mile. PAAC was 42 cents higher than the sample average. If PAAC's operator wages and salaries would have been at the sample average, it could have saved \$8.8 million.

But perhaps a more egregious example is the level of fringe benefits paid to those in vehicle operations. The total fringe benefits paid in 2017 were \$70.6 million—\$10 million greater than the wages and salaries total of \$60.1 million. It was one of only two transit systems to pay out more in fringe benefits than salaries (Columbus paid \$31.5 million in fringe benefits and \$30.8 million in wages and salaries).

As we have written many times before, most recently in *Policy Brief, Vol. 18, No. 13*, PAAC has huge legacy costs that will take a long time to rectify.

On a per revenue mile basis, the contrast is very stark. PAAC spends \$3.35 per revenue mile on fringe benefits while the 10-sample average comes in at \$1.96—a difference of \$1.39. The next highest paying city is Columbus (\$2.42). In fact, PAAC skews the average as there are six cities paying in a range of \$1.69 to \$1.42 per revenue mile for fringe benefits for bus operations—about half PAAC’s payments. In addition to Columbus, only Milwaukee (\$2.33) and Cleveland (\$2.22) in this sample pay more than \$2.00 per revenue mile in fringe benefits.

No matter to which peer group of cities PAAC is being compared, last year’s (*Vol. 18, No.18*) or this year’s sample, its costs are far out of line and outrageously more expensive on a per revenue mile or per revenue hour basis. The high costs are being driven in large part by high personnel costs such as operator wages and fringe benefits. These high costs can be directly attributed to two things—the state law giving transit workers the right to strike and the loyalty and support of most elected officials for unionized workers.

As mentioned above, just lowering the total expense per revenue hour to the sample average would save the authority over \$100 million. This isn’t just a problem for residents of Allegheny County or the people who pay bus fares but for taxpayers across Pennsylvania, including the users of the Pennsylvania Turnpike, whose tax dollars and tolls help fund the system.

Frank Gamrat, Ph.D., Executive Director

Jake Haulk, Ph.D. President Emeritus

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<p>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</p>
