

# ***POLICY BRIEF***

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## **Port Authority Costs--Round Two**

The November 15 *Policy Brief* (Vol. 4, No.44) pointed out that the Port Authority's operating costs per bus passenger trip compared unfavorably with 21 other transit systems across the country. The Port Authority's relative cost inefficiency largely reflects the comparatively low number of passengers per hour of bus operation and, to a lesser extent, the compensation of drivers and other operating personnel. Naturally, the Port Authority and its defenders reacted strenuously, claiming the Authority is efficient and its drivers are not highly paid.

On Sunday, January 2<sup>nd</sup>, the Pittsburgh Post-Gazette ran a front page story with data that purports to show that the Port Authority's operator wages are not out of line, ranking just 17<sup>th</sup> on the list of transit systems paying the highest driver wages. Unfortunately, the data is presented uncritically and is not appropriately evaluated with respect to how Port Authority wages compare to other urban areas.

There are three major shortcomings to the wage comparison. First, the wage data shown for each city are the highest wage rate earned by any driver. Obviously, the average wage paid, including overtime, is far more useful for comparing costs among transit systems. Second, the wage comparison makes no reference to the enormous cost of living differences between Pittsburgh and the cities that rank higher on driver wages. Third, and most important, the story does not address the Allegheny Institute's finding that the Port Authority's operating costs per passenger compare unfavorably with other cities.

In its presentation, the Post-Gazette story shows the 20 transit systems having the highest bus driver wages in the country. There are two interesting aspects of the system wage data. The 16 systems with higher wages than the Port Authority are found in just 9 metro areas. Four of the presented bus systems operate in the San Francisco area, four operate in the New York area and two are found in the Seattle area. Thus, the Port Authority wages actually rank 10<sup>th</sup> highest among these large urban areas.

But more meaningful is how high Port Authority wages are compared to cost-of-living adjusted driver wages in other large cities. Using the cost-of-living adjustment calculator from the National Association of Realtors, wage rates from other cities were converted into the wage level needed to produce the equivalent purchasing power in Pittsburgh.

The table below shows the actual bus wage rates of large urban areas and the adjusted wage rate that would be required for a driver moving to Pittsburgh in order to maintain the same purchasing power his/her current wage affords in his/her home city.

City	Highest Wage \$ Per Hour	Adjusted to Pittsburgh Cost of Living*
Port Authority	\$21.38	\$21.38
New York	\$23.56	\$18.30
Seattle	\$22.04	\$17.79
Los Angeles	\$21.70	\$17.18
Washington DC	\$23.71	\$16.28
Boston	\$25.53	\$15.29
Chicago	\$22.89	\$14.58
San Jose	\$25.79	\$14.09
San Francisco	\$24.79	\$12.27

\* Rate necessary to maintain current living standard in Pittsburgh.

Clearly, the Port Authority wage rate is higher than the adjusted wage rate for any of the larger urban areas cited by the Post-Gazette story. In short, the claim that Port Authority wages rank below the levels of major urban areas is extremely misleading. The fact is that, in terms of purchasing power, Port Authority drivers are doing extraordinarily well compared to their colleagues in large cities.

Comparing wages is important, but it is not the most important analysis. As we reported in November, the average number of passenger trips per hour for the Port Authority lagged well behind the average of the 21 other systems studied. That sample included Los Angeles, Chicago, and New York along with 18 other cities from the East Coast, the Midwest, the South and the Mountain states. In 2001-2002, the Port Authority operating cost per passenger stood at \$2.59, compared to \$2.11 for the other cities. New York, Chicago and Los Angeles all had lower per passenger costs.

Since 2001, ridership at the Port Authority has been falling dramatically and costs have not been cut commensurately. Thus, in all likelihood, per passenger costs have moved significantly above the 2001-2002 level.

As the Legislature contemplates long term funding streams for the Port Authority, it needs to consider whether the Authority is adopting measures designed to greatly improve cost effectiveness. These could include: outsourcing low passenger routes to private carriers who could use smaller, more fuel efficient vehicles to lower costs, eliminating or cutting back runs with extremely low ridership, and holding the line on excessive overtime and overly generous compensation packages.

Maybe the Governor and the Southwestern Pennsylvania Commission could pull the funds designated for the construction of the totally unjustified North Shore tunnel and redirect them to reducing the Port Authority's operating deficit.

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**Jake Haulk, Ph.D., President**

**Frank Gamrat, Ph.D., Sr. Research Assoc.**

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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](mailto:aipp@alleghenyinstitute.org)