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PAT Bailout is the Wrong Approach

As the long running saga of the Port Authority's (PAT) tortured finances winds toward the metaphorical cliff on September 2nd, perhaps it is time to rethink the entire approach to the bus service problem.

That's when a 35 percent service reduction is to go into effect unless some bailout is arranged. A recent infusion of Federal and state dollars held off reductions in ACCESS service, and it has been reported that a general framework is in place for an agreement to avoid reductions in bus and light rail service. That would involve concessions from the Amalgamated Transit Union and management with an infusion of state funding to close a $64 million deficit. The Governor has said the reported $25 million offer by the union and management is not sufficient to open up the state's coffers.

Rather than trying to negotiate a deal with the unions to arrive at an amount the state is willing to put up—presumably to prevent the massive service cuts, but in reality to fund large and rising legacy costs that are consuming more and more of PAT's available funds—the approach the state should be taking is to focus on providing service to as many bus riders as possible for each taxpayer dollar. According to the National Transit Database's most recent data the bus passenger cost for PAT is $5.00, which is roughly 50 percent higher than the average for the 50 largest transit agencies in the U.S. Moreover, PAT drivers earn almost $10 more per hour than regional transit drivers and have far more generous benefits—the primary cause of the current crisis.

So, what should the state do to refocus its efforts to assist PAT's provision of bus service? The first priority must be to provide as much service as possible with every dollar it spends. Therefore, if shifting funds from a high cost provider to lower cost providers can be done, it is incumbent on the state to pursue such opportunities. Providing the most service per taxpayer dollar best serves the taxpayer and the transit users.

The Governor should have PAT and regional transit systems meet to see which routes those agencies can pick up quickly and allow PAT to focus on keeping its most efficient runs going as it makes its cuts. The regional transit agencies could be offered the equivalent subsidy that PAT receives per bus passenger. Moreover, because PAT will have a substantial surplus of buses, it could enter into inexpensive bus leases with the carriers to help hold down their need for capital. Now that PAT has lost its Commonwealth created monopoly, the process should be easier. Thus, instead of pouring $30 million or more each year into PAT to cover outlandish legacy costs and to prop up its very high cost of service, the state should provide additional funding to regional carriers to begin offering more –and much needed—service in Allegheny County.

There should also be an effort to find private providers to pick up some routes. Under changes to the PAT law this year, private providers will have to apply to the Public Utility Commission for approval of fixed route services. Previously they would go directly to PAT for permission. Utilizing alternative providers is a theme we have written about extensively over the years, including earlier this year (*Policy Brief Volume 12, Number 7*).

Of course this process should have begun earlier because the pressures of time at this juncture could preclude getting an ideal handoff of bus service. But, what it does mean is that if there is to be any state bailout this year, it must be for only one year with the proviso that the state will empanel a commission to work on a solution along the lines proposed above for next year and beyond. It is imperative that the state not continuously underwrite the extraordinarily high benefit expenses at PAT at the cost of denying service to Allegheny County residents who depend on bus service.

Beyond that, the Governor should make any additional state funding this year conditional on the transit unions' commitment not to oppose legislation that will take away the right of transit workers to strike. We recommended such as step earlier this year (*Policy Brief Volume 12, Number 13*). That legislation should be drafted and submitted to the appropriate committee as soon as possible. Absent the removal of the right to strike, the ability of PAT to contain costs and operate with optimal efficiency in the future will be hampered severely if not rendered impossible.

Note too that if there is state money coming and it is from dollars used for transportation purposes, it may require approval by the Southwest Pennsylvania Commission (SPC) to "flex" the money to PAT. The last time that happened was in December of 2010 after the SPC had earlier passed a resolution stating it would no longer shift transportation dollars to the agency. SPC was given an escape valve from its pledge when it was declared that the "flex" funding was not transportation money but economic development money.

Does anyone believe that if a deal is cobbled together to get through next year there will not be a repeat in the very near future that will require even more state tax dollars? And talk of a ten year deal seems to be a red herring. There is simply no way for such a deal to be arranged without Legislative involvement and even then the fundamentals are such that, absent a bankruptcy at PAT, there can be no long term solution that does not involve increasingly more state dollars with each passing year.

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