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Port Authority Irresponsibility: A Never Ending Story

Is history repeating itself? Later this week the state will convene a meeting in the eastern suburbs of Allegheny County to come up with a fix for roads, bridges, and mass transit in the wake of the none-too-surprising rejection of placing tolls on Interstate 80.

Nearly four years ago, in November of 2006, the Governor's Transportation Funding and Reform Commission released its final report (which relied on statewide public meetings) and listed six key findings for the Port Authority of Allegheny County (PAT). Revisiting those findings and realizing where PAT is now reveals a lot as to why the agency's \$25 million deficit has doubled as a result of the I-80 debacle and why we once again hear of service cuts, layoffs, and fare hikes.

The Commission wrote that PAT:

- 1) *"Has strong demand response services management"*—This is in reference to the ACCESS service provided by PAT, the sole service that PAT contracts out in entirety to private operators. At the time the report noted that the collective bargaining agreement was silent on fixed route (bus) contracting and that only a minimal amount of maintenance was contracted out. The Amalgamated Transit Union has resisted any move toward outsourcing and no contractual language has been written on moving service to private or regional providers.
- 2) *"Has the highest transit wage rates in the country when adjusted for inflation"*—At the time of the report the PAT wage rate was \$20.50, 40 percent higher than an average of 60 other transit agencies studied by the Commission. Can we say that anything has changed? As just reported this past week drivers are making \$24.74 an hour, will get annual raises during the life of the contract (through 2012), and are largely shielded from increases to health care costs.
- 3) *"Needs to pursue more detailed route-by-route analysis, with focus on financial performance indicators to better align service to needs and effectiveness"*—Here PAT gets credit for trying to streamline the system through a transit development plan that involved route renumbering, improving farebox collections, and trying to eliminate duplication. Obviously an overall examination of the system had not been done for some time as the CEO of PAT noted in June of 2007 that "We haven't spent as much effort looking at the system as a whole and saying, 'Well, how do the pieces fit together? How might they fit together better?'"
- 4) *"Is challenged by high labor, healthcare, and pension costs for current and retired employees"*—It would be nice to say that this is no longer the case for PAT, but these are the facts: any savings on health care costs achieved in the 2008 contract negotiation were long term in nature and the percentage of benefits as a share of wages is rising. As we pointed out in a *Policy Brief* last year (*Volume 9, Number 43*) in FY09 employee benefits (\$111 million) represented 80 percent of wages and salaries (\$139 million); in the fiscal

- year coming to a close that ratio changed to 91 percent (\$141 million for wages, \$128 million for benefits).
- 5) *“Is impacted by voting ability of retirees for union representatives”*—There is no clearer indication of the effect of this provision than how generous retiree health care costs were and are at PAT. At the time the report was released annual retiree medical costs had exhibited 13.7 percent average annual growth. In FY09 PAT contributed \$10 for every \$1 put in by retirees for post-employment health care. The long-term unfunded liability for the ATU plans stood at \$568 million as of January 1, 2009.
 - 6) *“Focused effort on fixed guideway development and service expansion rather than basic asset replacement maintenance”*—North Shore Connector and Wabash Tunnel come to mind. The Commission even pointed out that PAT exhibited “aggressive pursuit of new starts and other expansion projects despite significant operating deficits for existing services and shortfall in local subsidies”. Talk about living beyond available resources: PAT and local leaders fought to make sure that the Connector money was not lost, and now they will have to figure out how to operate the extension in light of the perennial shortfalls that plague the authority. During the first 20 years of operation the cost of a round trip passenger (about a mile ride) will be in excess of \$40. And how much money was diverted from other projects to cover cost overruns?

In short, has PAT taken the Task Force recommendations to heart and made the kind of improvements that were necessary? Looking at where they are in comparison to where they were and in comparison to other transit agencies the answer is no. Though it has made efforts to redesign the system, it has failed to pursue outsourcing, it is still riddled with very high labor costs with any savings far off in the future as a result of the last contract, and its has to cope with a massively expensive new part of its operating system because PAT and elected officials stubbornly refused to turn away from the project despite having to eliminate a vital element and a near doubling of costs for the remaining portion.

At this time the only choices PAT is willing to entertain are service cuts, fare hikes and pleading with the Legislature for a bailout.

If the state Legislature and the Governor want to help the taxpayers and Port Authority long term they can begin by outlawing transit strikes. Second, they can tell PAT if it wants additional financial help, it must ask and receive from all employees, including union members—both active and retired—substantial concessions in wages and benefits. With cost of living adjusted wages for drivers ranking among the nation’s highest and benefits reaching 90 percent of wages there is room for and need for employees to help save their own jobs by taking voluntary cuts.

Regional transit agency drivers make \$8 to \$9 dollars per hour less than PAT and do not enjoy the benefits offered to PAT workers. Before the state offers any additional aid to PAT, it should insist that PAT begin outsourcing bus service to private companies or to regional agencies. PAT could see almost immediate improvement in costs on many routes as well as the salutary effects of competition to hold down future cost increases.

The state’s aid would depend on PAT achieving large savings through these efforts; say one dollar of additional aid for each actual dollar saved. The savings would also have to be maintained over time in order to qualify for future supplementary assistance. Port Authority riders should be apprised of the state’s offer so that when PAT and the unions refuse to cooperate, the Legislature will not be besieged with cries of outrage at the fare hikes and service cuts and it can remind folks of the offer it made. Does the Legislature have the fortitude to insist on meaningful steps by PAT? Past experience is not encouraging. Will the unions and PAT

management take the needed steps if required by the Legislature as a condition to receive additional aid? Almost certainly they will not.

And therein lies the heart of PAT's problem. It can never heal itself and the General Assembly is too divided politically to insist on real efficiency enhancing, cost reduction reforms.

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