

POLICY BRIEF

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PAT Bus System Still Very Expensive

There is a lot of hand wringing over the Port Authority's (PAT) plans to cut bus service dramatically to deal with the agency's nearly \$50 million budget shortfall. While civic leaders, businesses, and riders are very concerned and are imploring the state to come up with more money, they ought to be focused on PAT's outrageous cost structure and the lack of any real effort to address those costs—leaving major service cuts and layoffs as the only way to lower expenditures.

In a 2008 *Policy Brief* (Volume 8, Number 35), we looked at a sample of twenty transit systems from around the country using cities of varying sizes, including PAT, and compared their bus operating expenses per passenger trip. 2006 data from the National Transit Database (NTD) showed PAT to have the highest expense per trip at \$4.30 and well above the twenty city sample average of \$3.22 and much higher than larger cities such as Los Angeles (\$2.09) and Chicago (\$2.77).

Using recently updated 2009 data from NTD, we look at how PAT has fared relative to other transit agencies three years later. The table below shows the results.

Transit Agency	2009 Operating Expense per Trip	Transit Agency	2009 Operating Expense per Trip	Transit Agency	2009 Operating Expense per Trip
Indianapolis	\$5.55	Kansas City	\$4.25	Philadelphia	\$2.95
Dallas	5.45	Denver	4.10	Baltimore	2.92
Houston	4.60	Cincinnati	3.66	Milwaukee	2.91
Pittsburgh	4.44	Minneapolis	3.58	Atlanta	2.84
Miami	4.43	Charlotte	3.53	Chicago	2.47
Cleveland	4.36	Louisville	3.46	Los Angeles	2.41
Columbus	4.26	Nashville	2.99	20 City Average	\$3.76

PAT's expense per trip ranking fell from highest to fourth. Almost all bus systems in the sample had increases in expenses per trip. Nashville and Chicago were the only systems with declines. PAT's rise in per trip expense was just over three percent while others including Cleveland, Dallas, Houston and Indianapolis reported sharp increases. Keep in

mind that PAT's cost of \$4.44 per trip is still much higher than the sample average of \$3.76.

Chicago was the only transit agency with a decrease in total operating expenses from 2006 to 2009 (nearly five percent). PAT's total expenditure increase was less than one percent while Indianapolis jumped the most at 32 percent followed by Atlanta and Baltimore at 27 percent each. The twenty city sample average increase was 14 percent. By paring service on routes with low ridership PAT has made some progress in slowing the growth in per passenger costs.

There were nine transit systems with drops in passenger trips during the 2006-09 period. Cleveland had the biggest slide at 34 percent followed by Dallas at 25 percent. Houston and Indianapolis dropped 17 percent each. PAT experienced a smaller decline of 2.5 percent. Of the transit systems with ridership gains, Nashville led with a rise of 33 percent.

Large increases in total operating expenditures (Indianapolis) and/or large decreases in passengers (Dallas, Houston, and Indianapolis) have caused these cities' per trip expenses to leap over Pittsburgh in the 2009 ranking.

Eliminating the systems with very large drops in passenger service (15 percent or more—Cleveland, Indianapolis, Houston, and Dallas), lowers the sample average cost per passenger trip from \$3.76 to \$3.45. It also pulls Pittsburgh back to the top of the remaining sixteen city list as shown in the table below.

City	Operating Expense/Trip	City	Operating Expense/Trip	City	Operating Expense/Trip
Pittsburgh	\$4.44	Minneapolis	\$3.58	Milwaukee	2.91
Miami	4.43	Charlotte	3.53	Atlanta	2.84
Columbus	4.26	Louisville	3.46	Chicago	2.47
Kansas City	4.25	Nashville	2.99	Los Angeles	2.41
Denver	4.10	Philadelphia	2.95	<i>Average</i>	<i>\$3.45</i>
Cincinnati	3.66	Baltimore	2.92		

In short, PAT continues to operate an expensive bus system with per trip costs well above the levels in comparably sized cities such as Cincinnati, Charlotte, Minneapolis, and Milwaukee. Even though PAT has reduced payroll by over 200 positions and cut service by some 15 percent since 2007, which helped hold down the expenditure increase over the last three years, the agency's employee compensation costs are still up slightly as result of rapidly increasing benefit expenses. The ratio of benefits to wages and salaries in 2010 stands at 91 percent (\$128 million for benefits to \$141 million in wages and salaries) and will reach 100 percent very soon. PAT's unfunded liability for health care tops \$560 million.

As we have argued in the past, PAT needs to begin a program of outsourcing routes or allowing other carriers to offer service on routes that are being eliminated. Furthermore, the state needs to provide an incentive for management to get concessions from employees by offering to match permanent pay and benefit concessions. The legislature should eliminate PAT's monopoly status in Allegheny County so other service providers can operate in areas underserved by PAT. Finally, Harrisburg must take away the transit workers' right to strike. That power is a major cause of the financial mess and will continue to plague the system if not removed.

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

Jake Haulk, Ph.D., President

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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>
