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Will the State Act on Allegheny County's Mass Transit Situation?

The wolf is sitting on the doorstep at the Port Authority of Allegheny County (PAT). A little over six months from now the agency will be staring into the abyss of a $64 million budget shortfall for the fiscal year beginning July 1, 2012. According to PAT's Executive Director, the budget shortfall will necessitate a 35 percent slash in service. Such a massive paring back of service will produce hardships for many transit users and possibly impact the County's economy.

PAT's financial woes and their causes have been documented and discussed in several previous *Policy Briefs*. In short, the legacy costs of retiree benefits along with very high compensation for current employees and stifling work rules are pushing expenditures higher despite dramatic service cuts that have already been made over the past few years.

There appears to be virtually no chance the Legislature and Governor are prepared to raise the state's funding for PAT by $64 million. And that is an entirely reasonable position given the profligacy at PAT over the years that has brought the agency to its current dreadful situation. More to the point, in the face of another round of massive layoffs, why are the unions not stepping up to offer compensation and work rules concessions that could lower the projected 500 to 600 job cuts? And how unfortunate it is, from a public relations perspective, that 2012 is the year the North Shore Connector (which is far above the estimated cost) is scheduled to go into operation. There will be additional expenditures that are unlikely to be covered by added fare box revenues.

All that notwithstanding, the Commonwealth, having created PAT and fostered and encouraged the use of public transportation by County residents for decades, has some obligation to help soften the impact on transit users and the County's economy that will arise from the projected massive cuts in service.

There are steps the state can take if it can muster the will to tackle the problem and the protectors of PAT's unions will recognize the need for dramatic remedial changes.

In approaching remedial steps, the state's focus must be on the transit users and not PAT and its employees. Thus, the guiding principle will be to maintain as much service as possible from whatever sources to Allegheny County residents. There must be an effort to deal with the near term as well as the longer term problems.

First, the Senate needs to pass the bill already approved by the House that strips PAT of its monopoly power over transit in Allegheny County. That will allow transit agencies from surrounding counties to begin offering service in Allegheny County without having to wait for approval from PAT. Likewise, private, appropriately licensed companies having approval of the Public Utilities Commission would be eligible to begin bus service in areas where PAT is paring back service. To facilitate the entry of new service providers and make their entry more economically attractive, the state should require PAT to lease buses taken out of service because of service reductions to the private companies or regional transit agencies for one dollar per year. Further, the state should require PAT to permit new entrant service providers open access to the busways and other facilities that enhance the delivery of bus service.

In order to make the transition to the new service providing regime as simple and stress free as possible, the state should appoint a coordinator to work with PAT and prospective new providers to create a rational pattern of routes and to avoid as much duplication as possible. Clearly, time is of the essence with July only six months away. As July gets close and no state action has been taken to dampen the impact of PAT's planned service cuts, the greater will be the external and internal pressure on the Legislature to find additional funding to forestall the massive cutbacks PAT says will be forthcoming.

To help lessen the level of service reductions, the state could make a one-time only offer for the 2012-2013 fiscal year to provide an additional dollar of funding above last year's allocation for each dollar of compensation concessions the union and non-union employees and retirees agree to make. Obviously, such a step is unlikely to eliminate the projected $64 million shortfall but could lower the number of routes that would need to be eliminated. Thus, the Legislature must move ahead with a bill to remove the PAT monopoly and require PAT to lease buses to regional transit agencies and qualified private carriers for one dollar per year.

Granted these steps will not solve all the impending problems facing PAT and its riders in 2012 and 2013. But they will lay the foundation for moving toward a viable transit system in the future.

As for the future, it must be recognized that with its retiree legacy costs PAT is not a financially viable entity without ever increasing state subsidies to pay people who are not providing any service, a solution the Governor and Legislature are almost certainly not willing to perpetuate. It is incumbent on the state to enact the reforms necessary to put an end to the annual anguish over what to do about PAT.

The first and obvious step is to remove the right to strike for transit workers. That right has undoubtedly been a primary cause of the authority's current predicament. Extraordinary compensation and benefit levels, along with efficiency limiting work rules, are largely traceable to the power to threaten a system shut down through a strike. Any move to restore the authority to financial health will inevitably run head long into the power of the unions who will insist on compensation and benefit restoration as things improve. And with the right to strike available, they have a much greater chance of succeeding with their demands.

Second, downsizing alone, including layoffs and reducing expenditures for active employees will not fix the legacy cost problem. Indeed, it will only increase the share of the budget going to pay legacy costs. So, unless the taxpayers are willing to cover those expenditures forever, there has to be another solution. In the private sector, a company with the financial condition faced by PAT would be a candidate for bankruptcy. Just as we have seen this week with American Airlines and earlier by several other airlines, bankruptcy protection is the only way to survive. However, in Pennsylvania, authorities are not allowed to file bankruptcy so that option is not open unless the state amends the statute governing PAT to permit it to file bankruptcy and spell out the conditions under which that can occur.

Finally, the state should appoint an oversight board similar to an Act 47 or ICA team with the powers and authority to steer PAT back to health or to figure out a way to phase out the organization's operations using bankruptcy and/or asset sales to cover the legacy costs and remaining debts.

Eventually, PAT could be reconstituted as an entity that would contract out all services to regional agencies or private carriers passing on any state subsidy to the contractors on a per passenger mile of service basis.

One thing is certain, if there is to be mass transit service at a reasonable cost in Allegheny County, PAT in its current form cannot be expected to be the provider.

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