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Three (Big) Cheers for the Port Authority

Congratulations are in order for the management of the Port Authority of Allegheny County (PAT). They have taken a bold and significant step toward making the operations of PAT more efficient and cost-effective.

Their proposal for the next contract with PAT drivers and mechanics (commencing July 1) calls for changes that have become common in public sector union contracts in recent years, specifically, higher employee payments toward pension and health care costs. The proposal also includes a two-year wage freeze for the first two years of the contract.

But there is much more: the authority plans to move bus operations toward a more competitive model by outsourcing 20 percent of its bus service and vehicle maintenance to the private sector.

This is a radical idea in Pittsburgh. But it is not one without experience in other parts of the country. As we detailed in a previous *Policy Brief (Volume 5, Number 16)*, the Denver Regional Transportation District has contracted out a portion of its non-rail mass transit service since 1988. Recent amendments to the state law that created the outsourcing arrangement raised the level of bus service provided by qualified private carriers to 50 percent.

Under Denver's arrangement, the District owns the buses, solicits bids, and determines routes while leaving driving and maintenance to contractors. The savings are substantial. Operating costs per vehicle hour were lower, as were hourly wages for contracted drivers and mechanics. In addition, the wage progression for District personnel was much more rapid than for contractors. Based on recent numbers, the District is saving at least \$30 million per year due to the contracting program and that number will rise over time.

A similar plan could bring down costs in the PAT system. As our report on PAT operations pointed out, bus passenger trips per hour are lower than comparable systems while per-passenger expenses are higher. When costs at PAT were put alongside systems in 20 other cities--including New York, Atlanta, and Detroit--average hourly wages for drivers, operation costs and driver wages per-passenger trip were well out of line. The average hourly driver wage of \$21.25 for PAT was \$3.50 more than the city average of \$17.74. Operations cost per passenger trip were \$3.51, more than fifty cents above the transit system average.

Closer to home, our research on mass transit service in southwestern Pennsylvania shows that PAT driver wages are far higher than those of the Beaver County Transit Authority (\$10.59), the Mid-Mon Valley Transit Authority (\$12.77), and the Westmoreland County Transit Authority (\$13). There is no average hourly wage among these authorities that even approaches the \$21.21 for PAT. The Mid-Mon Valley and Westmoreland County authorities do not directly operate their buses. Instead, they contract out service to private operators.

But don't expect the contract proposal to be embraced by the membership of the Amalgamated Transit Union. Their leadership has already been quoted as saying that the contacting proposal is tantamount to "asking the [union] to give away our work". Apparently, the union does not understand that it is not their work to give away.

The Port Authority is a creation of the state, funded by public dollars and the fares of paying customers. It is a monopoly provider of mass transportation in its service area. By the same token, the Amalgamated Transit Union has a monopoly in providing certain labor services to PAT. It is quite understandable that the leadership of the union is unfamiliar with how markets work, or else they choose to believe competition and scarcity do not apply to them.

The jobs and the "work" do not belong to the union and therefore they cannot "give" them away. Rather the work belongs to PAT and it is up to them to determine how they will get it done. If privatizing a portion of bus service will better serve the public and the taxpayers, PAT is obligated to move ahead with such a program.

PAT's union can keep wages and benefits well above those of other systems only as long as Pennsylvania taxpayers are willing to maintain massive, unnecessarily high subsidies. Only the taxpayers and fare payers can create transit work through ridership and tax dollars that fund payrolls and benefits. Thus, in the final analysis they are the real owners of the work.

It is time for Harrisburg to insist on a better deal for taxpayers. And it is time for the Amalgamated Transit Union to recognize that their monopoly hold on public transit is no longer affordable.

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