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**The Extravagant Cost of PAT Operations**

This week, the Governor's Commission on Transportation Reform is convening in Pittsburgh. While there will be a lot of pressure on the Commission to devise a plan to increase mass transit funding, much of the scheduled testimony will be on competitive contracting of transit services. That is an appropriate topic, albeit one whose best chance to be implemented in Pennsylvania may have been lost for some time to come.

PAT's management had pushed hard for a provision in its contract negotiations that would allow contracting out 20 percent of the system's bus operations to lower costs. Clearly there was some sense of urgency about expenditures, particularly driver wages, or the topic would not have been raised in the first place. With the help of the Governor, the contract impasse was settled, a strike was avoided, and contracting out routes was specifically precluded in the new contract. As a result, the Authority still faces a large deficit and will depend on more special subsidies from the state. And we are to believe that the Authority has suddenly become efficient?

It is obvious that cost savings are critical. And although PAT management was seeking to cut labor costs through outsourcing, they apparently still do not fully grasp how expensive their operations really are.

For example, PAT recently measured its cost effectiveness by selecting seven peer agencies that are similar in size. But that does not mean that they selected an appropriate sample. Comparing the Authority to agencies in St. Louis, Buffalo, and Cleveland gets a geographic balance of similarly sized and heavily unionized organizations, but it does not serve to push PAT toward greater cost-effectiveness. PAT used the method employed by Pittsburgh and its school district of picking weak performers to make themselves compare more favorably. Then too, including San Jose in the peer group--where cost of living is substantially higher than the rest of the country--only serves to raise the average "peer group" costs relative to PAT.

PAT chose to use cost per passenger mile to compare system effectiveness. But there are alternative ways to look at cost effectiveness. We prefer to look at the cost per passenger trip and will broaden the peer group to ten by dropping San Jose and adding Philadelphia, Miami, Atlanta and Charlotte to the original group of St. Louis, Minneapolis, Cleveland, Baltimore, Buffalo, and Portland, Oregon. All comparisons use 2003 data, the latest available.

For bus operations, PAT's operator wage per passenger trip is \$0.97. That's the highest of the ten other agencies, including Cleveland (\$0.91), Buffalo (\$0.88), and St. Louis (\$0.95). It is also well above Atlanta (\$0.70), Philadelphia (\$0.55), and Miami (\$0.80). The wage per platform hour at \$21.26 likewise tops the list of ten bus systems, which averages just \$17.70. No other agency came within a dollar of PAT's hourly wage.

Fringe benefits provided to PAT employees are quite high. On a per trip basis, PAT's \$0.98 is near the top of the list. PAT's total cost per trip of \$3.51 was the highest among the peer group.

Comparing PAT to cities with similar trips per hour and miles per trip further refutes the claim of cost effectiveness at PAT. An average trip length for a Port Authority bus is 4.5 miles and the number of bus trips per hour of operation is 25.03. Two agencies that fall in the same ranges are the Met in Minneapolis (4.23 miles, 28.65) and CATS in Charlotte (4.56 miles, 24.47). It is therefore instructive to examine these two agencies in more detail.

These two systems have nearly 20 percent lower operator wages per trip than PAT. Minneapolis has a wage per trip rate of \$0.84, while Charlotte's is still lower at \$0.79 per trip. On an hourly basis, PAT's drivers are getting a higher wage than both systems, with Minneapolis at \$20.19 and Charlotte at \$15.52. On fringe benefits, while Minneapolis approaches PAT's per trip benefits (\$0.94 per trip), Charlotte is nearly half of both (\$0.51). As a percentage of wages and salaries, fringe benefits at PAT account for 51 percent. That percentage is much lower at CATS, where it is 39 percent.

There is an even bigger discrepancy between what the FTA calls "other wages and salaries" between PAT and the systems in Minneapolis and Charlotte. On a per trip basis, PAT racked up \$0.93 in this category. The Met falls in at \$0.65 per trip, while Charlotte is only \$0.53 per trip. Looking at the total costs (wages, salaries, fringes, and other) per unlinked trip, PAT's \$3.51 is well above Minneapolis (\$2.89) and Charlotte (\$2.77).

To make matters worse for PAT, the operating costs for the light rail system are much higher than its peer groups. Even PAT recognizes this shortcoming. Also recall that these numbers are 2003 data--PAT's operating budget has gone up from \$243 million in 2003 to \$319 million in 2006. That's an increase of \$76 million, or 31 percent.

**Sample from National Transit Database  
BUS OPERATIONS**

Agency	Operator Wages per trip	Other Wages/Salaries per trip	Fringe per trip	Other per trip	Total per trip	Average Trip Length	Trips per hour	Platform wage per hour
<i>PAT</i>	<i>\$0.97</i>	<i>\$0.93</i>	<i>\$0.98</i>	<i>\$0.63</i>	<i>\$3.51</i>	<i>4.55</i>	<i>25.03</i>	<i>\$21.26</i>
Minn	\$0.84	\$0.65	\$0.94	\$0.48	\$2.89	4.23	28.65	\$20.19
Charlotte	\$0.79	\$0.53	\$0.51	\$0.97	\$2.77	4.56	24.47	\$15.52
Philly	\$0.55	\$0.64	\$0.82	\$0.44	\$2.20	2.73	41.34	\$18.79
Baltimore	\$0.55	\$0.57	\$0.75	\$0.55	\$2.29	3.19	41.58	\$17.94
Atlanta	\$0.70	\$0.60	\$0.64	\$0.59	\$2.41	3.32	28.33	\$16.43
Portland	\$0.71	\$0.49	\$0.83	\$0.57	\$2.58	3.57	30.67	\$19.46
Miami	\$0.80	\$0.87	\$0.70	\$0.96	\$3.32	4.33	28.00	\$16.62
Cleveland	\$0.91	\$0.84	\$0.88	\$0.69	\$3.32	3.88	23.80	\$18.66
St. Louis	\$0.95	\$0.72	\$0.98	\$0.85	\$3.50	3.99	21.55	\$17.22
Buffalo	\$0.88	\$0.53	\$1.08	\$0.80	\$3.26	3.22	21.02	\$16.20
<b>Average w/o PAT</b>	<b>\$0.77</b>	<b>\$0.64</b>	<b>\$0.81</b>	<b>\$0.69</b>	<b>\$2.85</b>	<b>3.70</b>	<b>28.94</b>	<b>\$17.70</b>

In the first *Policy Brief* of 2005, we wrote that the General Assembly needed to consider whether PAT was doing enough to improve its operations, such as outsourcing low passenger routes to private carriers who could use smaller, more fuel efficient vehicles to lower costs, eliminating or cutting back runs with extremely low ridership, and holding the line on excessive overtime and overly generous compensation packages.

Over a year later, what do we have? A new and generous three-year contract that precludes outsourcing and guarantees raises for drivers whose adjusted hourly wages are much better than drivers at other agencies, and the possibility that another financial crisis is on the horizon. In fact, published reports state that the Authority will face a \$45 million shortfall at the conclusion of the current fiscal year. That could have been a lot smaller had the PAT board and management held firm during negotiations.

Obviously, PAT has a very long way to go to be considered cost effective. Unfortunately, opportunities to make meaningful improvements have been bargained away. So, we can look for increasingly strident cries for more state funding along with renewed threats to raise fares and cut service. Meanwhile, money that ought to be used to shore up the state's ailing bridges is being diverted to cover the excessive costs of the Port Authority.

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**Jake Haulk, Ph.D. President**

**Eric Montarti, Policy Analyst**

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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: <a href="mailto:aipp@alleghenyinstitute.org">aipp@alleghenyinstitute.org</a></p>
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