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The Transportation Report: Road Map to PAT Solvency?

The initial shock from the November 13 release of the Governor's Transportation Funding and Review Commission (TFRC) report still lingers. To fix the state's roads, bridges, and adequately fund public transit, the TFRC has recommended increases in taxes on gasoline and real estate transfers along with boosts in motorist fees. Moreover, the report recommends local governments be given the power to raise taxes on sales, earned income, and real estate transfers to provide local matches for state funding.

In all, the recommendations add up to an annual increase of $1 billion for roads and $820 million for transit, a $1.8 billion combined price tag. If suggested cost savings and reforms are enacted—$120 million at PENNDOT and $60 million for transit—the net new spending is closer to $1.65 billion per year.

We have argued repeatedly that simply providing more revenue to transit is not the way to go and will not be effective. We've seen what happens firsthand with the experience of the City of Pittsburgh. To wit, delivering more money without fundamental changes to the expenditure side of the equation only postpones the inevitable spending cuts that must happen.

The TFRC recommendations have significance for taxpayers, riders, and public transit officials: All want to know, can PAT be transformed? There is a long way to go because, as the TFRC audit findings show, PAT is so far out of line with its peer agencies across the nation and others serving the Commonwealth that very large and serious changes are in order.

For instance, the TFRC's audit confirmed that, adjusted for cost of living, the average PAT driver wage ($20.50) was higher than Minneapolis ($16.16), Atlanta ($16.04), and even Philadelphia ($16.01). The average wage per hour of sixty transit agencies surveyed by the TFRC was $14.20, meaning the PAT driver wage purchasing power is 44 percent higher than other drivers around the country. When this fact was pointed out by the Institute two years ago *(Policy Brief Volume 5, Number 1),* there was a chorus of protests from PAT personnel and some members of the local media that PAT driver wages "aren't that bad". In addition, the report indicates that retiree medical costs have escalated sharply and show no signs of subsiding.

Two other interesting report findings on PAT operations: (1) PAT's ridership per revenue hour was 23. That's not even half SEPTA's 52 per revenue hour and lower than that of River Valley Transit (26 per revenue hour), a Class 3 transit service operating in Williamsport and (2), its operating subsidy per passenger ($3.07) was double SEPTA's subsidy of $1.49.

If PAT management believes the TFRC revenue suggestions are sound, then their operational and cost findings must carry weight as well. Thus the report's findings are, in effect, a mandate for PAT management to immediately cut little used routes and concentrate on areas that have the population density to make service viable.

With that in mind, here are the specific TFRC recommendations designed to help PAT:

- *Review Fare Policy on a Regular Basis*—PAT would have to look at fares every two years to make sure that they are keeping pace with inflation. Fare increases keep riders focused on PAT costs and ensure that farebox recovery is accounting for a significant share of operating revenues.
- *Evaluate Competitive Contracting Opportunities via Procurement Process*—Though management had the opportunity to move 20 percent of operations to the private sector, the intervention of elected officials prevented it. PAT would be required to look at contracting opportunities every four years. Any workforce reductions would be done through attrition instead of layoffs.
- *Reduce Relatively High PAT Labor Costs*—Any hope of recovery or the ability to face future fiscal years without talk of service cuts has to hinge on getting the workforce to agree to concessions soon or to avoid future contracts with generous packages.
- *Prohibit Benefit Double-Dipping*—This would prevent an employee from getting pension benefits while simultaneously collecting workers' compensation.
- *Eliminate Supervisory Conflict*—PAT has the interesting arrangement where first line supervisors are members of the same union representing union employees.

Though these recommendations are somewhat useful, the TFRC fell short on several fronts. One, there was no recognition of the extremely unbalanced power the transit union has in contract negotiations through its power to strike and massively inconvenience riders and disrupt businesses. Second, though we have been told that the situation is a "crisis"—a situation no doubt aided and abetted by PAT's approval of a deliberately unbalanced budget in hopes the TFRC would come up with funding—there is no time frame conveying a sense of urgency. The recommendations for reform are too open-ended. A statement such as "cut 10 percent of bus operations by January 1, 2008" would force immediate actions. Third, the recommendation to move pensions and health benefits to a statewide pool does nothing to address the overly generous employee and retiree benefit packages that must be dealt with—and soon.

It is possible that PAT, a monopoly mass transit provider in Allegheny County, could become a more cost-effective organization if it begins to shed non-performing assets and avoids engaging in boondoggles in the future, enacts serious wage and benefit changes, and starts outsourcing operations. It has to do it, and the General Assembly, if it is willing to go further than the TFRC suggestions, might mandate some meaningful cost side reforms.

Briefly stated, a plan that depends on more revenue to solve problems while not attacking huge spending and operational efficiency problems is simply neither viable nor desirable from the taxpayers' viewpoint.

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