

POLICY BRIEF
An electronic publication of
The Allegheny Institute for Public Policy

July 26, 2007

Volume 7, Number 39

Legislature Has Unfinished Port Authority Business

The Port Authority (PAT) has received an undeserved gift—additional state funds to cover a projected budget shortfall this fiscal year. Indeed, the worst part of the latest bailout is that it eliminates any pressure on the transit union to re-open the existing contract or make any substantial concessions. PAT now has no leverage to force a renegotiation of the current contract. Meanwhile, PAT union leaders can point to another example of how their friends in Harrisburg can be counted on to deliver funds that prevent the need to make concessions. All this means that coming to grips with difficult underlying problems has been put off indefinitely. As a result tens of millions of tax dollars will be spent wastefully every year to shore up PAT's costly inefficiency.

It is important to understand that financial problems at PAT stem from two primary sources; (1) inefficient service delivery, i.e., not enough passengers per trip and, (2) excessive compensation packages including high hourly wages and enormously generous medical benefits for retirees. Even as state taxpayers pour more money into PAT, nothing is being done to address seriously the root problems at the Authority.

A recent report from the Allegheny County Controller provides yet another verification of the Allegheny Institute's findings regarding PAT's inefficiency and costliness compared to other transit systems around the country. The Controller's report found that "the Port Authority significantly underperforms when compared to other transit agencies in comparable cities." PAT was found to be inefficient in terms of passengers per trip, with the report stating that, "it should require 46% fewer buses to deliver the same service."

The Controller says cutting waste and inefficiencies should be given priority while also remarking that salaries at the Port Authority were out of line when compared to the benchmark agencies. He further noted "that pension obligations present a considerable challenge to the Authority's future financial viability if not addressed immediately."

In light of the Institute's findings, the Governor's Task Force conclusions and now the Controller's study, it should be more than clear to all that dramatic changes are called for at PAT. Some can be initiated by the Authority itself, but many need to be imposed by state legislation. Upon its return from the summer recess, the General Assembly should

begin a series of substantive legislative actions to overhaul mass transit in Allegheny County in a way that produces better, more efficient and far less costly service.

First, revise the law that created and now governs PAT by removing its state granted monopoly status as mass transit provider in Allegheny County. The most important reform needed to force PAT to become more efficient and less expensive is to introduce competition. Private vendors as well as public transit agencies in surrounding counties with their much lower cost structure could begin offering service on routes PAT has abandoned or cannot economically justify operating.

Second, impose a hiring freeze. As employees leave through attrition or retirement, they must not be replaced. After a short period of time, enough slots will have opened up for PAT to contract with private carriers to operate routes. That avoids the federal regulation of having to pay six years severance to employees who would be laid off in order to create privatization opportunities. Over time, a significant share of service would be delivered by private operators as is being done in Denver.

Third, outlaw strikes by employees at public transit agencies, including those working for any carrier under contract with PAT to deliver service. This bargaining chip creates a preposterous imbalance of power in contract negotiations in favor of the union. Shutting down a vital public service can be extremely harmful to the area's economy and a severe hardship on those who depend on public transportation to get to work or medical appointments. This should not be allowed to happen at a state franchised and funded monopoly provider.

Fourth, enact the already proposed legislation to have the state appoint at least four of the nine PAT Board members. As long as the state is going to provide the bulk of operating funds for the Authority, there needs to be some oversight on behalf of state taxpayers. Obviously, this will not guarantee better governance but it might preclude some of the ridiculous decisions made in recent years such as the North Shore Connector and moving the headquarters into expensive Downtown office space.

Overall, the Legislature must recognize that long term problems at PAT cannot be solved forever by cutting service and laying off workers simply because it is the only tool available to the Board. There must be fundamental structural changes in the cost structure at PAT along with substantial efficiency improvements, including the use of smaller feeder buses, and contracting out large numbers of routes. The details can be worked out by management but the Legislature needs to set quantifiable goals for the Authority and hold it accountable as a condition of receiving state aid.

Interestingly, and a point not commented on by most observers, the recently enacted transportation bill contains a stipulation for the "evaluation of private investment opportunities." It requires any transit agency receiving state money to "undertake a study to evaluate the feasibility of utilizing partnerships with private service providers and financial partners as a method to operate and finance new or existing service."

Clearly, the Legislature has already recognized the need to explore outsourcing opportunities. It now needs to take the next step and make outsourcing a requirement. Competitive contracting has been successful in a number of American cities—most notably Denver—and it can work in Allegheny County under state mandate that brooks no foot dragging or implacable union obstruction.

It is incumbent upon the Governor and General Assembly to work toward real solutions to the financial and operational problems at the Port Authority. The depth of the problems are known, they have been studied ad nauseam. One thing is abundantly clear; the status quo or something akin to the status quo will not answer. It is both unreasonable and unconscionable for the Legislature to keep taking taxpayer money to subsidize a transit system that is a grotesque failure notwithstanding its recent halting steps to fix itself.

Jake Haulk, Ph.D. President

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

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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>
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