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PAT Costs Still Out of Line With Other Bus Systems

The Port Authority and the Amalgamated Transit Union are currently negotiating a new labor contract. These negotiations are being conducted against the backdrop of the County Chief Executive's demand that the union make substantial concessions on retiree benefits backed by a threat to withhold the County's matching funds required to receive state transit funding. In other words, the Port Authority is facing a serious crisis if the union maintains its public stance of being totally intransigent with respect to concessions.

What is the cost situation at the Port Authority? A comparison with other systems is quite revealing. Incorporating the most recent data from the National Transit Database (2006), the table below shows the operating expense per passenger bus trip for twenty major cities, including Pittsburgh.

City	Operating Expense per Passenger Trip	City	Operating Expense per Passenger Trip	City	Operating Expense per Passenger Trip
Pittsburgh	$4.30	Denver	$3.39	Cleveland	$2.84
Kansas City	4.19	Louisville	3.34	Chicago	2.77
Columbus	4.15	Charlotte	3.26	Milwaukee	2.62
Miami	3.79	Minneapolis	3.23	Philadelphia	2.53
Dallas	3.66	Houston	3.04	Atlanta	2.36
Nashville	3.58	Baltimore	2.94	Los Angeles	2.09
Indianapolis	3.47	Cincinnati	2.88	*Average*	*$3.22*

The table shows the Port Authority (PAT) to have the highest operating expense per passenger trip in this group of major transit systems. PAT's expense level is not only well above the sample average of $3.22, but much higher than systems in Baltimore, Charlotte, and Cleveland. In 2001, PAT's total expenditures per passenger trip were $3.01 and thus have grown nearly 43 percent over the period 2001 to 2006. In contrast, the growth rates in Baltimore (33 percent) and Charlotte (31 percent) were slower while the operating expense per trip in Cleveland (-21 percent) has actually fallen since 2001.

High costs and inefficiencies at PAT have been noted in previous *Policy Briefs* and by the Governor's Transportation Task Force. Under pressure, the transit agency has made some efforts to bring expenses under control. As noted in the 2007 audit, released last summer, service was reduced by 15 percent and 203 employees were laid off in June 2007. However, the impact of these changes will not be fully known until the FY 2008 audit is available later this year. The problem is that even though some service cuts and employee layoffs have been made, there is much more to be done and the new contract negotiations represent a good opportunity to make headway.

The Port Authority's fiscal 2007 audit shows total operating expenses rising from $258.1 million in 2004 to $350 million in 2007—an increase of nearly $100 million or 35 percent in just three years. Some of the increase is obviously due to rising fuel costs— materials and supplies, of which fuel costs are a major part, have risen by nearly $11 million over four years. But the largest components of total operating expense are the salaries and benefits of transit agency workers. It's in this area where PAT needs to make the most changes, especially in employee benefits. Employee Benefits payments have risen from $70.8 million in 2004 to $103.1 million in 2007—an increase of 45.6 percent. No other expense category has risen as quickly. In fact, wages have only increased by 2.1 percent rising from $137.8 million to $140.7 million over four years, apparently due in part to tighter control of overtime.

A new line item expense called "Other Post Employment Benefits" was added to the audit analysis in 2007. The 2007 amount stood at $39.3 million pointing to the very severe problem of providing generous benefits to employees after they leave PAT's employ. This new category, "Other Post Employment Benefits" will surely expand rapidly in the future as the number of PAT retirees continues to rise relative to the number of active employees.

National data shows the Port Authority to be expensive when compared to other systems. PAT's own data shows employee benefits to be spiraling. Notwithstanding past efforts to reduce service and employees, much work remains to be done for PAT to reverse these trends. The first problems to be tackled are employee benefits and legacy costs that simply must be reduced to a more reasonable level. Hard-pressed state and local taxpayers should not have to subsidize the overly generous benefits of transit and other public sector workers.

Why is it that taxpayers are always being asked to tighten their belts, but the same is not required of transit workers at the Port Authority? Furthermore, it is a sad reflection on the state of the monopoly control over mass transit and the power of the unions that the only solution to the Authority's woes is to cut service. Taxpayers and transit users deserve better. Their elected representatives have let them down by allowing transit strikes and not removing the Port Authority's monopoly control of transit in Allegheny County. Both can be fixed with a little political will to do the people's business in a way that begins to consider the interests of taxpayers and the users of the transit service and not merely acquiesce to transit union pressure.

Meanwhile, major reductions in costs at the Port Authority are long overdue. The current contract negotiations provide an opportunity to make some important changes. Unfortunately, the situation is unlikely to be resolved without major inconvenience being inflicted on the County's population and business community.

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