

# ***POLICY BRIEF***

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## **Amalgamated Transit's Outlandish Sense of Entitlement**

Costliness, inefficiency and waste have been hallmarks of the Port Authority (PAT) for a long time. Poor management and grandiose planning with little concern for the taxpayers who fund the system have played key roles in the financial debacle that has developed in recent years. In turn, much of PAT's dysfunction arose from the fact that the agency has a monopoly lock on public transportation in Allegheny County.

Working in close tandem with monopoly management, the agency's principal union, Local 85 Amalgamated Transit, has used its own monopoly status as provider of labor to PAT to gain a compensation and benefits package that has to be the envy of every working person in the country—except perhaps Pittsburgh's firefighters. The pay and benefit bundle includes the nation leading driver wages (adjusted for cost of living), premium package health care benefits for retirees, and extraordinarily generous retirement eligibility.

Beyond the compensation and benefits, Amalgamated Transit has also obtained work rules for their benefit that hamper the ability of management to operate efficiently. Perhaps the most egregious intrusion on management is the limit on the number of small buses PAT can use to provide service. As a result, many large empty buses run through neighborhoods that could be better served by small buses and a feeder system to light rail or busways.

In light of the obvious power the union wields in dealing with PAT management, it was not a surprise to read the following statement from the union president as he commented on the current contract negotiations in which demands for ending retiree health care are a central element of management's position. Quoting here, "I've got a guy who's 46 years old with 25 years of service who can retire with a full pension. He's young, he's got kids in school, he needs his family health insurance and he doesn't want another job. If he stays his insurance is in jeopardy."

It is instructive to evaluate this statement at some length. First, as the president says, 46 is young. Excluding the military, since when has 46 been considered retirement age? This is especially true when retirement at 46 comes with full pension benefits. Under current retirement rules at PAT, the worker in question would receive 2.25 percent of the greater of either, (1) his highest average annual compensation for the last 16 quarters of employment or (2) average of the highest four years of pay during the last eight years of

employment, multiplied by years and months of service. In this case, the person would receive 56.25 percent of his highest pay. If the employee had been able to get overtime to boost his pay well above the normal annual pay, that would raise his highest pay for retirement purposes.

Further, the employee in retirement will receive an additional \$500 per month from PAT until age 62, that's another \$6,000 per year. Moreover, his top of the line health care package will be paid for by PAT for the rest of his life. Premiums for such a policy could run well over \$10,000 a year. And given recent trends in health care costs, the premiums paid by PAT will undoubtedly escalate to much higher levels in the years ahead. But, the retiree does not have to worry, that's for PAT and the taxpayers to worry about.

In his second point, the union president says the employee does not want to lose his health care benefits and that if he stays on the job his insurance is in jeopardy. What he actually means is the employee does not want to lose his PAT paid retiree benefits if a new contract eliminates health care for retirees. It is inconceivable that a new contract would take away health care for active employees. So, if the person in question continues to work, he will continue to receive generous health care coverage for himself and his family. There are very few private sector employees or, for that matter other government employees, who can look forward to the type of health care coverage retired Amalgamated Transit union members are entitled to.

Finally, the union president says the employee does not want another job. Given the great pay and benefits package why would he—or any worker with those benefits—want to give up his or her job and take another?

The irony in this situation is that the union president cannot see how preposterous it is to be asking the public to have sympathy for someone who has the opportunities and lucrative options of the 46 year old PAT employee. Very few private sector workers will ever have the opportunity to retire at 46 with full pension benefits, an extra payment of \$6,000 annually until they reach 62 and lifetime health care coverage.

If he takes retirement with those goodies, he still has 20 years of normal working life ahead of him with never having to worry whether he will be able to meet his family's health care needs and with a guaranteed annual income in excess of \$30,000. Another job could easily net \$40,000 with perhaps some additional further retirement savings and a chance to build a greater Social Security retirement income as well. He can focus on finding a job with high current pay and not have to worry about health care benefits. A far cry from the average person with a family looking for a job.

When a union president uses this example to illustrate the plight of his members, he is displaying a union entitlement mentality that beggars the imagination. This mindset has been seen before in several private sector industries, but union members in those industries have paid an enormous price in terms of lost jobs as a result of their entitlement mindset and intransigence.

The Port Authority simply must reduce its legacy costs, now and in the future, and it cannot begin to do that without eliminating health care for retirees and changing the work rules to give itself the kind of management flexibility it needs to become effective and efficient on a continuous basis. And since the union will fight strenuously and perhaps successfully to maintain its lucrative benefits, the only real solution is for the legislature to remove PAT's monopoly and let competition for transit service back into Allegheny County. Then the union will face some real bargaining constraints that might force them to lower expectations and about what their entitlements are in the real world that most workers face.

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