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A Golden but Fleeting Outsourcing Opportunity for PAT

The threat by 231 Port Authority (PAT) employees to retire early and take the current lucrative health care benefits retirees receive in addition to their full pensions—and the \$500 per month supplement through age 62—has handed PAT’s board and management a wonderful opportunity to launch a major outsourcing program. They must immediately and unambiguously indicate that the retirees will not be replaced with call backs or new hires. Rather, those jobs will be outsourced by hiring private vendors or other regional transit agencies to cover bus routes the 231 retirees would have been able to cover.

This opportunity is unique and must be seized now for several reasons. First, under federal transit law mass transit agencies that have received federal assistance in building their systems—of which PAT is certainly one—are not allowed to cut their work force and replace those laid off with outsourced service providers. If a transit agency does lay off workers and replace them, the agency must find the workers jobs with equal compensation and benefits or pay them six years’ severance. Therein lies the primary reason that outsourcing at the nation’s major transit agencies is very rare, Denver being a notable exception.

At the same time, however, if the agency’s employee count is reduced through attrition, i.e., voluntary separations, the transit agency is allowed to replace the departed workers with outsourced service providers. The loss of 231 positions, almost a tenth of the active workforce, will create an opportunity to find a large number of routes that can be outsourced to private companies or local regional transit agencies. Of course PAT will have to do some reassigning of drivers to free up routes to be put out for bids, but that can be done.

The main point here is that if PAT replaces the retirees—whatever the actual number turns out to be—it will have to wait for a long time before another opportunity of this size presents itself.

A second major reason for announcing an outsourcing plan now is to produce a salutary effect on current labor negotiations by letting the union know there are options PAT management can take if there are mass retirements.

And third, the commencement of an outsourcing program, even if small at first, will lay the ground work for a major push over time to outsource a substantial share of PAT's bus service. In light of the nation topping cost structure at PAT and its inefficiency in service delivery, every available opportunity to cut into current compensation costs as well as to create a truly competitive environment wherein participants must continually strive to get better and become more cost effective can only redound to the benefit of Allegheny County and western Pennsylvania. Taxpayers all around the state who are so handsomely subsidizing PAT currently will welcome the cost reductions as well.

For this plan to work, PAT must grab the chance to take a history making step immediately. This kind of opportunity will not come along very often, if ever again.

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