

# **POLICY BRIEF**

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## **PAT Bus Service Still Has the Highest Employee Costs in the Nation**

As a backdrop to Port Authority (PAT) labor negotiations it is useful to remember how costly bus service is in Allegheny County. In 2007, the latest year of available Federal Transit Administration data, PAT's employee cost per passenger bus trip was the highest in the country. A comparison with 18 major systems shows PAT's total employee cost per trip of \$3.45 topping the list. Moreover, adjusted for cost-of-living differences—using Pittsburgh as the base metro area for comparison—PAT employee costs at \$3.45 per trip are much higher (64 percent) than the average cost in the 18 systems.

Only Buffalo's bus system at \$3.29 comes close to PAT. Most of the 18 bus systems had costs well under \$3 per trip with Denver's \$2.24 figure representing the mid-range of the adjusted employee costs per trip. Several large systems, including Baltimore, Washington, D.C., Boston, Philadelphia, and Chicago had per trip costs under \$2. To be fair, bear in mind those systems benefit from very large passenger counts that lower per ride costs.

At the same time, however, many systems comparable to or smaller than PAT also had much lower per trip costs. San Diego at \$1.43, Cincinnati at \$2.22, Cleveland at \$2.52, Atlanta at \$2.17, and Charlotte at \$2.55 all had significantly lower per trip costs than Pittsburgh. The other cities in the sample—Miami, San Francisco, Los Angeles, Kansas City, Columbus, and Dallas—also enjoy lower cost per bus trip, ranging from \$0.98 in Los Angeles (the largest system in terms of ridership) to \$3.12 in Columbus, the smallest system.

There are simple, straightforward reasons for the Port Authority's nation topping employee costs per ride. First, PAT's driver wage rate is 23 percent above the 18 systems' average cost-of-living adjusted wage and is the highest of the 18 cities. Second, cost-of-living adjusted fringe benefit costs per trip (\$1.46) at PAT are 80 percent above the 18 system average. Only Buffalo had a greater fringe benefit cost per trip, and by a small margin. In the majority of cases, the fringe cost gap is extremely wide between other systems and PAT. As examples, the per trip cost in Charlotte was \$0.71, Miami, \$0.53, Baltimore, \$0.67, Denver, \$0.80, Cincinnati, \$0.74 and Philadelphia, \$0.76. Of these, Philadelphia has the advantage of very large ridership numbers but the others are smaller or comparably sized to PAT. Simply put, the enormous fringe benefit burden at

PAT is a major factor in their ongoing unfavorable cost comparisons with the other bus systems.

Unfortunately, the four-year contract recently agreed to by the union will do little in the near term to reduce the employee per passenger trip cost and PAT's ranking as having the nation's highest such costs is not likely to change. This means that bigger state subsidies, fare hikes and possible service reductions might have to be used to keep the Authority solvent. Wages will go up in four guaranteed steps, the estimated health care cost savings for retirees is minimal compared to the size of the problem and is actually unpredictable in the sense that no one can say for sure what will happen to the rate of premium increases.

Moreover, PAT management bargained away its most powerful tool for bringing sanity to the wage and benefit compensation package being received by the union workers. There will be no outsourcing or competitive bidding of routes, there will be no change in the number of small buses PAT can use to create more efficient, flexible and cost effective service. So any real possibilities of significant service improvements and lower costs have been forfeited. The defenders of the contract will say it is better than it would have been if we had just continued with the terms of the old contract. Maybe. That remains to be seen. After all, the contract is up for renegotiation in four years, exactly the same time the grace period ends for those eligible to retire with full benefits under the eligibility rule of 25 years of service that continues in effect.

The Executive Director of the Port Authority said the agreement provided a competitive wage and benefit package. One must wonder just who he thinks PAT is competing with to attract drivers. After all, the current \$23 per hour or so drivers make—slated to go to \$26 over the next four years—is well above the average \$14.74 bus driver wage being paid in Pennsylvania. And, it is reasonable to surmise the other bus drivers around the state are not getting anywhere near the level of benefits PAT drivers get.

Moreover, the \$23 per hour looks very good compared to the \$18 per hour earned by tractor-trailer truck drivers. So the assertion that the agreement is “competitive” begs the question: Competitive with whom? Sloppy language is often used to cover up or divert attention away from the real story. The real story is that taxpayers and PAT riders must continue paying for an overly expensive transit system with low efficiency and no management options to do much about financial problems other than cutting routes and service to save money. Pitiful.

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## Appendix: Data Tables

### Employee Costs per Passenger Trip

	<b>Adjusted</b>
Port Authority	\$3.45
Buffalo	\$3.29
Columbus	\$3.12
Kansas City	\$3.01
Dallas	\$2.83
Charlotte	\$2.55
Washington, D.C.	\$1.80
Cleveland	\$2.52
Miami	\$2.04
Denver	\$2.24
Boston	\$1.69
Philadelphia	\$1.74
Chicago	\$1.84
Atlanta	\$2.17
Cincinnati	\$2.22
Baltimore	\$1.60
San Diego	\$1.43
San Francisco	\$0.94
Los Angeles	\$0.98

### Fringe Benefits per Passenger Trip

	<b>Adjusted</b>
Port Authority	\$1.46
Buffalo	\$1.67
Columbus	\$1.22
Kansas City	\$1.09
Dallas	\$0.92
Charlotte	\$0.71
Washington, D.C.	\$0.64
Cleveland	\$0.87
Miami	\$0.53
Denver	\$0.80
Boston	\$0.73
Philadelphia	\$0.76
Chicago	\$0.98
Atlanta	\$0.92
Cincinnati	\$0.74
Baltimore	\$0.67
San Diego	\$0.60
San Francisco	\$0.37
Los Angeles	\$0.41