Cascade Commentary

Cascade Policy Institute

May 2003 No. 2003-15

Can we afford TriMet?

Summary

TriMet wants to increase its regional payroll tax, which helps fund general operations. However, a recent three-year contracting out experiment demonstrates that TriMet services cost taxpayers and riders more than necessary. By contracting out, we could get more transit service with no tax increase, or the TriMet tax could be cut—giving the area economy a boast—and current service levels maintained.

Word count: 787

By Michael L. Barton, Ph.D.

Prior to last fall, I could make a phone call and my mother would get picked up at noon by a van at the Sunset Transit Center near Portland and be dropped off at my house to visit her three grandchildren. She would be returned to the Transit Center for her trip home in the late afternoon. This service was part of TriMet's Cedar Mill Shuttle program.

Now, though a version of the shuttle service continues to operate, such a trip is no longer available. In September 2002, TriMet took over the operation from the private operator that had provided the service for three years. The result of this government takeover was an 18 percent increase in expense and an approximate 50 percent reduction in service hours. This story provides an unusually clear opportunity to assess just how much it costs taxpayers for the privilege of having transit services provided by TriMet.

"TriMet took over the operation from the private operator that had provided the service for three years. The result…an 18 percent increase in expense and an approximate 50 percent reduction in service hours."

For reasons never quite spelled out, TriMet doesn't provide bus service in the Cedar Mill area even though the area falls within its service region. In 1999 TriMet contracted with Sassy Cab Co. for an experimental service whereby Sassy deployed two vans to provide door-to-door service between riders' homes and other points in Cedar Mill or the Sunset Transit Station. The contract had to be limited to three years to win the approval of TriMet's labor union. Sassy received $12,700 a month and provided service throughout the Cedar Mill region for 14 hours a day, five days a week.

Riders paid the regular TriMet fare. Most were commuters getting rides to the transit station in the morning and back home after work.

Tim O'Connor, one of Sassy's owners, described the deal as a money-maker for the company though by no means a windfall. Sassy employed two drivers who made $2,400 a month and serviced 120-140 passengers a day.

When TriMet took over the service it deployed two vans and provided its own two drivers. TriMet's expenses increased from $12,700 to $15,000 a month and service was immediately cut from 14 hours per day to seven. Currently, service is available only during the morning and evening commutes, from 6:00 a.m. to 9:00 a.m. and 3:00 p.m. to 7:00 p.m. Mom is out of luck.

813 SW Alder Street, Suite 450
Portland, Oregon 97205
(503) 242-0900
www.cascadepolicy.org

-more-

Of course, most shuttle users were not like my mother. According to public affairs officer Kerry Ayres-Palanuk, even with fewer hours of service TriMet provides about the same number of total rides in this fast growing area as Sassy previously provided. What is stunning is the overhead costs of TriMet's service. Sassy's 14-hour coverage involved 24 driver-hours per day; TriMet's seven hour coverage requires 14 driver-hours. Comparing costs and hours we see that Sassy Cab Co. was getting $24.42 per driver-hour, and it made a profit. TriMet's service is costing $49.45 per driver-hour, and the agency doesn't even come close to breaking even.

TriMet still describes the Cedar Mill Shuttle as an experiment. According to a November 2002 *Oregonian* article, late in the spring of 2003 TriMet will "start analyzing costs, revenues and ridership to see if the shuttle service approaches the usual fare box return of about 20 percent of expenses." That's not a misprint. What the government agency aspires to achieve is for every $1 a rider pays the trip should cost no more than $5.

The largest single source of revenue for TriMet is the regional payroll tax. The agency expects to receive $170 million in Fiscal Year 2003-04 from the tax, accounting for 36 percent of all general fund revenues. TriMet currently seeks to raise that tax from $6.22 per $1,000 of payroll to $7.22 per $1,000. At any time, but especially in this weak economy, it would make more sense to contract out services rather than increase taxes.

The bloated cost structure at TriMet ought to be as much a concern for those who advocate more transit as for those seeking less government. We could have nearly twice the service now available with no increase in taxes, if contracted out services can be provided at half of TriMet's cost. And mom could have her regular trips back. Conversely, we could cut the tax rate—thereby providing a badly needed stimulus to the local economy—and maintain current service levels by contracting out TriMet operations.

When TriMet was formed in 1969, government transit supporters argued that one large public agency would be more efficient than several smaller private ones, because it could avoid duplicating services and would not have to pay taxes or dividends. Now that we know TriMet's labor costs are double the market rate, it's clear that the original vision never materialized. We should re-assess whether we can really afford the high cost of monopoly transit.

Michael L. Barton, Ph.D., is an academic advisor to Cascade Policy Institute, a Portland, Oregon think tank.

"Comparing costs and hours we see that Sassy Cab Co. was getting $24.42 per driver-hour, and it made a profit. TriMet's service is costing $49.45 per driver-hour, and the agency doesn't even come close to breaking even."

Attention editors and producers

Please contact:

Kurt T. Weber
Vice President
Cascade Policy Institute
813 SW Alder Street, Suite 450
Portland, Oregon 97205

Phone: (503) 242-0900
Fax: (503) 242-3822

www.cascadepolicy.org
kurt@cascadepolicy.org