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APRIL 1, 2010

TO: BOARD OF DIRECTORS

THROUGH: ARTHUR T. LEAHY *AL*
CHIEF EXECUTIVE OFFICER

FROM: LONNIE MITCHELL *LM*
INTERIM CHIEF OPERATIONS OFFICER

SUBJECT: HISTORICAL LABOR COSTS AND INFLATION

ISSUE

In February 2010, staff presented a history of transit in Los Angeles that provided some time series data on productivity, service levels, fares and trends in costs and revenues. Staff observed that inflation adjusted costs are increasing at a greater rate than inflation adjusted revenues, and in order to eliminate the shortfall that results from these trends staff noted that cost growth must be curtailed and/or additional revenues obtained. During Board discussion we were asked to look at labor costs as an element of cost control. This report documents recent trends in MTA's labor costs compared with inflation.

DISCUSSION

Staff reviewed National Transit Database reports submitted by MTA from FY1994 (the first year that detailed categorical labor costs were reported under this program) forward. Wages, fringe benefits and labor hours were reported in several expense categories such as Vehicle Operations, Vehicle Maintenance, and Non-Vehicle Maintenance. These costs were presented by mode; however, no material differences in trends were seen in the modal data. Therefore, trends were plotted for all modes combined as shown in Chart 1.

According to the chart, costs per labor hour have generally grown at a rate below inflation over the past 15 years. This has contributed to reducing the magnitude of current funding shortfalls.

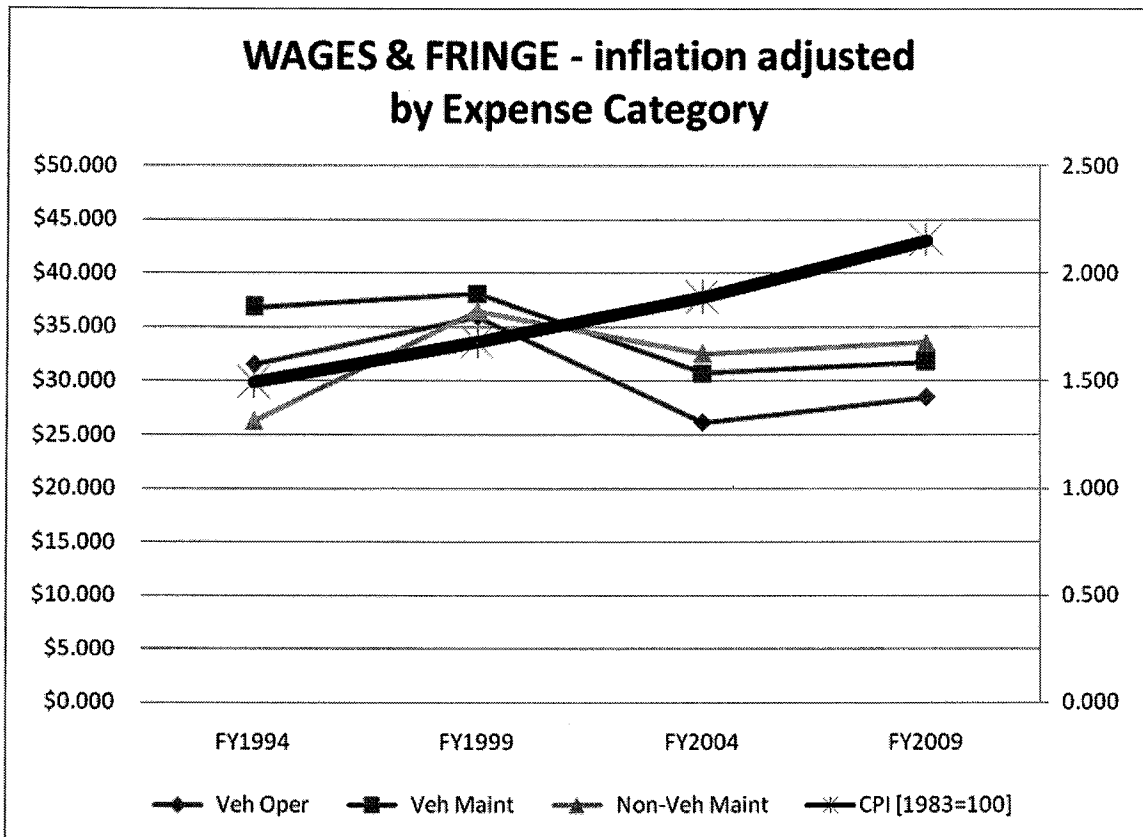


Chart 1 – Trends in Labor Costs Compared With Inflation FY1994-FY2009

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