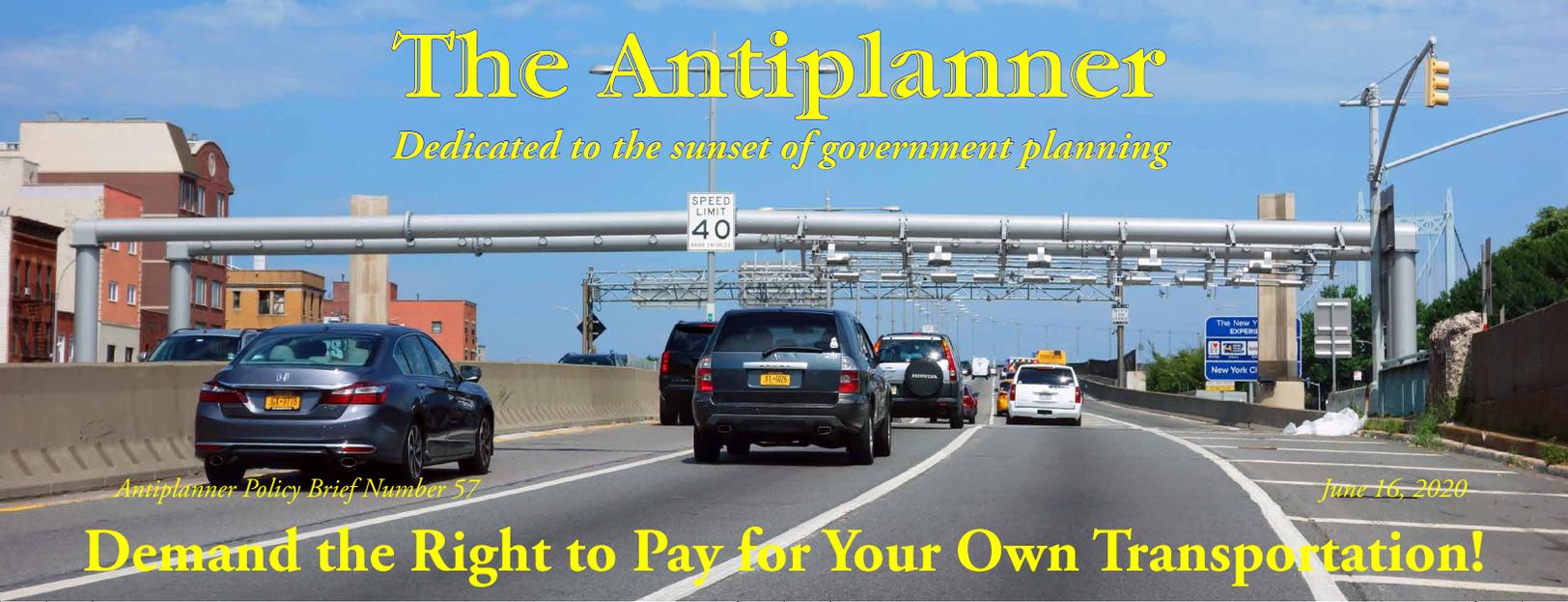


The Antiplanner

Dedicated to the sunset of government planning



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Demand the Right to Pay for Your Own Transportation!

Sixty years ago, America had the finest transportation system in the world, and it was almost all unsubsidized. Congress had subsidized the construction of some railroads, but that included only about 7 percent of the nation's rail mileage. Congress had also subsidized the construction of some airports, but by 1960 that was near an end. Most of America's highways had been built and maintained out of highway user fees such as gasoline taxes and tolls. The nation's transit systems were mostly private and even the public ones funded their operating costs and many of their capital costs exclusively out of transit fares.

That began to change in the 1960s. In 1964, Congress promised capital grants to cities and states that took over transit companies. Most of the government-owned transit agencies also used tax dollars to cover part of their operating costs. In 1970, Congress took over the nation's intercity passenger trains and subsidies to Amtrak exceeded \$1 billion a year. In 1981, Congress began diverting highway user fees to pay for transit. This led to such a political demand for those funds that, in 1998, Congress gave up on the idea that expenditures out of the highway transit fund should be limited to user fees paid into that fund. Today, Congress is transferring \$10 billion per year of general funds into the highway trust fund to keep the money flowing without raising gas taxes.

Almost all transportation is now subsidized, and the existence of those subsidies has been used as an excuse to increase subsidies even more. The results have been an unmitigated disaster. No longer does the United States have the finest transportation system in the world; instead, much of its infrastructure is in poor shape and new construction has failed to keep up with increased demand. Instead of being responsive to users, transportation dollars have been spent based on fads and the whims of Congress and other legislators.

It's time for transportation users to take the system back from the politicians. It's time to demand the right to pay for your own transportation. That may mean paying more in user fees, but it will also mean paying less taxes and that the user fees we do pay are spent where they are

needed, and not where some politician thinks they will do the most good for his or her political future.

An Accounting of Subsidies

In 2018, the federal, state, and local governments provided about \$62 billion in subsidies to highways (including everything from city streets to interstates). Those highways produced about [5.3 trillion passenger-miles](#) of travel including cars, light trucks, motorcycles, and buses. They also produced about 2.0 trillion ton-miles of freight. The Bureau of Economic Analysis' [National Income and Product Accounts](#), table 2.5.5, indicates that Americans spent about \$1.2 trillion buying, operating, and insuring their automobiles, which works out to 25.6 cents per passenger-mile. Shipping cost [18.8 cents](#) per ton-mile. Apportioned to passenger and freight according to their cost, the subsidies work out to about 1 cent per passenger-mile and 0.7 cents per ton-mile.

The 2018 [National Transit Database](#) indicates that transit agencies spent \$48.6 billion on transit operations and \$21.5 billion on transit capital costs, collecting just \$15.9 billion in fares. This means federal, state, and local taxpayers provided about \$54.7 billion in subsidies to transit. Transit carried 53.8 billion passenger-miles for an average subsidy of \$1.01 per passenger-mile. Note that subsidies to transit were almost as great as subsidies to highways even though transit carried only about 1 percent as many passenger-miles and 0 percent as many ton-miles of freight as highways.

Airline subsidies are not yet available for 2018, but in 2017 governments collected [\\$37.1 billion](#) in ticket taxes and landing fees and spent \$43.0 billion on airports and air traffic control, for a net subsidy of \$5.9 billion. The airlines carried [694 billion passenger miles](#) in 2017, for a subsidy of less than a penny per passenger mile.

Amtrak's September 2018 [monthly performance report](#) (which is also Amtrak's unaudited fiscal-year financial report) indicates that Amtrak spent \$3.4 billion, of which \$2.3 billion were covered by passenger ticket fares and food & beverage purchases. Amtrak carried 6.7 bil-

lion passenger miles, for an average subsidy of 17 cents per passenger mile. Amtrak subsidies vary greatly from year to year, depending on Congressional funding for capital projects, and in some years are as much as 30 cents per passenger mile. While total airline subsidies may be around five times greater than Amtrak subsidies, airlines carry a hundred times as many passenger miles.

Advocates of subsidies for transit and Amtrak focus on the total subsidies to highways and airlines without noting that much greater volume of work accomplished by those modes. “Highways received \$62 billion in subsidies while transit only received \$54 billion,” they may say, or “airlines and highways received \$66 billion in subsidies while Amtrak only got \$1.1 billion.”

Subsidy advocates also conflate expenses paid out of user fees with subsidies. A [recent proposal](#) to spend hundreds of billions of dollars on high-speed rail complained that “while robust funding mechanisms exist to build highways and airports, no trust fund nor formula funding exists” for Amtrak or high-speed rail. But those robust highway and airport funding mechanisms are user fees. Amtrak and transit fares can also be spent on capital improvements, except that they don’t even cover operating costs, much less capital costs.

Subsidy advocates also argue that everyone in American needs to have equal access to a full range of transportation modes. In essence, they are saying that people can move to any remote part of the country and then expect taxpayers to pay so that they have the same telecommunications, transportation, delivery, and other services they would get if they were living in the middle of a major city. Apparently, since New York City has a subway and the high-speed Acela, the three residents of [Hillsview, South Dakota](#), the two residents of [Friedenswald, Missouri](#), and the one resident of [Hobart Bay, Alaska](#) also deserve a subway and high-speed rail line. While even subsidy advocates may agree that those are ridiculous examples, it isn’t clear where they draw the line between sensible and insensible subsidies or if they even draw one.

Why Highways Shouldn’t Be Subsidized

State highways have mostly been paid for out of user fees. This means most highway subsidies are at the city and county level, as most cities and counties don’t have a dedicated gas tax or other user fees. In [policy brief 40](#), I calculated that state highway subsidies in 2018 averaged 0.3 cents per vehicle-mile (0.2 cents per passenger-mile) while local highway subsidies averaged 4.4 cents per vehicle-mile (2.6 cents per passenger-mile).

Property taxes are a major source of these subsidies and some people argue that they aren’t really a subsidy because roads enhance the value of properties that they serve. Even if true, it looks like a subsidy to many and, unlike a true user fee, there’s no clear correlation between the amount of taxes property owners pay and the actual benefits they get from the roads.



Highway congestion has increased enormously in recent decades mainly because diversions of highway funds and subsidies to roads have weakened the links between users and highway agencies. Photo by Minesweeper.

The real problem with relying on property taxes or other general government revenues to pay for roads is that the funds will be allocated by politicians. Those politicians see greater political benefit from building glitzy new projects than from maintaining existing infrastructure. For example, streets are the most valuable asset owned by the city of Portland, yet those streets are in [terrible shape](#) because the Portland city council would rather spend transportation dollars building new streetcar lines than maintaining the streets.

For this reason, infrastructure that is paid for out of user fees tends to receive better maintenance than infrastructure that is paid for out of tax dollars. For example, in 2019 10 percent of city- and county-owned bridges were in [poor condition](#), but only 5 percent of state-owned bridges and only 2 percent of tolled bridges were in poor shape.

Many politicians are fond of saying that “you can’t build your way out of congestion.” That’s certainly true when highway user fees are diverted to non-highway uses and the taxes that are spent on roads are directed by politicians who focus on major projects like the Big Dig rather than things that will actually relieve congestion. But it makes no sense with a fair system of user fees. There is no way that Verizon or AT&T, for example, would stop expanding their cell phone networks because they didn’t think they would be able to keep up with demand. In fact, increasing demand is a sign of success, not failure.

Perhaps the biggest argument against highway subsidies is that their very existence is used to justify subsidies to transit, Amtrak, and other transportation boondoggles. The transit industry in particular has used this argument to spin their subsidies upwards even as transit ridership declines, with few noting that transit subsidies per passenger mile are now more than 100 times greater than subsidies to roads.

Why Transit Shouldn't Be Subsidized

Urban transit made sense in 1900 when most jobs were downtown, most housing was in dense neighborhoods, and the only alternative for most people was walking. New York City still has large numbers of downtown jobs and dense residential neighborhoods, but in other American urban areas downtowns contain an average of less than 8 percent of jobs, residential areas are much lower in density, and more than 90 percent of households have at least one car. In such areas, the standard model of urban transit—running large vehicles on fixed routes throughout the day—makes no sense.



Politicians love to fund expensive megaprojects. Yet when Los Angeles builds light rail, it consistently loses at least five bus riders for every light-rail rider gained. Photo by Pi.1415926535.

Congressional passage of the Urban Mass Transportation Act of 1964 led to a rapid government takeover of transit systems across the country. Since then, transit agencies have promised to restore transit to its former glory if only they get enough money; if only they build glamorous-enough rail projects; if only they subsidize enough high-density developments along transit lines to make cities look like they did a hundred years ago.

None of this has worked. In 1960, when transit was mostly private, it carried an average of 75 trips per urban resident per year. Since then, federal, state, and local governments have spent at least \$1.4 trillion subsidizing transit, yet by 2019 trips per urban resident had fallen to just 38. Per capita transit ridership has even fallen in regions such as the San Francisco urban area, which made a conscious effort to increase densities and push more jobs downtown.

Today, with 78 percent of transit funds coming from subsidies, what politicians want is more important than what transit users need. One of transit's problems is the same as for highways: politically directed funds tend to go for highly visible new projects rather than maintenance of old ones. As a result, cities build new rail transit lines even as existing lines suffer from a [\\$100-billion maintenance backlog](#).

Politically directed funds can also end up sacrificing

transit riders in order to benefit contractors and the politicians they support. As pointed out in a [past policy brief](#), Los Angeles' two big rail construction periods, 1986 to 1996 and 2006 to the present, cost it five to seven bus riders for every rail rider gain, while bus ridership grew when rail construction mostly paused between 1996 and 2006. Similarly, despite—or because of—spending billions building extensive rail systems, per capita ridership in both Atlanta and the San Francisco Bay Area have dramatically declined.

A more subtle problem is that transit agencies seeking to maximize their tax base will tax as large a geographic area as possible, but then to justify such taxes the agencies are compelled to provide service throughout that entire area. In some cases, they have cut service to dense inner-city neighborhoods where ridership was high in order to extend service to suburbs that have three cars in every garage.

Why Airlines Shouldn't Be Subsidized

When discussing airline subsidies, one that is often mentioned are the government bailouts after 9-11, the financial crisis, and the COVID-19 pandemic. But those are loans and, at least for those before 2020, have all been repaid with interest.

Another oft-mentioned subsidy is the [Essential Air Service](#) program, which subsidized airlines to serve [110 small communities](#) in the contiguous 48 states, [two](#) in Hawaii, and about [60](#) in Alaska. This program has been [justifiably criticized](#) because many of the planes it subsidizes run nearly empty. However, this subsidy is only about [\\$300 million a year](#), or roughly 5 percent of total airline subsidies.



Though airline subsidies are low, Alaska Airlines did receive a [\\$500,000 federal grant](#) to paint a salmon on this 737. Supposedly that was a subsidy to the Alaska Fisheries Marketing Board. Alaska Airlines photo.

The main subsidies come from city and regional taxpayers paying for airport construction and services, usually through airport or port districts. This isn't because air travelers are unwilling to pay the costs. Indeed, ticket fees supposed aimed at paying such costs typically add 20 to 30 percent of the price of an airline ticket.

Instead, the problem is that, under the ironically

named [Airport Development Acceleration Act](#) of 1973, airports weren't allowed to cover their costs by charging passenger fees. Instead, the federal government collects such fees and then doles them out to the airports.

For political reasons, the money isn't proportionately distributed according to how many passengers each airport serves. Instead, according to a [Heritage Foundation report](#), the nation's 30 largest airports generate 73 percent of the fees but get only 18 percent of the revenues. The next-30 largest airports generate 15 percent of fees but get 9 percent of revenues. The remaining smaller airports get 73 percent of the revenues even though they generate only 12 percent of the fees. In other words, the federal government is cross-subsidizing minor airports with fees collected from travelers to major airports.

As a result, some of the nation's largest airports must rely on property taxes or other taxes to cover their capital and operating costs. The problem is made even worse when some airports spend their share of federal fees frivolously such as by subsidizing light-rail lines that serve the airports. Ending the federal government's role as a middle-man and allowing airports to charge their own fees would make air travel much more efficient.

Why Amtrak Shouldn't Be Subsidized

In 1958, as Interstate Commerce Commission [report](#) showed that, no matter how it was calculated, passenger trains lost money. The report predicted that the railroads would be out of the passenger business by 1970. The report was almost right because in 1970 Congress created Amtrak, which took the passenger business off of the railroads' hands in 1971.



The average Amtrak trip was less than 200 miles long in 2019. Even without subsidies, buses could do the same work at lower fares. Photo by Ray Miller.

Why did Congress create Amtrak when airlines, buses, and cars provided the same service faster, at lower cost, or both? The answer is that many passenger-train advocates refused to believe that passenger trains lost money. Instead, as presented in a book titled *To Hell in a Day Coach*, the railroads were deliberately trying to get rid of passenger trains even though they made a profit because freight

trains were even more profitable and passenger trains got in their way. As transportation economist George Hilton pointed out in a [scathing review](#) of the book, this was ridiculous because in the 1960s the railroads had “enormous excess capacity,” and would have been glad to run any train that covered its basic operating costs.

One person who believed Lyon rather than Hilton was an attorney named Anthony Haswell. He founded the National Association of Railroad Passengers, which asked Congress to take over passenger trains. Congress ignored this idea until the Penn Central bankruptcy, which some rail executives blamed on the high cost of passenger trains. In fact, though the money-losing trains didn't help, Penn Central went bankrupt due to [mismanagement](#). But Congress dusted off Haswell's proposal and approved it within a few months of the bankruptcy.

Haswell was convinced the new company would make money. Three decades later, he [admitted](#) that Amtrak was a “boondoggle” and said that he was “personally embarrassed by what I helped create.” If Haswell hadn't believed the myth of passenger train profitability, if Penn Central hadn't gone bankrupt, if railroad executives hadn't blamed that bankruptcy on money-losing passenger trains, Congress never would have created Amtrak.

Although Amtrak claims that it makes money in the Northeast Corridor, this is before counting depreciation. The purpose of depreciation is to insure that enough funds are set aside for capital replacement as the existing infrastructure wears out. Amtrak hasn't done such replacement, with the result that the corridor has a [\\$45 billion](#) state-of-good-repair backlog. Amtrak's long-distance trains lost nearly [\\$500 million](#) in 2019 before counting depreciation, and most of them operate with equipment that is past its expected lifespan. That leaves Amtrak's state-supported day trains, which collectively lose about \$300 million a year before counting depreciation.

Since 2006, the United States has seen a resurgence in intercity bus service. Intercity buses probably carry two to three times as many passenger miles as Amtrak, and in some markets they are faster, more frequent, and charge lower fares than Amtrak despite getting minimal subsidies. This business could expand even faster if it didn't have to compete against subsidized Amtrak trains.

What If Subsidies Are Removed

Ending subsidies will affect both the supply of and demand for various kinds of transportation. For highways, the results will depend on what replaces the subsidies. Will transportation agencies be allowed to charge enough user fees to cover their costs, or will they be restricted by politicians to collect a fixed cents per gallon and limited tolls?

If highway agencies are allowed to run roads like a business, there will be an increased supply of roads and reduced congestion. Ideally, the end to subsidies could be combined with a transition to mileage-based user fees, which would allow all road owners—federal, state, coun-

ty, city, private—to charge for the use of their roads. This in turn could greatly reduce maintenance backlogs. Users will pay more, especially for local roads, but the reduction in congestion and maintenance improvements could make up for that extra cost, resulting in increased overall mobility.

Funding highways out of user fees, rather than tax dollars, would make highway agencies much more responsive to users. The idea that “we can’t build our way out of congestion” would be thrown out; if users are willing to pay the cost, agencies will provide the roads. Since state, county, and city roads often compete directly against one another, even government-owned highway agencies will face competitive pressures to keep costs low and highways in good condition.

Ending transit subsidies would effectively turn transit over to the private sector or any public agencies willing to operated without subsidies. The latter is not impossible; when Britain privatized its bus systems in 1986, several former bus agencies became private companies. In any case, without subsidies transit service would probably be maintained or even increased in dense major cities but would decline in low-density suburbs and small cities.

Private transit already operates successfully in some areas. For example, as many as 19 different companies offer [private bus service](#) in Bergen, Hudson, and Passaic counties in northern New Jersey. The buses often follow routes used by New Jersey Transit, which loses \$4 a ride on its bus system. The private buses are priced competitively with New Jersey Transit fares and, during most hours of the day, operate much more frequently than New Jersey Transit.

Such private competition with public buses is illegal in much of the country, or it would probably be much more common. Such laws are circumvented by “[Google buses](#),” that is, buses run by Google, Apple, Microsoft, Facebook, and other high-tech companies for their employees in the [Seattle](#) area, the [San Francisco Bay Area](#), and other cities. Since the cost of these buses is paid for by the employers, rather than by charging bus fares, anticompetition laws don’t apply. The very existence of these buses demonstrates the failure of traditional transit agencies and shows that eliminating transit subsidies won’t end transit.

Other than anticompetition laws, the barriers to entry in starting urban bus services are low. Legalizing private bus transit throughout the country would see a period of innovation as private operators experimented with different sizes of buses, different routes, different spacings between bus stops, and different on-board amenities. This could lead to a complete reinvention of transit, improving service for many people, especially those living in denser cities.

Ending the Essential Air Service program and cross-subsidies of fees collected from large airports to smaller ones would probably lead to an end to commercial air service to some smaller airports. Major airports would

	Share of Highway Fees Diverted to Non-Highway Programs		
	Gas Taxes	Vehicle Fees	Tolls
Alabama	7.7%	5.3%	
Alaska	0.0%	0.0%	0.4%
Arizona	17.9%	17.9%	
Arkansas	6.6%	6.7%	
California	16.0%	14.0%	51.2%
Colorado	11.2%	10.7%	0.0%
Connecticut	63.7%	63.7%	0.0%
Delaware	13.8%	13.8%	2.3%
Dist. of Col.	58.6%	53.9%	
Florida	26.4%	26.7%	14.5%
Georgia	14.6%	3.0%	33.4%
Hawaii	8.0%	7.7%	
Idaho	8.1%	7.8%	
Illinois	29.5%	30.9%	0.0%
Indiana	3.1%	3.1%	
Iowa	3.7%	3.6%	
Kansas	66.8%	66.1%	0.0%
Kentucky	13.8%	13.3%	
Louisiana	11.0%	11.0%	1.4%
Maine	11.0%	11.9%	0.0%
Maryland	66.0%	64.8%	0.0%
Massachusetts	77.7%	77.7%	0.0%
Michigan	9.9%	8.9%	11.9%
Minnesota	83.3%	79.6%	
Mississippi	10.8%	10.9%	
Missouri	1.2%	1.2%	
Montana	48.1%	48.1%	
Nebraska	3.2%	2.7%	
Nevada	2.3%	2.3%	0.0%
New Hampshire	10.0%	10.2%	0.0%
New Jersey	39.0%	39.0%	10.1%
New Mexico	28.0%	28.0%	
New York	38.8%	37.8%	8.7%
North Carolina	10.2%	10.2%	61.4%
North Dakota	10.0%	9.2%	
Ohio	3.3%	3.0%	15.5%
Oklahoma	70.1%	67.2%	0.0%
Oregon	8.7%	6.8%	
Pennsylvania	31.9%	31.9%	28.9%
Rhode Island	47.8%	41.6%	0.0%
South Carolina	11.2%	11.2%	32.8%
South Dakota	10.0%	2.6%	
Tennessee	19.7%	19.3%	0.0%
Texas	64.3%	65.0%	0.2%
Utah	5.0%	5.1%	0.0%
Vermont	37.9%	37.9%	0.0%
Virginia	23.4%	19.8%	8.8%
Washington	5.0%	4.6%	2.4%
West Virginia	0.4%	0.4%	0.0%
Wisconsin	13.2%	13.2%	
Wyoming	26.9%	24.2%	
Total	25.5%	29.7%	10.5%

In 2018, Massachusetts diverted almost 78 percent of gas taxes and vehicle registration fees to other programs, while California and North Carolina diverted more than half of toll revenues to other programs. Such diversions weaken the highway system and the responsiveness of highway agencies to user needs. Blanks in the tolls column mean no state tollroads in those states. Source: 2018 Highway Statistics, [table SDF](#).

be unaffected as ending the cross-subsidies would bring them a windfall that would offset the decline in local tax subsidies to those airports.

Without subsidies, Amtrak will disappear along with most intercity passenger trains. The Northeast Corridor's maintenance backlog is so great that no private operator would be willing to spend the money needed to bring the route up to a state of good repair. A few particularly segments of Amtrak's long-distance train network might survive with cruise trains like Canada's [Rocky Mountaineer](#), but not as a daily service.

Most state-supported trains use the tracks of private freight railroads that don't face the huge maintenance backlogs of the Northeast Corridor. This makes it possible that some of these trains could survive without federal or state subsidies. Liquidating Amtrak would put a lot of passenger cars on the market that some would purchase with the intention of starting intercity passenger service, so there would likely be several experiments. It seems unlikely that these would be sustainable in the face of competition from buses. In fact, the big change from shutting down Amtrak would be another surge of innovation in intercity bus operations.

Initiative Petition for Highways

Highways, roads, and streets carry more than 80 percent of passenger travel in the United States, and highway users would benefit from taking the initiative to end highway subsidies. Many states allow residents to circulate initiative petitions to pass laws or constitutional amendments in those states.

Such an initiative should say:

1. All highway user fees, whether gas taxes, vehicle registration fees, tolls, or mileage-based user fees, should be dedicated solely to highways, roads, and streets.

This would include excise fees on such things as tires that were created to help pay for roads but not ordinary sales taxes on vehicles or parts that are the same as sales taxes on other goods.

2. Gas taxes, vehicle-registration fees, and other non-road-specific fees must be distributed to all road owners in the state in proportion to the usage of their non-toll roads. Road-specific fees, such as tolls or mileage-based user fees, would avoid this problem but are not yet popular everywhere.
3. No other state or local taxes, whether income, property, or sales taxes, should be spent on roads.
4. The state can accept its share of federal gas taxes and other road user charges but should reject federal grants that come from general funds or deficit spending.
5. No state or local highway money can be spent reducing the capacity of existing roads unless it can be shown that those roads are not congested and the capacity won't be needed for such things as emergency evacuations in case of natural disasters.

Such a measure doesn't require any particular method of fee collection. While I prefer mileage-based user fees, some agencies might prefer to stick with gas taxes and vehicle fees, which is why point 2 is included.

The passage of such an initiative would put pressure on transit agencies to become more self-sufficient, especially in those states that currently divert gas taxes and other highway fees to transit. The initiative would also set a precedent that could be used to put Amtrak and air travel on a user-fee basis.

Randal O'Toole, the Antiplanner, is a transportation and land-use policy analysis and author of [Romance of the Rails: Why the Passenger Trains We Love Are Not the Transportation We Need](#). [Masthead photo of an electronic tollgate in New York is by Tdorante10.](#)