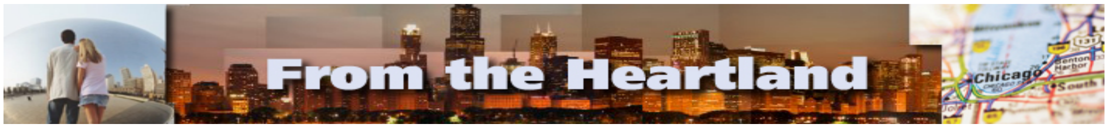

Transit: Half-A-Trillion Dollars for Nothing

By Wendell Cox

Barely a year goes by that a new transit tax is not proposed for some urban area. Regrettably, the new taxes and the many ones already in place do little beyond increase the cost of transit's current output. Over the past 35 years, transit expenditures have risen at more (per passenger mile) than the costs of medical care (based on the Consumer Price Index). If the costs of eggs had risen as much since 1970, a dozen would cost more than $6.00 today, instead of $1.00, a gallon of milk would cost over $13.00, the price of gasoline would be nearing $6.00 and an entry level car, such as a Toyota Corolla would cost more than $40,000, instead of $15,000 or less.

The expenditure increase relative to inflation now represents more than $30 billion annually, with the total excess cost bill closing in on one-half trillion dollars since 1970 ($479 billion). It is important to understand that this is not the normal increase in expenditures that would be expected due to inflation --- *it is expenditures above inflation*. This is the extent to which expenditures have risen more than justified by the costs in the economy. In a word, it is waste.

Over the same period, transportation industries have generally experienced *declining* costs. For example, airline fares per passenger mile have fallen by one-half compared to inflation --- and this includes the ticket taxes that finance construction and maintenance of airports. If airline expenditures had risen like transit expenditures, discount carrier Southwest Airlines would be charging a minimum of $550 between Los Angeles and the San Francisco Bay Area, rather than $69. Off-season discount air fares to Europe would be more than $6,000, and for millions of Americans, London would be no more familiar than the lunar Sea of Tranquility.

Similarly, the total cost of driving --- the cost of building roads, buying cars and operating them --- has declined more than 10 percent over the same period (adjusted for inflation).

The problem is that transit is a government monopoly that simply passes the bill on to taxpayers. There is no incentive to keep costs under control; indeed the principal incentives are the opposite --- to spend as much as possible for each mile of service and for each mile of new rail constructed. Things got much worse after the government takeover of transit around 1970. Before that, transit was operated by private monopolies that had their performance difficulties, but kept their costs reasonably under control.

Transit spending would be $13 billion, annually, rather than $44 billion, if its costs had been kept under control. The new money should have radically increased transit ridership, which, of course, it did not. The nation's riders and taxpayers have given transit enough money that it should be carrying more than three times as many riders today. Transit's urban market share would be more than 5 percent, instead of 1.6 percent. With school buses, this would put the market share over 6 percent, which would be competitive with Canada and some Western European nations.

For years, people who claim to be transit advocates have been claiming that more money for transit will attract large numbers of drivers out of cars and reduce traffic congestion. Of course, that has not happened, because transit has been too busy spending more on what it is doing than on providing materially higher levels of automobile competitive service.

The costliness of new rail systems has received considerable attention --- in virtually every case it would have been cheaper to lease each new commuter a new car in perpetuity. But it gets even worse. The above inflationary annual expenditures per passenger mile of transit in 2004 compared to 1970 are the equivalent of more than $30,000 per new commuter per year. That is enough to not only lease a top end Lexus or Cadillac, but leaves enough over to pay the mortgage on the median priced house *every year*.

This is not to suggest that transit spending does not provide value. Since 1970, transit has spent $400 billion to good effect, which is the amount that would have been spent if costs had not exploded. The other nearly $500 billion --- the amount by which transit expenditures have risen above the economy --- has produced nothing.

It is no wonder that transit is going nowhere but deeper in our pockets.

Available at:
http://www.fromtheheartland.org/blog/2006/07/transit_halfatrillion_dollars.php