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End the MTA monopoly

Farebox recovery is a minor issue compared to keeping the private sector out of transit

By James A. Dorn

3:37 PM EDT, April 13, 2011

The Maryland Transit Administration is a legally mandated monopoly over mass transit that politicizes pricing, caters to public employee union pressure for increased wages and benefits, and outlaws competition. It was created in 1970 when it took over the Baltimore Transit Company, a privately owned firm. Today, the MTA's costs far outpace its revenues, burdening Maryland taxpayers with a deficit of more than $600 million.

The General Assembly, in its sessions that ended this week, pushed the MTA to increase bus and MARC train fares so that they cover 35 percent of operating costs rather than the current 28 percent to 30 percent, an increase the O'Malley administration opposes. But what the MTA really needs is a dose of free enterprise.

Under the present socialized MTA, it is regional planners, politicians, unions and low-income riders determine the state of mass transit — not private entrepreneurs who must cover costs and satisfy consumer preferences, or face extinction.

At a time when the state budget is in crisis and many private-sector workers are unemployed, Maryland's transit union, which represents 77 percent of MTA workers, used binding arbitration last May to gain a four-year hike in wages of more than 11 percent, plus enhanced pensions.

Of the 6.2 percent increase the governor is calling for in the MTA's budget, the largest item is due to rising labor costs. There is little flexibility to fire union workers, and elected officials who depend on the political support of those workers have little incentive to alienate them.

With the costs of mass transit dispersed across taxpayers and the benefits concentrated on public employee union members and low-income riders, the status quo is hard to crack. Consequently, there has been no increase in bus and MARC train fares since 2003; even Soviet central planners were more flexible.

Any increase in fares would be subject to a public hearing, which would be dominated by the unions and the

Transit Riders Action Council. In considering the proposed fare hike from $1.60 for a one-way ticket to $2, Maryland Transportation Secretary Beverly Swaim-Staley argued that low-income riders have no alternative to subsidized mass transit: "We really need to be considerate of the fact that [the MTA] is their only alternative."

But that's the crux of the problem: The MTA's monopoly and cozy relationship with politicians, unions and low-income constituents prevents competition, innovation and choice. Programs like "Commuter Choice Maryland," which uses subsidies and tax credits to encourage the use of mass transit and vanpools, are no substitute for real markets, private entrepreneurs and prices that reflect demand and supply — rather than the dictates of bureaucrats spending other people's money.

There is a long history of alternatives to government monopoly in the provision of urban transit services. Privately owned and operated jitneys — small buses that charged a nickel — serviced most U.S. cities by 1915. However, streetcar companies lobbied for protection, and local government regulations eliminated most jitneys.

Today, minibuses are popular in Miami and Atlantic City, which has the oldest voluntary association of jitney drivers, dating to 1915. But the flexibility and convenience that characterize an unfettered jitney market have been narrowly limited by onerous regulations designed to protect public transit workers and the government transit monopoly rather than to serve consumers.

When the regulatory state extends its boundaries and restricts entry and experimentation under the guise of "the public interest," the market discovery process is no longer allowed to work its magic, and economic freedom is lost. In the case of jitneys, small entrepreneurs are harmed along with consumers.

A noteworthy example is what happened in Miami when a loophole in the law allowed privately owned and operated jitneys (small vans carrying 12 to 20 passengers) the liberty to serve rider preferences. In 1981, Florida passed legislation that "barred local governments from regulating intercity transportation services." That loophole was not discovered until 1989, at which time free enterprise took over. By 1991, Miami's jitneys were carrying more than 40,000 riders on a typical weekday, without requiring a penny of taxpayer money.

The Miami Herald reported that, compared to public transit, jitneys were "far superior in terms of service frequency, speed, and 'friendliness.'" But it didn't last long. Special interests lobbied for renewed control over local mass transit. Jitneys are now heavily regulated in Miami and elsewhere, depriving consumers of the benefits of free choice in transit.

Maryland should not let entrenched interests dictate transportation policy. Success in the private sector is always a threat to public-sector monopolies, whether in education, mail delivery or mass transit. The governor and General Assembly should investigate free-market alternatives, rather than tinker with subsidized pricing while retaining the MTA's (and transit union's) monopoly power.

There are too many empty seats on MTA buses (even with large subsidies), long waiting times, high labor and fuel costs, and added congestion. Allowing private-sector competition would improve efficiency and save taxpayers money. Some rules would be necessary to ensure public safety, but pricing and routes should be market-driven. If unions drove up costs of MTA buses, the demand for jitneys would increase — unless government subsidies became even larger.

The choice is clear: Face continued deficits under the MTA, or allow free enterprise to enlarge consumer choice — and reduce taxes.

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