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EDWARDS & DEHAVEN: Privatize transportation spending

Cutting out the feds can save money, improve efficiency

By Chris Edwards and Tad DeHaven

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After the 2008 election, President Obama promised to "go through our federal

budget - page by page, line by line - eliminating those programs we don't need." We haven't seen much of that from the president so far, but at the Cato Institute we are going page by page and finding whole agencies to abolish.

If the president ever gets serious about eliminating programs, the \$91 billion Department of Transportation would be a good place to start. The DOT should be radically chopped. America's mobile citizens would be better off for it.

Rising federal control over transportation has resulted in the political misallocation of funds, bureaucratic mismanagement and costly one-size-fits-all regulations of the states. The solution is to devolve most of DOT's activities back to state governments and the private sector. We should follow the lead of other nations that have turned to the private sector to fund their highways, airports, air traffic control and other infrastructure.

The first reform is to abolish federal highway aid to the states and related gasoline taxes. Highway aid is tilted toward states with powerful politicians, not necessarily to the states that are most in need. It also often goes to boondoggle projects like Alaska's "Bridge to Nowhere." Furthermore, federal highway aid comes with costly regulations like the Davis-Bacon labor rules, which raise state highway costs.

For their part, the states should seek out private funding for their highways. Virginia is adding toll lanes on the Capitol Beltway that are partly privately financed, and Virginia is also home to the Dulles Greenway, a 14-mile private highway in operation since 1995. Ending federal subsidies would accelerate the trend toward such innovative projects.

Another DOT reform is to end subsidies to urban transit systems. Federal aid favors light rail and subways, which are much more expensive than city buses. Rail systems are sexy, but they eat up funds that could be used for more flexible and efficient bus services. Ending federal aid would prompt local governments to make more cost-effective transit decisions. There is no reason why, for example, that cities couldn't reintroduce private-sector transit, which was the norm in U.S. cities before the 1960s.

To government planners, intercity high-speed rail is even sexier than urban rail systems. The DOT is currently dishing out \$8 billion for high-speed rail projects across the country, as authorized in the 2009 stimulus bill. Most people think that the French and Japanese fast trains are cool, but they don't realize that the price tag is enormous. For us to build a nationwide system of bullet-style trains would cost up to \$1 trillion.

The truth about high-speed trains is that even in densely-populated Japan and Europe, they are money losers, while carrying few passengers compared to cars, airlines and buses. The fantasy of high-speed rail in America should be killed before it becomes a huge financial drain on our already broke government.

Through its ownership of Amtrak, the federal government also subsidizes slow trains. The government has dumped almost \$40 billion into the company since it was created in 1971. Amtrak has a poor on-time record, its infrastructure is in bad shape, and it carries only a tiny fraction of intercity passengers. Politicians prevent Amtrak from making cost-effective decisions regarding its routes, workforce policies, capital investment and other aspects of business. Amtrak should be privatized to save taxpayer money and give the firm the flexibility it needs to operate efficiently.

A final area in DOT to make budget savings is aviation. Federal aid to airports should be ended and local governments encouraged to privatize their airports and operate without subsidies. In recent decades, dozens of airports have been privatized in major cities such as Amsterdam, Auckland, Frankfurt, London, Melbourne, Sydney and Vienna.

Air traffic control (ATC) can also be privatized. The DOT's Federal Aviation Administration has a terrible record in implementing new technologies in a timely and cost-effective manner. Many nations have moved toward a commercialized ATC structure, and the results have been very positive.

Canada privatized its ATC system in 1996 in the form of a nonprofit corporation. The company, NavCanada, has a very good record on both safety and innovation. Moving to a Canadian-style ATC system would help solve the FAA's chronic management and funding problems, and allow our aviation infrastructure to meet rising aviation demand.

There are few advantages in funding transportation infrastructure from Washington, but many disadvantages. America should study the market-based transportation reforms of other countries and use the best ideas to revitalize our infrastructure while ending taxpayer subsidies.

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