

**Testimony of Randal O'Toole
Cato Institute
Before the Subcommittee on Housing, Transportation, and Community Development
Senate Committee on Banking, Housing, and Urban Affairs
June 29, 2011**

A recent report from a group called Transportation for America calculated that, by the year 2015, more than 15 million Americans above the age of 65 will have poor access to transit. The report called for more funding for transit so that these people would be able to “age in place” and still have transit access. The American Public Transportation Association and other transit-oriented groups have written similar reports.

There are two problems with this line of reasoning. First, for the vast majority of Americans outside of the New York metropolitan area, transit is practically irrelevant as a form of travel. Despite receiving the largest subsidies per passenger mile of any mode of transportation, less than 1 percent of all passenger miles traveled by American rely on transit.

Transit is even less relevant for senior citizens than for other Americans. The American Public Transportation Association says that people over 65 ride transit only 54 percent as much as the national average. By comparison, the 2009 National Household Travel Survey found that people over 65 drive 64 percent as many miles per year as the national average. This suggests that transit is an even smaller share of senior travel than the national average.

There is a good reason for this. Even at today's gasoline prices, driving is less expensive, faster, and more convenient than transit for most trips. Most of America's senior citizens have driven for most of their lives and will continue to do so as long as they are physically able. By the time they are no longer able to drive, few of them will be comfortable walking a quarter- to a half-mile to a transit stop and so they will rely on friends and relatives to transport them.

As a personal example, when my mother was 80 she had a stroke that caused the loss of most of her vision in one eye. After learning how to compensate, she passed her driver's exam

and continued to drive for five more years. She recently gave up her car due to other health reasons but relies on my father to drive her where she needs to go. Although my parents live in a central city within a tenth of a mile of frequent bus service and a half-mile of a rail transit station, they almost never used transit either before or since retiring. Of course, this is a small sample, but national data suggest my parents' attitudes are typical.

The second flaw in the reasoning behind the Transportation for America report lies in the assumption that senior citizens will "age in place." The Census Bureau says Americans move an average of nearly a dozen times in their lifetimes. We move to go to school; we move to get a job; we move to change jobs; we move to find a better place to raise our children. Few Americans, confronted with the need for one of these moves, will say, "Other taxpayers should subsidize my transportation so I won't have to move."

"Only a small percentage of American move after they reach retirement age," says Transportation for America, leading the group to argue for more transit subsidies so that more Americans can "get their wish to 'age in place.'" I suggest that, if most retirees don't move, it is because automobiles satisfy most of their transport needs. The 2009 National Household Travel Survey found that vehicles are available to 90 percent of people between 70 and 79 years and more than 82 percent of people over age 80.

It is more efficient for those who prefer to use transit to move to places with frequent transit service than to ask everyone else to provide even more subsidies to extend service for a relatively small number of transit riders. Such service extensions in the past have significantly reduced transit productivity. The American Public Transportation Association's *Fact Book* shows that the average number of riders on transit buses has declined from 12 to 9 since 1977, while the Department of Energy's *Transportation Energy Data Book* shows that the amount of energy used by transit buses to carry a passenger mile has increased by 75 percent since 1970.

A significant alternative to increased transit subsidies is to reform our transit systems so that they can provide better service to transit riders at a lower cost. One possible reform is to rely more on shared taxis, a door-to-door service that the Federal Transit Administration calls “demand responsive” transit. Currently, most transit agencies offer shared-taxi service only to disabled riders. Because the market for such service is so small, it is the most expensive form of transit, costing taxpayers more than \$3.50 per passenger mile compared with less than \$0.75 per passenger mile for other forms of transit. (For comparison, subsidies to highways and air travel each cost taxpayers about a penny a passenger mile.)

One way to reduce the cost of shared taxis would be to expand the market by offering shared-taxi service to anyone who wants it. This would increase the average number of passengers carried by shared-taxi vehicles. Companies like SuperShuttle and Coach USA offer shared-taxi rides to airports at fares per passenger mile comparable to or less than the cost of public transit (including transit subsidies), and far less than the costs of public demand-responsive services to disabled riders. But, in most American cities, the taxi industry has successfully prevented either transit agencies or private entrepreneurs from offering shared-taxi services anywhere except to and from airports.

In the 1970s, San Jose’s transit district offered shared-taxi service to the general public. This service was highly successful, but local taxi companies successfully sued, saying the transit agency was violating their franchise. The court gave the transit district a choice of buying out the taxi franchise or ceasing the shared-taxi service, and it ended the service. Not all cities have given taxi companies exclusive franchises to carry people door to door, so it should not be necessary to buy out every taxi franchise in order to run shared taxi services.

In retrospect, it would have made more sense for San Jose to buy the franchise than to do what it did instead, which was to build an expensive but little-patronized light-rail system. This,

however, is a predictable result of increasing federal subsidies to transit: in order to get as much “free” federal money as possible, cities and transit agencies choose high-cost solutions to transit rather than build efficient transit systems.

Instead of focusing on urban cores where transit demand is highest and transit-dependent customers are concentrated, the Federal Transit Administration is intent on extending transit into more and more remote areas. Under the section 5310 program, which Congress created to fund transportation for elderly and disabled people, the FTA provides transit grants for service in increasingly rural areas. In 2007, the FTA even set a target of funding transit service in 75 percent of rural counties by 2012.

Advocates of increased transit subsidies often say they just want to provide people with more options. For example, the title of the Transportation for America report is “Aging in Place, Stuck without Options.” But what good are options if few people want to use them? There are lots of alternative modes of transportation. Flying in dirigibles is an option. Cable cars are an option. Getting shot from cannons is an option. Some people might say these options sound ridiculous, but they are no more ridiculous than spending hundreds of billions of dollars subsidizing transit systems that have been declining in importance for 65 years.

The best option for transit riders in general, and seniors and disabled riders in particular, is to privatize transit. Private transit operators would provide fast, frequent service in urban cores where transit demand is high and on-demand, shared-taxi services in more remote areas.

Today, the Cato Institute is releasing a new report comparing private, intercity bus service with Amtrak. Although subsidies to Amtrak are roughly 100 times greater than subsidies to intercity buses, the intercity buses carry about three times as many passenger miles as Amtrak. In numerous corridors, including New York– Buffalo, New York–Toronto, New York–Raleigh, Washington– Richmond, Raleigh–Charlotte, Chicago–Minneapolis, and Chicago–Indianapolis to

name a few, various intercity bus companies provide faster, more frequent service than Amtrak at significantly lower fares.

Amtrak often brags that it carries more riders in the Boston-to-Washington corridor than the airlines. But Amtrak's Northeast Corridor trains also compete with more than a dozen intercity bus companies that collectively carry 50 percent more trips and passenger miles than the trains. While Amtrak fares from Washington to New York start at \$49, and Acela fares start at \$139, bus fares start at \$1.50 and rarely exceed \$25.

Intercity buses outperform Amtrak precisely because they are private. Intense competition has led bus companies to reduce fares and streamline operations. Megabus, which is owned by the same company as Coach USA, introduced yield management (flexible fares starting at \$1) to the bus industry in 2006. Companies such as Vamoose and LimoLiner offer first-class services with plenty of legroom and on-board amenities such as movies and meals. Ending subsidies to Amtrak would stimulate the extension of such services to more parts of the country.

In the same way, transit riders could greatly benefit from privatizing transit. Many elderly and disabled riders in urban cores would have more options than ever. Riders in many suburban areas could choose between commuter buses, bus-rapid transit, and shared-taxi services. And, just as people move to be closer to school, jobs, child-friendly neighborhoods, or other amenities, people in remote areas who desire transit service should be willing to move to places that are better served by transit.

Our transit model is broken. If we want transit to save energy, reduce pollution, and serve seniors and disabled riders as well as commuters, school children, and anyone else who wants to use it, we need to run transit systems like a business, not an entitlement. This can be achieved by opening up transit (and taxis) to competition from the private sector or by outright privatization.