Testimony of Randal O'Toole, Director, Thoreau Institute
Before the U.S. Senate Committee on Banking, Housing, and Urban Affairs
March 15, 2022

Chairman Brown, Ranking Member Toomey, and members of the committee; thank you for inviting me to testify. My name is Randal O'Toole, and I am a policy analyst with nearly 50 years of experience studying transportation and land-use issues. Today I'll discuss recent transit trends, the Infrastructure Investment and Jobs Act, and the role of urban transit in a post-pandemic world.

Pandemics do not change things so much as they accelerate trends that were already taking place.[1] One such trend is the decline of the importance of public transit in the day-to-day lives of most Americans, which has been going on for more than a century. The acceleration of this trend raises the question of why we continue to subsidize something that is irrelevant to the vast majority of Americans outside of New York City.

In 1920, the average urban American rode transit nearly 300 times a year. In 1964, when Congress passed the Urban Mass Transportation Act, it had fallen to 62 trips per year.[2] Over the next 55 years, federal, state, and local governments tried to boost transit ridership with well over $1.5 trillion (after adjusting for inflation) in subsidies. This effort failed: by 2019 ridership was down to just 37 trips per urban resident.[3] Less than 5 percent of working Americans rode transit to work, down from more than 12 percent in 1960.[4] In recent years, transit declined not just in trips per urban resident but in total trips: between 2014 and 2019, transit systems in Miami, Cleveland, St. Louis, and several other urban areas lost 25 percent or more of their riders while transit ridership nationwide declined by 7 percent.[5]

The Infrastructure Investment and Jobs Act added another $39 billion to this record of subsidies, plus the better part of $1 billion for buying electric buses. But this is no more likely to reverse transit's fortunes than the previous $1.5 trillion did.

Transit's long-term decline is due to increasing auto ownership, decentralization of jobs away from downtowns, and decentralization of residences into low-density suburbs and exurbs. More recently, the growth of telecommuting further reduced transit, as the number of people working at home exceeded the number taking transit to work for the first time in 2017.[6]

Commuters and other urban travelers have good reasons not to use transit, as it is inferior to its competitors in almost every way: it is slow, it doesn't go where most people need to go, and it is expensive. The American Public Transportation Association admits that transit vehicles average just 15 miles per hour, and that doesn't count the time required to get to a transit stop, wait for a vehicle to arrive, and then get from the transit stop to a destination.[7] By comparison, automobiles, which can go door-to-door in most cases, average 30 to 40 miles per hour in most urban areas.

Transit's slow speeds are compounded by the fact that it doesn't go where most people want to go. Most transit agencies run hub-and-spoke systems centered around downtowns. That made sense a hundred years ago when most urban jobs were in downtowns, but today only about 8 percent of urban jobs are in central city downtown areas.[8] For many people, getting to a job or another destination by transit can be a two-hour or more ordeal.

The University of Minnesota Accessibility Observatory calculates that, in 2019, the average resident of one of the nation's 50 largest urban areas could reach nearly twice as many jobs in a 20-minute auto drive as a 60-minute transit trip. Transit is so slow that a reasonably fit bicycle

rider could reach more jobs in trips of 50 minutes or less than transit riders taking the same amount of time.[9] This makes transit third-class transportation.

Finally, transit is extraordinarily expensive. In 2019, transit fares averaged 30 cents a passenger-mile.[10] By comparison, Americans spent just 25 cents a passenger-mile driving their cars and light trucks.[11] On top of this, subsidies to transit were more than 100 times greater, per passenger-mile, than subsidies to highways: while highway subsidies averaged about a penny per passenger-mile, transit subsidies averaged $1.08.[12] Altogether, transit agencies spend more than five times as much money moving passenger miles as the cost of the average automobile.

Despite these disadvantages, the transit industry has been very clever in coming up with reasons why taxpayers should continue to subsidize it. They claim that increasing subsidies to transit will relieve traffic congestion, reduce greenhouse gas emissions, promote economic development, and help low-income people out of poverty. None of these claims are true.

Spending more money on transit can't relieve congestion if the spending doesn't result in more transit riders. In recent years, numerous urban areas including Charlotte, Minneapolis-St. Paul, Portland, St. Louis and others have spent heavily on new transit projects only to see overall transit ridership decline. Los Angeles is the worst-case example: for every new rider transit has gained from building new light-rail lines, the region has lost five bus riders, mainly because the high cost of rail transit has forced LA Metro to reduce bus service and increase fares.[13]

Even if spending money on transit increased ridership, it wouldn't necessarily reduce congestion if the transit systems end up blocking traffic. The environmental impact statement for Maryland's Purple Line, which is now under construction, calculated that the line would add millions of hours of delay to the region's commuters per year because the light-rail vehicles would occupy lanes once open to automobiles.[14]

Nor is transit environmentally friendly. Outside of New York City, San Francisco, and one or two other urban areas, transit uses far more energy and emits more greenhouse gases per passenger-mile than the average car. Diesel buses are particularly dirty, producing more greenhouse gases per passenger-mile than the average SUV.[15] Transit agencies hope to fix this with battery-powered buses, but most electricity in this country comes from burning fossil fuels. The electricity powering the Washington Metrorail system, for example, generated 286 grams of carbon dioxide per passenger-mile in 2019, compared with 200 grams for the average car and 244 grams for the average light truck.

Whenever I hear of a transit project that supposedly stimulated economic development, a little investigation reveals that this development received millions of dollars in other subsidies, usually through a mechanism called tax-increment financing (TIF). For example, a 2009 *New York Times* article claimed that "new rail transit lines stimulate urban revival."[16] But all of the developments cited in the article actually received TIF subsidies.[17]

The city of Portland discovered in the 1990s found that TIF without transit would stimulate economic development but new transit projects without TIF failed to stimulate new development. So whenever it built a transit project, it accompanied it with TIF and then credited the new development to the transit project, never mentioning the millions or hundreds of millions of other subsidies it gave to that development.[18]

Far from helping low-income people, transit does low-income families more harm than good. In 2019, only 5 percent of people earning less than $25,000 a year took transit to work, compared with 7 percent of people earning more than $75,000 a year.[19] At least 75 percent of taxes used to support transit are regressive.[20] That means that the 95 percent of low-income people who don't ride transit were disproportionately paying to subsidize transit rides that were disproportionately taken by high-income workers. That makes transit one of the most socially unjust institutions we have.

The pandemic has accelerated all these trends. The biggest acceleration is in the number of people working at home, as the pandemic taught both employers and employees that workers can be productive without coming into expensive downtown offices five days a week. Many employers are now planning for hybrid work schedules where people work at home at least two or three days a week.

The best estimates are that, after the pandemic ends, about four times as many people will be working at home on any given day as before the pandemic.[21] This will take an especially large telecommuting reduced the number of people driving alone to work by 16 percent, but it reduced the number commuting by transit by 41 percent.[22]

Transit will be especially hurt because many downtown offices will have people come in to work only a few days a week. People have a travel budget measured in time as well as dollars and on average seem to be willing to spend about five or six hours a week commuting. If they have to commute only twice a week, they will be willing to live much further from their workplace, which means transit won't work for them as well as it previously did.

Due to all these factors—remote work, loss of downtown jobs, and decentralization of residences—transit will never come close to carrying as many riders as it did in 2019. Of all modes of travel, transit has been slowest to recover from the pandemic. Driving recovered to more than 100 percent of pre-pandemic levels as long ago as June 2021.[23] In December 2021, domestic air travel was more than 87 percent and Amtrak more than 80 percent of pre-pandemic levels.[24] Transit, however, was only 56 percent, and in January 2022 it dipped to 47 percent.[25] I estimate that, in the long run, it will never recover more than about 75 percent of pre-pandemic ridership, or about 25 trips per urban resident, and even that may be optimistic.

During the pandemic, transit agencies argued that they were carrying "essential workers" to work. If so, they weren't carrying very many of them and it would have been far less expensive to find other transportation for those people than to keep subsidizing transit. Census Bureau data indicate that only 3 percent American workers took transit to work on any given workday in 2020.[26] Meanwhile, transit subsidies rose from $58 billion to $64 billion and will be even greater in 2021. With fewer riders, costs per passenger-mile rose to well above $2, eight times the cost of driving.[27]

The latest argument in favor of increasing transit subsidies is that it would somehow be socially just to eliminate transit fares. But it's no more socially just to increase subsidies with regressive taxes than it is to expect low-income people to live with third-class transportation while almost everyone else enjoys first-class transport. Currently, the main obstacle to auto ownership for many is the fact that banks charge up to 25 percent interest for used-car loans to people with poor or no credit ratings. If we are truly concerned about the plight of low-income people, giving them low-interest loans to buy a good used car will do more to help them out of poverty than free transit.[28]

Before the pandemic, New York City was the only American city where transit played a meaningful role in transportation. Even in cities such as Boston, Chicago, San Francisco, and Washington, transit was only really important for downtown workers. Elsewhere, transit's only relevance to the vast majority of Americans is as a tax burden.

The real problem with transit is not a shortage of funds but that transit agencies have too much money and they spend that money on things that do little to help transportation uses, such as building multi-billion-dollar light-rail lines and taking lanes away from automobiles on congested roads. More than a half century of growing transit subsidies should have taught us that people are not going to give up the convenience and economy of private automobiles to ride slow, inefficient mass transit where they are likely to become victims of crime and infectious diseases. At the same time, reducing subsidies would make transit agencies more dependent on fares and therefore more responsive to the needs of people who continue to ride transit.

It is time to stop throwing money at an obsolete form of transportation. Ending subsidies to transit will still allow some transit to exist, but it will be more efficient, serve mainly those people who truly need it, and rely mainly on buses that share lanes with other vehicles.

If transit must be subsidized, make the subsidies proportional to the fares collected by each transit agency. That will give the transit agencies powerful incentives to cater to fare-paying customers. However, if we are seriously interested in reducing greenhouse gas emissions, helping low-income people out of poverty, and solving other social problems, there are better ways of doing so than by continuing subsidies to a third-class form of transportation.

Notes

1. Davies, Stephen, *Going Viral: The History and Economics of Pandemics* (London: Institute for Economic Affairs, 2020), p. 22, iea.org.uk/wp-content/uploads/2020/04/Going-Viral.pdf.

2. *Public Transit Fact Book 2021* (Washington: American Public Transportation Association, 2021), appendix A.

3. *National Transit Database 2019* (Washington: Federal Transit Administration, 2020), Service spreadsheet.

4. *American Community Survey 2019* (Washington: Census Bureau, 2020), table B08301.

5. *National Transit Database Historical Time Series* (Washington: Federal Transit Administration, 2020), table TS2.1.

6. *American Community Survey 2017* (Washington: Census Bureau, 2018), table B08301.

7. *Public Transit Fact Book 2020* (Washington: American Public Transportation Association, 2021), p. 5.

8. Wendell Cox, *United States Central Business Districts (Downtowns), 4th Edition* (Belleville, IL: Demographia, 2020), table 1.

9. Andrew Owen and Brendan Murphy, *Access Across America: Auto 2019* (Minneapolis: University of Minnesota, 2021), p. 6; Andrew Owen and Brendan Murphy, *Access Across America: Transit 2019* (Minneapolis: University of Minnesota, 2020), p. 4; Andrew Owen and Brendan Murphy, *Access Across America: Biking 2019* (Minneapolis: University of Minnesota, 2020), p. 5.

10. Calculated from *National Transit Database 2019*, Service, Fares, Operating Expense, and Capital Expense spreadsheets.

11. Calculated by dividing expenditures on auto ownership in *National Income and Product Accounts* (Washington: Bureau of Economic Analysis, 2021), table 2.5.5 by automobile passenger miles in *Highway Statistics 2019*, table VM-1, and by average auto occupancies of 1.67 from *2017 National Household Travel Survey* (Washington: Federal Highway Administration, 2018), table 16.

12. Calculated by subtracting diversions of highway user fees to transit and other non-highway uses from general funds spent on highways in *Highway Statistics 2019*, table HF-10 and dividing by passenger-miles.

13. Thomas A. Rubin and James E. Moore, II, *Metro's 28 by 28 Plan: A Critical Review* (Los Angeles: Reason Foundation, 2019), chapter 3, pp. 3–4.

14. *Purple Line Traffic Analysis Technical Report* (Annapolis: Maryland Department of Transportation, 2008), pp. 4-1–4-2.

15. Calculated from *National Transit Database 2019*, Energy and Service spreadsheets. For details on methodology, see Randal O'Toole, *Urban Transit: Browner Than Ever* (Camp Sherman, Oregon: Thoreau Institute, 2021).

16. Amy Cortese, "New Rail Lines Spur Urban Revival," *New York Times*, June 13, 2009, http://www.nytimes.com/2009/06/14/realestate/14sqft.html?_r=1&scp=1&sq=urban%20revival&st=cse.

17. Randal O'Toole, "Suckered Again," *The Antiplanner*, June 15, 2009, http://ti.org/antiplanner/?p=1471.

18. Randal O'Toole, *Debunking Portland: The City That Doesn't Work* (Washington: Cato Institute, 2007), pp. 8–9.

19. *American Community Survey 2019*, table B08119.

20. *National Transit Database 2019*, Revenue Sources spreadsheet.

21. Jose Maria Barrero, Nicholas Bloom, and Steven J. Davis, *Why Working at Home Will Stick* (Cambridge: National Bureau of Economic Research, 2021), p. 30.

22. *American Community Survey 2020*, table XK200801; *American Community Survey 2019*, table B08301.

23. *Traffic Volume Trends* (Washington: Federal Highway Administration, June 2019 and June 2021).

24. Bureau of Transportation Statistics, "Revenue Passenger-Miles, All Carriers - All Airports," 2022, https://www.transtats.bts.gov/Data_Elements.aspx?Data=3; *Monthly Performance Report December 2021* (Washington: Amtrak, 2022), p. 5.

25. *National Transit Database Monthly Module Adjusted Data Release* (Washington: Federal Transit Administration, 2022), https://www.transit.dot.gov/sites/fta.dot.gov/files/2022-03/January%202022%20Ajusted%20Database.xlsx.

26. *American Community Survey 2020*, table XK200801.

27. *National Transit Database 2019* and *2020*, Fare, Operating Expense, and Capital Expense spreadsheets.

28. See Randal O'Toole, *Reducing Poverty by Increasing Auto Ownership* (Camp Sherman, OR: Thoreau Institute, 2020), for a review of case studies showing that auto ownership helps people out of poverty better than free transit.