

# Market Solutions to Urban Transit

A white bus with a large advertisement for 'The Free Enterprise System' on its side. The bus is marked with the number 29707 and has a sign that says 'OUT OF SERVICE'. The background shows a city street with tall buildings.

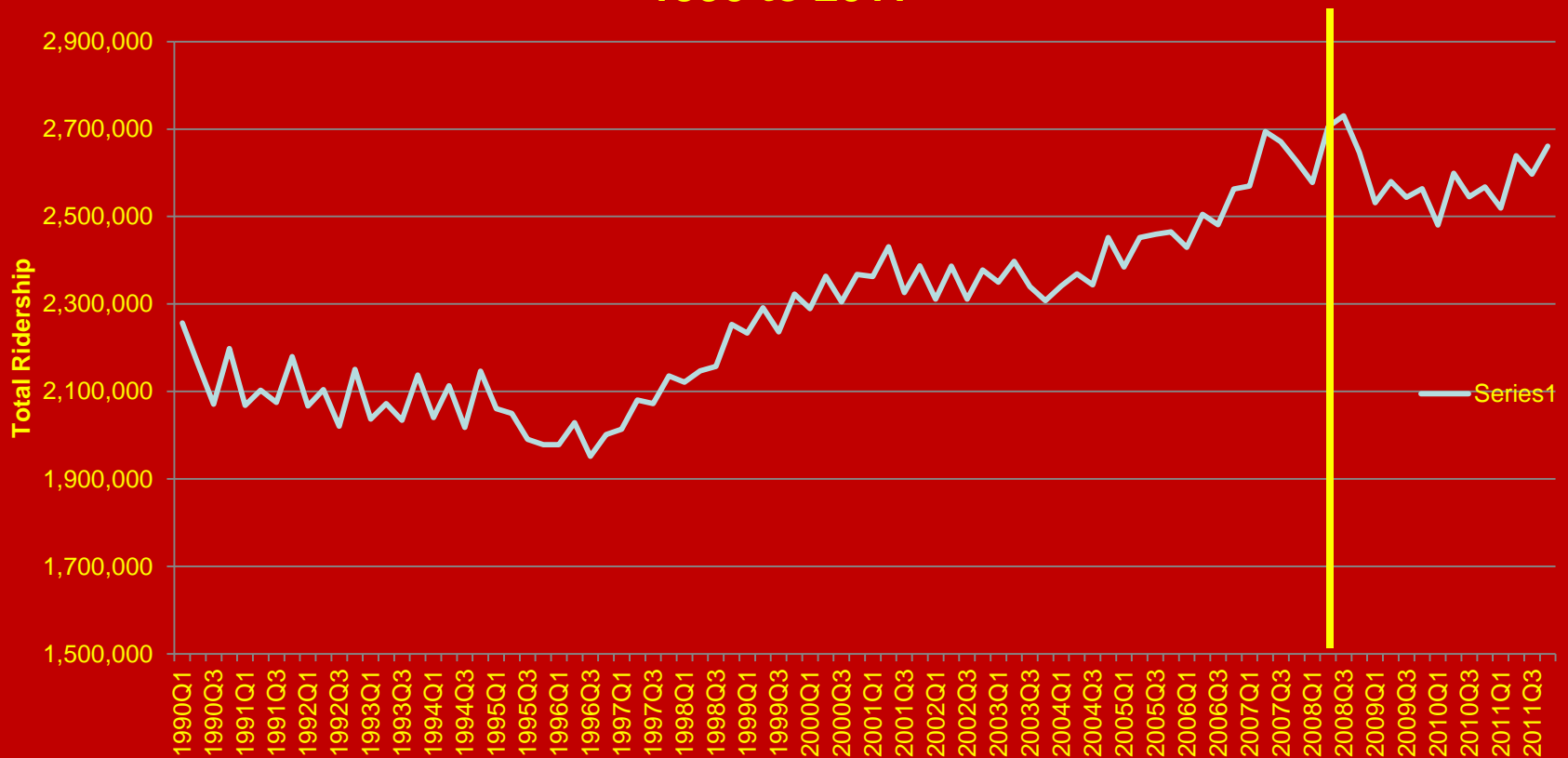
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# Transit Ridership Has Stagnated

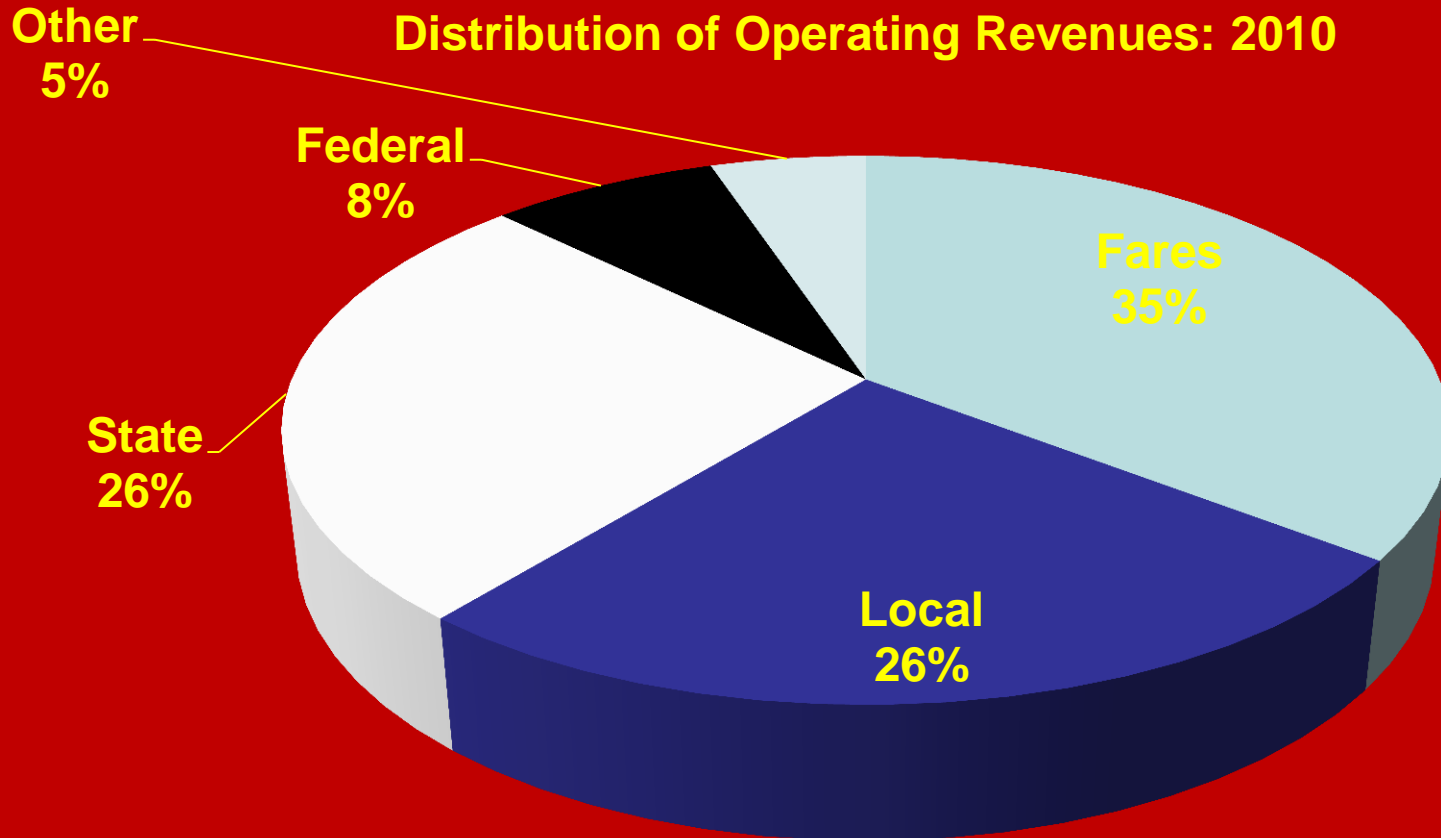
Total Public Transit Ridership,  
1990 to 2011





# Direct User Fees Are Not the Principal Source of Revenues

Distribution of Operating Revenues: 2010





# Transit's Long-Term Crisis

- **Market share is elusive**
- **Ridership is sensitive to service quality and price**
- **Transit systems are faced with chronic deficits**
  - **Riders represent a net loss on the margin**
  - **Severe maintenance backlogs**
- **Can transit be saved?**



# FSU Symposium on Transit Productivity and Efficiency

- **Three dozen transit industry leaders, innovators and researchers**
- **Ten former senior executives**
  - **Seven current or former CEOs**
- **Several prominent transit critics**
- **Question: Can market-oriented reforms improve transit productivity and efficiency?**



# Identified Barriers

- **Lack of a business model**
- **Incentives for efficiency**
- **Lack of competition**
- **Lack of focus**
- **Ideology**
- **Lack of system thinking**
- **Transit agency culture**
- **Failure to enact value capture**
- **HOV/HOT lane regulations**
- **Revenue doesn't link consumption with supply**
- **Abandonment of market perspectives**
- **Local politics**
- **Optimism bias**
- **Industry lobbying**
- **Land-use planning**
- **Organizational inertia/path dependency**
- **Funding silos**
- **Sustainable funding**

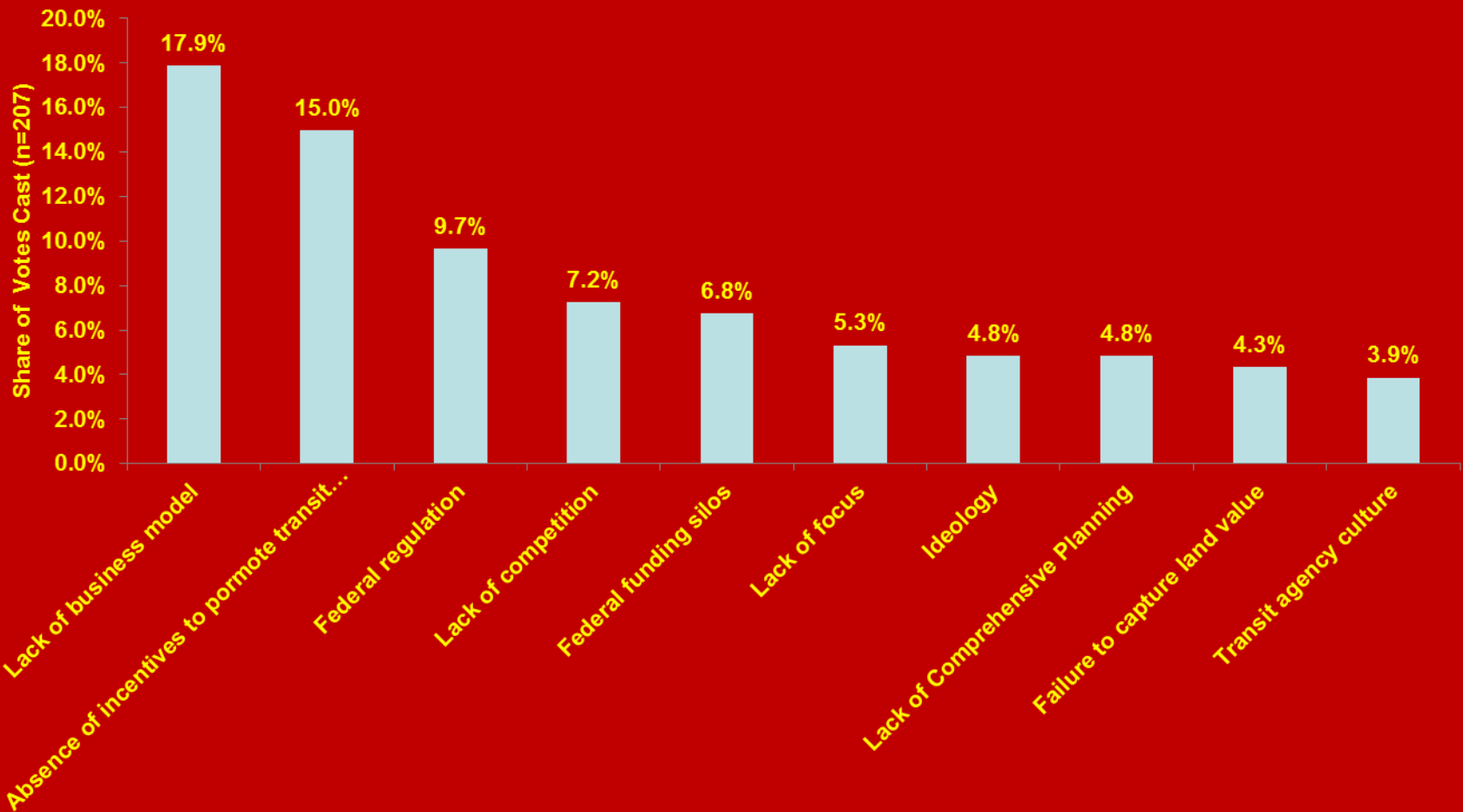


# Federal Barriers

- **Vehicle design limits**
- **Unfunded mandates**
- **Davis Bacon & labor regulations**
- **Congress (earmarks)**
- **Federal group think**
- **Americans with Disabilities Act**
- **Discretionary grants**



## Most Important Barriers to Transit Productivity and Efficiency







# Public Private Partnerships: Denver

Comparison of RTD and Private Contract Costs  
2010



1. Private contractors pay fuel tax, sales tax, property tax, and vehicle registration fees which RTD does not pay.
2. RTD costs are 2010 actual costs.
3. RTD total costs include all variable costs, fixed costs, and depreciation on operating facilities and support equipment.
4. RTD has statutory limitation on insurance liability. Private carriers do not have statutory limitation on insurance liability.



# A Few Other Ideas

- **Market pricing along congested routes**
- **Transit and taxi vouchers for low-income users**
- **Allow private competition**
- **Focus on core mission of improving mobility and access**
  - **Transit agencies are not economic development agencies**
  - **Transit agencies are not regional planning agencies**



# Moving Forward

- **User & customer focused transit agencies**
- **Transit needs to be re-grounded in a sustainable fiscal framework**
  - Revenues tied to use
  - Spending tied to performance
- **Incorporate TEA as core values**
  - Transparency
  - Efficiency
  - Accountability



**Thank you!**

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