Department of Transportation

Evaluate and Consolidate Transportation Safety Programs

RECOMMENDATION

The Secretary of Transportation should undertake a comprehensive evaluation of all transportation safety programs for effectiveness, redundancy, and suitability in respect to the proper federal role of overseeing strictly interstate aspects of transportation. Following review, the Secretary should recommend the elimination of any ineffective or harmful safety activities—acting unilaterally when the case permits—and consulting the states to relinquish those activities more appropriately handled at the state level. Congress should then eliminate the identified ineffective activities and compile appropriate safety responsibilities under a new agency, the Interstate Transportation Safety Administration, which would encompass all federal transportation safety programs.

RATIONALE

As with other federal regulatory agencies, the Department of Transportation's (DOT's) sub-agencies are given broad authority to regulate a vast and growing array of activities related to transportation. While the federal government properly maintains jurisdiction over regulating interstate activities, many of these regulations—such as spurious commercial aviation regulations promulgated under the guise of consumer protection—are burdensome, inappropriate, or could be handled more accountably by local governments. Indeed, the DOT has layered on roughly $20 billion in new regulatory costs from major rules since 2009, the second most of any department over that time.[1] Reviewing and consolidating these regulatory functions would save money for the transportation sector, its users, and taxpayers.

ADDITIONAL READING

- James L. Gattuso and Diane Katz, "Red Tape Rising 2016: Obama Regs Top $100 Billion Annually," Heritage Foundation *Backgrounder* No. 3127, May 23, 2016.
- Michael Sargent, "Senate's FAA Authorization Perpetuates Big-Government Intrusion into Aviation Industry," Heritage Foundation *Issue Brief* No. 4546, April 11, 2016.

Privatize or Devolve Federal Management of Transportation Services

RECOMMENDATION

The DOT and its sub-agencies own and operate a limited but diverse number of transportation services. Where viable, these assets should be transferred to private-sector management or returned to the states to own and operate. These include the National Passenger Railroad Corporation (Amtrak), Air Traffic Control, and the Saint Lawrence Seaway Development Corporation.

RATIONALE

The federal government's ownership of various transportation services has delivered poor performance for users and taxpayers alike. These failures derive from a lack of proper incentives, excessive bureaucracy, an uncertain budget process, and micromanagement by members of Congress and other politicians.

Amtrak. Almost all of Amtrak's lines provide poor service and require heavy taxpayer subsidies, largely due to its monopoly status and government mismanagement.[2] Ideally, Congress and the Administration should eliminate federal subsidies for Amtrak, privatize any viable lines (chiefly the Northeast corridor), and open up intercity passenger rail to competition. Management of current state-supported routes could be turned over to the states, which would then have the option to cover the full cost of providing passenger rail service.

If complete overhaul is not politically possible, an alternative approach would be to lower federal subsidies for the long-haul and state-supported routes, allowing states to replace the subsidy difference if desired and Amtrak to shutter underperforming routes. The Northeast corridor could also be entered into a public-private partnership by bidding out the right to operate and maintain the Northeast corridor for a set period to a private firm, under the condition that the operator maintains a certain level of service and infrastructure condition.[3]

Allowing firms to compete to provide service would not only decrease costs to taxpayers and improve service for customers, but would also add an additional element of accountability currently non-existent for the railway in its current monopoly form.

Air Traffic Control. The Federal Aviation Administration's (FAA's) Air Traffic Organization (ATO) is responsible for providing air-traffic-control services. Worldwide, it is one of the last air navigation service providers that is housed within an aviation safety regulatory agency, and indeed, there is bipartisan agreement that air traffic control is not inherently a government function.[4] Government bureaucracy has led to an ATO that is slow to react, mired in red tape, and managed by Congress when it should be run like an advanced business. Billions of dollars have been spent on sluggish technology modernization efforts, and the ATO struggles with basic business functions, such as hiring employees, investing in capital improvements, and improving efficiency in its current structure.[5] Full privatization of air traffic control would bring private-sector flexibility and efficiency to the essential service and allow it to innovate outside the realm of federal bureaucracy.

Saint Lawrence Seaway Development Corporation. Congress and the Administration should privatize the Saint Lawrence Seaway Development Corporation (SLSDC), which maintains and operates the U.S. portion of the Saint Lawrence Seaway under 33 U.S. Code § 981 and 49 U.S. Code § 110. The privatization would end taxpayer contributions to maintenance and operating activities, mirroring the SLSDC's Canadian counterpart, which was privatized in 1998.

ADDITIONAL READING

- The Heritage Foundation, *Blueprint for Balance: A Federal Budget for 2018*, Mandate for Leadership Series, March 28, 2017.
- Robert Poole, "The Urgent Need to Reform the FAA's Air Traffic Control System," Heritage Foundation *Backgrounder* No. 2007, February 20, 2007.

Downsize the Federal Role in Highway Funding

RECOMMENDATION

Congress and the Administration should transfer the bulk of transportation funding responsibility to states and localities while focusing the federal government on the National Highway System (NHS), with an emphasis on the Interstate system. This rebalancing would be achieved by phasing down the federal gas tax from its current 18.4 cents per gallon to 5 cents per gallon or less over a period of five years. Other taxes would be reduced correspondingly or eliminated. The limited revenue is reserved exclusively for the core NHS programs, thus eliminating all other programs funded by the Highway Trust Fund, including funds provided to the Appalachian Regional Commission.

RATIONALE

Federal involvement in highway spending since the completion of the Interstate Highway System in the early 1990s has been marked by irresponsible fiscal management, misallocation of resources, and continuous overreach into projects beyond the proper scope of government. Congress has overspent from the Highway Trust Fund, requiring more than $140 billion in general fund transfers since 2008. The Fixing America's Surface Transportation (FAST) Act (Public Law 114–94) diverts nearly 30 percent of authorized spending allocations to programs unrelated to highway construction or rehabilitation.[6] In FY 2013, less than 50 percent of spending went toward road construction, and only 6 percent went to major (at least $500 million) construction, reconstruction, or rehabilitation projects.[7] Revenue drawn from federal taxes on motorists is likewise diverted to activities that are strictly local in nature, such as bike paths, sidewalks, and historical restoration projects. Reforming these shortcomings by downsizing the bloated highway program would bring much-needed efficiency, affordability, and accountability to surface transportation spending.

ADDITIONAL READING

- Michael Sargent and Nicolas Loris, "Driving Investment, Fueling Growth: How Strategic Reforms Can Generate $1.1 Trillion in Infrastructure Investment," Heritage Foundation *Backgrounder* No. 3209, May 8, 2017.
- Ronald Utt, "'Turn Back' Transportation to the States," Heritage Foundation *Backgrounder* No. 2651, February 6, 2012.

Eliminate Unnecessary and Improper Federal Transportation Agencies

RECOMMENDATION

Following the consolidation of the DOT's safety regulatory functions, privatization of transportation services, and rightsizing of the highway program, the rest of the department and its activities should be eliminated.

RATIONALE

Federal Transit Administration (49 U.S. Code § 107). The Federal Transit Administration (FTA) improperly funds local projects that fall outside the appropriate role of the federal government. The agency's spending has also proven ineffective: Despite billions of dollars in federal subsidies, mass transit's share of commuter trips is lower than it was in 1980.[8] Worse, federal grants for mass transit introduce perverse incentives that encourage localities to build new, expensive transit systems that rarely meet ridership projections and leave localities on the hook for exorbitant future operating and maintenance costs.[9] These federally induced projects end up crowding out maintenance on existing infrastructure. The Administration should aim to eliminate the FTA, including its formula and discretionary grant programs. States and localities would then be responsible for crafting and funding their own local mass transit agendas, bringing greater accountability to both riders and taxpayers.

Federal Railroad Administration (49 U.S. Code § 103). The Administration and Congress should prepare a proposal to eliminate the Federal Railroad Administration (FRA) and the various grant programs it administers. Most federal rail funding is directed to subsidize Amtrak, which receives over a billion dollars in federal subsidies each year. Other grants and subsidized loans, such as safety grants, subsidies for Class II and III Railroads, and the Railroad Rehabilitation and Improvement Financing Program, should also be eliminated. Finally, the FRA's research and development facilities should be sold to the private sector. Following the transfer or elimination of any safety duties, the FRA should be dissolved.

Federal Aviation Administration (49 U.S. Code § 106). In addition to privatizing air traffic control, the Administration should eliminate all federal grants to airports, including the Airport Improvement Program and Essential Air Service (which the DOT Secretary could initially curtail by enforcing the $200 per passenger subsidy limit).[10] Following the elimination of federal aviation grants, the privatization of the ATO, and the relocation of safety programs, the FAA should be disbanded and its aviation taxes wound down.[11]

Maritime Administration (49 U.S. Code § 109). New legislation should shutter the Maritime Administration (MARAD) and transfer any programs that have a vital security component to the Department of Defense, the Coast Guard, or another security agency. This elimination includes the preferential Maritime Guaranteed Loan Program (Title XI) as well as improper activities including the Maritime Heritage Education and Preservation Projects.

ADDITIONAL READING

- Wendell Cox, "America Needs a Rational Transit Policy," Heritage Foundation *Issue Brief* No. 4368, March 24, 2015.
- The Heritage Foundation, *Blueprint for Balance: A Federal Budget for 2018*, Mandate for Leadership Series, March 28, 2017.
- Ronald Utt and Wendell Cox, "How to Close Down the Department of Transportation," Heritage Foundation *Backgrounder* No. 1048, August 17, 1995.

ENDNOTES

1. James L. Gattuso and Diane Katz, "Red Tape Rising 2016: Obama Regs Top $100 Billion Annually," Heritage Foundation *Backgrounder* No. 3127, May 23, 2016, http://www.heritage.org/research/reports/2016/05/ red-tape-rising-2016-obama-regs-top-100-billion-annually.
2. The Heritage Foundation, *Blueprint for Balance: A Federal Budget for 2018*, Mandate for Leadership Series, March 28, 2017, http://www.heritage.org/budget-and-spending/report/blueprint-balance-federal-budget-fiscal-year-2018.
3. For one proposal, see R. Richard Geddes, "Making Amtrak Compete Would Benefit All," American Enterprise Institute, June 8, 2015, https://www.aei.org/publication/making-amtrak-compete-would-benefit-all/ (accessed June 2, 2017).
4. Dorothy Robyn, "It's Time to Corporatize Air Traffic Control (the Right Way)," Brookings Institution, Monday, September 28, 2015, https://www.brookings.edu/blog/fixgov/2015/09/28/its-time-to-corporatize-air-traffic-control-the-right-way/ (accessed June 2, 2017).
5. U.S. Department of Transportation, Office of the Inspector General, "FAA Continues to Face Challenges in Ensuring Enough Fully Trained Controllers at Critical Facilities," *Report* No. AV-2016-014, January 11, 2016, https://www.oig.dot.gov/sites/default/files/FAA%20Controller%20Stafng%20at%20Critical%20Facilities%5E1-11-16.pdf (accessed June 2, 2017), and U.S. Department of Transportation, Office of the Inspector General, "FAA Reforms Have Not Achieved Expected Cost, Efficiency, and Modernization Outcomes," *Report* No. AV-2016-015, January 15, 2016, https://www.oig.dot.gov/sites/default/files/FAA%20Organizational%20Structure_Final%20Report%5E1-15-16.pdf (accessed June 2, 2017).
6. Michael Sargent and Nicolas Loris, "Driving Investment, Fueling Growth: How Strategic Reforms Can Generate $1.1 Trillion in Infrastructure Investment," Heritage Foundation *Backgrounder* No. 3209, May 8, 2017, http://www.heritage.org/sites/default/files/2017-05/BG3209_0.pdf.
7. Government Accountability Office, "Highway Trust Fund: DOT Has Opportunities to Improve Tracking and Reporting of Highway Spending," GAO–15–33, October 2014, http://www.gao.gov/assets/670/666442.pdf (accessed June 2, 2017), and Bob Poole Jr., "Rethinking the Highway Trust Fund," testimony before the Committee on Ways and Means, U.S. House of Representatives, June 17, 2015, http://waysandmeans.house.gov/wp-content/uploads/2015/06/Poole-Testimony.pdf (accessed June 2, 2017).
8. Wendell Cox, "America Needs a Rational Transit Policy," Heritage Foundation *Issue Brief* No. 4368, March 24, 2015, http://www.heritage.org/research/reports/2015/03/america-needs-a-rational-transit-policy.
9. Randal O'Toole, "'Paint Is Cheaper than Rails': Why Congress Should Abolish New Starts," Cato Institute *Policy Analysis* No. 727, June 19, 2013, https://www.cato.org/publications/policy-analysis/paint-cheaper-rails-why-congress-should-abolish-new-starts (accessed June 2, 2017).
10. Michael Sargent, "Senate's FAA Authorization Perpetuates Big-Government Intrusion into Aviation Industry," Heritage Foundation *Issue Brief* No. 4546, April 11, 2016, http://www.heritage.org/research/reports/2016/04/senates-faa-authorization-perpetuates-big-governmentintrusion-into-aviation-industry.

11. Correspondingly, the Administration's plan should localize airport funding by reducing or removing restrictions on allowing airports to collect revenue (by repealing the Anti-Head Tax Act of 1973), thus giving states, localities, and the airports themselves greater ability to provide funding for airport improvements. Given government ownership and the market power of many airports, legal precautions should be taken to ensure that government-owned airports do not abuse their monopoly power in order to generate revenue for local coffers or unrelated local projects.