



Executive Branch Reorganization – E.O. 13781

Department/Agency(cies): U.S. Department of Transportation, Federal Transit Administration and Federal Aviation Administration

Action: Reform

Proposal:

With the national discussion focused on balancing infrastructure investment with the need to manage the national debt, discussion has turned to public-private partnerships in terms of seeking innovative financing solutions. However, the concept of public-private partnerships should not be restricted to the world of finance. The Federal Government has an established history of subsidizing public transportation needs through local government entities, yet there is a thriving private bus and motorcoach industry that stands ready to partner with the Federal Government to more effectively meet public transportation needs.

Federal Transit Administration

Currently, the Federal Government provides a number of subsidies to local public transit authorities who, in turn, purchase equipment and operate bus services. Simultaneously, the private bus industry operates on the same streets with like equipment, and at times in competition with the subsidized public operator, providing service to the public. In fact, there are some public transit authorities who currently contract with private bus companies to operate bus services on their behalf.

Private bus companies, as private businesses, are incentivized to run efficiently and cost effectively, to remain in business. This is especially true when such private companies must compete in the marketplace with subsidized public transit operators. The services provided by private bus companies are the same as public transit bus services. The Federal Government should consider the cost benefits of expanded efforts to contract out public transportation needs to private bus companies. If the given the opportunity, the private bus industry is well positioned to engage in broader public-private partnerships to serve public needs in a more cost effective and efficient manner. This initiative could be undertaken by providing increased incentives through the Federal Transit Administration's programs, including grant programs, to encourage public transit authorities to seek public-private partnerships with private bus companies. By expanding eligibility to participate in certain grant programs, ensuring terminal/station facilities are built to accommodate multimodal transportation services, ensuring access to terminal/station facilities, enabling access to rights-of-way, and rewarding public-private arrangements, the private sector can alleviate some of the cost burden currently shouldered by the Federal Government.

Federal Aviation Administration

As well, the Federal Government continues to subsidize the costly Essential Air Service program (EAS), to support rural public transportation needs. In 1978, this program was established to protect small communities from losing a minimum level of scheduled air service, by the Federal Government subsidizing costly air service when passenger load was insufficient to economically justify it. In this case, like transit subsidies, there is an opportunity to explore the benefits of a public-private partnership with private bus companies. Where the cost of air service is not supported by passenger load, rural transportation needs could be met by subsidizing comparable service, at a lower cost, through private bus operators.

Under the EAS, to meet the statutory mandate, the Federal Government generally subsidizes two round trips a day with 30- to 50-seat aircraft, or additional frequencies with aircraft with 9-seats or fewer, usually to a large- or medium-hub airport. Currently, the Federal Government subsidizes commuter and certificated air carriers to serve approximately 60 communities in Alaska and 115 communities in the lower 48 contiguous states. Although some of these communities may, indeed, justify air service, for communities located a distance of less than 200 miles from a large- or medium-hub airport, it would be prudent to consider a cost effective alternative service provided by private bus. Like the subsidized partnerships with the private airlines, private bus companies could offer a more cost effective solution to meet rural transportation needs. As well, due to the nature of bus operations, bus service can be designed to make stops en route or reach additional communities than simply residents located near the fixed airport base. This proposal could actually enable the Federal Government to expand transportation services to rural communities.

The current EAS program could be reframed as the Essential Transportation Service, and be responsible for reviewing the best and most cost effective ways to meet the rural community needs. As well, in coordination with the U.S. Department of Homeland Security/Transportation Security Administration, a program could be established to enable a private bus to receive proper security clearance prior to departure from a bus terminal/station, to facilitate passenger transfers from the bus at an airport terminal facility. This would expedite travel and better accommodate the traveler. In short, by expanding the EAS to incorporate alternative service by private buses, the private sector can alleviate some of the cost burden currently shouldered by the Federal Government.

Nationally, increased investment in infrastructure is a necessity for the U.S. wishes to continue competing economically on a global level. However, we can no longer solely rely on the traditional approaches to making infrastructure investment decisions. Instead, the decisions concerning infrastructure investment, while continuing to meet public transportation needs, must be based on principles of cost effectiveness, innovative solutions, and increased involvement of the private sector.