Assessing the Financial and Operational Sustainability of Public Transit in the U.S.

Are we getting the most transit bang from our subsidy buck?

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Lake Arrowhead 2010

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Public transit

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  - Almost completely eclipsed by private vehicles a the turn of this one

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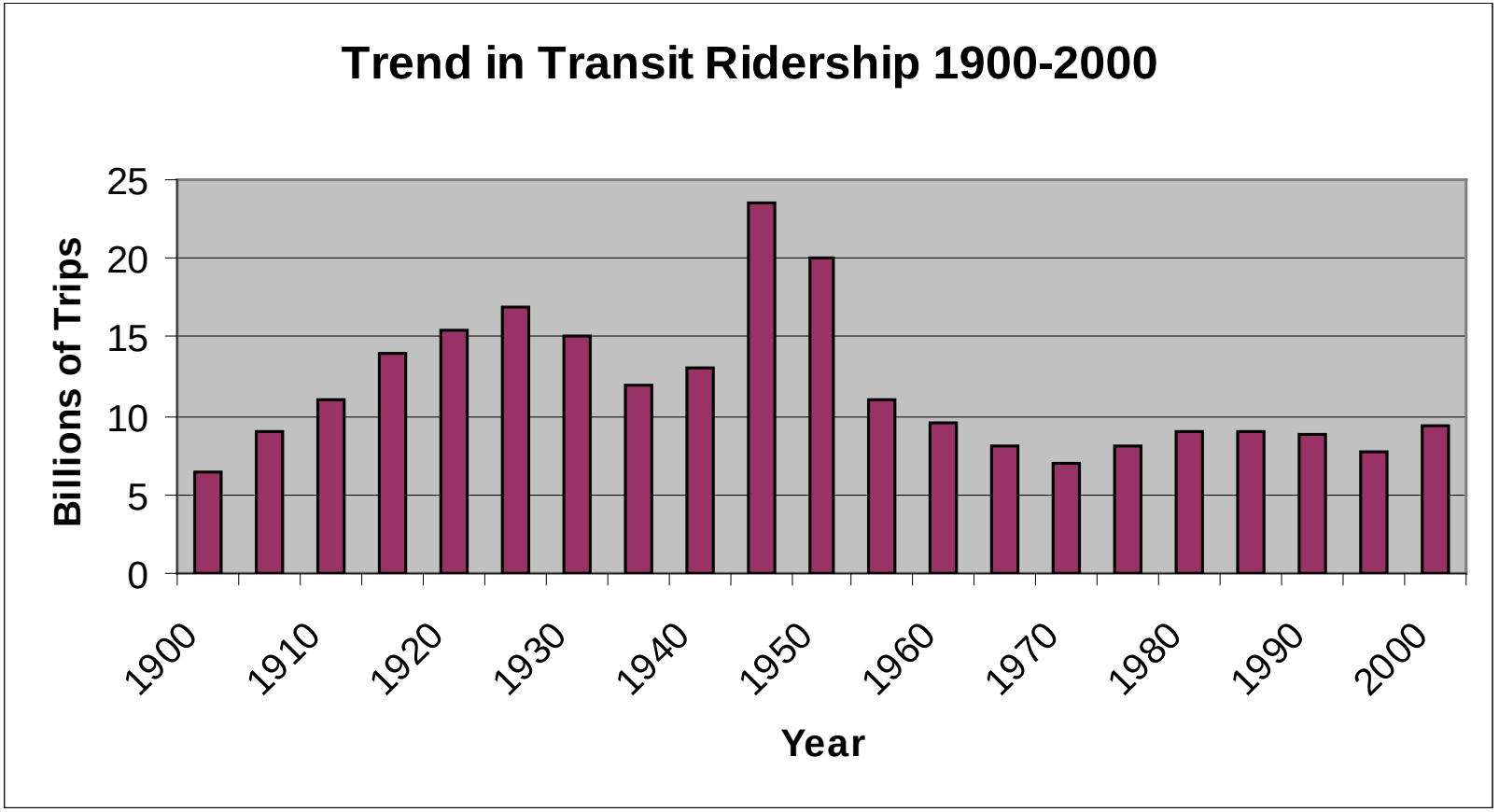
- But transit continues to play a central role in big cities and in households with limited auto access

Transit patronage has been relatively flat for 4 decades, but has been edging up since the mid-1990s



Premise:

We ask a lot of public transit

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- Act as a anchor/magnate for transit-oriented development
- Signal our jurisdiction as attractive, progressive

Given this ambitious agenda, how are we doing?

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  - Inflation-adjusted costs increasing faster than service
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  - Service increasing faster than ridership
- These trends are neither economically nor politically sustainable

Snapshot of national transit performance

- Data from:
  - American Public Transit Association
  - U.S. Census
  - National Personal/Household Transportation Surveys (NP/HTS)
- Years chosen to match NP/HTS data
  - 1977, 1983, 1990, 1995, 2001, 2008
  - Many data not available for earlier years

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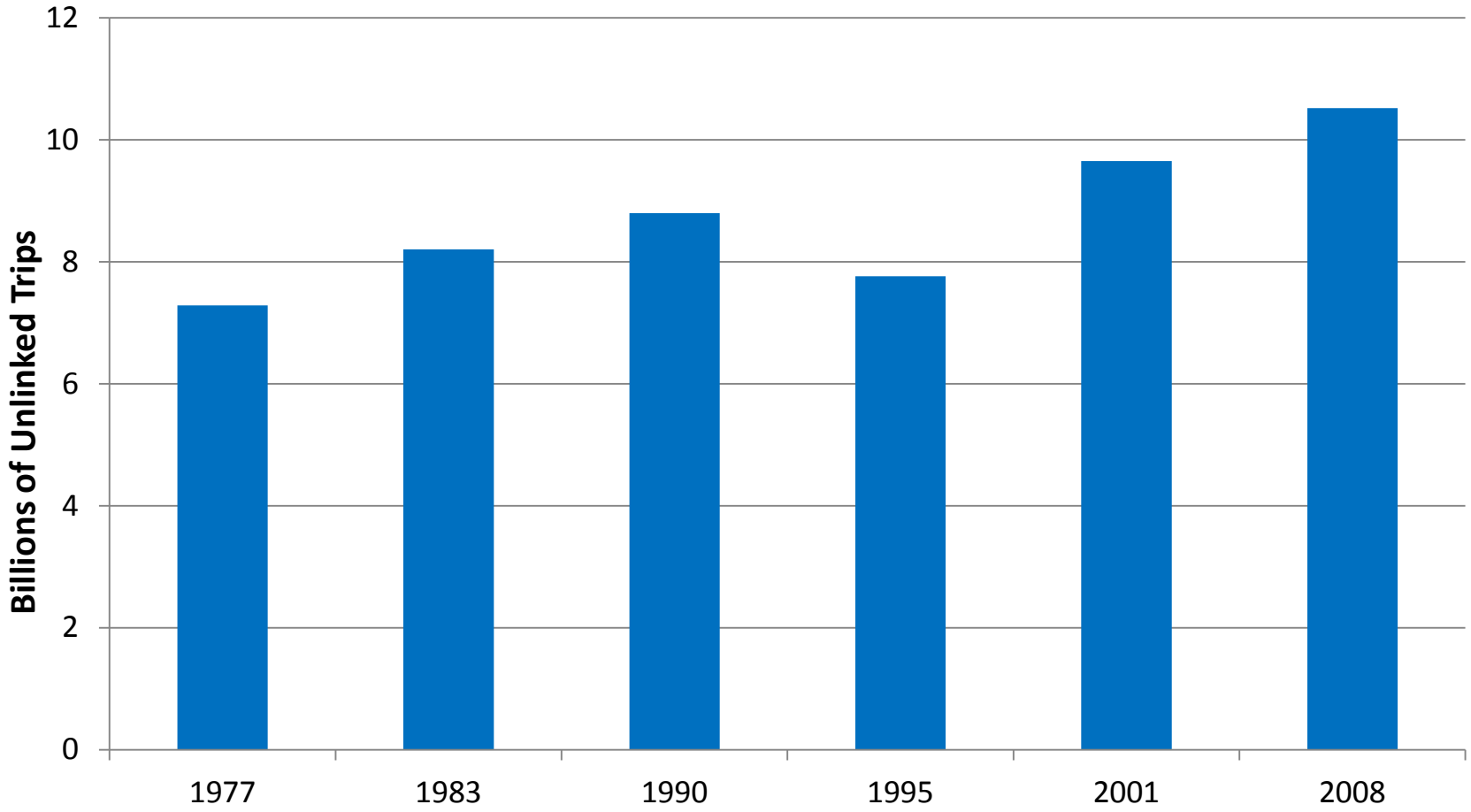
- My focus here is on the longer-term trends in ridership, service, expenditures, and subsidies

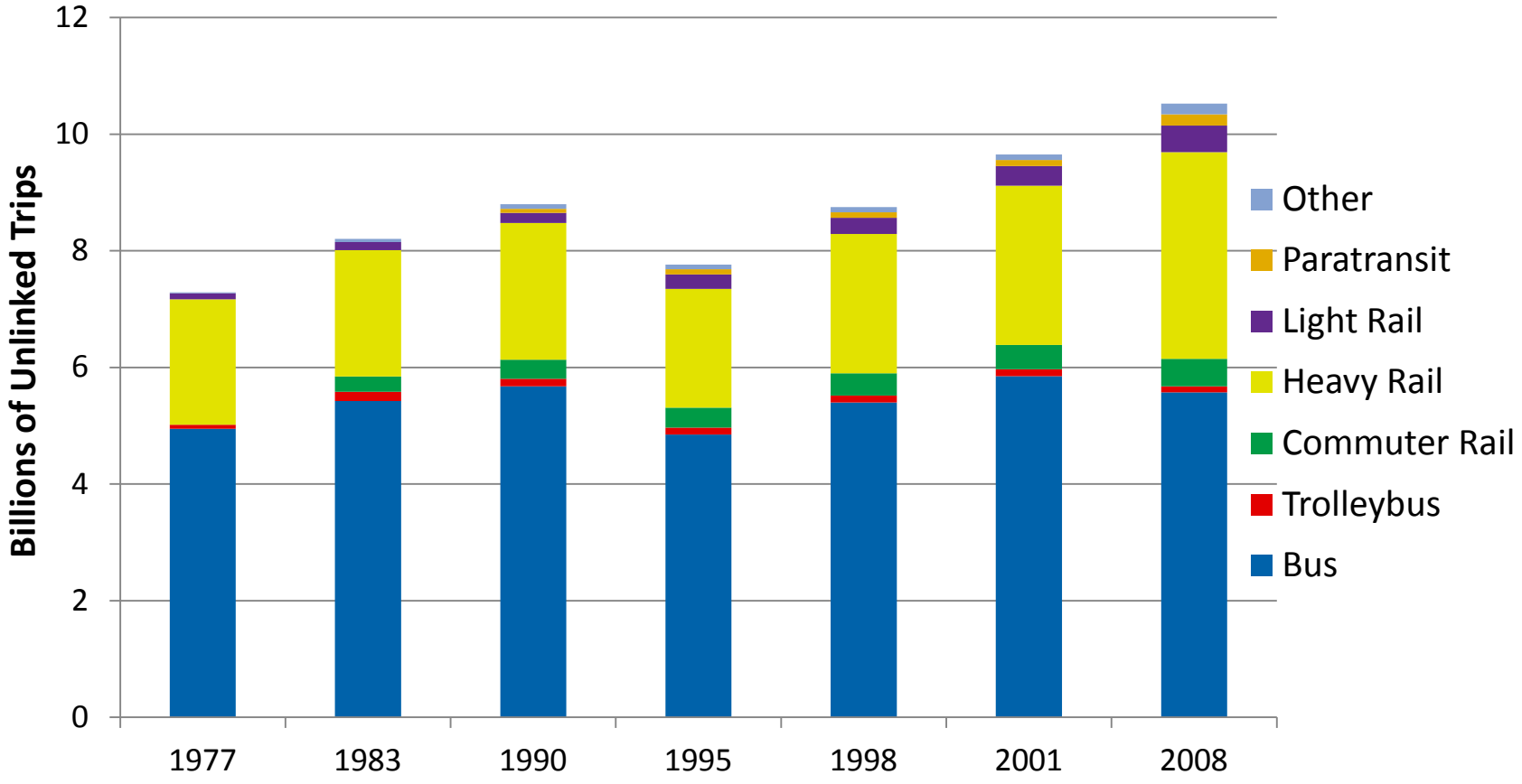
Overall, transit use is climbing

(up 36% since 1995 and 9% since 2001)



Source: American Public Transit Association

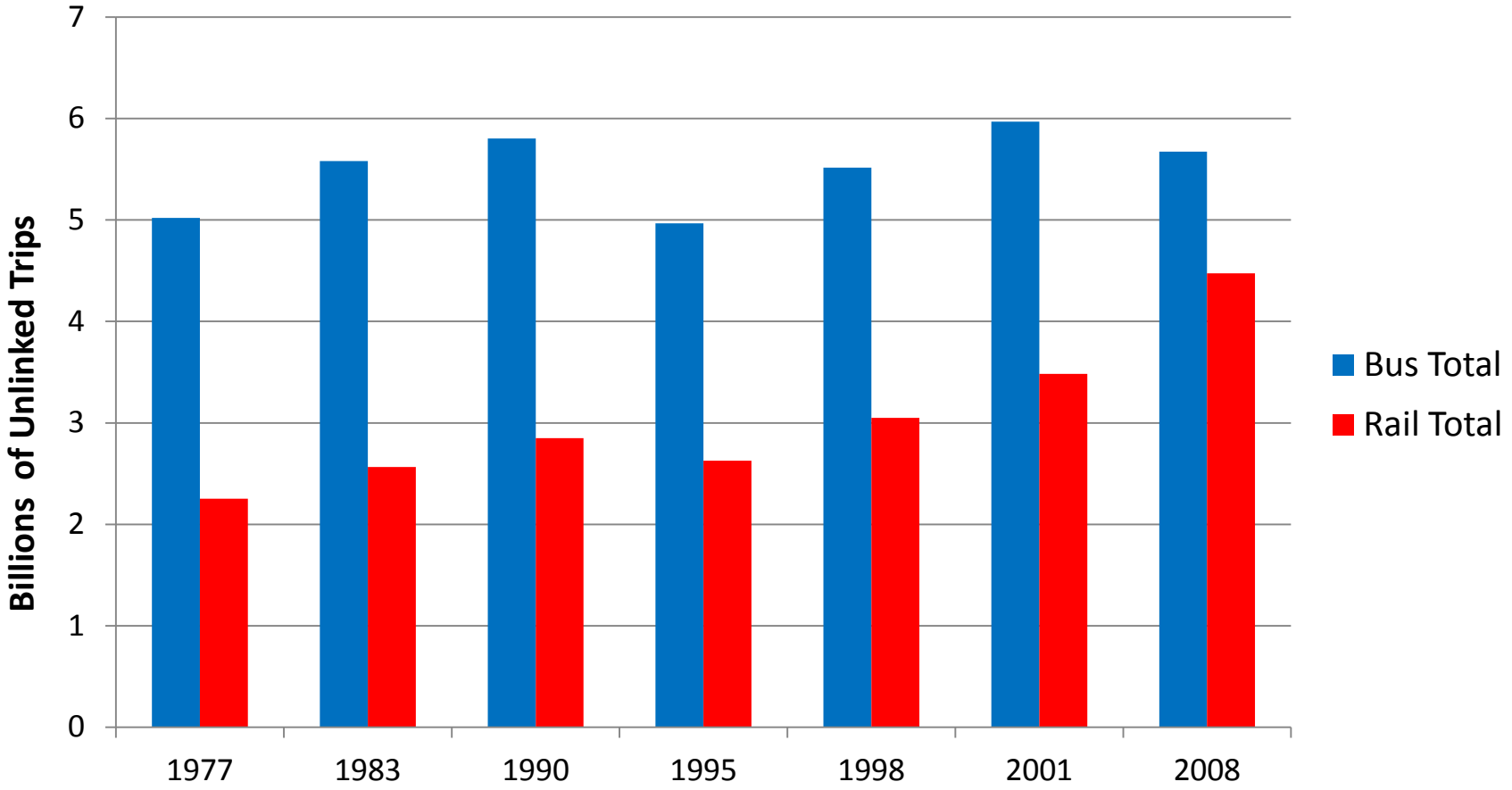
While light and commuter rail have garnered lots of attention, the vast majority of transit trips are on buses and heavy rail



Source: American Public Transit Association

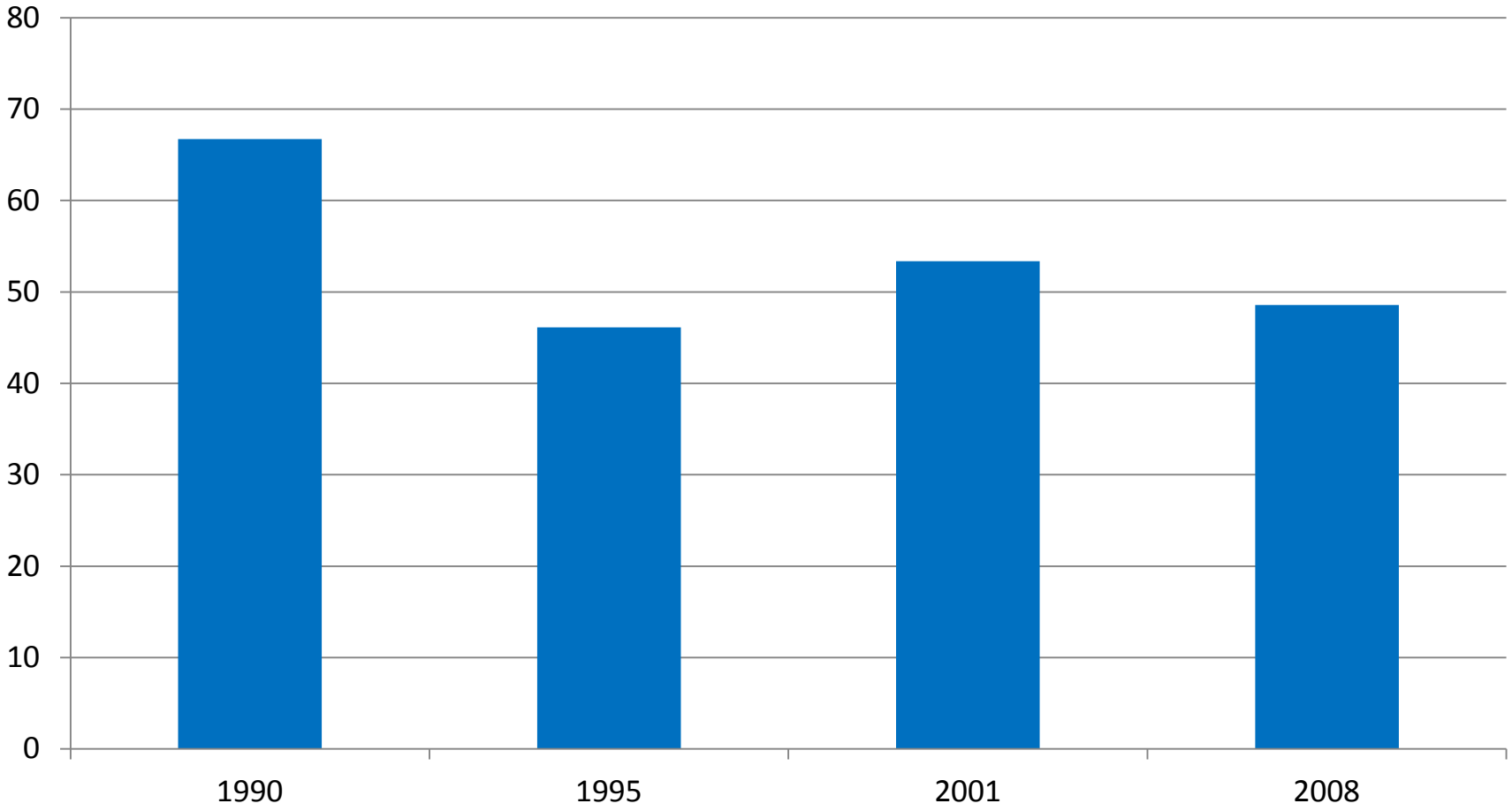
Rail ridership has been growing, while bus use has generally held steady

(but, bus patronage is down 5% since 2001, while rail is up 28%)



Source: American Public Transit Association

Metropolitan areas are growing (up 85 million since 1990), but transit *trips per urban resident* are down 27%

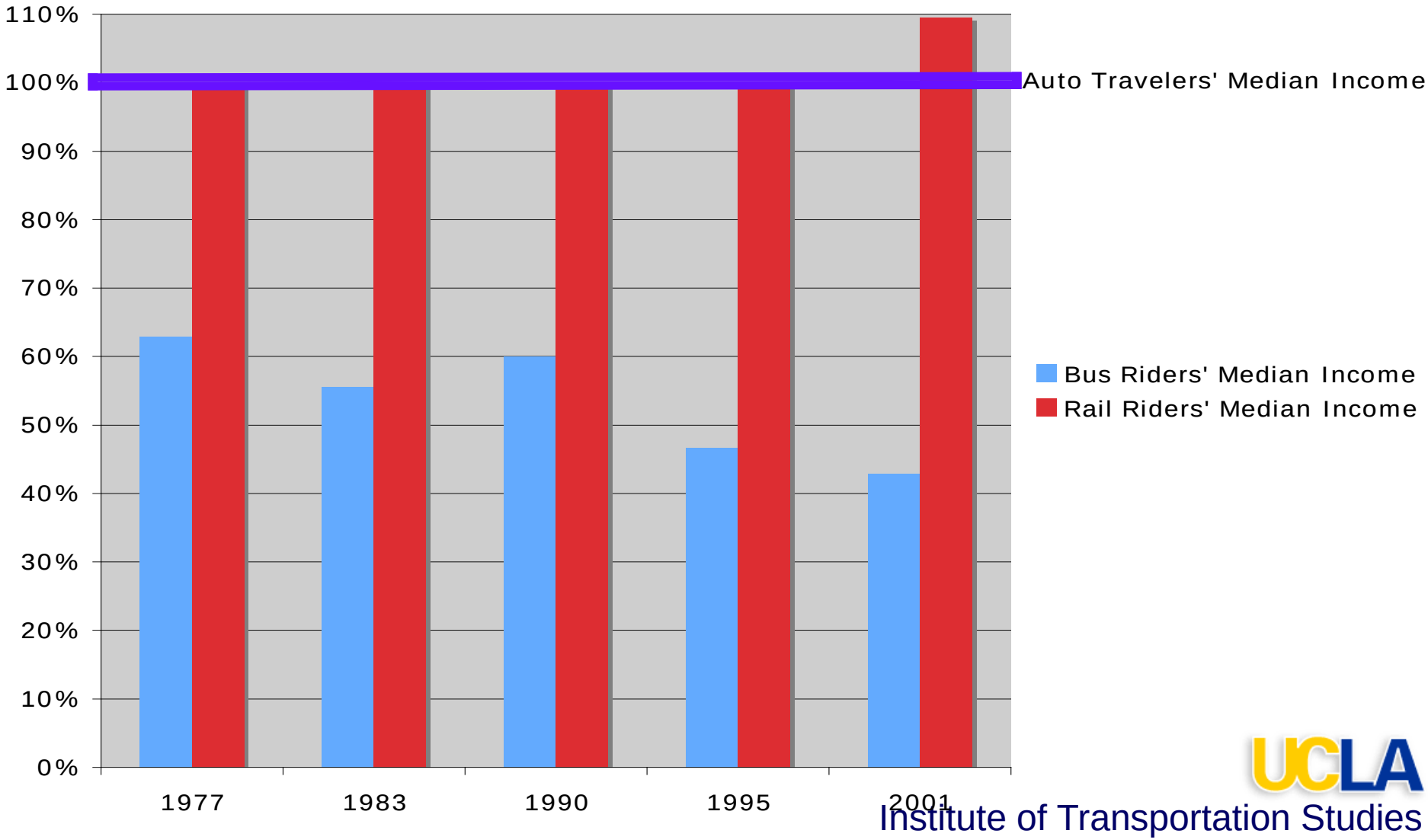


Source: Author's Calculations from American Public Transit Association data

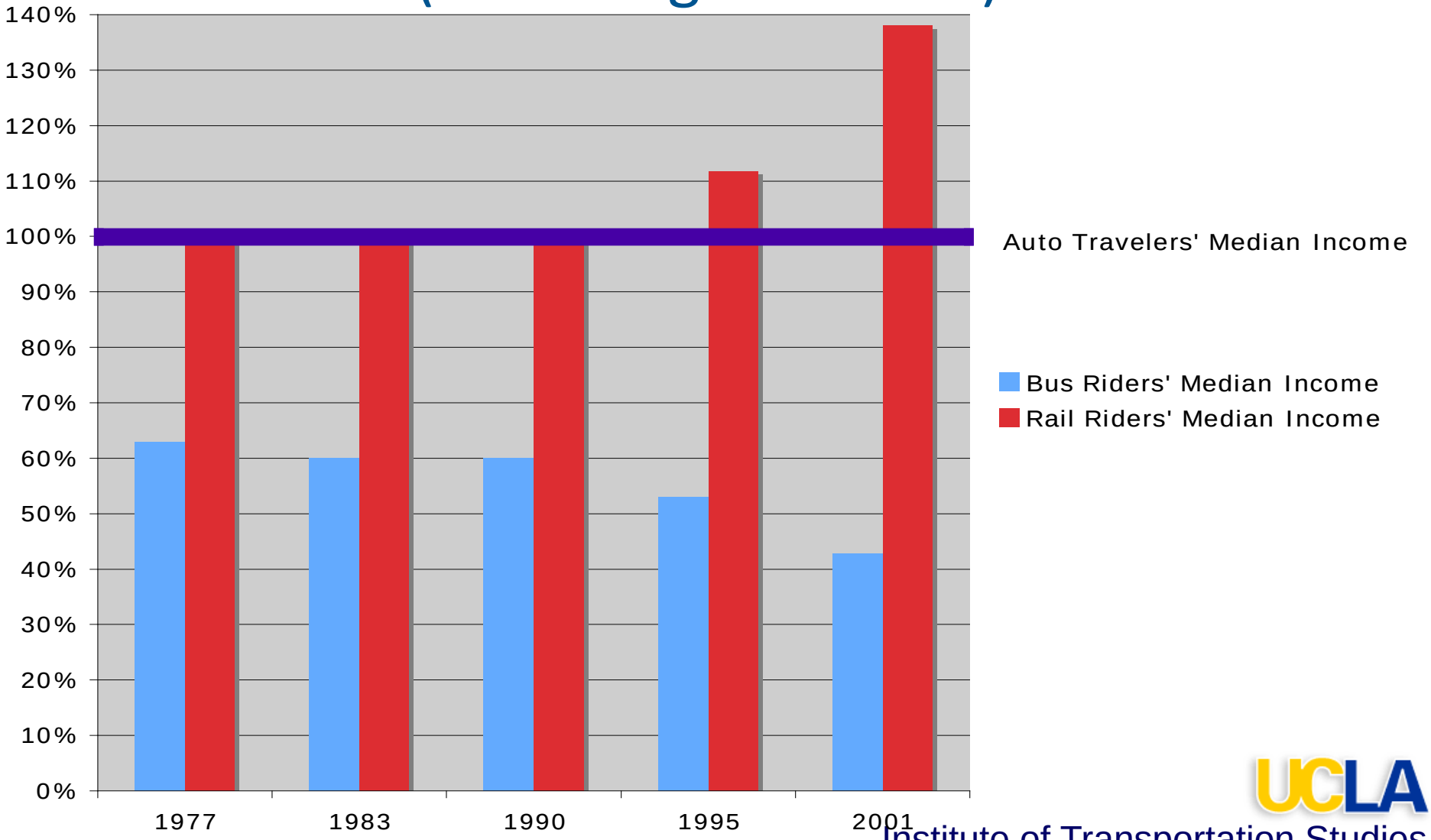
800 Pound Gorilla

- Metropolitan New York
  - 6% of U.S. Population
  - 38% of Transit Ridership

Transit Riders' Median Income as a Share of Auto Travelers' Median Income – 1977 to 2001 (All Trips)



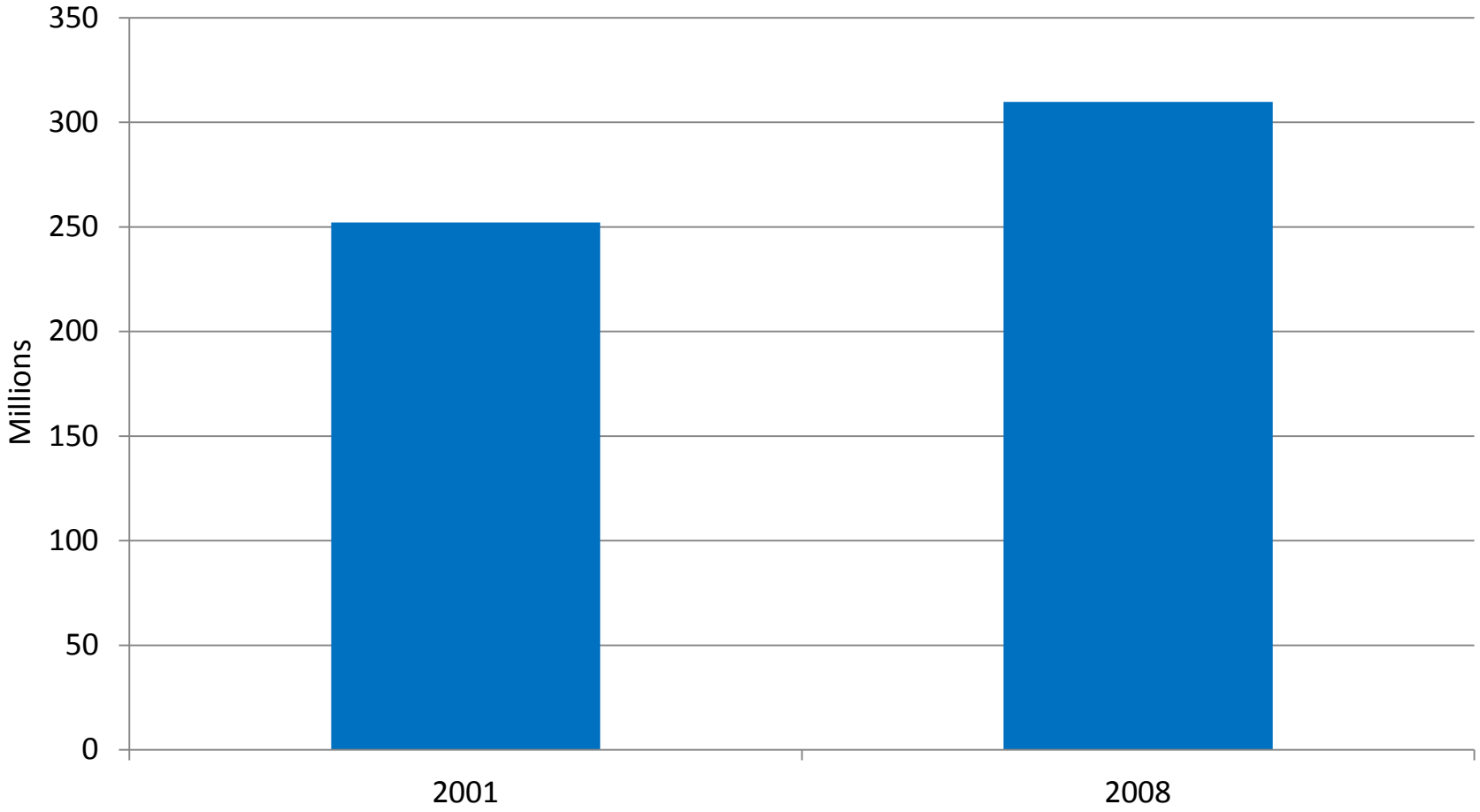
Trend Transit Riders' Median Income as a Share of Auto Travelers' Median Income – 1977 to 2001 (Excluding New York)



Transit service trends

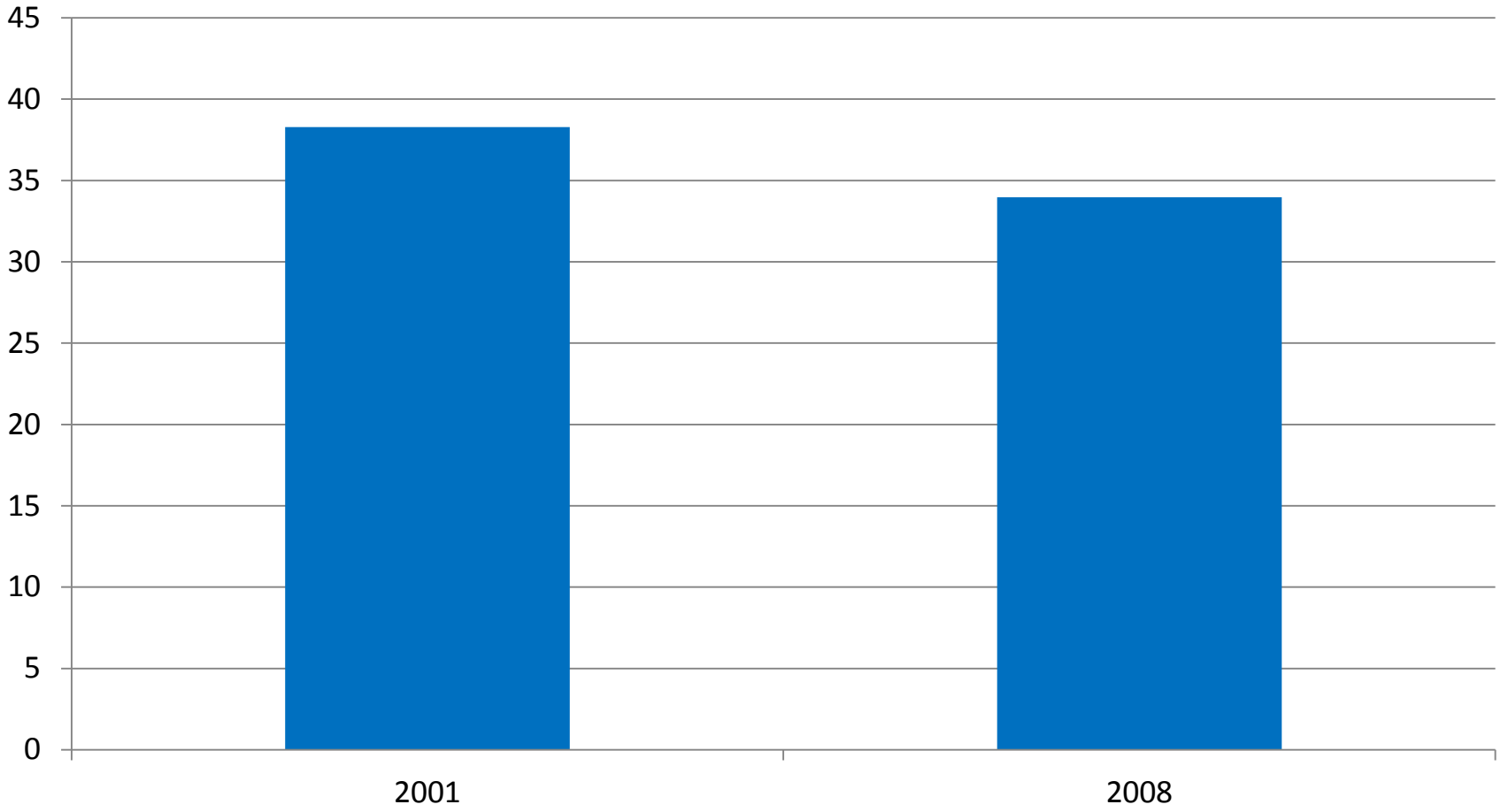
While ridership is up 9% since 2001, transit service is growing much faster

(total vehicle hours of service up 23%)



Source: American Public Transit Association

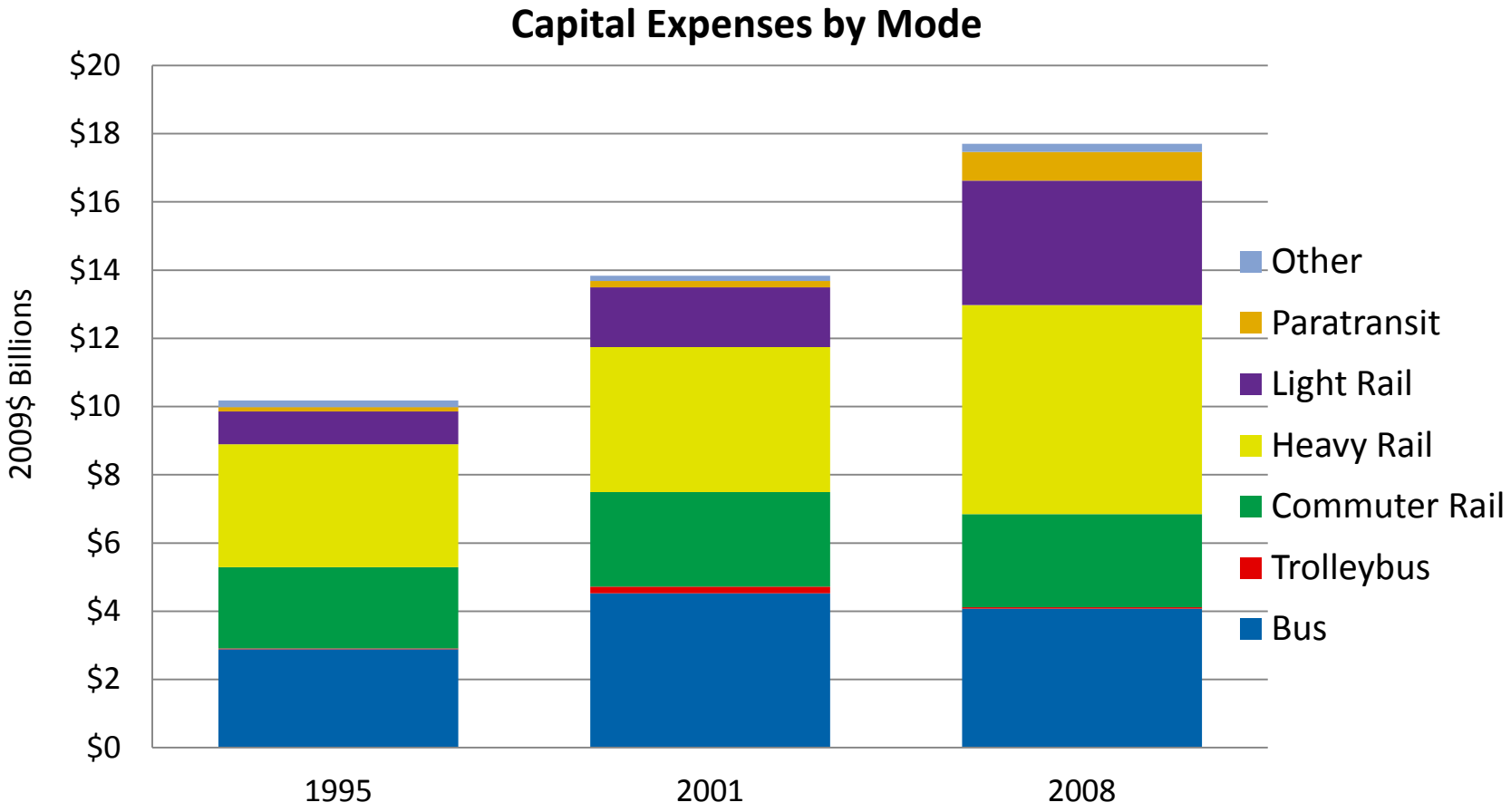
While service is up, productivity is down
(passengers per vehicle hour is down 11% since 2001)



Source: Author's Calculations from American Public Transit Association data

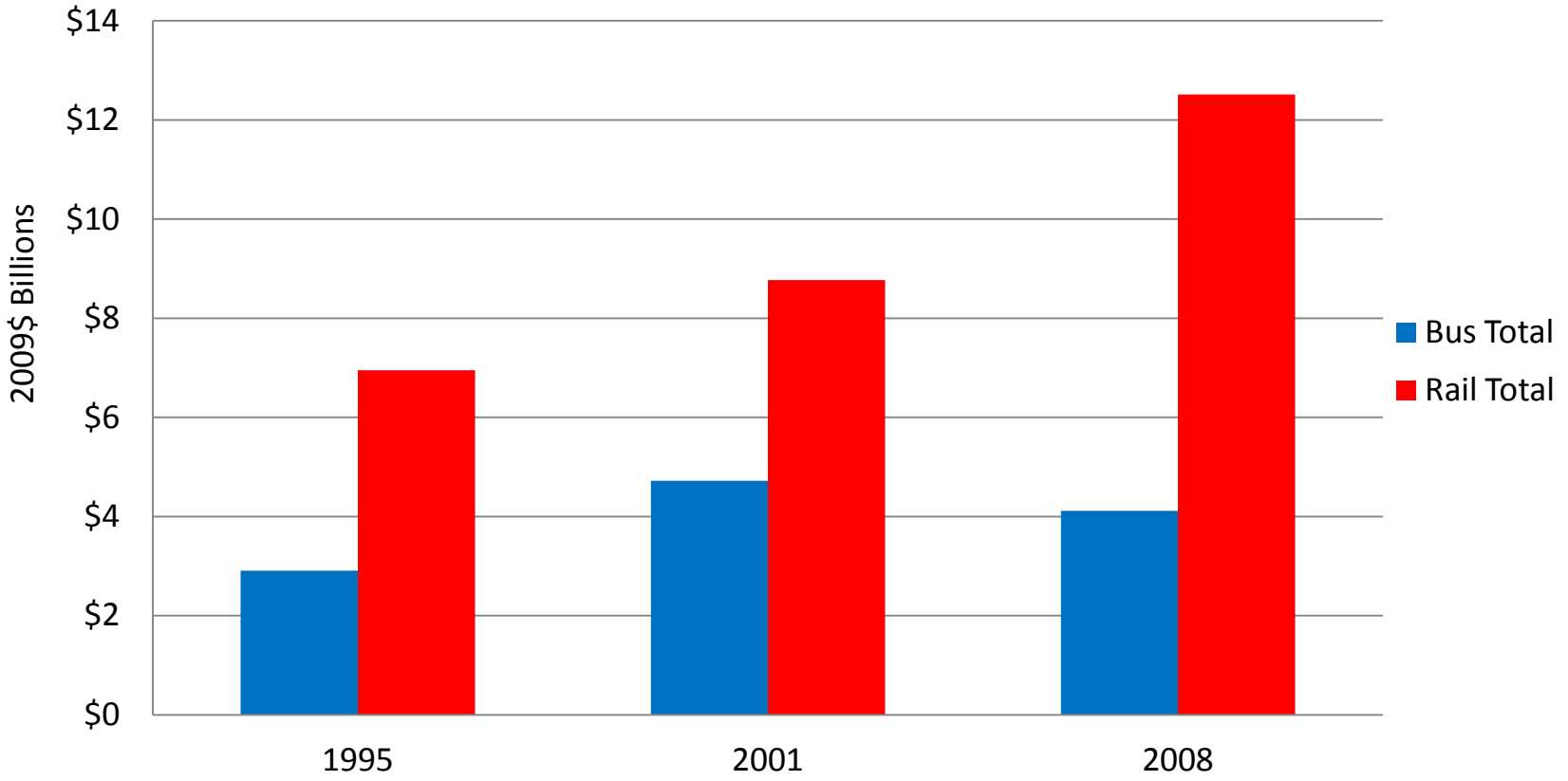
Transit Expenditure Trends

Total annual inflation-adjusted capital expenditures are up 74% since 1995



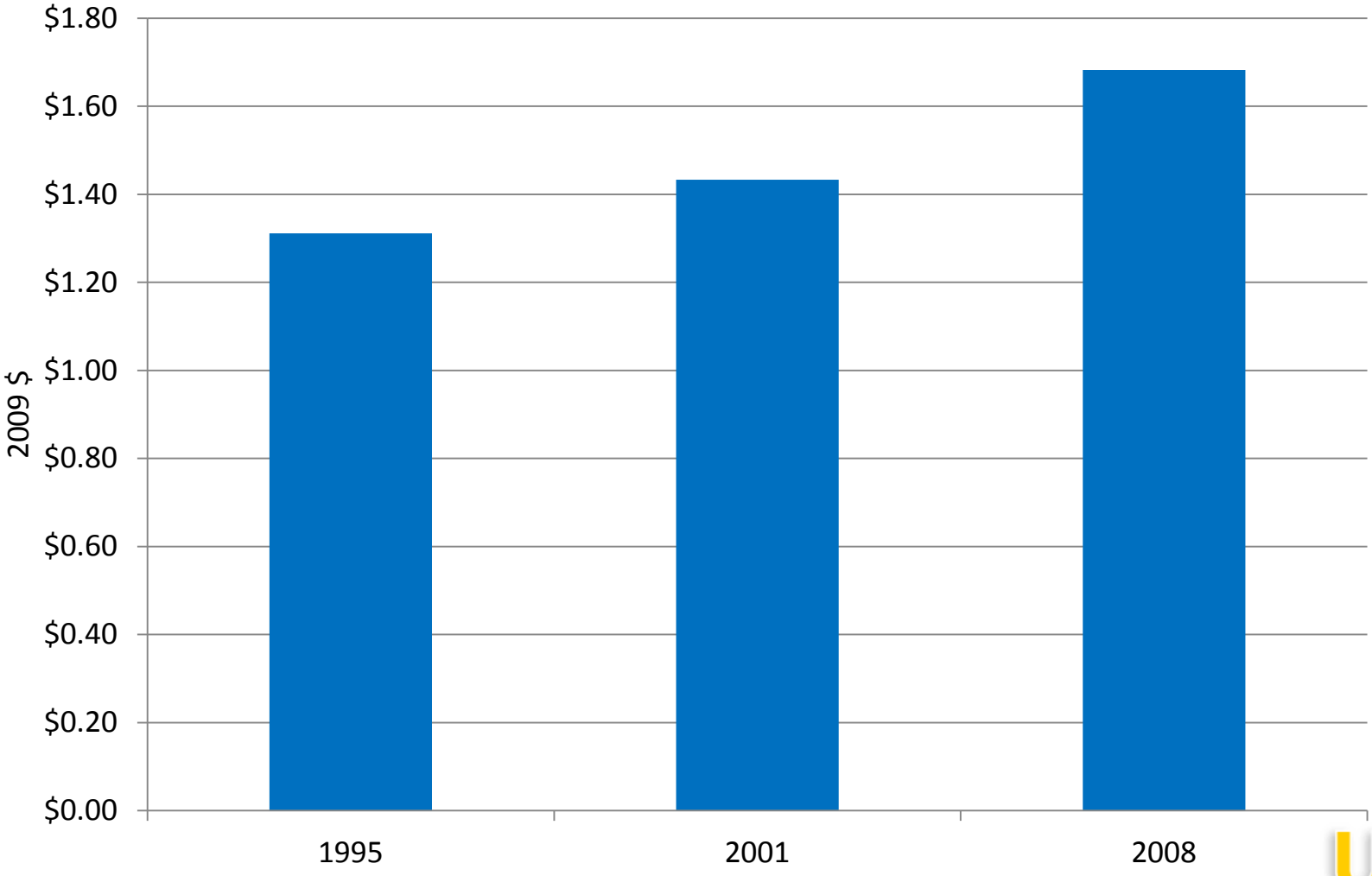
Source: Author's Calculations from American Public Transit Association data

Inflation-adjusted rail capital expenditures are up 80% since 1995 and are about 3 times greater than bus capital expenditures



Source: Author's Calculations from American Public Transit Association data

Total Inflation-adjusted capital expenditures *per passenger* are up 28% since 1995



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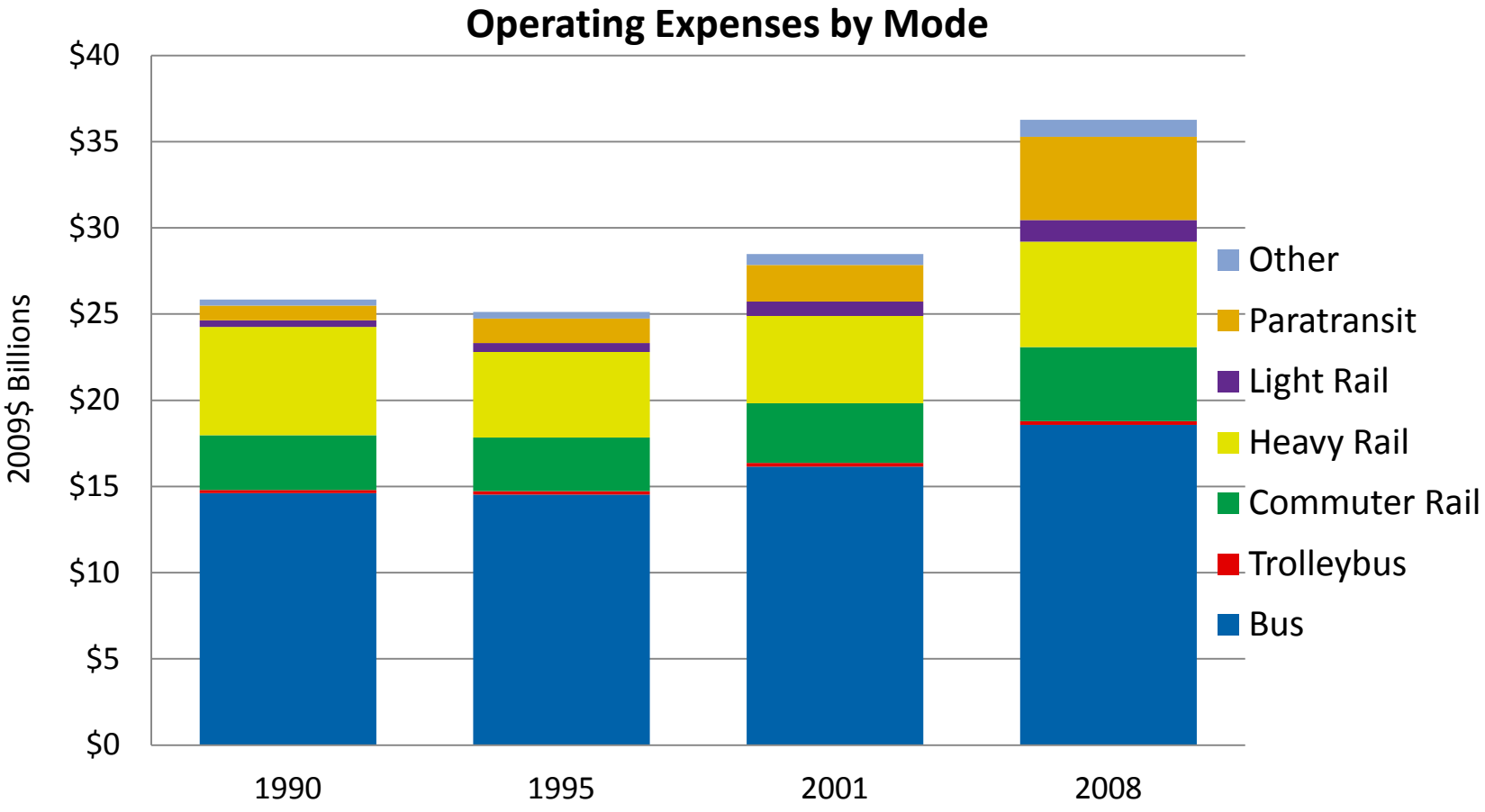
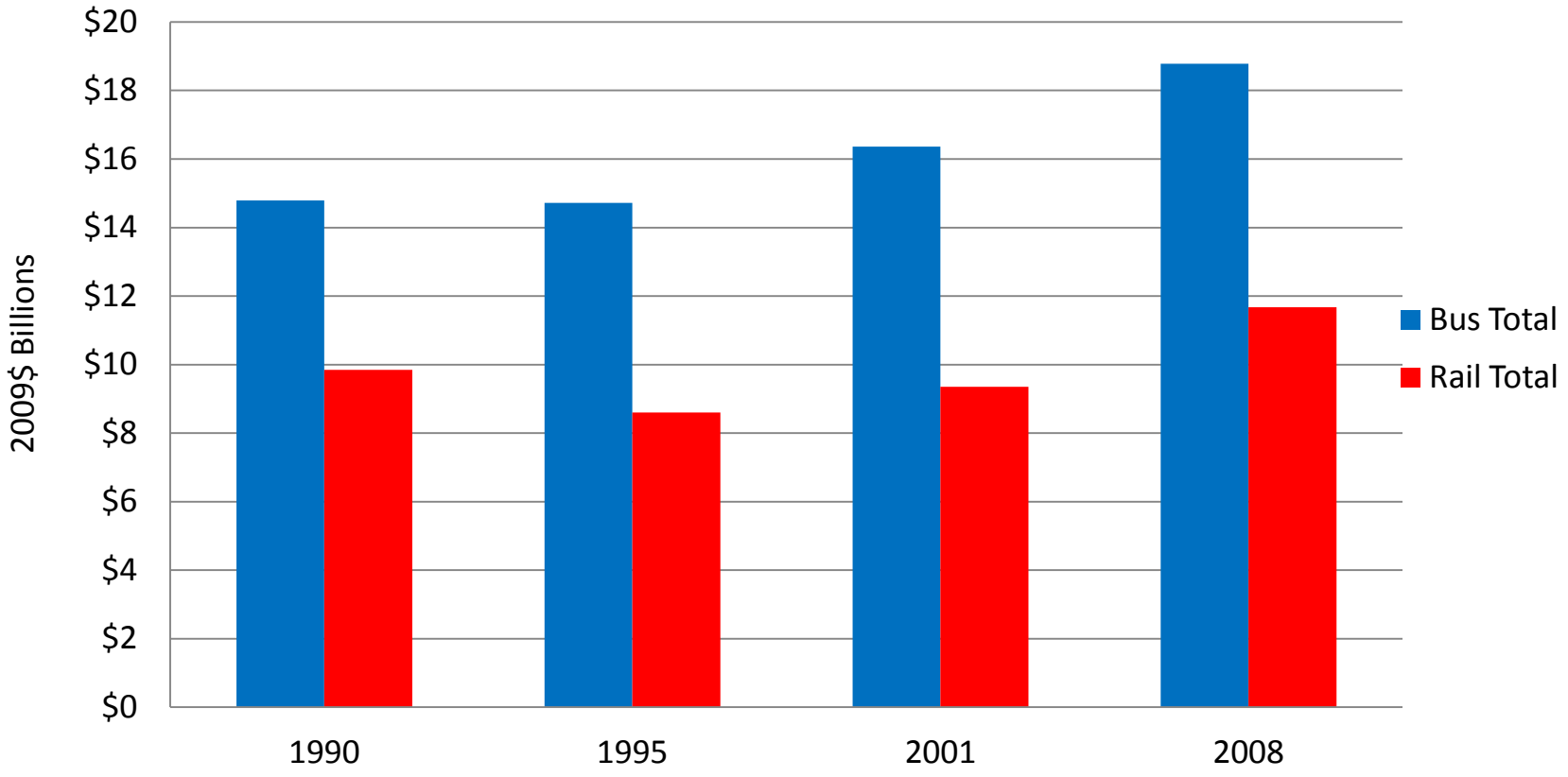
Total annual inflation-adjusted *operating expenditures* are up 40% since 1990



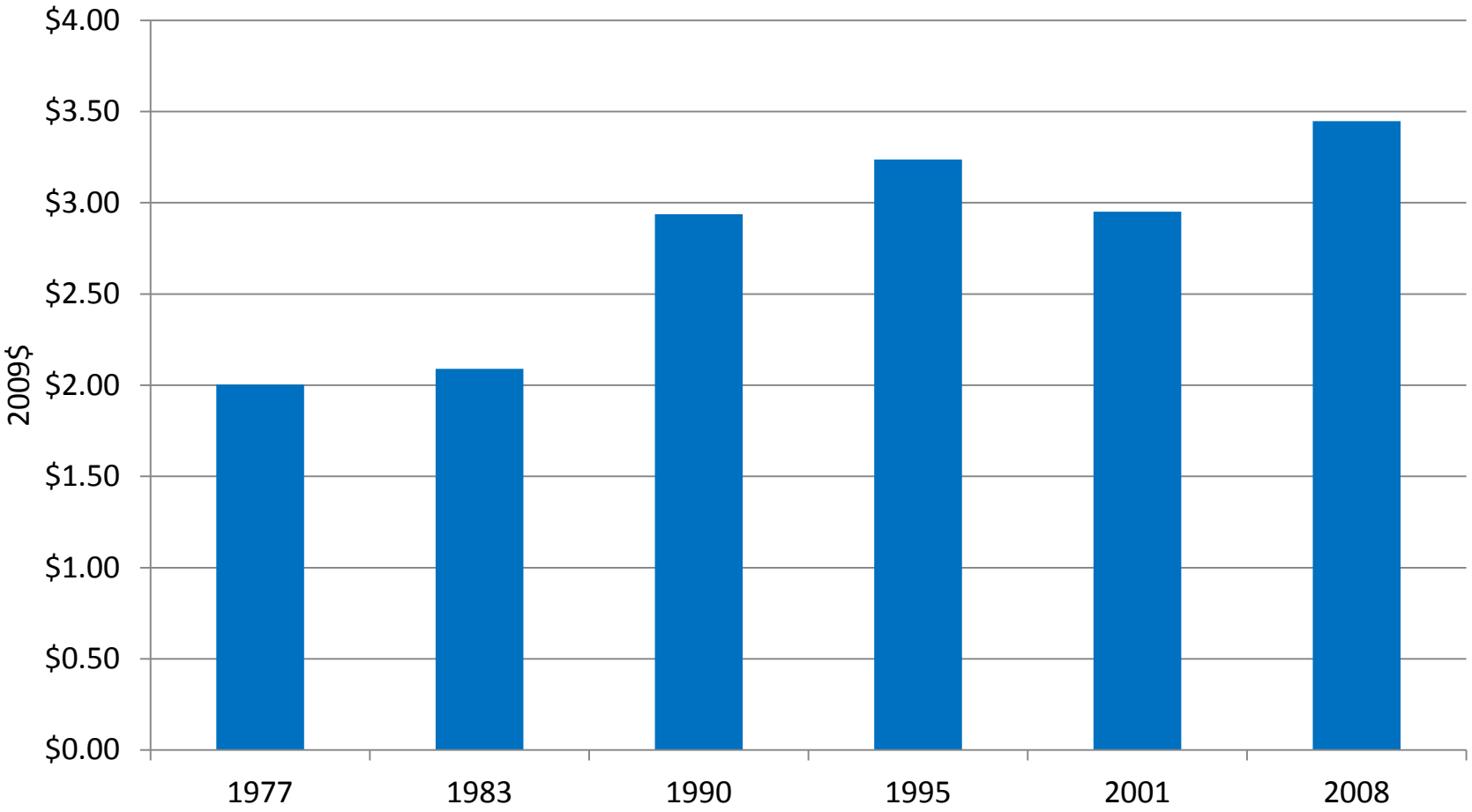
Source: Author's Calculations from American Public Transit Association data

Inflation-adjusted bus operating expenditures are up 28% since 1995, rail is up 36%



Source: Author's Calculations from American Public Transit Association data

Inflation-adjusted operating expenditures *per passenger* are up 72% since 1977



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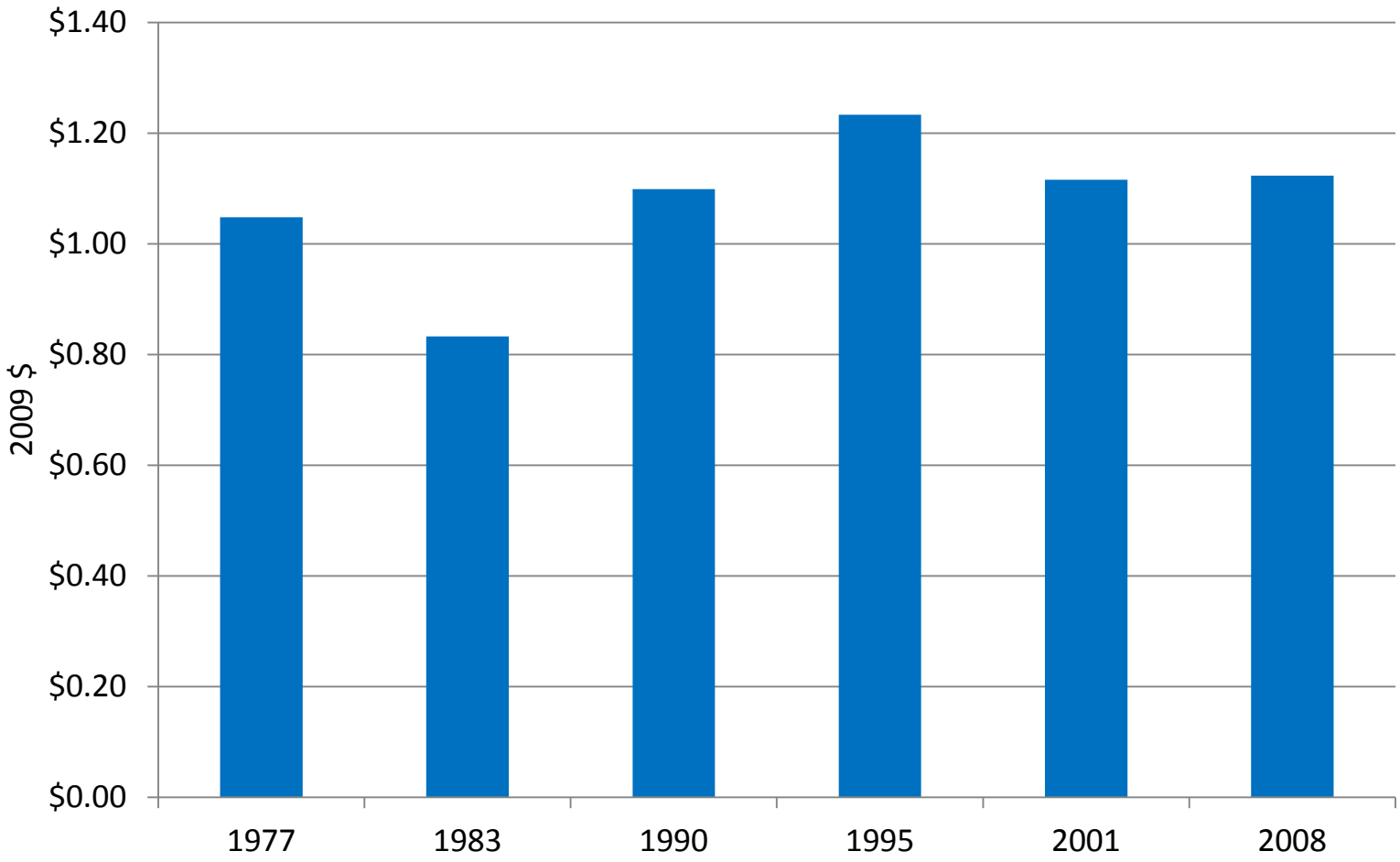
Total inflation-adjusted *fares* paid per passenger trip are up just 7% since 1977

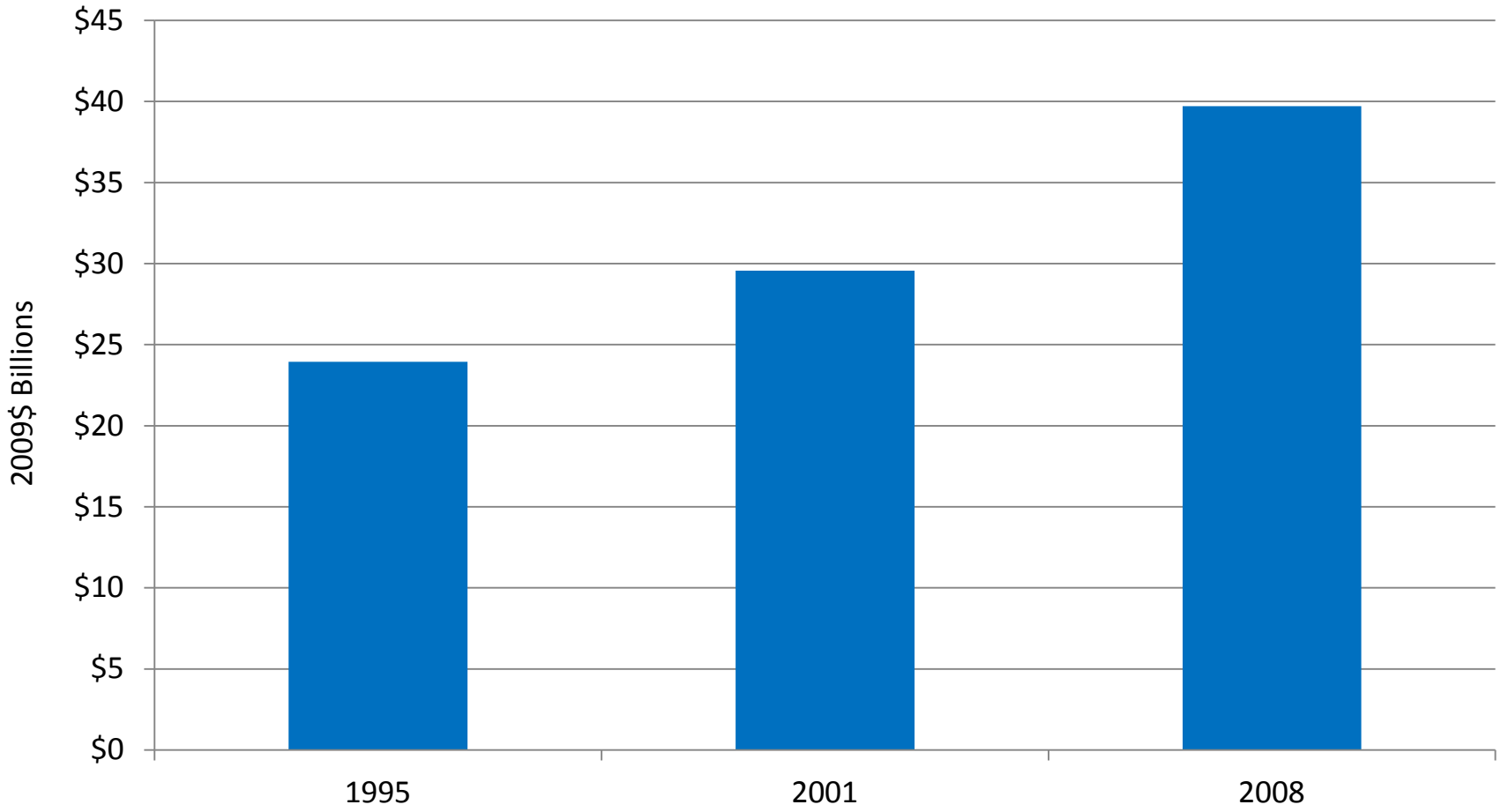


Source: Author's Calculations from American Public Transit Association data

Transit subsidy trends

Public subsidy of transit is increasing rapidly

(inflation-adjusted subsidies are up 66% since 1995)



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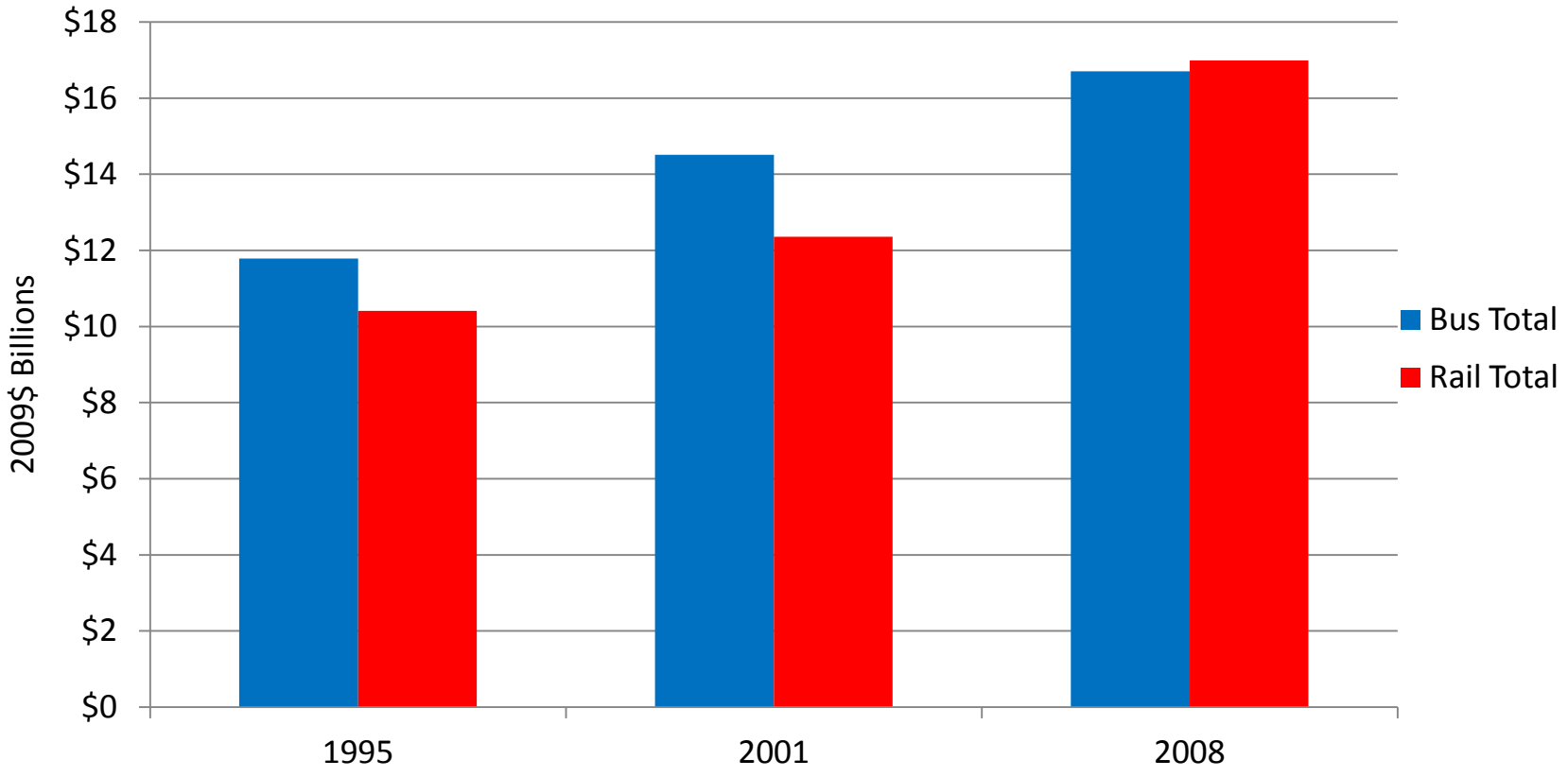
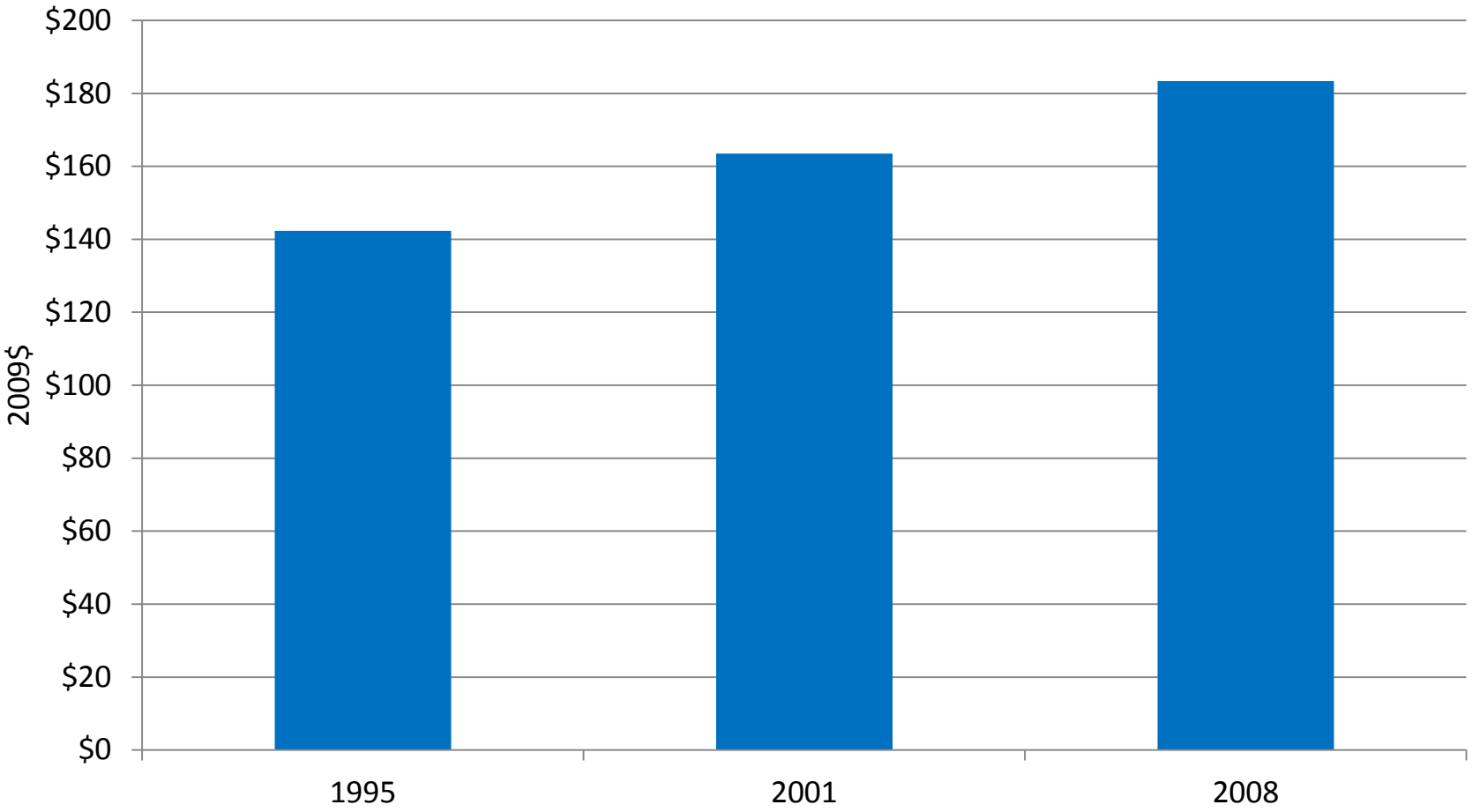
Total (capital + operating) subsidies today are about equally divided between bus and rail



Source: Author's Calculations from American Public Transit Association data

Total inflation-adjusted transit subsidies are up 29% since 1995 to $183.34 *per urban resident*



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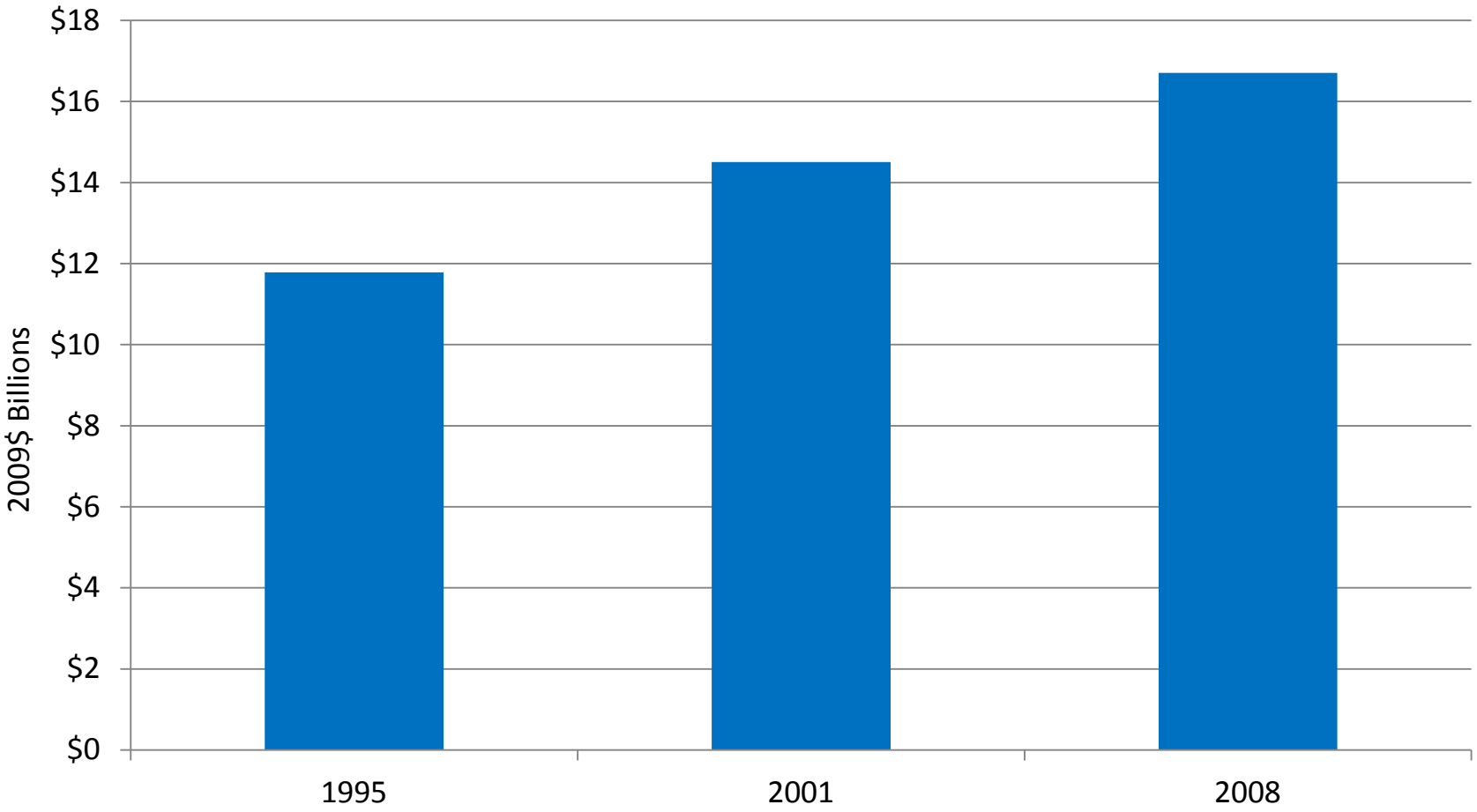
Inflation-adjusted *bus* subsidies in the U.S. are up 42% since 1995



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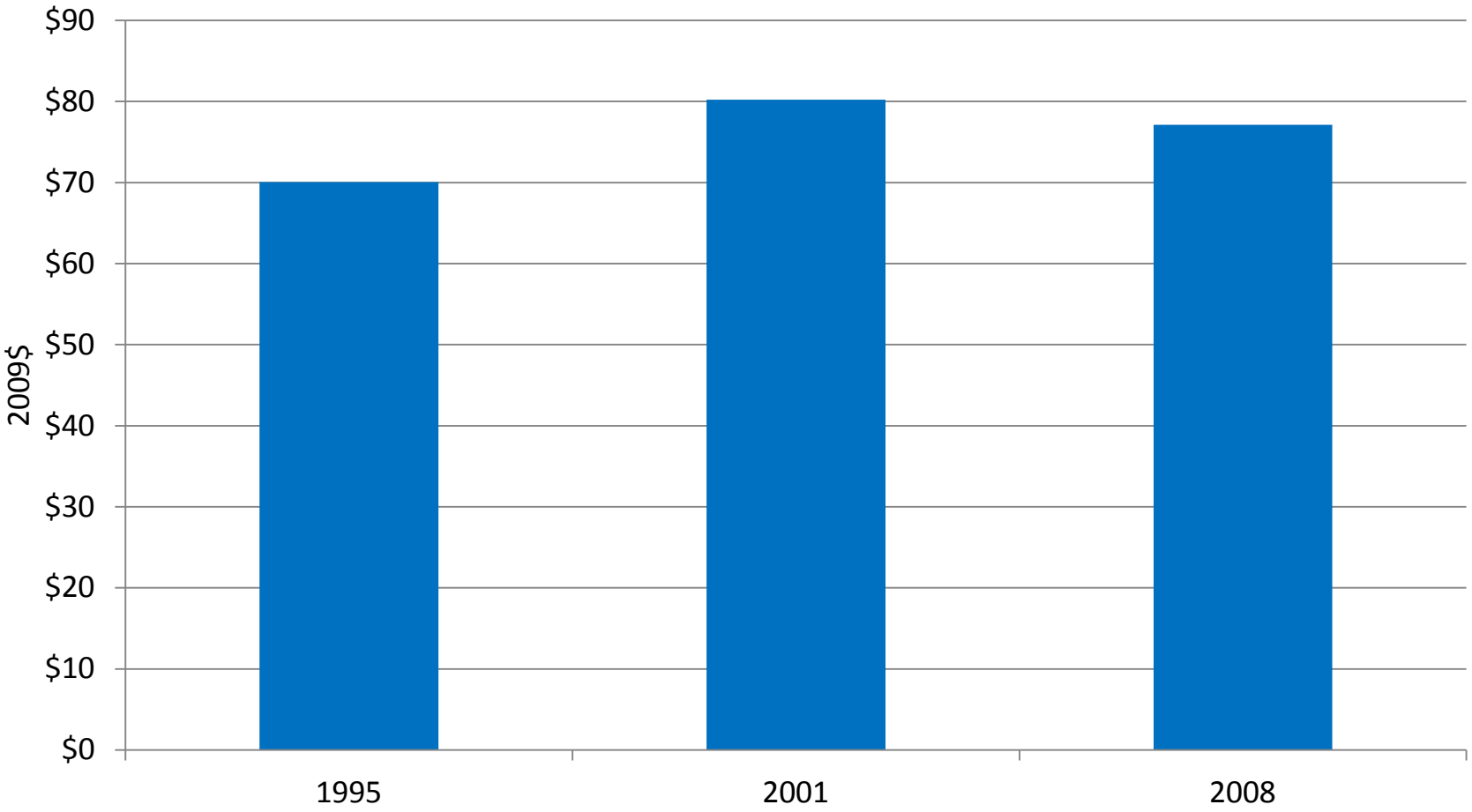
Inflation-adjusted bus subsidies *per urban resident* are up 10% since 1995, but down 4% since 2001



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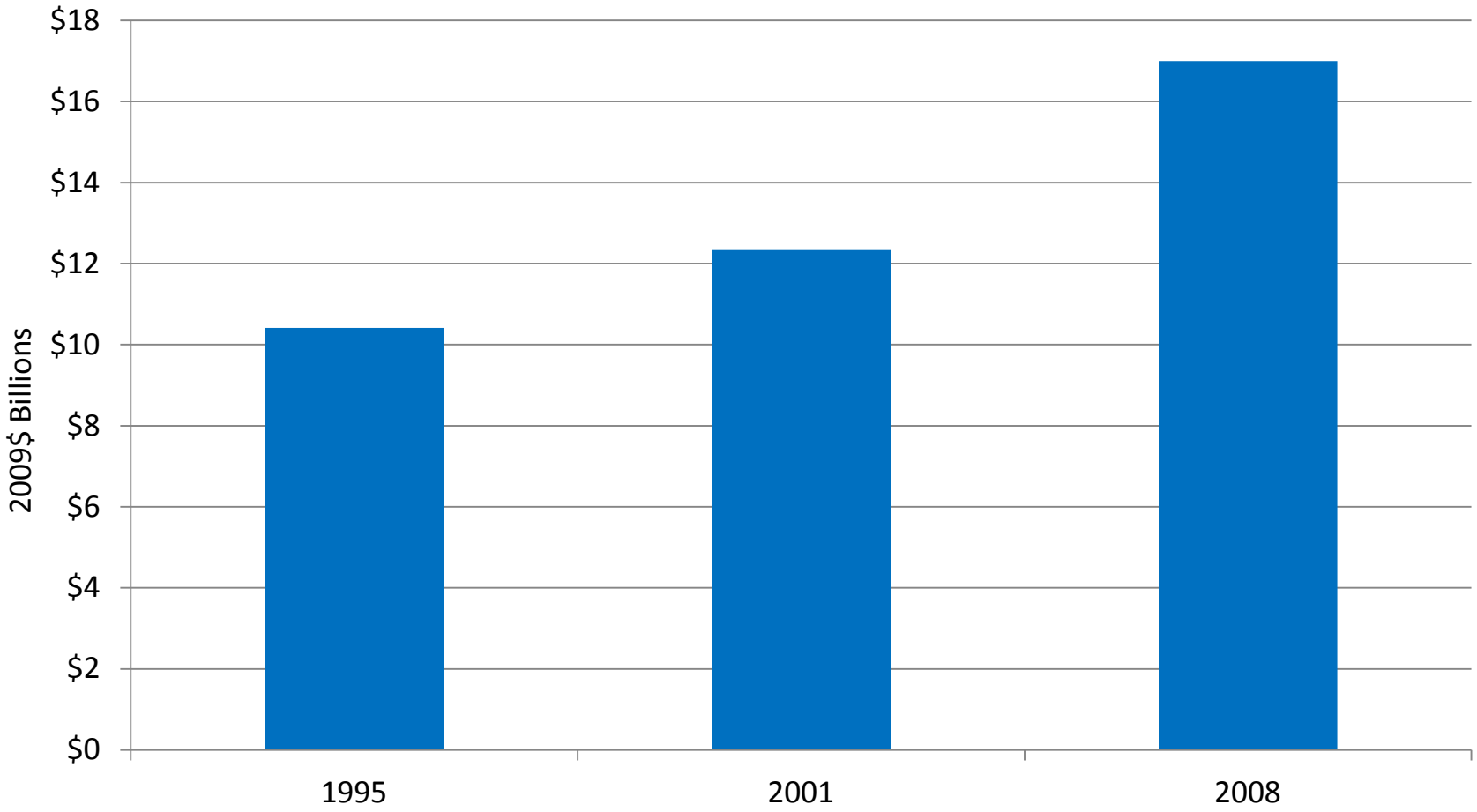
Inflation-adjusted *rail* transit subsidies in the U.S. are up 63% since 1995



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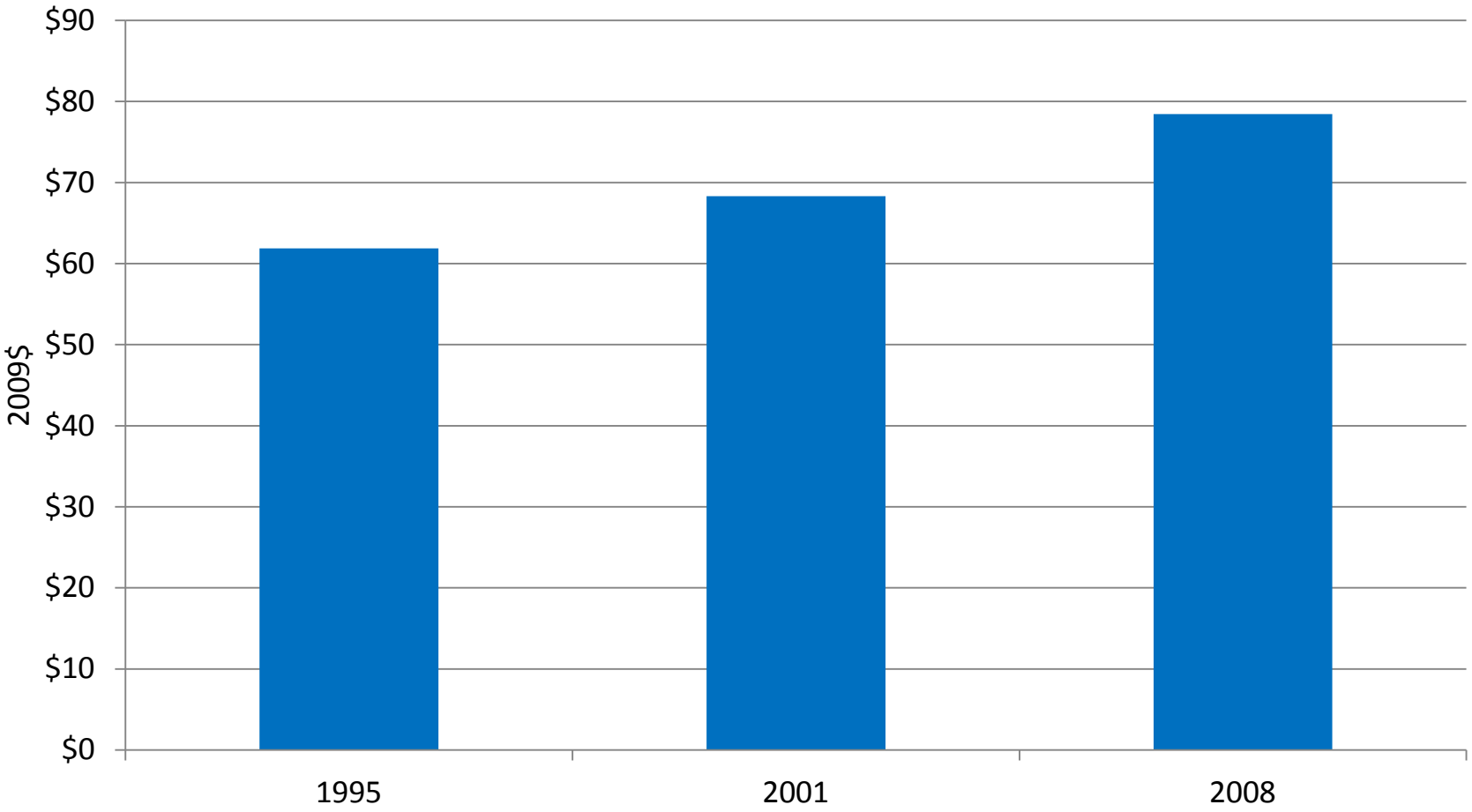
Inflation-adjusted rail subsidies *per urban resident* are up 27% since 1995



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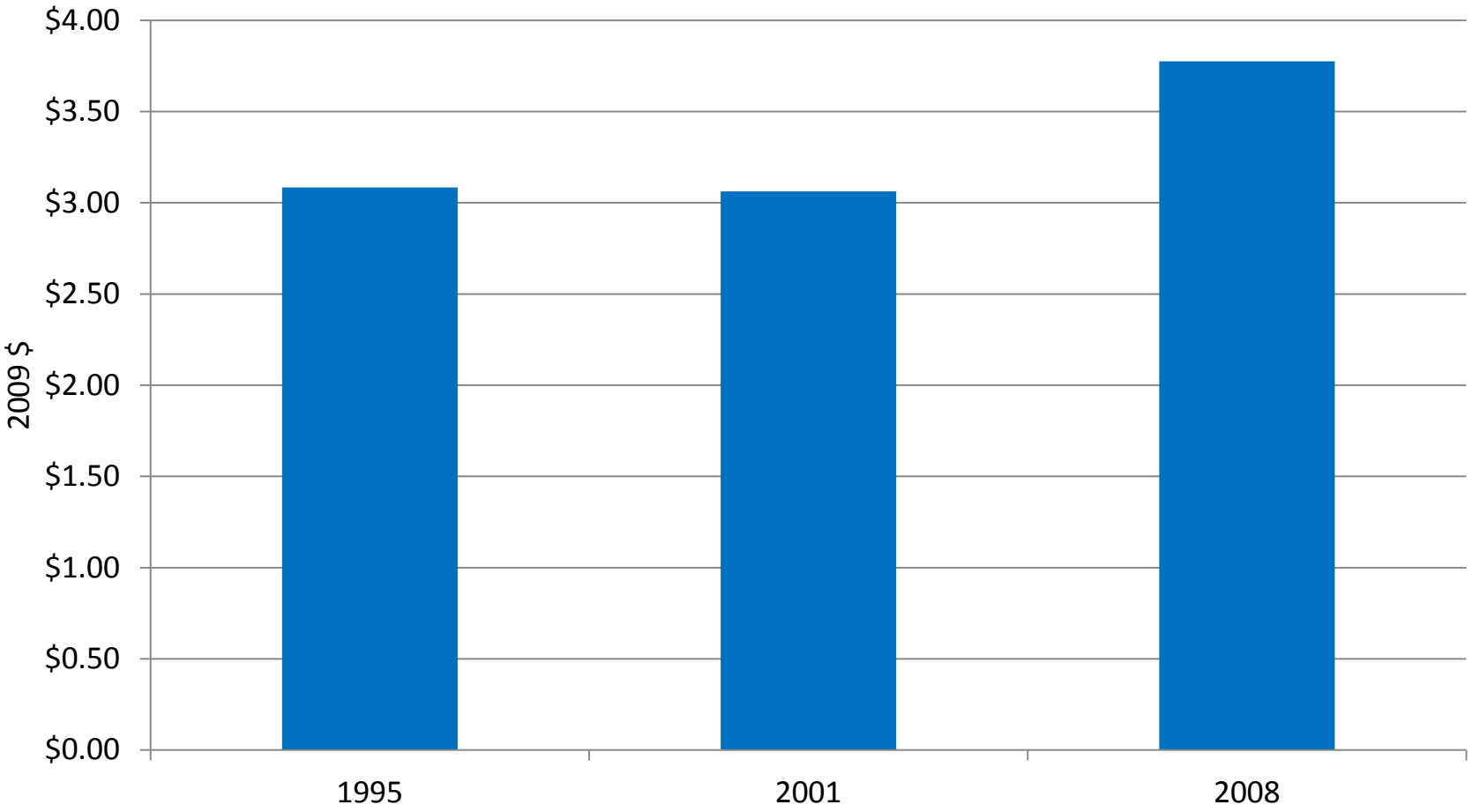
Total inflation-adjusted subsidies *per passenger trip* are up 22% since 1995 to $3.77



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  - Performance declining, subsidies skyrocketing

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- Bleak
  - Increasing focus on fiscal austerity will cause a political backlash against rapidly escalating subsidies
  - Transit operators will find it increasingly difficult to attract riders in the face of repeated service cutbacks

What does the future hold for transit?

- Leaner and meaner
  - Austere times will force transit operators to focus less on new capital and more on increasing the productivity of their existing labor and equipment

What does the future hold for transit?

- Leaner and meaner
  - More part-time labor, slow or no growth in wages and benefits
  - Shift service away from poor performing, albeit politically popular, times and routes
  - Variable fares (by time and distance) to reflect variable costs
  - Increased schedule reliability, real-time rider information
  - Implementation of complementary land use and parking policies

What does the future hold for transit?

- The road ahead is uncertain

What does the future hold for transit?

- The road ahead is uncertain
  - But what is certain is that the current trends are unsustainable

Thank you

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Thanks to my student research assistants:

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