

Resist New Burdens on the Transportation Sector

The transportation industries—airline, railroad, shipping, and trucking—are networks involving both a flow and a grid. The flow element relates to what is being transported—e.g. airplanes and trains—and the grid is the physical infrastructure used to manage the flow—e.g. airports and air traffic control. Some transportation industries have been freed of extensive federal regulation, including railroads and trucking. However, air travel had only its flow element—the airlines—economically liberalized under the 1978 Airline Deregulation Act.

The Federal Aviation Administration remains a command-and-control government agency that poorly manages air transport infrastructure to the detriment of consumers. Air traffic control services should be privatized, and landing slots and airport space should be allocated using market prices and new technology rather than through administrative fiat.

As air travel is a global industry, the U.S. must continue to open up international markets, especially an “open skies” agreement with the European Union, and remove laws that restrict foreign investment in American airline companies.

Encourage Private Investment in Freight Rail. Attempts to roll back the successful 1980 Staggers Act and re-regulate America’s freight railroads must be resisted. Staggers has enabled a genuine market to operate in which the rail-

roads are finally able to make a sustainable rate of return and invest in badly needed new infrastructure. Re-regulation would suffocate new infrastructure investment and lead to greater highway congestion. Rail also suffers in that its main infrastructural competition—highways—are government-owned. Congress should consider tax reforms to make it easier to invest in rail infrastructure.

Privatize Passenger Rail. Amtrak is an inefficient waste of taxpayer money. Congress should pursue privatization of Amtrak’s routes and infrastructure, possibly through such preliminary reforms as breaking up the network. Competition in passenger rail choices can only benefit travelers.

Liberalize Air Travel. Congress should reject attempts to tax airlines on environmental grounds, which would be extremely harmful to the industry. Congress should also revise, or repeal, outdated rules that forbid industry consolidation or foreign ownership. Privatization and modernization of the air traffic control system not only would allow faster flights and less delay at airports but save up to 400,000 barrels of oil per day, and reduce greenhouse gas emissions accordingly. And there is no need to reinvent the wheel. Canada’s successful air traffic control privatization offers a useful model.

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