

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—such as airplanes and trains—and the grid is the physical infrastructure used to manage the flow—such as airports and air traffic control. Some transportation industries have been freed of extensive federal regulation over both elements, 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 by implementing a genuine “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 reregulate America’s freight

railroads must be resisted. The Staggers Act has enabled a genuine market to operate in which the railroads 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—the nation’s highway system—is 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, 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 Congress should also revise, or repeal, outdated rules that forbid industry consolidation or foreign ownership.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 would allow faster flights, reduce delays at airports, save up to 400,000 barrels of oil per day, and reduce greenhouse gas emissions accordingly. There is no need to reinvent the wheel. Canada’s successful air traffic control privatization offers a useful model.

Move to a risk-based transportation security model. According to experts, the long lines at airports since the increase in general security following 9/11 cost the U.S. economy \$8 billion a year, and divert passengers onto the roads, with a significant increase in road traffic deaths as a result. Yet most of this security effort is wasted, aimed at people who could not possibly pose a security risk. To speed up lines and thereby remove this barrier to air travel, policy-makers

should allow private firms to compete with the Transportation Security Administration, introduce a risk-based security model that allows low-risk passengers to move more quickly through the system, and permit a Registered Traveler scheme for those willing to subject themselves to extra security clearance in order to allow business travelers expedited travel.

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