

# ***POLICY BRIEF***

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## **Spurious Pleading For Mass Transit Spending**

Opponents of suburban development and supporters of ever-expanding mass transit spending are once again pushing their agendas by performing and publicizing misleading research. Case in point: the Center for Neighborhood Technology and the Surface Transportation Policy Project just issued a report which purports to show that residents in metro areas with highly developed transit systems, especially rail, are better off than residents of other areas because they spend a lower share of their budgets on transportation. Why better off? Because the lower spending on transportation theoretically frees up money for other expenditure items.

This latest pro-transit report compares the shares of household spending allocated to transportation and housing for 28 metro areas-- with the focus on transportation. That comparison shows Pittsburgh in a very favorable light with a relatively low transportation share that ostensibly saves households money, especially in times of rising fuel prices. Not surprisingly, the report's principal recommendation is that governments continue to expand non-auto transportation options including public transit

The report received extensive media coverage in the Pittsburgh market. However, the extent of media coverage cannot mask the fact that the report contains serious analytical flaws and questionable conclusions. Still, local transit officials and anti-sprawlers held it up uncritically as justification for spending more on mass transit despite overwhelming evidence that the Port Authority is inefficient with high costs per passenger and requires extremely large taxpayer subsidies.

Unfortunately for the authors, the report suffers from several major deficiencies. First, the data from the Consumer Expenditure Survey (CES), which formed the basis of the metro comparisons, is inadequate to make reliable comparisons of specific expenditure categories. Second, the analysis and recommendations fail to recognize that consumers allocate their income and time to maximize their net benefits. And it fails to recognize that shifting taxpayer dollars to subsidize transit is not costless to society.

A careful look at the 2003 CES data for metro areas shows the need for caution in drawing headline-grabbing conclusions. For instance, is it credible that Pittsburgh households spend almost twice as much on tobacco products as folks in other Northeastern cities? Or, is it believable that Pittsburgh households make cash donations of \$3,570 a year while Bostonians and Philadelphians only donate \$1,000? Indeed, the national average is only \$1,370. Pittsburghers are generous but not that much more than folks in other cities. These anomalous statistics point to the limited usefulness of self-reported questionnaire data from a too small sample.

But for the sake of discussion, let's assume the metro data are reliable. What would we learn? The Center for Neighborhood Technology report indicates that households in cities with well developed mass transit systems and greater percentages of non-auto commuters use a smaller share of their expenditures for transportation. Does that really tell us anything about whether living in Boston, where 14 percent of commuters do not use autos to get to work, is better than living in Phoenix, where only 6 percent of commuters do not drive cars to work and where households allocate two and half percent more of their spending to transportation?

Before answering that question, one might want to consider that over the seven year period leading up to the 2003 survey used in the Center for Neighborhood Technology report, the number of people working in Phoenix grew 21 percent compared to Boston's 2 percent. Similarly, it is worth noting that Tampa, with its slim 5 percent of non-auto commuters and 20.4 share of expenditures going to transportation, had employment growth of 16 percent while Chicago with 16 percent non-auto commuters had only a 0.9 percent increase in people working. Further, it is noteworthy that all the cities with the highest mass transit use by commuters, except for Washington, D.C., had slow job gains.

For people contemplating a move to faster growing metro areas to get a job because of more and better opportunities and perhaps an overall lower cost of living and lower taxes, the fact that, on average, they might spend a few hundred more per year on transportation would not be much of a deterrent. In short, a lower share of consumer spending going to transportation by itself tells us very little about the overall welfare of households.

Moreover, it seems to be implicit in anti-sprawl arguments that somehow suburban living is inferior to urban living, notwithstanding the fact that many cities have very poor schools, crime problems and high taxes. For people to choose to live in the suburbs or rural areas simply reflects rational benefit maximizing behavior. Indeed, if they spend relatively more on transportation, they have made that decision freely in the context of the myriad of factors affecting their well being.

Finally, the authors make a big point of how much money people save by using mass transit as if the fares they pay covered the cost of their trip. In most places, taxpayers are paying well over half of the cost of the trip. There is no free lunch; the money has to come from somewhere. Making policy as if the supply of tax revenues is inexhaustible is simply not a viable position.

We can all agree that public transit serves a valuable purpose for many people in areas with populations geographically distributed in a way that maximizes the benefits society obtains from the money it spends on transit facilities and operations. But that does not mean every metro area needs to build an expensive subway system.

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