SAVING MONEY BY SAVING OPSI

Tucked inside the Department of Transportation, deep within the Urban Mass Transit Administration (UMTA), is a novel, inexpensive program called the Office of Private Sector Initiatives. Just two years old, OPSI is investigating ways to cut the costs of public mass transit by fostering private sector competition and efficiency. Currently OPSI is exploring the potential cost savings of turning over mass transit programs in Oakland, Chicago, Atlanta, and a host of other cities to private contractors. Indeed, OPSI seems to be precisely the type of enterprising approach that a budget-conscious Congress would support enthusiastically in its efforts to trim the federal deficit.

Yet congressmen strangely seem determined to kill the cost-saving program. OPSI has come under attack recently in the House Appropriations Committee. Just last week Congressman Bob Carr (D-MI) offered an amendment to prohibit UMTA funds from being used for private sector feasibility studies. The result would be to kill OPSI.

Though Carr's amendment was withdrawn, he succeeded in adding to the report accompanying the DOT appropriation language intended to limit the use of UMTA funds for studies of private sector feasibility. While not binding, the report language provides the basis for future interpretation and thus could impede privatization efforts within UMTA. Even more disturbing, the original Carr amendment could be reintroduced before the full House Subcommittee markup later this week.

Politics rather than fiscal restraint are triggering the attack on OPSI. The program is miniscule in relation to the massive DOT budget. OPSI has a staff of just four; it allocates grant funds of about $4 million a year, or less than one-tenth of one percent of UMTA's budget. But OPSI threatens spendthrift congressmen and the transportation unions. Even an examination of privatization directly challenges the featherbedding and waste that typifies federally supported mass transit.

Consider, for instance, the burden of government-provided urban transit systems on federal and local taxpayers. The federal contribution alone to local transit systems has climbed an average of 40 percent annually since 1970. UMTA now spends nearly $4 billion annually. Many cities have been forced to raise taxes to pay for their share of mass transit programs they probably do not want but dare not reject for that would mean their losing huge sums of federal aid. Meanwhile the quality of service has improved little--and in many cities actually declined--largely because public transit systems, facing no large-scale competition, have accepted skyrocketing labor costs while adapting at a snail's pace to changing urban demographic patterns, lifestyles, and work arrangements.

As a consequence, urban transit ridership has declined by 7 percent since 1970 despite dramatic increases in payroll costs and billions in federal funds for the capital cost and operation of transit systems. If UMTA had been operating as a private business, stockholders long ago would have fired the management and adopted innovative strategies to serve the enormous untapped commuter market. Is it any surprise that privatization so frightens the bloated constituencies profiting from public subsidies?

Cost savings associated with privatizing urban transit systems are well documented. Norfolk, Virginia, for instance, switched from public fixed transit routes to privately contracted service and cut its per passenger subsidy by 64 percent. When El Cajon, California, turned to competitive bidding to select operators for its entire public transportation system, it found that the public transit agency was 150 percent more expensive than the private alternative. Phoenix, too, turned its transit bus route system over to private contractors and realized immediate savings of nearly 60 percent. In none of these cases was the availability of service curtailed; service delivery was merely transferred from the inefficient municipal government agency to the more cost-conscious and consumer-oriented private sector provider.

The effort to block OPSI's studies appears part of a broader movement among special interest groups and their friends in Congress to slam the door on efforts to privatize federal programs. The House Budget proposal passed earlier this year, for instance, eliminated contracting-out federal services to the private sector, a strategy that could save taxpayers considerable sums. Last year, Congress halted promising experiments by the Legal Services Corporation's national staff to improve services to the poor by allowing private attorneys to bid for LSC work. What Congress did was preserve the LSC lawyers' monopoly.

Instead of quashing privatization options, Congress should be expanding them. UMTA's Office of Private Sector Initiatives is a sound, cheap program that could yield enormous taxpayer savings by halting runaway transit costs. If the federal budget is ever to be controlled, Washington will need the studies and alternatives produced by OPSI and programs like it.

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For further information:

U.S. Department of Transportation, Rice Center, "New Directions in Urban Transportation: Private/Public Partnerships," June 1984.

Fred Smith, "The Department of Transportation," in Stuart M. Butler, Michael Sanera, and W. Bruce Weinrod, eds. Mandate for Leadership II (Washington, D.C.: The Heritage Foundation, 1984).