



Privatizing Detroit Department of Transportation Would Save City Millions

Summary

Detroit could save \$78 million a year by privatizing or closing its transportation department, which would result in more efficient service for riders and create job opportunities for entrepreneurs who wish to offer jitney services.

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As state lawmakers consider another bail out of Detroit, it is worth suggesting that the city and state might be better off if Detroit bailed itself out. The current restructuring plan calls for \$350 million from the state over 20 years — or \$17.5 million per year. With better reforms, Detroit can find additional dollars and many more besides.

Detroit should be turned into a contract city by selling assets and shedding extraneous services, and then competitively contracting for the services it would still provide. This could save far more than the \$17.5 million that state lawmakers want to give to the Motor City. That money could be used to fill real potholes statewide instead of fiscal ones in Detroit.

In fact, one bold option the Mackinac Center has recommended in the past could save the city about \$78 million every year: privatizing the Detroit Department of Transportation. DDOT is a model of high costs and bad service. It spends \$200 million per year while incurring an average operating loss of more than \$175 million annually. Detroit provides DDOT with an average annual subsidy of \$78 million, but state and federal funds have to make up the nearly \$100 million difference. DDOT should be shut down in favor of private, independent jitney services or operated under some type of franchise agreement or both in concert.

The kindest description for DDOT's condition is "dysfunctional." It has suffered through a steady succession of directors and leadership teams, with one director not even staying six months before he was fired. In mid-2013, some 20 percent of buses scheduled to transport passengers weren't even able to leave the garage. Passengers' frustration and anger has mounted as they wait at stops for buses that are often extremely late, don't stop because they are already full, or never show up at all. To add insult to injury, DDOT amassed \$1.93 billion in operating losses from 2002 through 2012.

Perhaps the most damning fact is not the extraordinary subsidies enjoyed by DDOT, but rather the extreme costs per rider. The department's average annual ridership from 2007 through 2012 was about 36.1 million total bus trips. This

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The People Mover is just one example of the inefficient and expensive public transportation services contributing to Detroit's fiscal problems.

corresponds to about 12.03 million actual passenger roundtrips, since every rider will have both an outgoing and homecoming trip and some riders may have to transfer between buses.

Since many of the people who ride the bus do so every day, the actual number of specific people using DDOT each year is only around 77,000. This means that the \$78 million subsidy from the city alone is worth more than \$1,000 per user. Combined with state and federal subsidies, the total adds up to \$2,300 per user — enough to buy each of them their own used car — every year.

This problem calls for sweeping reforms. DDOT should be closed or privatized to some degree to end the hemorrhaging of Detroit tax dollars. Additionally, jitneys — small, privately owned cars, or vans driven by entrepreneurs — are popular around the world but are outlawed in Detroit (and throughout Michigan). There has long been an illegal market in Detroit for jitneys to help people with things like grocery store trips, but if the law were repealed it would allow for widespread adoption.

A bailout of Detroit by the state is not going to provide the long-term fix desperately needed for Detroit's problems. Detroit's city leaders should use the opportunity of bankruptcy to chart a new course: Repeal their archaic transit laws, close or privatize DDOT and allow private entrepreneurs to accomplish what DDOT can't, among other bold changes.

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