THE CATO INSTITUTE

HANDBOOK ON AFFORDABILITY

6. Transportation

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Transportation is one of the largest and most unavoidable expenses for American households. In 2024, the average household spent $13,318 on transportation, an amount second only to housing when employer-provided benefits are excluded. For most families, these costs are not discretionary: Reliable transportation is essential for getting to work, accessing health care, purchasing groceries, and participating in daily economic life. The cost of transporting goods shapes the prices of nearly everything Americans buy, from food and fuel to housing materials and consumer products.

Automobiles remain the primary mode of personal transportation. Just under 70 percent of Americans drive themselves to work, with additional commuters traveling by carpool, making car dependence central to most households' budgets. Yet the costs of owning and operating a vehicle, as well as of traveling by air or shipping goods by water, are significantly inflated by public policies that restrict competition or raise input costs without delivering commensurate consumer benefits. Tariffs, regulatory mandates, and protectionist transportation laws often function as hidden taxes on mobility, raising prices, limiting consumer choice, and burdening both US households and taxpayers.

By eliminating outdated tariffs, rolling back costly mandates, and opening transportation markets to greater competition, policymakers could reduce household financial strains without new spending programs. Many of the reforms outlined below are well within Congress's authority and could deliver tangible cost savings to families by reducing costs directly (by cutting taxes and input costs) and indirectly (by strengthening competitive pressure and supply-chain flexibility).

FEDERAL POLICIES TO IMPROVE TRANSPORTATION AFFORDABILITY

- **Repeal the "chicken tax."** The so-called chicken tax, a 25 percent tariff on imported light trucks, adds thousands of dollars to the cost of pickups. For example, an imported $30,000 pickup—the approximate starting price for new such vehicles—faces an extra $7,500 in tariffs. The tax was imposed in the 1960s in retaliation for West German and French tariffs on US chickens. Although the foreign tariffs were removed long ago, the chicken tax remains. Congress should remove this tariff and immediately make trucks more affordable for families, small businesses, and farmers.
- **Remove most-favored-nation (MFN) tariffs on passenger cars.** Cars are subject to a 2.5 percent MFN tariff. For an imported auto valued at $60,000—the current average price of a new full-size car—auto tariffs add $1,500 in extra costs. Higher import prices also shift demand toward domestic models; meeting that extra demand often means producing higher-cost units at the margin, so domestic prices rise too. Eliminating these tariffs would put money back in consumers' pockets while improving competition among automakers.
- **Repeal Section 232 tariffs on autos and auto parts.** In 2025, President Trump imposed 25 percent tariffs on imports of autos and certain auto parts under Section 232 of the Trade Expansion Act of 1962. Subsequently, the Trump administration concluded several trade deals that reduced these tariffs, typically to 10 percent (imports from the United Kingdom) or 15 percent (imports from the European Union, Japan, and South Korea).

But Americans are still left paying unnecessarily higher costs. Repealing these tariffs would reduce vehicle costs by thousands per car and improve manufacturers' supply-chain efficiency.

- **Repeal Corporate Average Fuel Economy (CAFE) standards.** CAFE standards are federal rules that require automakers to achieve a minimum average fuel economy across the vehicles they sell in a given model year. These requirements impose high costs on automakers through technological investments to ensure compliance. For example, a government analysis found that per-vehicle compliance costs for 2026 ranged from $1,144 to $2,718 across different scenarios. Under these complex rules, regulators impose laxer standards on trucks and SUVs, apparently as a sop to American automakers. CAFE standards essentially punish companies for making smaller, cheaper cars—one reason such vehicles have largely disappeared from the market. Rolling back or abolishing CAFE would lower prices and, in the longer term, provide families with a greater ability to buy vehicles that meet their needs.
- **Repeal Section 232 tariffs on steel and aluminum.** Steel and aluminum tariffs imposed under Section 232, currently set at 50 percent, have helped make American steel some of the world's costliest. Such costs are a substantial burden on manufacturers, including automakers, that rely on steel and aluminum as key inputs. For perspective, a 2025 analysis found that 25 percent tariffs on steel and aluminum could increase new car prices by $1,500 or more, depending on the model and material composition. Eliminating these tariffs would lower production costs, with savings for consumers.
- **Repeal the Jones Act.** The 1920 Jones Act restricts the domestic water transport of goods to vessels that are US-flagged and built in US shipyards. Ships complying with the law—a measure passed supposedly for national security reasons—are approximately four times as costly to operate and five times as costly to construct as internationally flagged ships, resulting in substantially higher shipping costs and reduced competition for other transportation modes. These costs are passed on to US businesses and consumers. A 2024 paper found that the law imposes a $1.4 billion welfare burden on Puerto Rico alone, while another study released the same year calculated that eliminating the Jones Act would deliver a $769 million benefit to East Coast energy consumers. Repealing or reforming the law would reduce shipping costs, resulting in lower prices for households nationwide.
- **Repeal the Foreign Dredge Act.** This 1906 law imposes Jones Act–style requirements on vessels engaged in dredging, resulting in inefficiencies and dramatically higher costs. A December 2025 paper found that European dredging firms could complete US projects at 40–60 percent of the US contract value. The higher costs this law produces and the limited size of the US dredging fleet lead to extended project timelines and impede the efficient operation of US ports and waterways, incurring further costs that are passed on in part to American households.
- **Repeal the Passenger Vessel Services Act.** The Passenger Vessel Services Act of 1886 limits the domestic waterborne transport of passengers to US-flagged and US-built vessels. The law is particularly costly for ferry operators, who cannot purchase vessels from more efficient overseas shipyards. Repealing this law would substantially lower the capital costs of the country's more than 140 ferry systems, allowing for fare reductions for the American families that rely on such transportation.
- **Privatize US air traffic control.** The US suffers from a reliance on what the Government Accountability Office described in a 2025 report as "numerous aging and unsustainable air traffic control systems." The inefficiencies of such a system inevitably raise costs. In contrast, Canada's modern, privatized system cut consumer costs by over one-third between 2006 and 2016 while also improving efficiency. US privatization could realize similar benefits, reducing airline operating costs, minimizing delays, and lowering ticket prices.

- **Repeal prohibitions on airline cabotage.** US law forbids foreign air carriers from transporting passengers within the US on domestic flights. Ending this prohibition and opening domestic routes to foreign airlines would increase competition and reduce fares. Notably, a 2020 paper calculated that a single European carrier entering the US market could generate $1.6 billion in annual consumer welfare gains, equivalent to lower ticket prices for millions of travelers.
- **Repeal "Buy America" laws.** Several US laws require the use of domestic content in federally funded infrastructure projects, resulting in higher costs, longer project timelines, and lower quality. One study of local content laws estimated that a Buy America requirement to use domestic steel in federally funded highway projects between 2009 and 2011 alone increased construction costs by $652 million annually. Degraded infrastructure and higher public expenditures from these mandates impose indirect costs on American households, ranging from increased vehicle wear and tear to lost productivity and higher tax burdens.
- **Repeal the Davis–Bacon Act.** Passed in 1931, the Davis–Bacon Act inflates the cost of new infrastructure by requiring that contractors and subcontractors on projects funded with federal dollars pay workers no less than the "prevailing wage" for their occupation in the area. In practice, this typically means that workers must be paid a union wage. A 2008 paper estimated that these rules add almost 10 percent to construction costs, increasing the price tag of infrastructure by billions of dollars across the US, a burden ultimately borne by US taxpayers.

STATE AND LOCAL POLICIES TO IMPROVE TRANSPORTATION AFFORDABILITY

- **Repeal state dealer franchise laws.** Many if not all states have laws that restrict or prohibit automakers from selling cars directly to consumers. These restrictions—increasingly anachronistic in an age of online sales—reduce competition and retail efficiency, thereby increasing costs. A 2001 Consumer Federation of America report concluded that these laws raised new automobile prices by 6–8 percent, while a National Automobile Dealers Association estimate placed the effect at 2.2 percent. Such estimates suggest a cost ranging from hundreds to thousands of dollars per vehicle. Allowing manufacturers to sell directly to consumers would increase competition, streamline the purchasing process, and lower prices.