

Off the rails

Federal funds are drying up for California's project, and that's a good thing.

James E. Moore II

CONGRESS' eleventh-hour compromise on the federal budget this month rescinds \$400 million in funding for high-speed rail in fiscal year 2010, and eliminates federal funding for high-speed rail in fiscal year 2011. Yet California High-Speed Rail Authority officials remain committed to their vision of a high-speed rail link between Los Angeles and San Francisco. The agency is beginning to tilt at windmills.

The congressional action means that California will not get the \$19 billion in federal grant support the authority was counting on receiving by 2016, nor (almost certainly) the \$2.4 billion in grants that Florida's governor declined. Technically, Congress' agreement did not rescind roughly \$3.75 billion in federal grants to California, but this commitment is also at risk. About \$715 million has not been obligated and could be easily rescinded. The remainder of these funds is obligated, and rescinding them would be more difficult but not impossible.

California taxpayers would benefit greatly from rescission, because every dollar Congress finds the courage to rescind from the California rail project is a dollar the state no longer has to match. In Sacramento, some lawmakers are beginning to connect the dots. Assembly Bill 76, introduced by Diane Harkey (R-Dana Point), would have defunded the California high-speed rail project, but it was rejected in a committee vote along party lines.

Still, California officials, lawmakers and citizens now have the opportunity to step back and reconsider the inflated promises



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SAN JOSE: Artist's rendering of high-speed rail depot.

that pervade the high-speed rail program. California Proposition 1A, passed in 2008, authorizes the issuance of general obligation bonds backed by property tax revenue to provide \$9.95 billion, mostly for construction of a core high-speed rail segment linking San Francisco and Los Angeles. The project requires federal matching funds, but these combined resources are far from adequate to construct such a system. The state high-speed rail authorities estimate that the total cost of the system will be under \$45 billion. In 2008, the Reason Foundation and the Howard Jarvis Taxpayers Assn. issued a report estimating that the final cost could run as high as \$81 billion.

Believe the higher estimate. In 2010, UC Berkeley engineering and economics professors examined the revenue and ridership forecasts the authority relied on to help make its case to the electorate and the federal government, and found the forecasts

deeply flawed.

Unfortunately, the Obama administration's plans are worse. In his last State of the Union address, the president said he wanted to give 80% of Americans access to high-speed rail within 25 years, an objective he backed up with a budget proposal calling for \$53 billion in federal funds over the next six years for high-speed rail projects.

This is only a tiny fraction of the resources that would be required to make high-speed rail a viable intercity transportation option. Even if we were prepared to further bankrupt ourselves doing so, we would accomplish nothing that cannot be accomplished much more cheaply by expanding airports, better maintaining and managing roads, and using conventional technology to burn gasoline and jet fuel even more cleanly.

The market for U.S. air travel has been aggressively deregulated, and airfares are relatively

low. As a result, U.S. airlines capture a large share of the market for short intercity trips. Even with recent increases in the price of oil, retail gasoline prices in the U.S. are about half the pump price in Europe, and the differential is even greater relative to places such as China and India. Consequently, a large share of the U.S. market for medium and long trips is accounted for by automobile travel. There is not enough room for high-speed rail to compete.

The only remotely meritorious argument for high-speed rail investments is the possible reductions in greenhouse gas emissions, but even in this respect high-speed rail is uneconomic. The state rail program's own numbers show that a high-speed system's impact on net CO₂ emissions would be slight, and easily as much as 100 times higher in terms of cost per ton of CO₂ eliminated than the goal established by the Intergovernmental Panel on Climate Change.

Railroads are a crucial component of the U.S. freight management and distribution system, but we do not need and cannot afford a high-speed rail system for passengers. Congress should rescind the high-speed rail funds granted to the states, starting with California; and the Legislature should defund the California high-speed rail project. We should cut our losses while we can still afford them.

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