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California high-speed rail: The next stop is bankruptcy

BY ADAM B. SUMMERS
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Like most large public infrastructure projects, the California high-speed rail project was sold to the public based on false promises, exaggerated benefits and lowball cost estimates.

Before the election, the cost of the project was estimated at \$33 billion for the Los Angeles/Anaheim to San Francisco portion, and an additional \$7 billion for the spurs to San Diego and Sacramento. Voters narrowly passed a \$9.95 billion bond in 2008, and the federal government and private investors were supposed to cover the remaining \$30 billion. We were promised that a one-way fare between Los Angeles and San Francisco would cost about \$55, making it cheaper than flying.

Dialog: The other side

[California high-speed rail: It's on track. Climb aboard!](#)

After the election, costs rose to \$43 billion for just the Los Angeles-San Francisco phase (chances are the San Diego and Sacramento lines will never be built) and ticket price estimates nearly doubled to \$105. Yet none of this seems to bother the California High-Speed Rail Authority or cause it to re-evaluate the feasibility of the project.

Ridership estimates are projected as high as 117 million passengers a year. To put this in perspective, consider that Amtrak's Acela Express service, which serves the larger, denser Washington, D.C.-New York-Boston corridor at speeds up to 150 mph, counts just 3 million passengers per year. In fact, the entire Amtrak system, which includes more than 500 destinations and 21,000 miles of track in 46 states, serves only 27 million passengers a year.

A September 2008 study by rail experts Joseph Vranich and Wendell Cox published by Reason Foundation and Howard Jarvis Taxpayers Association concluded that the actual costs of the high-speed rail system would be between \$65 billion and \$81 billion, and that the project was not viable because it was based on wildly optimistic assumptions.

But you need not take their word for it.

The Legislative Analyst's Office, Bureau of State Audits and California High-Speed Rail Peer Review Group have since criticized the rail authority for its lack of a financial plan, poor management, insufficient planning, lax oversight and reliance on revenue guarantees for private investors (despite such subsidies being explicitly prohibited by the bond measure). UC Berkeley's Institute of Transportation Studies found the plan's ridership estimates were flawed and unrealistic. Treasurer Bill Lockyer told The San Diego Union-Tribune last summer that there is no appetite for the project on Wall Street, and that the state shouldn't even try to issue the bonds because it would have to pay such a high interest rate on them – if it could find any buyers. Even state Sen. Alan Lowenthal, D-Long Beach, former Senate Transportation Committee chairman and a supporter of high-speed rail, has no confidence in the rail authority. He has proposed a bill to fire the board and convert the body to an executive branch agency.



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costs, noise, vibration and project design (including 20-foot-high
ns in half, not to mention the homes, businesses and farmlands that
m).

to \$25 billion each year and must address hundreds of billions of
dollars in unfunded pension liabilities in years to come. The state is facing severe service cuts and significant tax
increases (again), yet it persists in pouring in billions upon billions of dollars to subsidize the train travel of a tiny
percentage of the population.

Governors in Florida, Ohio and Wisconsin realized that proposed high-speed rail projects would end up bleeding their
states dry year after year so they recently pulled the plug on those projects, even though it meant rejecting “free” money
from the federal government. California should follow their example and put a stop to this boondoggle before it
becomes yet another budgetary black hole for the state.

Summers, a resident of Carlsbad, is a policy analyst at Reason Foundation.

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