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Testimony

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HIGH SPEED PASSENGER RAIL

Developing Viable High Speed Rail Projects under the Recovery Act and Beyond

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Physical Infrastructure Issues



GAO

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Madam Chairwoman, Ranking Member Shuster, and Members of the Subcommittee:

I am pleased to be here today to discuss funding for high speed and other intercity passenger rail projects under the American Recovery and Reinvestment Act of 2009 (the Recovery Act). The \$8 billion that the Recovery Act provided for these projects has attracted great attention from states and others who look to develop or improve intercity passenger rail service across the country. Proponents see these projects as serving an important transportation role, by moving people quickly and safely, reducing highway and airport congestion, and being environmentally friendly. While we have found that the potential benefits of high speed and intercity passenger rail projects are many, these projects—both here and abroad—are costly, take years to develop and build, and require substantial up-front public investment as well as potentially long-term operating subsidies.¹ My statement today focuses on (1) some principles that could guide the effective use of these Recovery Act funds, (2) some challenges that states face in establishing high speed and other intercity passenger rail service, and (3) the nature of our ongoing work on Recovery Act high speed rail projects. My testimony is based on our recent report and testimony on high speed rail and our ongoing work.²

Summary

Several principles could guide the effective use of the Recovery Act funds and any future federal investments in high speed and other intercity passenger rail. These principles include establishing clear federal objectives and stakeholder roles, clearly identifying expected outcomes, basing decisions on reliable ridership and other forecasts, and reexamining how intercity passenger rail service fits in with other federal surface transportation programs. In addition, determining which, if any, high speed rail projects may eventually be economically viable will depend on an accurate determination of such factors as ridership potential, costs, and public benefits. These projects also face many challenges, such as securing the significant up-front investment for construction costs;

¹GAO, *High Speed Passenger Rail: Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role*, [GAO-09-317](#) (Washington, D.C.: Mar. 19, 2009).

²[GAO-09-317](#) and GAO, *High Speed Passenger Rail: Effectively Using Recovery Act Funds for High Speed Rail Projects*, [GAO-09-786T](#) (Washington, D.C.: June 23, 2009). We conducted our work for these products in accordance with generally accepted government auditing standards.

sustaining public, political, and financial support; and resolving outstanding liability issues. Our ongoing work in this area will focus on determining how states that have recently initiated passenger rail service have met these challenges, how the rail industry can accommodate this increased investment, and how the Federal Railroad Administration (FRA) is planning to oversee the use of Recovery Act funds for intercity passenger rail service.

Principles for the Effective Use of Recovery Act Funds for Intercity Passenger Rail Service

As policymakers decide how to allocate current Recovery Act funds and any possible future federal investments in high speed and other intercity passenger rail projects, several principles could guide the effective use of those funds. In our recent report and in 2005,³ we concluded that there is a need to

1. clearly establish federal objectives and clear roles for all stakeholders (federal, regional, state, and local governments and freight, commuter, and passenger railroads);
2. clearly identify expected outcomes;
3. base decisions on reliable ridership and other forecasts to determine the viability of high speed rail projects; and
4. include high speed rail in a reexamination of other federal surface transportation programs to clarify federal goals and roles, link funding to needs and performance, and reduce modal stovepipes that hinder the financing of transportation improvements with the greatest potential for improving mobility.

While each of these principles is important, the third principle will soon come into play as FRA decides which projects will receive initial Recovery Act funding. FRA has received applications totaling \$57 billion for its \$8 billion in available Recovery Act funds. The factors affecting the economic viability of high speed rail projects—meaning whether total social benefits offset or justify total social costs—include the level of expected ridership, costs, and public benefits (i.e., the benefits to nonriders and the nation as a whole from such things as reduced congestion and pollution), which

³GAO-09-317 and GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, GAO-05-325SP (Washington, D.C.: February 2005).

depend on a project's corridor and service characteristics. High speed rail is more likely to attract riders in densely and highly populated corridors, especially where existing transportation facilities, such as highways or airports, are congested. Characteristics of the proposed service are also a key consideration because high speed rail is more likely to attract riders where it compares favorably with travel alternatives in terms of trip times, frequency of service, reliability, safety, and price. Costs largely hinge on the availability of rail right-of-way and a corridor's terrain. To stay within financial or other constraints, project sponsors typically make trade-offs between cost and service characteristics. We are pleased to note that FRA's notice of funding availability for high speed and other intercity rail projects generally asks applicants to address these factors.

Challenges Facing High Speed and Other Intercity Passenger Rail Projects

Once FRA chooses projects for funding, project sponsors face several challenges. These include securing the significant up-front investment for construction costs; sustaining public, political, and financial support; and resolving outstanding liability issues. We found that in other countries with high speed intercity passenger rail systems (France, Japan, and Spain), the central government generally funded the majority of the up-front costs of high speed rail lines.⁴ The \$8 billion in Recovery Act funds for high speed rail (and other intercity passenger rail) lines represents a significant increase in federal funds available to develop new or enhanced intercity passenger rail service. This \$8 billion, however, represents only a small fraction of the estimated costs for starting or enhancing service on the nation's 11 federally authorized high speed rail corridors. For example, a portion of one such corridor, from San Francisco to Los Angeles, which already has about \$9 billion in state bonding authority, is estimated to cost about \$33 billion.⁵

Federal funds for high speed rail in the past (like Recovery Act funds) have been derived from general revenues, not trust funds or other dedicated funding sources. This makes ongoing capital support for high speed rail projects challenging, because such projects compete for funding with other national priorities, such as health care, national defense, and support for ailing industries. States face similar challenges as they develop these systems over a decade or more, and as they look to provide

⁴GAO-09-317.

⁵The corridor would extend from Sacramento and San Francisco through Los Angeles to San Diego.

operating support for the rail lines. The potential problem could be compounded when service extends across state boundaries and each state must provide operating support. Finally, several state and industry stakeholders have told us that outstanding questions about liability coverage for passenger rail providers operating on freight railroads' tracks is a major barrier to entry for service providers and for host railroads.⁶

GAO's Ongoing Recovery Act Work on Intercity Passenger Rail Projects

To further help Congress understand how Recovery Act funds for high speed and intercity passenger rail service can be used effectively, we are addressing the following three questions:

1. How have states that have recently initiated intercity passenger rail service overcome the challenges to establishing service?
2. How can the rail industry accommodate the increased investment in intercity passenger rail?
3. How FRA is positioning itself to implement and oversee current and any future federal investments in intercity passenger rail?

To carry out this work, we have identified states that have initiated new intercity passenger rail service and states that have expanded existing service since 1995, including "higher-speed" rail service. Intercity passenger rail service in those states has a mix of characteristics, including infrastructure and equipment ownership, capital investment levels, levels of state involvement, and multistate operating agreements. We are also meeting with FRA, freight railroads, Amtrak, possible domestic and foreign operators of intercity passenger rail service, passenger rail equipment manufacturers, and other possible rail industry stakeholders. We are in the beginning stages of our work and plan to report on these issues early next spring. We would be pleased to discuss our work with you as we progress.

⁶Some freight railroads are concerned that an accident involving a passenger train on their tracks could involve potentially substantial liability claims, even if the freight railroad was not at fault. We reported that such liability is capped at \$200 million per accident or incident for passenger claims; however, this cap has not been tested in court. See GAO, *Commuter Rail: Many Factors Influence Liability and Indemnity Provisions, and Options Exist to Facilitate Negotiations*, [GAO-09-282](#) (Washington, D.C.: Feb. 24, 2009); and *Commuter Rail: Information and Guidance Could Help Facilitate Commuter and Freight Rail Access Negotiations*, [GAO-04-240](#) (Washington, D.C.: Jan. 9, 2004).

In conclusion, the infusion of up to \$8 billion in Recovery Act funds is only a first step in developing potentially viable high speed or other intercity passenger rail projects. The principles we have identified can be applied to promote the effective investment of Recovery Act and any future federal funds for these projects. Surmounting these challenges will require federal, state, and other stakeholder leadership to champion, and commitment to carry out, the development of any new or improved intercity passenger rail service. It will also require (1) clear, specific policies and delineations of expected outcomes and (2) objective, realistic analyses of ridership, costs, and other factors to determine the viability of projects and to maximize their transportation impact and other public benefits.

Madam Chairwoman, this concludes my prepared remarks. I would be pleased to answer any questions that you or other members of the subcommittee may have at this time.

GAO Contact and Staff Acknowledgments

For additional information about this testimony, please contact Susan Fleming at (202) 512-2834 or flemings@gao.gov. Contact points for our Offices of Congressional Relations and Public Relations can be found on the last page of this statement. Heather Chartier, Greg Hanna, James Ratzenberger, and Caitlin Tobin made key contributions to this statement.

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