United States Government Accountability Office

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Testimony

Before the Subcommittee on Transportation, Housing and Urban Development, and Related Agencies, Committee on Appropriations, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EDT
Wednesday, April 1, 2009

HIGH SPEED PASSENGER RAIL

Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role

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GAO-09-560T

Mr. Chairman, Ranking Member Latham, and Members of the Subcommittee:

I am pleased to be here today as you examine the potential viability of high speed rail in the United States. Federal and other decision makers have had a renewed interest in how high speed rail might fit into the national transportation system and address increasing mobility constraints on highways and at airports due to congestion. My statement today is based on our report issued March 19, 2009, entitled *High Speed Passenger Rail: Future Development Will Depend on Addressing Financial and Other Challenges and Establishing a Clear Federal Role.*[1] In preparing the report, we reviewed federal legislation; interviewed federal, state, local, and private sector officials, as well as U.S. project sponsors; and reviewed high speed rail development in France, Japan, and Spain. More detailed information on our scope and methodology appears in the March 19, 2009, report. We conducted our work in accordance with generally accepted government auditing standards.

In summary, high speed rail does not offer a quick or simple solution to relieving congestion on our nation's highways and airways. High speed rail projects are costly, risky, take years to develop and build, and require substantial up-front public investment as well as potentially long-term operating subsidies. Yet the potential benefits of high speed rail—both to riders and nonriders—are many. Whether any of the nearly 50 current domestic high speed rail proposals (or any future domestic high speed rail proposal), may eventually be built will hinge on addressing the funding, public support, and other challenges facing these projects. Determining which, if any, proposed high speed rail projects should be built will require decision makers to be better able to determine a project's economic viability—meaning whether total social benefits offset or justify total social costs.

Like the report, this statement focuses on (1) the factors affecting the economic viability of high speed rail projects, including difficulties in determining the economic viability of proposed projects; (2) the challenges in developing and financing high speed rail systems; and (3) the federal role in the potential development of U.S. high speed rail systems.

[1] GAO-09-317 (Washington, D.C.: March 19, 2009).

The factors affecting the economic viability of high speed rail lines include the level of expected riders, costs, and public benefits (i.e., benefits to non-riders and the nation as a whole from such things as reduced congestion), which are influenced by a line's corridor and service characteristics. High speed rail tends to attract riders in dense, highly populated corridors, especially where there is congestion on existing transportation modes. Characteristics of the proposed service are also key considerations, as high speed rail attracts riders where it compares favorably to travel alternatives with regard to door-to-door trip times, prices, frequency of service, reliability, and safety. Costs largely hinge on the availability of rail right-of-way and on a corridor's terrain. To stay within financial or other constraints, project sponsors typically make trade-offs between cost and service characteristics.

Once projects are deemed economically viable, project sponsors face the challenging tasks of securing the up-front investment for construction costs and sustaining public and political support and stakeholder consensus. In the three countries we visited, the central government generally funded the majority of the up-front costs of high speed rail lines. By contrast, federal funding for high speed rail has been derived from general revenues, not from trust funds or other dedicated funding sources. Consequently, high speed rail projects must compete with other nontransportation demands on federal funds (e.g., national defense or health care) as opposed to being compared with other alternative transportation investments in a corridor. Available federal loan programs can support only a fraction of potential high speed rail project costs. Without substantial public sector commitment, private sector participation is difficult to secure. The challenge of sustaining public support and stakeholder consensus is compounded by long project lead times, by numerous stakeholders, and by the absence of an established institutional framework.

In addition, the recently enacted Passenger Rail Investment and Improvement Act of 2008 will likely increase the federal role in the development of high speed rail, as will the newly enacted American Recovery and Reinvestment Act of 2009.[2] In the United States, federal involvement with high speed rail to date has been limited. The national rail plan required by the Passenger Rail Investment and Improvement Act of 2008 is an opportunity to identify the vision and goals for U.S. high speed

[2]Pub. L. No. 110-432, Div. B (2008)(PRIIA) and Pub. L. No. 111-5 (2009)(ARRA).

rail and how it fits into the national transportation system, an exercise that has largely remained incomplete. Accountability can be enhanced by tying the specific, measurable goals required by the act to performance and accountability measures. In developing analytical tools to apply to the act's project selection criteria, it will be important to address optimistic rider and cost forecasts and varied public benefits analyses.

In our report, we recommended that the Secretary of Transportation, in consultation with Congress and other stakeholders, develop a written strategic vision for high speed rail, particularly in relation to the role that high speed rail can play in the national transportation system, clearly identifying potential objectives and goals for high speed rail systems and the roles that federal and other stakeholders should play in achieving each objective and goal. We also recommended that the Secretary develop specific policies and procedures for reviewing and evaluating grant applications under the Passenger Rail Investment and Improvement Act of 2008 that clearly identify the outcomes expected to be achieved through the award of grant funds and that include performance and accountability measures. Finally, we recommended that the Secretary develop guidance and methods for ensuring the reliability of ridership and other forecasts used to determine the viability of high speed rail projects and to support the need for federal grant assistance. The Department of Transportation (DOT) said it generally agreed with the information presented but did not take a position on our recommendations. DOT said the strategic plan required by the American Recovery and Reinvestment Act of 2009 may include a vision for high speed rail. DOT also said that this act will accelerate its involvement with high speed rail.

Mr. Chairman, this concludes my prepared remarks. I would be happy to answer any questions you or other members of the subcommittee may have.

For future contacts regarding this statement, 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. Andrew Von Ah, Assistant Director; Catherine Kim; Richard Jorgenson; and Gretchen Snoey also made key contributions to this statement.

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