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Testimony

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HIGH SPEED PASSENGER RAIL

Effectively Using Recovery Act Funds for High Speed Rail Projects

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GAO

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

I am pleased to be here today to discuss the implementation of high speed intercity passenger rail projects in the American Recovery and Reinvestment Act of 2009 (the Recovery Act). The \$8 billion provided by the Recovery Act for high speed and other intercity passenger rail projects has focused more attention on and generated a great deal of anticipation about the possibility of developing high speed rail systems in the United States. These projects are seen by some as serving an important transportation role, by moving people quickly and safely, reducing highway and airport congestion, and being environmentally friendly. My statement today focuses on (1) the factors that we have identified that affect the economic viability of high speed rail projects and (2) how the Federal Railroad Administration's (FRA) recent strategic plan incorporates those factors.¹ My testimony is based on our recent report on high speed rail, our review of FRA's strategic plan, and discussions with FRA and selected transportation experts.²

In summary, we found that while the potential benefits of high speed 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. Determining which, if any, high speed rail projects may eventually be economically viable will rest on factors such as ridership potential, costs, and public benefits. FRA largely agrees with our March report. FRA's strategic plan for high speed rail outlines, in very general terms, how the federal government may invest the \$8 billion in Recovery Act funds for high speed rail development. However, this plan does not establish clear goals for the federal government in high speed rail—other than establishing a “longer term goal of developing a national high speed

¹By economically viable, we mean that a project's total social benefits offset or justify the project's total social costs.

²See GAO, *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); and Federal Railroad Administration, *Vision for High-Speed Rail in America* (Washington D.C.: April 2009). We conducted this performance audit from May 2009 to June 2009 in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

intercity passenger rail network of corridors”—and does not define a clear federal role for involvement in high speed rail projects other than providing Recovery Act funds. As such, in our view, it is more a vision than a strategic plan. As part of a discussion to prepare for this hearing, FRA told us that it sees its strategic plan as a first step and that it intends to seek structured input from stakeholders and the public to help develop strategies to implement its vision.

Factors That Affect the Economic Viability of High Speed Rail Projects

The factors affecting the economic viability of high speed rail projects include the level of expected ridership, costs, and public benefits (i.e., the benefits to non-riders and the nation as a whole from such things as reduced congestion), which 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 there is congestion on existing transportation modes (such as highways or airports). Characteristics of the proposed service are also a key consideration because high speed rail is more likely to attract riders where it compares favorably to travel alternatives in terms of trip times, frequency of service, reliability, and safety. 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.

Once projects are deemed economically viable, project sponsors face the challenging tasks of securing the significant up-front investment for construction costs and of sustaining public and political support and stakeholder consensus. We found that in other countries (France, Japan, and Spain) with high speed intercity passenger rail systems, the central government generally funded the majority of the up-front costs of high speed rail lines.³ 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 amount, however, represents only a small fraction of the estimated costs for starting or enhancing service on the 11 federally authorized high speed rail corridors. For example, the San Francisco-Los Angeles portion of the California high speed rail corridor alone, which already has about \$9 billion in state bonding authority, is estimated to cost

³[GAO-09-317](#).

about \$33 billion dollars.⁴ Furthermore, federal funds for high speed rail in the past (as with the Recovery Act) 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, as they compete for funding with other national priorities such as health care, national defense, and support for ailing industries. In addition, the challenge of sustaining public-sector support and stakeholder consensus is compounded by long project lead times, the diverse interests of numerous stakeholders, and the absence of an established institutional framework for coordination and decision making.

FRA's Strategic Plan Is a First Step

FRA's strategic plan attempts to address the absence of an institutional framework for investments in high speed intercity passenger rail service. In our recent report and in 2005,⁵ we discussed the need for:

1. Clear federal objectives and clear roles for all stakeholders (federal, regional, state, and local governments and freight, commuter, and passenger railroads).
2. Clear identification of outcomes expected.
3. Ensuring the reliability of ridership and other forecasts to determine the viability of high speed rail projects.
4. Including high speed rail with 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 financing transportation improvements that will lead to the greatest improvements in mobility.

FRA's plan, which the Recovery Act required the FRA to issue 60 days after the act was signed, outlines in very general terms how the FRA will allocate the Recovery Act high speed rail funds. It does not define goals for investing in high speed rail, how these investments will achieve them, how the federal government will determine which corridors it could invest in, or how high speed rail investments could be evaluated against possible alternative modes in those corridors. In our opinion—and as FRA

⁴The corridor would extend from Sacramento and San Francisco through Los Angeles to San Diego.

⁵[GAO-09-317](#) and GAO, *21st Century Challenges: Reexamining the Base of the Federal Government*, [GAO-05-325SP](#) (Washington D.C.: February 2005).

recognizes—this strategic plan is a first step in planning federal involvement. FRA has emphasized that its approach is to involve the ultimate “owners” of high speed rail—the states and communities in which they will reside—to help flesh out the approach to developing high-speed rail that are under its control. FRA officials also told us that it plans to spend Recovery Act funds in ways that show success to help keep long-term political support for these projects at the local level.

Overall, FRA generally agrees with the issues that we raised in our March report, with the report’s recommendations, and with the observations that we are making today. Last week, FRA took its next step by issuing interim guidance for applying for Recovery Act funds.⁶ The guidance lays out the evaluation criteria for grant funding, the weights to be applied to the criteria, and the selection criteria.

In conclusion, the infusion of up to \$8 billion in Recovery Act funds is only a first step in developing potentially viable high speed passenger rail projects. The host of seemingly intractable issues that have hampered development of these projects remain as challenges, and these issues will need to be resolved to effectively spend Recovery Act funds. Surmounting these challenges will require federal, state, and other stakeholder leadership to champion the development of economically viable high speed corridors and the political will to carry them out. It will also require clear, specific policies and delineations of expected outcomes, and objective, realistic analysis of ridership, costs, and other factors to determine the viability of projects and their transportation impact.

Mr. Chairman, this concludes my prepared remarks. I would be pleased to answer any questions you or other Members of the Subcommittee may have.

Please contact Susan Fleming at (202) 512-2834 or Flemings@gao.gov about this statement. Contact points for our Offices of Congressional Relations and Public Relations can be found on the last page of this statement. Greg Hanna and James Ratzenberger made key contributions to this statement.

⁶A link to the guidance can be found in 74 Fed. Reg. 28770 (2009).

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