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High speed rail slowly leaves the station

By Robert Schroeder, MarketWatch

WASHINGTON (MarketWatch) -- President Barack Obama's plan for a high-speed railway network in the U.S. is leaving the station, albeit slowly and in the midst of a tough fiscal picture for states that want a seat on the funding express.

On June 17, the Department of Transportation will issue guidance to states about how to apply for \$8 billion in federal funds to invest in the new railway system. After an intensive bidding process, grants are to go out by the end of September. Obama has also pledged an extra \$1 billion a year for the next five years, making a total federal commitment of \$13 billion.

Obama announced plans for the network in April, saying it would create jobs, cut dependence on automobiles and save energy.

With the \$8 billion in hand, states would upgrade existing rail lines so trains can travel faster. A high-speed train is one that goes 110 miles per hour or more, according to the Federal Railroad Administration. There's only one such line in the U.S. now, which runs between Boston and Washington.

But the catch for states is that they'll need to chip in too -- a point Vice President Joe Biden underscored in a meeting with governors on Wednesday.

That could slow down Obama's high-speed plans.

"We know your state budgets are strained," Biden told governors including Pennsylvania's Ed Rendell and Michigan's Jennifer Granholm.

That's an understatement. A recent report from the National Governors Association and the National Association of State Budget Officers found that state general fund expenditures took their first decline since 1983 in fiscal 2009, falling by 2.2%. Recommended budgets for fiscal 2010 represent a 2.5% decrease in spending -- which would be the first time actual state spending fell two consecutive years. Not the best time to pony up funds for trains.

But Biden says the payoff from investing in high-speed rail will be significant, and at least some seem to agree.

"I see this as a means of creating jobs," Granholm told reporters after the White House meeting on Wednesday, according to Reuters. "Jobs building the system and jobs building those railcars, which right now are predominantly made in Europe," she

said. "Let me just say we have lots of capacity in Michigan and workers that are hungry and know how to make things."

But for Granholm's state and others to feed hungry workers and lay high-speed tracks, it's clear they'll have to come up with a lot of money by themselves. The White House says the \$13 billion for railways will "jumpstart" what could be a world-class passenger rail system, and that's exactly the right word.

Consider California, one of the states in line to get a slice of the federal money. The first phase of a high-speed corridor between Los Angeles and San Francisco is slated to cost \$34 billion -- close to three times the entire federal money up for grabs.

California is just one state vying for the money. In April, Obama identified 10 corridors that have the greatest potential for high-speed rail. Each of them is 100 to 600 miles long. Included are an east-west line in New York and a Gulf Coast line from eastern Texas to western Alabama.

A lot of money just for a few?

Whichever states' projects get the money, though, many would-be rail-riders will have a long time to wait. The federal government's money has to be spent by September 2017. By that measure, progress on some high-speed projects could be eight years away.

Meanwhile, as governors look for money in their tight budgets, some say Obama's high-speed plans will sock taxpayers at the expense of few users.

Randal O'Toole of the libertarian **Cato Institute** says Obama's plans leaves out 17 states and the Denver, Las Vegas and Phoenix regions.

"Reaching additional areas could push costs close to \$1 trillion," O'Toole wrote this week. "While all taxpayers will share these costs, no more than 1% of American travel is ever likely to be by high-speed rail."

And yet, despite the costs required of states and the long timelines involved in getting high-speed systems up and running, Obama and Biden are apparently winning some converts.

Georgia Gov. Sonny Perdue, reportedly once a skeptic about high-speed rail, is now more enthusiastic about it, according to a report in the Atlanta Journal-Constitution.

"He was certainly very pleased with the discussion ... and I think he was heartened to hear that there is seemingly a commitment from [Transportation] Secretary [Ray] LaHood and Vice President Biden for the feds to take a lead here," Perdue spokesman Bert Brantley told the newspaper.

To make high-speed rail a reality, though, states will have to be as much engine as caboose. And in bleak fiscal times, governors will have a lot of work to do to convince taxpayers that they can benefit by funding the train to the future.