

It's Never Too Late to Stop a Transportation Megafolly

Randall O'Toole

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California should never have begun building its high-speed rail project, and Gov. Gavin Newsom's announcement last month that construction will be limited -- at least for now -- to a segment already under construction is one of the best decisions he could have made.

But President Donald Trump's demand that the state return federal contributions to the project is wrong, both because it was federal funding that enabled the project in the first place and because that demand creates perverse incentives for other states and localities to waste money on similarly useless projects.

Back in 1997, researchers at the University of California at Berkeley compared the cost of travel by auto, air and high-speed rail between San Francisco and Los Angeles. The state had not yet estimated the cost of constructing a high-speed rail line connecting the two cities, so the researchers assumed it would be about \$10 billion. At that cost, they found, both air and auto travel were less expensive than high-speed rail.

Then, in 2000, California estimated that the actual cost would be \$20 billion. That made it a megafolly: a hugely expensive project with negligible benefits. The state should have stopped right there. Instead, in 2008, it asked voters to approve the sale of \$9 billion worth of high-speed rail bonds. The bond sale, the state promised, would be conditional on getting matching funds from the federal government and other sources. By that time, cost estimates had risen to \$33 billion, but if the state could find \$9 billion in matching funds, it would have enough to complete about half of the line.

Voters agreed, but nothing would have happened without federal matching funds. The following year, President Barack Obama persuaded Congress to make \$8 billion available for high-speed rail projects around the country; later, Congress added a couple more billion. California's share was less than \$3.5 billion, allowing the state to sell a similar amount of bonds.

The state began construction in the Central Valley. However, projected costs quickly escalated to \$77 billion, with indications that they might exceed \$100 billion. Obviously, the state had less than 10 percent of what it might end up needing.

This wasn't a surprise to anyone. California was up front from the very beginning that it only would provide matching funds for whatever the federal government gave it and that the total cost would be much more than that. The Obama administration gave it the money anyway, so it would be hypocritical for the federal government to demand it back now -- especially since the alternative is to have federal taxpayers eventually pay half of the remaining cost of completing the project, which Trump does not want to do.

Moreover, this creates perverse incentives for other states and local governments that are reconsidering their own megafollies. Oregon and Washington state, for example, spent \$135 million in federal dollars studying whether to spend \$3.5 billion replacing a bridge across the Columbia River with one that would move both highway vehicles and light-rail trains. The Washington legislature backed out of the project, concluding that it was too expensive. But now, even some Republicans are saying they have to revive the project so the states won't have to return the \$135 million to the federal government.

Honolulu, which has one of the best bus systems in America, made the foolish mistake of planning a rail transit line that will carry few people but divert resources away from the city's buses. It was far too expensive at its originally projected cost of around \$3 billion, but since then that megafolly's costs have ballooned to more than \$9 billion. The city probably has enough money to finish 16 miles of the planned 20-mile route. But some will argue that it will have to come up with several billion dollars more to finish the last four miles -- the most expensive ones -- or the federal government will demand the return of its share.

These projects are obvious megafollies and never should have been considered. Yet sometimes common sense wins out only after construction of a megafolly has begun. As Gov. Newsom apparently concluded, the best thing to do is stop construction as soon as possible, run the incomplete megafolly until it wears out, and then, perhaps, replace it with something that makes more sense.

States and cities shouldn't have to complete projects that they never should have started just to avoid returning federal money they've already spent. The Trump administration should reverse its position on the California high-speed-rail funds. The only thing worse than a megafolly is doubling down on one.

Randal O'Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.