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PolitiFact Gets High-Speed Rail Facts in Florida Wrong

Robert Poole | August 17, 2011

High-speed rail supporters are still trying to turn back the clock on Gov. Rick Scott's decision to reject federal funding for the proposed Tampa-to-Orlando rail line. PolitiFact Florida writes:

Though Gov. Rick Scott killed the Tampa-to-Orlando high-speed rail line months ago, he continues to get asked about the decision when he crisscrosses the state.

He says it wasn't quite the deal everyone thought it was.

"The federal government, (they said) I'm going to give you \$2.4 billion — that sounds nice, right?" Scott told Tampa's local CBS affiliate WTSP this month.

But, "You've got to put up a billion dollars to finish the project."

To evaluate the "truthfulness" of Gov. Scott's statement, PolitiFact focuses almost exclusively on Reason Foundation's January study on the costs of the proposed Florida high-speed rail line, writing:

On Jan. 6, 2011, the Reason Foundation released an analysis about Florida's rail project, which concluded that capital costs to build the line would be higher than anticipated and that ridership would fall short of projections.

Scott relied on the Reason analysis in killing the high-speed rail project a month later.

While the federal government had committed \$2.4 billion and the state \$280 million, "This report assumes that any cost above \$2.7 billion will be borne by Florida taxpayers."

The Reason analysis goes on to cite research by European academics who looked at 258 projects in various countries over 70 years and found that cost overruns occurred in 90 percent of the projects.

"If the Tampa to Orlando high-speed rail line experiences cost escalation typical of international high-speed rail projects, it will cost between \$.54 billion and \$2.7 billion more than projected," the Reason report states. "Based on averages, most likely the overrun would be about \$1.2 billion, all of which would be the responsibility of Florida taxpayers."

The analysis is right to point out that many other rail projects experienced cost overruns. But there are reasons to question its methodology and objectiveness are suspect.

Here are PolitiFact's criticisms of the Reason study:

PolitiFact says: The author of the study, Wendell Cox, is a known rail skeptic, and Robert Poole, a Reason Foundation director whose name was on the report, served on Scott's transition team for transportation issues.

It is interesting that PolitiFact is basically suggesting that you can't be right about high-speed rail's costs if you are in anyway skeptical of the government's rosy predictions. Does advising the governor or preferring cost-effective transportation investments over boondoggles prevent one from being correct in PolitiFact's world? Apparently.

PolitiFact: Much of the expectation [in the Reason study] of cost overruns is based on a list of 258 projects studied by European academics. But those projects are not just rail projects. The study includes bridges, tunnels and highways. In fact, of the 258 projects, only 58 (or 22 percent) are actually rail projects.

PolitiFact's "European academics" point refers to research led by Bent Flyvbjerg, professor of major program management at the University of Oxford's Said Business School. Here is what [Flyvbjerg's report \(.pdf\)](#) found about rail:

"Rail projects incur the highest difference between actual and estimated costs with an average of no less than 44.7%, followed by fixed links averaging 33.8% and roads with 20.4%.... if we subdivide rail projects into high-speed rail, urban rail and conventional rail, we find that high-speed rail tops the list of cost escalation with an average of 52% , followed by urban rail with 45% and conventional rail with 30%... We conclude that the question of whether there are significant differences in cost escalation for rail, fixed links and roads, respectively, must be answered in the affirmative. Average cost escalation for rail projects is substantially and significantly higher than that of roads, with fixed links in a statistically non-significant middle position between rail and road. Cost escalation for rail is more than twice that of roads. For all three project types, the evidence shows that it is sound advice for policy and decision-makers as well as investors, bankers, media and the public to take any estimate of construction costs with a grain of salt, and especially for rail projects and fixed links."

If PolitiFact is just going to ignore the Flyvbjerg study's findings and suggest that Florida's fantasy cost estimates are correct, shouldn't they point us to a high-speed rail project that came in at, or under, budget, recouped its capital costs, and is currently financially supporting itself? They can't do that because no such high-speed rail project exists.

When Amtrak decided to study how those European trains make money, they instead found out European trains don't make money. [Amtrak's Inspector General concluded](#): "European Passenger Train Operations operate at a financial loss and consequently require significant Public Subsidies."

But again that doesn't fit the PolitiFact narrative.

PolitiFact says: The \$1.2 billion overrun estimate [in the Reason study] is created simply by assuming the Florida rail project will cost 45 percent more than anticipated. How is that assumption made? By calculating the average overrun in 258 transportation projects considered. There is no analysis to suggest Florida will experience an "average" cost overrun compared with the other projects.

Actually, there is quite a bit of evidence that Florida could expect at least average overruns. The Reason Foundation projections were based in part on a detailed 11-point comparison between the Tampa-to-Orlando line's claimed construction costs and a segment of the proposed California rail line on similar flat and level terrain. And Florida appeared to be underestimating its costs significantly. Just last week, the California High-Speed Rail Authority revised its own cost

projections for the first segment upwards by between approximately 40 and 100 percent. The AP reports:

Building tracks for the first section of California's proposed high-speed rail line will cost \$2.9 billion to \$6.8 billion more than originally estimated, raising questions about the affordability of the nation's most ambitious rail project at a time when its planning and finances are under fire.

A 2009 business plan developed for the California High-Speed Authority, the entity overseeing the project, estimated costs at about \$7.1 billion for the equivalent stretch of tracks. Officials say those estimates were made before detailed engineering work and feedback from communities along the proposed route.

Had this updated cost information about California been available at the time of our Florida analysis, an even higher top range dollar figure for the Tampa-to-Orlando line's likely cost overruns would have been appropriate. PolitiFact might want to look at Reason's 2008 study of California's proposed high-speed rail system. Three years later, basically every point in that report challenging the High-Speed Rail Authority's low-ball cost estimates and outlandish ridership projections has been proven true.

Reason's Florida study also compared Amtrak's ridership levels to Florida's ridership projections, as well as Orlando-to-Tampa travel times to see how the rail line would have competed against driving by car or flying. The study evaluated trip times from residential areas, from downtown areas, from airports and more. It concluded that driving would usually be faster, which calls into serious question the state's very high ridership projections.

How unlikely were the off-the-chart ridership projections in Florida? When potential high-speed rail routes were ranked by the pro-rail group America 2050, the Tampa-to-Orlando rail line scored at the bottom of America's high-speed rail possibilities in terms of ridership potential and economic viability.

PolitiFact says: The [Reason] study fails to account for the current low price of construction and materials given the problems in Florida's economy.

PolitiFact is right that construction costs on infrastructure projects have fallen because of the recession and slow recovery. But the recession wasn't going to save the state hundreds of millions of dollars on this project. Additionally, the state and taxpayers didn't, and don't, have any guarantees that current cost levels would remain the same for the four-year duration of the project's construction.

PolitiFact says: And, most important, the [Reason] study assumed Florida taxpayers would assume the cost of all construction overruns, when that likely wasn't true...the study assumes that the state would pay for cost overruns. But it ignores that both the state official in charge of the rail project and the U.S. Department of Transportation secretary said that the state wouldn't be liable for overruns.

High-speed rail supporters believe the private sector would have agreed to a deal making it responsible for all cost overruns and ongoing operating subsidies. Taxpayers would be completely protected in this dream. If a company agreed to that deal, a huge if, and then the rail system experienced high levels of construction cost overruns and suffered operating losses into the tens or hundreds of millions of dollars, the private company running the train system would

have gone bankrupt. Private companies do not stay in business by taking big financial losses on every train ticket they sell.

So then what? Even if the state government has a contract that promises the private company will pick up the tab, what does the state do when that company goes out of business?

When Gov. Scott was making his rail decision, he knew that if Florida had taken federal money for the Tampa-to-Orlando high-speed rail system, one of the federal government's rules clearly says that a state government can't take the construction money and then stop operating the project it has accepted the money for. Under long-standing federal rules, the state would have to repay the federal grant money—in this case, \$2.4 billion. If it didn't repay the \$2.4 billion, Florida's taxpayers would be forced to keep the train running—at a loss—and be on the hook for the future operating subsidies. The U.S. Department of Transportation did send notice that it would negotiate over its repayment rule, but only after Gov. Scott had already announced his decision to turn down the federal money. By offering to perhaps waive the rule, US DOT was saying they would be fine with risking, and losing, \$2.4 billion in federal taxpayer money if it turned out that way. Gov. Scott was not so eager to gamble away taxpayers' money nor did he want to get stuck operating a system that would continually drain large amounts of taxpayer money.

The international and California experiences make it clear: substantial cost overruns have been the rule in rail projects, not the exception. Private companies are in business to make money, not to take losses just because politicians want high-speed rail. It is simply not credible to believe that a private builder-operator would be willing, much less able, to absorb huge construction cost overruns and tens or hundreds of millions in operating subsidies to operate a Tampa-to-Orlando rail line. The bills and debt would have been left to the taxpayers of Florida.