

REPUBLICAN PERSPECTIVE

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by Ed Manning

RAILING ON THE RIGHT

“If you put the federal government in charge of the Sahara Desert, in 5 years there would be a shortage of sand.” Milton Friedman, economist

As California taxpayers are facing a staggering \$68 billion to build Governor Brown’s legacy high-speed train, Florida residents will be enjoying their ride on a privately run passenger rail service. Florida is led by Republican Governor Rick Scott, who rejected \$2.8 billion in federal funding for a high-speed rail line from Tampa to Orlando. A stark comparison to Brown’s rush to receive trickle-down monies from all-knowing big brother.

Railroads had much to do with the early development of Florida. Standard Oil founder Henry Flagler started the Florida East Coast (FEC) Railway in the late 19th century and pushed the line from Daytona Beach to what is now Miami. With the rise of the automobile, the FEC struggled to provide passenger service and eventually stopped. It continued to haul freight successfully.

Now, after 50 years of not carrying passengers, the FEC plans to start a private passenger rail service between Miami and Orlando. The trains will operate hourly over 195 miles of existing coastal track with 40 miles of new track inland to Orlando. Longer term plans include service to Tampa and Jacksonville. All Aboard Florida is the name of the project and it’s as close as it can be to an unsubsidized infrastructure undertaking.

Fortress Investment Group took control of the FEC in 2007 and is the driving force behind re-introducing passenger rail service. Their plan is to sell \$1.75 billion in private bonds to finance construction. The project does enjoy having right-of-way that cuts through the heart of South Florida. California high-speed rail faces many a battle on this front.

To be sure, large infrastructure projects are subject to cost overruns. Look no further than our Bay Bridge. The estimated cost for All Aboard Florida is \$2.5 billion that includes tracks, rolling stock and stations. All Aboard Florida will have only four stops: Miami, Ft. Lauderdale, West Palm Beach and Orlando International Airport. Reason Foundations’s Robert Poole said “because it was designed by businesspeople and not by politicians, it doesn’t stop every 20 miles.”

The California High-Speed Rail Authority says it intends to attract private capital to build and operate the line, but the bulk of the money will come from state and federal financing. The Authority already has rejected an attempt by a private operator to

straighten out the route from LA to San Francisco. The Authority is requiring construction to be performed under a project labor agreement that favors union employment. It is difficult to imagine that train operation will be free of union work rules and possible strikes.

Recent global trends in rail development are towards private ownership and operation. The success of private ownership in Japan has led to the owner of the line from Tokyo to Osaka to consider building a magnetic levitating train along the route. Their funding scheme for the \$76 billion project is almost entirely without government assistance. Private development is also considering a high-speed rail line between Houston and Dallas.

One must wonder why private development and operation was not a factor in California? Perhaps it is due to our business unfriendly regulatory environment. Will Brown's high-speed rail become an albatross for California taxpayers? If Amtrak is a guide, we can expect yearly requests for more tax dollars. Amtrak has received taxpayer subsidies for 25 years and still operates in the red. Another \$315 million subsidy is headed its way in 2015. Let's hope that the Californians working all those green jobs can afford to pay for our Gov's legacy that will only reduce automobile traffic by one percent.