



July 4, 2021

Welcome to the USA! A First World Nation with a Third World Rail System

Jerry Haar

When my son was a little boy and I took him on his first train trip, he asked me: “Dad, what does A-m-t-r-a-k stand for?” I paused for a moment then shot back: “A Miserable Train Ride Adventure, Kid.”

My snarky response aside, anyone who has traveled on high speed rail (HSR) in Japan, France, or China cannot help but feel embarrassment by America’s passenger rail system. Even Uzbekistan, not exactly one of the world’s most advanced economies, has a high speed rail line that has reduced train travel between Tashkent, the capital, and Bukhara, the country’s fifth largest city, from seven hours to a little more than three. By comparison closer to home, train travel between Washington, DC, and Charlotte, North Carolina is an 8-hour trip on Amtrak. The Paris-Bordeaux high speed rail route—the same equivalent distance—takes just *two* hour.

So why has the U.S. failed to develop and implement a high-speed rail system as many developed and developing nations have? As Yonah Freemark, a senior research associate at The Urban Institute in Washington, DC, argues: “American society has proven itself incapable of pooling either the sustained motivation or the resources to complete a single major high-speed inter-city rail project.”

The increased politicization and partisanship surrounding the transportation issue, with special interest groups and lobbies always in the fray, have contributed to perpetual gridlock with little hope for resolution at the national level. Recognizably, the success of our interstate highway system which began during the Eisenhower Administration combined with the increased affordability of automobiles and air travel are major factors that have impeded a high-speed rail system in the U.S. But diagnosis is not prescription.

As asserted by Fiona Ma, California State Treasurer, in a letter to chairs and ranking members of the Senate and House committees that deal with transportation and infrastructure high-speed rail would improve the quality of life in our neighborhoods and protect the environment for future generations. She makes a point of noting that “public and private systems both have a role in laying the track that will joint together to form a true nationwide network in the United States.”

While a fully privatized HSR speed rail system nationwide is a libertarian fantasy a fully public one is a progressive pipedream. Just look at Amtrak. It is funded by the federal government and

functions as a state-owned enterprise, meaning it is a for-profit company with the federal government owning all its preferred stock. Since its trains started rolling in 1971 Amtrak has yet to make a profit. In essence it is the U.S. Postal Service on wheels, with a motto that should be: "Although our trains are poorly maintained, we run late, our tickets are expensive, and customer service is non-existent, at least we run deficits." Yet, they are asking Congress for \$75 billion (meanwhile the infrastructure has only \$80 billion for rail), and *none of it slated for HSR!*

HSR can work well if the private sector is given the great light to take the lead. Witness the case of Brightline, a privately-owned, built and operation rail line that runs on existing transit corridors between Miami and West Palm Beach, Florida. Having raised \$5 billion in private investment, Brightline is expanding its destinations in Florida and developing a high-speed rail line from California to Nevada. Subsequent phases will link West Palm Beach to the Orlando International Airport and Orlando to Tampa.

Brightline's winning formula is that the company focuses on travel corridors that are "too long to drive and too short to fly," where introducing passenger rail presents a clear consumer value proposition. Moreover, Brightline uses existing infrastructure corridors and alignments to leverage previous investments, reduce environmental impacts, lower costs, speed execution, and build a basis for profitability. In essence, Brightline integrates with other systems to fashion a multimodal network that is diverse and convenient.

If the U.S. is to have a HSR system, there are three ways for Congress to get private capital off the sidelines and into the game. The first is to increase opportunities for public-private collaboration. Presently, federal rail grants are restricted to government projects. By extending it to the private sector this would leverage overall funding and tap the project management on-time/on-budget expertise of companies. Second, the federal government should eliminate the cost-prohibitive terms for federal rail financing. The presently loan mechanism (RRIF) is far too costly for applicants. Third, Congress should increase the availability of private activity bonds, tax-exempt instruments that enable privately-funded projects to borrow at rates similar to traditional projects.

The U.S. needs HSR. No two ways about it. Brightline is proof that HSR works. Through public-private cooperation and with the right funding models, the U.S. can join the ranks of Japan, China, Spain and other nations that are effectively meeting the transportation needs of their citizens and private enterprises.

Jerry Haar is a business professor at Florida International University and a Global Fellow of the Woodrow Wilson Center in Washington, D.C. He is also a working group member on Work and Entrepreneurship of the Council on Competitiveness.