

# ***POLICY BRIEF***

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## **Time For Some Honest Talk About ‘Maglev’**

The tempest over which route the proposed Maglev high-speed rail system will run from Greensburg to Pittsburgh International Airport is much ado over nothing. The system simply has virtually no chance of being built here.

Here’s why. We’ve been treated to story after story of how the “Pittsburgh Region” is competing for \$950 million in federal funds for a “pilot project” in order to construct a high speed rail transit system that can be studied to determine the practicability and effectiveness of such systems elsewhere in the United States. The first problem is that \$950 million will not come close to covering the cost of constructing the proposed system. The true cost is somewhere upwards of three billion dollars. Where, exactly, the additional \$2,000,000,000 and change will come from has not been explained.

To be sure, Maglev proponents offer suggestions that the state and imagined “private” sources will come through once Pittsburgh is named the winner in the contest with Baltimore. But a cold, hard look at reality finds that even the \$950 million in federal funding is suspect. Arrigo Mongini, Deputy Associate Administrator for Railroad Development of the Federal Railroad Administration said this about Pittsburgh Maglev:

*The construction of any project is dependent upon: (1) a future Congress appropriating the \$950 million in federal funds currently authorized for construction; as well as (2) additional financing, either private or public, beyond the \$950 million the Federal Government is currently authorized to provide. Whether or not the required construction funds are made available by the public and private sectors will, among other factors, depend upon: (1) the ability of the project to demonstrate benefits that exceed costs; and (2) revenues sufficient to pay for the operation and maintenance of the service provided as well as debt service on any debt incurred during construction. At this time, we are not in a position to predict, with any accuracy, whether the funding needed from the public sector and the private sector will actually be made available for this project.*

*In the meantime, as directed by law, the Department will continue to provide the pre-construction planning funds already appropriated for the Pennsylvania project to allow completion of an environmental impact statement and other work necessary to help the Department select the best project. The agreement between the Federal Railroad Administration and the Allegheny County Port Authority provides sufficient federal funds, when matched, to cover this work.*

To summarize, then, Congress, sometime this year or next, must approve \$950 million in funding for a speculative project of doubtful value, in an environment in which such priorities as the

ongoing war on terrorism in Afghanistan and probably other places, not to mention “homeland security” and such domestic favorites as welfare, Social Security and education are being squeezed for money.

However, even if we assume Congress is so profligate as to appropriate nearly a billion dollars for a Maglev demonstration project, how are Mongini’s secondary issues addressed; namely, that for any additional construction funding to come from non federal sources the project must have the ability to cover operating expenses while generating sufficient excess cash flow to service their loans and interest?

No one, not even the folks at the Port Authority, ever suggested that the Maglev project, if constructed, will generate anywhere near the cash flow to justify a \$2 billion plus investment by the state and private investors. To give you an idea of what that would take, just the return on the \$2 billion “investment” would require an average of 37,500 riders every day, paying an average \$15 fare. Pittsburgh’s entire light rail system carries fewer passengers on a typical workday; and, the resulting revenue would not even begin to cover operating and maintenance costs of the system. In fact, a study of a similar system proposed in southern California estimates that at least 100,000 daily riders are required to justify a stand-alone Maglev system. In other words, Pittsburgh Maglev would be a perpetual ward of the taxpayer, built largely to prove it could be done here.

So, knowing all this, why does this phantom continue to hang around? The reason most often proffered is that constructing the pilot Maglev project will give the region a leg up on a new, high speed, long distance mass transit industry resulting from the technology that will emerge from the experiment. However, Maglev technology is already well developed, and competition for any potential American market for equipment and guide systems will be fiercely contested by existing producers around the globe. In short, the odds of our creating a new industry, much less capturing a major share of any potential market in the future are questionable at best. But there is a much better reason Pittsburgh Maglev refuses to die.

And that is because the millions of dollars funneled into this region’s “planning and study” industry are available, and will be grabbed by the various groups who do those things so ably. And so long as the region is awash with these groups, the competition for tax dollars to study everything imaginable will continue unabated. The fact that the studies are a complete waste of tax dollars is irrelevant

But it is time to realize that even federal funds are limited, and that we might be better off using them for some other purpose--like highway improvements—instead of wasting them on more Maglev studies.

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