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[A Bullet Train Into a Fiscal Swamp?]

Construction is underway on California's $468 billion bullet train connecting Los Angeles and San Francisco. But the closer you look at the project, the shakier its finances appear.

The good news is that 36 companies from around the world responded to the California High-Speed Rail Authority's request for suggestions about how to complete the project, and many expressed a willingness to participate. The bad news is that several of the respondents expressed serious concerns about the bullet train's finances.

Perhaps the biggest concern was whether fare revenues would cover operating costs. The plan that state voters approved to fund the project bans the use of public subsidies for the operation of passenger service. State officials have long claimed that the line will turn a profit as soon as the first 300-mile segment between the San Fernando and Central valleys opens, but that hardly seems certain.

In its response to the authority's request, Spanish construction company Sacyr wrote that "it is our opinion that revenue from ridership may not be sufficient to cover all [operation and maintenance] cost." If Sacyr is right, does anybody doubt that maintenance is what would lose out? Skimping on maintenance saves money in the short run but dramatically increases costs over time and degrades service quality.

Subsidiaries of the Spanish company Ferrovial SA wrote that "it is highly unlikely that the [California system] will turn an operating profit within the first 10 years of operation and that "more likely, [the system] will require large government subsidies for years to come."

The Ferrovial subsidiaries also noted that most high-speed rail systems around the world require operating subsidies and suggest that the same will probably be true for California's. That is certainly at odds with High-Speed Rail Authority Chair Dan Richard's assertion that every major high-speed rail system in the world operates without subsidies. It's also at odds with the argument made by other high-speed rail boosters, that "every form of transportation requires government investment."

If any high-speed rail line is likely to require subsidies, it's California's. The Los Angeles Times looked at a number of major rail corridors. Fares range from 25 cents per mile on Italy's Milan-t--Salerno line to 50 cents per mile for Amtrak service between Boston and Washington, D.C. California's bullet train plans to charge 20 cents per mile.

There is also uncertainty around the project's capital funding. The state is committed to provide up to $500 million per year until at least 2020 from money it expects to collect from companies to offset carbon emissions. But these greenhouse gas fees are untested as a funding source, and post-2020 public funding is uncertain. While a number of firms have expressed a willingness to participate in the project, none have yet offered to put up their own money.

Since what feels like the beginning of time, governments have built transportation assets with revenue sources that are inadequate to fund ongoing operation and maintenance costs. California's bullet train takes this bad practice a step further because the state only has on hand about half of the $31 billion needed to build the initial segment of the line.

Few public assets are more important to regional economies than transportation infrastructure. But moving forward on those projects without sufficient revenue sources usually results in a trip to a quagmire.

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