

ON HIGH SPEED RAIL TICKET PRICES VERSUS DRIVING

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From the authors of *The Financial Risks Of California's Proposed High-Speed Rail Project* and six Briefing Papers. Available at <http://www.cc-hsr.org/>

Finding: Ticket prices may exclude most California families who drive

Background: The CHSRA expects more than half their passengers will come from autos. In 2008 The California High-Speed Rail Authority (CHSRA) said the cost of a one-way ticket between Anaheim/Los Angeles and San Francisco would be \$55.¹ By the end of 2009, that one-way fare had risen to \$105.² That's a 90% increase in one year. According to the CHSRA, for a family of four to ride the train between those destinations it will cost \$840 round trip; and then they'll need to rent a car.

If that same family were to drive that 407 miles between the state's major metropolises, and use the standard deduction the Federal government allows for business trips by car, the total cost would be \$206.³ That puts an automobile round-trip at \$412, including all the costs of owning the auto; that is, fuel, taxes, insurance, amortization, etc. Only counting gasoline costs at \$4.50/gallon, the round trip would cost about \$200. Four rail tickets are twice as much as the total cost of driving and four times the gasoline costs.

Using empirical evidence from analyzing fares on high-speed train routes in Europe and Japan, it appears the CHSRA's high-speed rail per mile rate should be about \$0.44/mile to recover operating and construction costs; 80% higher than their presently-used \$0.24/mile.⁴ Setting aside for a moment the fact that all but two of the world's high-speed rail routes are subsidized, and assuming they at least break even, the analyzed per mile rate would make a one-way SF to LA ticket cost about \$190.⁵ Therefore, if the CHSRA's assumed private operator must charge enough to break even, four tickets for a LA/SF round trip would cost at least \$1,520.

Conclusions: California's 2009 median household income was \$42,548.⁶ For a middle class household to ride the train LA-SF once would cost them about 4% of their annual pre-tax income. CHSRA's 2009 ticket prices probably exclude middle-income households. But a more realistic ticket price definitely excludes them.⁷

¹ In the official ballot description the ticket price is "about \$50 a person." See: <http://www.voterguide.sos.ca.gov/past/2008/general/argu-rebut/argu-rebutt1a.htm>. In the document 2008 California High-Speed Train BUSINESS PLAN November 2008; CHSRA; California High-Speed Train Business Plan; November 2008; pg. 20, CHSRA used 50% of average airfares for the high-speed rail ticket.

² Report to the Legislature; CHSRA; Business Plan December 2009; page 65. The Authority changed its assumptions on ticket prices from 55% to 83% of the average airline ticket price between Los Angeles and San Francisco, and ridership estimates for the tenth year of operations (2030) fell from 94 million to 39 million.

³ The 2009 optional business mileage deduction, used for comparison to the Authority's stated fare, was 50.5 cents per mile for business miles driven. At 407 miles SF-Anaheim; the deduction is \$205.50. See: <http://www.savingtoinvest.com/2009/12/2010-vs-2009-standard-mileage-rate-tax.html>

⁴ Enthoven, Grindley, Warren "Financial Risks Of California's Proposed HSR"; pgs 56-60: at <http://www.cc-hsr.org/>

⁵ Op cit. pg. 60 for analysis. For the statement about all but two high-speed rail segments being profitable, see: Statement by Iñaki Barrón de Angoití; *NY Times*, May 29, 2009

⁶ Median household income decreased in the prior two years; 3.4% in current dollars, and a average of 4% for 2008 and 2009 in constant dollars. See: http://www.dof.ca.gov/HTML/FS_DATA/LatestEconData/FS_Income.htm

⁷ A realistic price would have tickets reflect the true capital and operating costs. Section 2704.08(J) of AB3034 says the train cannot receive an operating subsidy from the Federal or State governments; therefore must at least break even financially.