



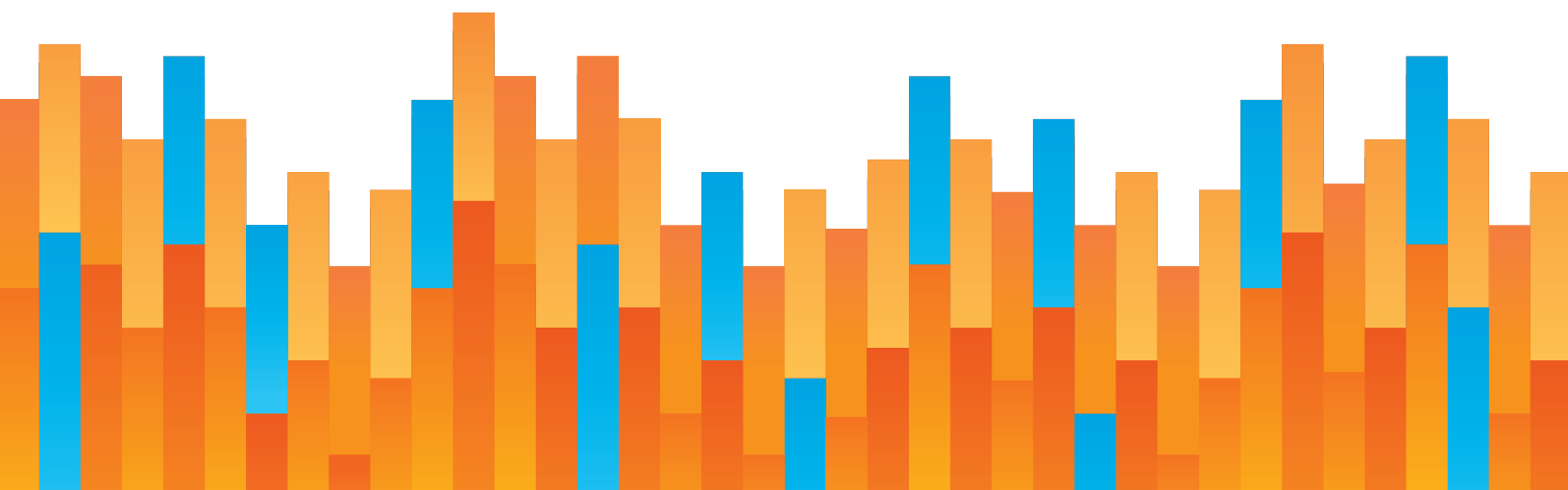
**reason**  
FOUNDATION

# TEXAS CENTRAL HIGH-SPEED RAIL: A 2023 UPDATE

---

by Baruch Feigenbaum

March 2023





**reason**  
FOUNDATION

Reason Foundation's mission is to advance a free society by developing, applying, and promoting libertarian principles, including individual liberty, free markets, and the rule of law. We use journalism and public policy research to influence the frameworks and actions of policymakers, journalists, and opinion leaders.

Reason Foundation's nonpartisan public policy research promotes choice, competition, and a dynamic market economy as the foundation for human dignity and progress. Reason produces rigorous, peer-reviewed research and directly engages the policy process, seeking strategies that emphasize cooperation, flexibility, local knowledge, and results. Through practical and innovative approaches to complex problems, Reason seeks to change the way people think about issues, and promote policies that allow and encourage individuals and voluntary institutions to flourish.

Reason Foundation is a tax-exempt research and education organization as defined under IRS code 501(c)(3). Reason Foundation is supported by voluntary contributions from individuals, foundations, and corporations. The views are those of the author, not necessarily those of Reason Foundation or its trustees.

---

# TABLE OF CONTENTS

<b>PART 1</b>	<b>INTRODUCTION .....</b>	<b>1</b>
<b>PART 2</b>	<b>ESTIMATED CONSTRUCTION COSTS CONTINUE TO INCREASE .....</b>	<b>4</b>
<b>PART 3</b>	<b>PROJECTED HIGH-SPEED RAIL RIDERSHIP CONTINUES TO DECLINE.....</b>	<b>10</b>
<b>PART 4</b>	<b>TEXAS CENTRAL IS A ZOMBIE COMPANY .....</b>	<b>14</b>
<b>PART 5</b>	<b>TEXAS CENTRAL HAS GARNERED NO FEDERAL SUPPORT .....</b>	<b>16</b>
<b>PART 6</b>	<b>CONCLUSION .....</b>	<b>19</b>
	<b>ABOUT THE AUTHOR.....</b>	<b>21</b>

# PART 1

## INTRODUCTION

Since the 1990s there have been several attempts to build a publicly funded or financed high-speed rail line linking Dallas and Houston. Ultimately, none of these efforts succeeded.

Most recently, in 2013, Texas Central Partners proposed building a privately financed high-speed rail line between these two largest metro areas in Texas. When the project was announced, many passenger rail researchers thought it was an intriguing concept. Privately funded or financed infrastructure could be 20% cheaper than publicly funded infrastructure. In addition, Texas Central's point-to-point system presented an alternative to California's three-sides-of-a-square line linking Los Angeles with San Francisco via many much smaller cities.

---

“  
... Texas Central's vision for its project did not match with the realities on the ground. Cost estimates quickly swelled from \$10 billion to more than \$30 billion by April 2020.  
”

---

However, Texas Central's vision for its project did not match with the realities on the ground. Cost estimates quickly swelled from \$10 billion to more than \$30 billion by April 2020. This author's quantitative analysis of potential ridership projected 1.4 million

passengers per year, a far cry from the 5.9 million passengers per year Texas Central claimed.<sup>1</sup> A train with such a low ridership could not come close to generating the revenue or profits that Texas Central promised. Given the hundreds of millions of dollars in annual subsidies that would be required to operate Texas Central's project, private investors showed little to no interest.

Texas Central's proposal also faced significant opposition. Farmers, ranchers, and other landowners objected to having their land bisected by a train traveling at 200 miles per hour over 30 times each day. Elected officials between Dallas and Houston mobilized to voice their constituents' opposition to the project. The Texas Legislature passed a law prohibiting the state from spending any funds on the project. The Environmental Protection Agency refused to sign-off on Texas Central's preferred station in downtown Houston, forcing the company to move its southern terminus to the western suburbs. Finally, freight rail lines objected to Texas Central's proposed signaling system because it would interfere with existing communications technology.

---



*Facing delay after delay and setback after setback, Texas Central appears to have finally accepted reality.*

---



Facing delay after delay and setback after setback, Texas Central appears to have finally accepted reality. By late June 2022, Texas Central's CEO and all of its board members had resigned. Texas Central still faces legal challenges that must be addressed. Due to the company's ongoing financial difficulties, it remained delinquent on its 2021 property taxes into 2022 and has yet to pay homeowner association dues in several impacted counties.

---

<sup>1</sup> Baruch Feigenbaum, "Texas High Speed Rail Requires Caution: An Updated Analysis, Reason Foundation, March 2019. <https://reason.org/wp-content/uploads/texas-high-speed-rail-plan-requires-caution.pdf> (24 Jan. 2022).

Despite these facts, it remains unclear whether Texas Central has abandoned the project permanently or merely placed it in hibernation. Assuming Texas Central attempts to resuscitate the project, this brief examines four barriers to doing so: (1) the continually escalating costs of building and operating high-speed rail, (2) the limited and declining pool of potential ridership, (3) Texas Central's status as a zombie company, and (4) the lack of federal or state support for Texas Central's project.

## PART 2

# ESTIMATED CONSTRUCTION COSTS CONTINUE TO INCREASE

Even before the country's current inflation problems, Texas Central's project suffered from runaway estimated costs. In 2013, company officials estimated the project would cost \$10 billion to construct.<sup>2</sup> In 2019, they quietly admitted estimated costs would be closer to \$20 billion.<sup>3</sup> By April 2020, they admitted the project would cost over \$30 billion to construct.<sup>4</sup>

“

*Even before the country's current inflation problems, Texas Central's project suffered from runaway estimated costs.... By April 2020, they admitted the project would cost over \$30 billion to construct.*

”

<sup>2</sup> Peter Simek, “Has the Texas Central Bullet Train Gone Off the Rails,” *dmagazine.com*, 11 Dec. 2017. <https://www.dmagazine.com/frontburner/2017/12/has-the-texas-central-bullet-train-already-gone-off-the-rails/> (29 Sep. 2022).

<sup>3</sup> Dug Begley, “High Speed Texas Rail not Coming to San Antonio,” *expressnews.com*, San Antonio Express News, 21 Sep. 2020. <https://www.expressnews.com/news/local/article/High-speed-Texas-rail-gets-feds-approval-San-15585456.php> (29 Sep. 2022).

<sup>4</sup> Kim Roberts, “Dallas-Houston High-Speed Rail May Seek Federal Funds,” *thetexan.news* The Texan (12 June 2020). <https://thetexan.news/dallas-houston-high-speed-rail-may-seek-federal-funds/> (29 Sep. 2022).

The initial \$10 billion estimate was unrealistic for many reasons. First, Texas Central assumed it could acquire much of the land between Dallas and Houston quickly, easily, and well below its fair market value. The company systematically undervalued many properties, and thought that owners would sell their properties for below the market price. As soon as Texas Central realized it would have to pay closer to the appraised value or even more, cost estimates increased substantially. Texas Central waffled on whether the entire line needed to be elevated (in the end it appears the company decided at least half needed to be) and whether there would be a station near College Station (that was never clarified). Elevating a line and adding a third stop increased costs. Two other facts contributed to an increase in costs: (1) Texas Central is a real estate development firm with no experience constructing or operating any type of rail line, and (2) the group Texas Central contracted with to build the train had never built a transportation project in the U.S.

Setting aside how drastically Texas Central underestimated costs in the past, the focus now is how much costs are expected to increase in the future if the project is revived. Inflation is currently running at 6.5% and reached 8.5% last year.<sup>5</sup> Moreover, the cost to borrow money continues to increase with the prime interest rate currently at 7.50%.<sup>6</sup> When Texas Central estimated its costs for the project, inflation was running at a 1.5% annual rate<sup>7</sup> with the prime interest rate at 3.25%.<sup>8</sup>

Certainly, Texas Central did not expect inflation and interest rates to be low forever. However, it could have locked in a lower rate had it been ready to finance the project several years ago. Major infrastructure projects are financed via long-term bonds, not funded by cash. As such, the overall project costs are much lower with lower interest rates and, conversely, higher with higher rates. Experts predict that the Federal Reserve will increase rates by at least another one-half point in 2023.<sup>9</sup> It may be five years before rates

---

<sup>5</sup> "U.S. Inflation Calculator," *usinflationcalculator.com*, Coin News Media Group LLC, 2022. <https://www.usinflationcalculator.com/inflation/current-inflation-rates/> (29 Sep. 2022).

<sup>6</sup> "What is the Prime Rate Today," *forbes.com*, Forbes, 2022. <https://www.forbes.com/advisor/investing/prime-rate/>. (11 Nov. 2022).

<sup>7</sup> "U.S. Annual Inflation in 2013 Increases 1.5%," *usinflationcalculator.com*, Coin News Media Group LLC, 16 Jan. 2014. <https://www.usinflationcalculator.com/inflation/us-annual-inflation-in-2013-increases-1-5/10001272/> (29 Sep. 2022).

<sup>8</sup> "Prime Rate History, Monthly," *fedprimerate.com*, Fed Prime Rate, 2022. [http://www.fedprimerate.com/prime\\_rate\\_history-monthly.htm](http://www.fedprimerate.com/prime_rate_history-monthly.htm) (29 Sep. 2022).

<sup>9</sup> Christopher Rugaber, "Interest Rates Likely to Increase as Fed Signals More Hikes Ahead," *pbs.org*, PBS News Hour, 19 Sep. 2022. <https://www.pbs.org/newshour/economy/interest-rates-likely-to-increase-as-fed-signals-more-rate-hikes-ahead> (29 Sep. 2022).



decrease significantly, and 10 or more before they approach the very low rates common in the 2010-2020 decade.<sup>10</sup>

---

“

*Inflation of construction costs may be an even bigger issue for Texas Central.*

---

”

Inflation of construction costs may be an even bigger issue for Texas Central. The American Road and Transportation Builders Association (ARTBA) reported annual construction cost inflation of between 8.3% and 13.1% between July 2021 and July 2022, depending on inputs.<sup>11</sup> Many state departments of transportation (DOTs), including TxDOT, have been forced to suspend or cancel projects because they cannot afford the cost of materials.<sup>12</sup> Construction managers have also encountered staffing shortages in the current tight labor market. Further, this workforce shortage has caused the construction industry to increase pay by 6.3%, which increases overall project costs.<sup>13</sup> An aging construction workforce will further increase labor costs over the long term.<sup>14</sup>

In addition, Texas Central’s Japanese backers have been its largest funding source to date. But, as multiple sources have recently reported, these Japanese backers have indicated that they will not provide any additional funding to build the project.<sup>15</sup>

---

<sup>10</sup> “United States Fed Fund Rates,” *tradingeconomics.com*, Trading Economics,” 2022. <https://tradingeconomics.com/united-states/interest-rate> (29 Sep. 2022).

<sup>11</sup> “National Commodity and Material Prices for Transportation Construction,” *artba.org*, American Road and Transportation Builders Association, 2022. <https://www.artba.org/economics/materials-dashboard/> (29 Sep. 2022).

<sup>12</sup> Nathan Bernier, “Construction Material Shortages are Delaying TxDOT Projects and Driving Up Their Costs,” *austinmonitor.com*, Austin Monitor, 25 Apr. 2022. <https://www.austinmonitor.com/stories/2022/04/construction-material-shortages-are-delaying-txdot-projects-and-driving-up-their-costs/> (29 Sep. 2022).

<sup>13</sup> Joe Bousquin, “Rising Labor Costs Eat Away at Construction Firms’ Profit,” *constructiondive.com*, Construction Dive, 23 June 2022. <https://www.constructiondive.com/news/rising-labor-costs-eat-contractors-construction-firm-profits/625978/> (29 Sep. 2022).

<sup>14</sup> Sebastian Obando, “Median Age of Construction Workers is Contributing Factor to Worker Shortage,” *constructiondive.org*, Construction Dive, 9 July 2021. <https://www.constructiondive.com/news/median-age-of-construction-workers-is-contributing-factor-to-workforce-shor/603018/> (29 Sep. 2022).

<sup>15</sup> Dug Begley, “Critics say the bullet train from Houston to Dallas will never happen, and demand proof of life,” *Houston Chronicle*, 3 Oct. 2022. [https://www.houstonchronicle.com/news/houston-texas/transportation/article/Bullet-train-Texas-Central-Houston-Dallas-proof-17478111.php?utm\\_campaign=socialflow&utm\\_medium=referral&utm\\_source=twitter.com](https://www.houstonchronicle.com/news/houston-texas/transportation/article/Bullet-train-Texas-Central-Houston-Dallas-proof-17478111.php?utm_campaign=socialflow&utm_medium=referral&utm_source=twitter.com) (14 Dec 2022).

Finally, Texas Central still has not fully accounted for the cost of acquiring the land along the proposed route. Whether the company intends to acquire the land through arms-length transactions or eminent domain, property values have increased substantially.<sup>16</sup>

---

*Texas Central still has not fully accounted for the cost of acquiring the land along the proposed route.*

---

In short, Texas Central will need even more subsidies if it plans to resurrect and build the project. In 2017, with a round-trip ticket price of \$178, the project would need an estimated \$20.6 billion in total capital and operating subsidies, working out to \$261 per trip.<sup>17</sup> Table 1 calculates the likely subsidies needed in future years, assuming moderate increases in wage growth and interest rates.

The total estimated construction costs of Texas Central's project have increased to at least \$33.6 billion, regardless of the inputs used for interest rates and projected ridership. The four post-COVID scenarios examine four scenarios (low ridership and low interest rate, low ridership and high interest rate, high ridership and low interest rate, and high ridership and high interest rate). Table 1 shows that in each of the scenarios the construction and operations costs are at least \$41.6 billion. And in no scenario will the revenue generated from ticket prices and development around the rail station be more than \$6 billion. This leaves a gap of more than \$35 billion for the most optimistic scenario.

Beyond the dynamic financial aspects and escalating construction costs, there are other significant factors causing costs to escalate even further. Texas Central would be charged higher interest rates to borrow money (particularly since the project is not investment grade). Increased interest rates mean increased costs. A reduction in ridership of 20%, at a minimum, will also have a significant impact. Regardless of the scenario, Texas Central's project would require a subsidy of at least \$650 per one-way trip, or \$1,300 for a round trip. The company could increase its round-trip ticket price above \$178, but then it would be

---

<sup>16</sup> "Housing Activity for Texas," Texas A&M University Texas Real Estate Center, *recenter.tamu.edu*, 2022. <https://www.recenter.tamu.edu/data/housing-activity/#!/activity/State/Texas> (2022).

<sup>17</sup> Baruch Feigenbaum, "Texas High Speed Rail Requires Caution: An Updated Analysis."

even less competitive with round-trip flights between Dallas Love and Houston Hobby airports, which have fares as low as \$78.<sup>18</sup>

“

*...Texas Central’s project would require a subsidy of at least \$650 per one-way trip, or \$1,300 for a round trip.*

”

Table 1 provides a summary of Texas Central’s Dallas to Houston rail line overall financial picture.

**TABLE 1: TEXAS HIGH SPEED RAIL COSTS AND SUBSIDIES (OVER 40 YEARS)**

Scenario	Capital (Construction) Costs	Operating Costs	Interest Rate	Passengers	Revenue	Subsidy (One-Way Trip)
Pre-COVID	\$11.8 billion total	\$8.8 billion	5%	56 million	\$6 billion	\$261 per trip
Post-COVID updated construction cost, high ridership, low interest rate	\$33.6 billion total	\$8.8 billion	5%	56 million	\$6 billion	\$650 per trip
Post-COVID updated construction cost, high ridership, high interest rate	\$35.2 billion total	\$8.8 billion	10%	56 million	\$6 billion	\$679 per trip
Post-COVID updated construction cost, low ridership, low interest rate	\$33.6 billion total	\$8.8 billion	5%	44.8 million	\$5 billion	\$835 per trip
Post-COVID updated construction cost, low ridership, high interest rate	\$35.2 billion total	\$8.8 billion	10%	44.8 million	\$5 billion	\$871 per trip

\*All data are calculated over a 40-year time frame

<sup>18</sup> Depart Dallas to Houston and Return Houston to Dallas, *southwest.com*, Southwest Airlines, 2022. [https://www.southwest.com/air/booking/select.html?int=HOMEQBOMAIR&adultPassengersCount=1&departureDate=2022-12-06&destinationAirportCode=HOU&fareType=USD&originationAirportCode=DAL&passengerType=ADULT&returnDate=2022-12-08&tripType=roundtrip&departureTimeOfDay=ALL\\_DAY&reset=true&returnTimeOfDay=ALL\\_DAY](https://www.southwest.com/air/booking/select.html?int=HOMEQBOMAIR&adultPassengersCount=1&departureDate=2022-12-06&destinationAirportCode=HOU&fareType=USD&originationAirportCode=DAL&passengerType=ADULT&returnDate=2022-12-08&tripType=roundtrip&departureTimeOfDay=ALL_DAY&reset=true&returnTimeOfDay=ALL_DAY) (6 Oct. 2022).

The project is financially unrealistic. Yet, the billions of dollars in subsidies that would be required are only part of Texas Central's problem. The significantly decreased pool of passenger rail riders resulting from the sudden and massive uptick in telework and remote meetings since 2019 makes Texas Central's prospects even grimmer. Part 3 discusses the declining ridership numbers.

## PART 3

# PROJECTED HIGH-SPEED RAIL RIDERSHIP CONTINUES TO DECLINE

Even before the COVID-19 pandemic, Texas Central's ridership numbers were inflated. In 2017, 2025 ridership was an estimated 1.4 million; in contrast, Texas Central estimated 2025 ridership to be more than four times higher, at 5.9 million.<sup>19</sup> After transportation experts and analysts started questioning Texas Central's projections, the company took several steps in an attempt to justify its original projections and argue for higher projections. Texas Central entered into an Interline agreement with Amtrak to allow passengers traveling on the Sunset Limited and Texas Eagle to connect to Texas Central

“  
*Even before the COVID-19 pandemic, Texas Central's ridership numbers were inflated.*  
”

<sup>19</sup> Baruch Feigenbaum, “Texas High Speed Rail Caution Ahead,” Feb. 2017, “Ridership,” [texascentral.com](https://www.texascentral.com/ridership/), Texas Central, 2020. <https://www.texascentral.com/ridership/> (3 Oct. 2022).

trains.<sup>20</sup> In addition, Texas Central focused on increasing the density of its planned development around the Dallas and Houston stations.<sup>21</sup> However, neither move by Texas Central would increase ridership significantly, if at all. Despite all this, Texas Central increased its ridership projections above 5.9 million.

Today, even the prior projection of 1.4 million annual passengers seems unrealistic. COVID-19 has changed travel patterns significantly. Business travel dropped by 40% as of 2022.<sup>22</sup> Businesses that experimented with virtual conferencing services such as Zoom soon realized they could reduce the number of in-person trips. Most experts expect business travel to resume to approximately 80% of its pre-COVID totals.<sup>23</sup> Given that business travelers overwhelmingly make up the largest percentage of high-speed rail passengers, this drastic change in travel patterns will result in a substantial decline in ridership.



*Beyond business travelers, there are several other reasons why ridership will likely decrease further.*



Beyond business travelers, there are several other reasons why ridership will likely decrease further. One reason is health concerns. Some travelers, both business and leisure, do not feel comfortable sharing rides with strangers.<sup>24</sup> Others will not use transportation with unmasked travelers. These attitudes impact local transit and ride-hailing as well as airlines. However, some of these alternative modes of transportation are more profitable while others are traditionally subsidized as social assistance for low-income travelers.<sup>25</sup>

<sup>20</sup> “Texas Central, Amtrak Reach Agreement to Link Bullet Train, and Amtrak’s Interstate Passenger Network,” *texascentral.com*, Texas Central, 4 May 2018. <https://www.texascentral.com/posts/texas-central-amtrak-reach-agreement-to-link-bullet-train-and-amtraks-interstate-passenger-network/> (29 Sep. 2022).

<sup>21</sup> William Vantuono, “Texas Investors Form HSR Station Development Company,” *railwayage.org*, Railway Age, 14 Oct. 2021. <https://www.railwayage.com/passenger/high-performance/texas-investors-form-hsr-station-development-company/> (29 Sep. 2022).

<sup>22</sup> Jane Levere, “Business Travel Resumes Though Not At Its Former Pace,” *nytimes.com*, The New York Times, 15 May. 2022. <https://www.nytimes.com/2022/05/15/business/business-travel.html> (29 Sep. 2022).

<sup>23</sup> Ibid.

<sup>24</sup> David Zipper, “Can Shared Mobility Survive the Pandemic,” *bloomberg.com*, 18 Mar. 2021. <https://www.bloomberg.com/news/articles/2021-03-18/post-covid-ride-hail-users-may-spurn-shared-trips> (29 Sep. 2022).

<sup>25</sup> Robert Cervero, “More Money of Less Regulation?: Revitalizing Urban Transit,” *aei.org*, American Enterprise Institute, 26 May 1984. <https://www.aei.org/articles/more-money-or-less-regulation-revitalizing-urban-transit/> (24 Feb. 2023); World Economic Forum, “This Chart Shows how Airlines Will Return to Profit Next

Another reason ridership will likely decrease is high inflation, which, in turn, has caused some travelers to forgo trips altogether.<sup>26</sup> While leisure travelers are a small share of Texas Central’s customer pool, these travelers may plan to cut back on travel over the next 12 to 24 months in the foreseeable future.<sup>27</sup> Given Texas Central’s escalating costs, any reduction in travelers makes the train less viable.

“

*...customers are less likely to use local transit trips to access Texas Central’s proposed rail line.*

”

Moreover, customers are less likely to use local transit trips to access Texas Central’s proposed rail line. Texas Central expected a significant share of customers to take Trinity Railway Express commuter rail, Dallas Area Rapid Transit (DART) light-rail, Houston METRORail, and local buses to and from rail stations. Transit ridership is only 70% of its pre-pandemic total, with only demand-response and bus ridership operating closer to their pre-pandemic totals.<sup>28</sup> Light-rail lines, such as DART, are operating at closer to 60%. Commuter rail ridership, such as Trinity Railway Express, is less than 50% of its pre-COVID number.<sup>29</sup> Many former transit riders on which Texas Central was depending are unlikely to return.

Finally, the business centers around the proposed Dallas and Houston station locations have fewer people.<sup>30</sup> Many employees realized they prefer working from home and do not

---

Year,” *weforum.org*, World Economic Forum, 16 Dec. 2022. <https://www.weforum.org/agenda/2022/12/chart-airline-industry-return-profit-next-year/> (24 Feb. 2023).

<sup>26</sup> Emma Weissmann, “Here’s How Travelers are Adjusting to Rising Costs and Inflation,” *travelagewest.com*. 4 May 2022. <https://www.travelagewest.com/Industry-Insight/Business-Features/cost-to-travel-inflation> (29 Sep. 2022).

<sup>27</sup> Lorie Konish, “High Inflation May Prompt People to Change Their Summer Vacation Plans,” *cnbc.com*, CNBC, 26 Apr. 2022. <https://www.cnbc.com/2022/04/26/high-inflation-may-prompt-consumers-to-change-summer-vacation-plans.html> (29 Sep. 2022).

<sup>28</sup> “Public Transit Ridership Rises to More than 70% of Pre-Pandemic Levels,” *masstransmag.com*, 29 Sep. 2022. <https://www.masstransmag.com/management/press-release/21282393/american-public-transportation-association-public-transit-ridership-rises-to-more-than-70-percent-of-prepandemic-levels> (29 Sep. 2022).

<sup>29</sup> Ibid.

<sup>30</sup> Florian Martin, “Breathing Life Back Into Downtown,” *bizjournals.com*, *Houston Business Journal*, 5 Aug. 2022. <https://www.bizjournals.com/houston/news/2022/08/05/downtown-pandemic-recovery-special.html> (29 Sep. 2022), Emily Badger, and Quoc Trung Bui, “The Downtown Office District Was Vulnerable Even Before

plan on returning to the office full-time. Others moved to the suburbs or rural areas. The “U.S. Survey of Working Arrangements and Attitudes” shows working from home stabilizing at 30% of paid full workdays, up from 4.7% pre-pandemic.<sup>31</sup> Successful high-speed rail requires, among a number of other things, a large number of people living and working within two miles of the rail stations.<sup>32</sup> Dallas and Houston greatly lagged other cities on population- and employment-density before COVID, and post-COVID the employment- and population-densities have decreased even further.

---

COVID,” *nytimes.com*, *The New York Times*, 7 July 2021. <https://www.nytimes.com/interactive/2021/07/07/upshot/downtown-office-vulnerable-even-before-covid.html> (29 Sep. 2022).

<sup>31</sup> “Working from Home: Before and Since the Start of COVID,” *wfhresearch.com*, WFH Research, 2023. <https://wfhresearch.com/> (24 Jan. 2023).

<sup>32</sup> “New Study Identifies Best U.S. High-Speed Rail Corridors,” *csengineeringmag.com*, Civil and Structural Engineering Media, 14 Feb. 2011. <https://csengineeringmag.com/new-study-identifies-best-u-s-high-speed-rail-corridors/> (30 Sep. 2022).



## PART 4

# TEXAS CENTRAL IS A ZOMBIE COMPANY

In addition to increasing costs and decreasing ridership, another challenge unique to the project is that Texas Central currently has no employees.<sup>33</sup> Presently, Texas Central's communications are handled by a consulting firm.<sup>34</sup> The company has not acquired any land for the past two years.<sup>35</sup> Instead, it has been selling off some of the property it bought—170 acres in Navarro County alone.<sup>36</sup> Texas Central lacks the permits it needs to build the train. The company is woefully short of the more than \$40 billion in funding and/or financing it would need to construct and operate the project. For more than a year, Texas Central has

“

*In addition to increasing costs and decreasing ridership, another challenge unique to the project is that Texas Central currently has no employees.*

”

<sup>33</sup> William Melhado, “After a Decade of Hype, Dallas-Houston Bullet Train Developer Faces A Leadership Exodus as Land Acquisition Slows,” *texastribune.org*, Texas Tribune, 30 Aug. 2022. <https://www.texas-tribune.org/2022/08/30/texas-high-speed-rail-dallas-houston/> (24 Jan. 2023).

<sup>34</sup> Ibid.

<sup>35</sup> Ibid.

<sup>36</sup> Ibid.

not even spoken with the federal regulatory agencies needed to approve aspects of the project. It has yet to file for a construction permit, which was required by the federal Surface Transportation Board.<sup>37</sup> In truth, Texas Central appears to be moving backwards.

Setting aside any legal hurdles that may arise in the future, many practical challenges face Texas Central were it to emerge from hibernation. A new Texas Central would have to assemble staff. Since the previous management largely failed to acquire right-of-way, secure necessary permits, and find sufficient private investment, it is unclear how a new team would meet these challenges or why talented individuals would be interested in working for Texas Central. Any new team would need to restart talks with federal agencies and freight rail lines. Finally, and perhaps most importantly, any team would need to somehow close the widening funding gap. Given inherent ridership limitations, Texas Central would need to find a way to build the project much more cost-effectively while significantly increasing the amount of private support. Without these resources, the company would need to obtain a large amount of taxpayer funding, which would violate its promise of a private high-speed rail line and require a new, separate team of high-paid lobbyists.

---



*Since the previous management largely failed to acquire right-of-way, secure necessary permits, and find sufficient private investment, it is unclear how a new team would meet these challenges ...*

---



Even if Texas Central emerges from hibernation, it cannot unlikely rely on federal funding. As project costs increased, Texas Central planned to tap federal funding, but that funding does not exist.

---

<sup>37</sup> Jishnu Nair and Danica Lloyd, “As Texas Central’s High-Speed Rail Development Stalls, Cy-Fair Residents Question Project’s Future,” *communityimpact.com*, Community Impact, 4 May 2022. <https://communityimpact.com/houston/cy-fair/development/2022/05/02/as-texas-centrals-high-speed-rail-development-stalls-cy-fair-residents-question-projects-future/> (7 Oct. 2022).

## PART 5

# TEXAS CENTRAL HAS GARNERED NO FEDERAL SUPPORT

When Texas Central first proposed its project, it promised and insisted that it would never use public funding.<sup>38</sup> However, as costs continued to escalate, the company began to seek federal fiscal support to pay for construction.<sup>39</sup> Texas Central eyed both short-term funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and long-term loan financing through the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation and Investment Financing (RRIF).

Many rail advocates lobbied for dedicated long-term high-speed rail funding in the 2021 Infrastructure Investment and Jobs Act (the bill that guides transportation policy and funding for a five- to six-year period). High-speed rail has never received long-term, multi-year funding, although the American Recovery and Reinvestment Act stimulus during the Obama administration provided \$2.4 billion in one-time federal grants for high-speed rail. Rep. Seth Moulton (D-MA), who once worked as managing director for Texas Central, is one

---

<sup>38</sup> “Learn the Facts,” *texascentral.com*, Texas Central, 2020. <https://www.texascentral.com/facts/> (10 Oct. 2022).

<sup>39</sup> Shawn Arraj, “Texas Central Weighing Use of Federal Stimulus Money for High Speed Rail Project,” *communityimpact.com*, Community Impact, 11 June 2020. <https://communityimpact.com/houston/cy-fair/transportation/2020/06/11/texas-central-weighing-use-of-federal-stimulus-money-for-high-speed-rail-project/> (6 Oct. 2022).

of the biggest congressional boosters of high-speed rail. Working with other House leaders, he pushed to include \$25 billion dedicated to high-speed rail in the House infrastructure package.<sup>40</sup> However, the partisan House bill was discarded in favor of the bipartisan Senate bill, which included no multiyear high-speed rail funding. As a result, the final \$1.2 trillion Infrastructure Investment and Jobs Act (IIJA) had no multiyear funding for high-speed rail.

In addition, the White House has not been a major supporter of high-speed rail funding. The transportation discretionary grant program called Rebuilding American Infrastructure with Sustainability and Equity (RAISE), has provided very limited high-speed rail funding.<sup>41</sup> While President Biden is an enthusiastic supporter of Amtrak, which received \$66 billion in IIJA, he has primarily focused on the Northeast Corridor.<sup>42</sup>

---

“

*High-speed rail has never received long-term, multi-year funding...*

”

---

Further, from 2021 to 2023, Democrats, who are more friendly to federal government funding than Republicans, controlled the White House, House of Representatives, and Senate. In November, Democrats lost control the U.S. House of and maintained the slimmest of majorities in the Senate. Losing the House is significant because that chamber has more supporters of high-speed rail, all of whom are Democrats. If IIJA (under a Democratic Congress and recent rounds of discretionary grants (under a Democratic White House) did not include funding for high-speed rail, it seems very unlikely there will be any significant federal high-speed rail funding in the near future.

The loan programs are even more problematic. In theory, to qualify for a TIFIA loan, a project must receive investment grade credit ratings from at least two accredited agencies.<sup>43</sup> In

<sup>40</sup> Stephen Zeitchick, “All This Money Pouring into Infrastructure Should be a Boon for High Speed Rail, Right? Not so Fast,” *washingtonpost.com*, The Washington Post, 19 Nov. 2021. <https://www.washingtonpost.com/technology/2021/11/18/infrastructure-bill-high-speed-rail/> (6 Oct. 2022).

<sup>41</sup> Baruch Feigenbaum, “Federal RAISE Grants Continue to Fail to Prioritize Key Transportation Projects,” Reason Foundation, 3 Oct. 2022. <https://reason.org/commentary/federal-raise-grants-continue-to-fail-to-prioritize-key-transportation-projects/> (6 Oct. 2022).

<sup>42</sup> “Updated Fact Sheet: Bipartisan Infrastructure and Investment and Jobs Act,” The White House, *whitehouse.gov*, 2 Aug. 2021. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/08/02/updated-fact-sheet-bipartisan-infrastructure-investment-and-jobs-act/> (6 Oct. 2022).

<sup>43</sup> “TIFIA Credit Program Overview,” *Build America Bureau*, *transportation.gov*, 4 Oct. 2022. <https://www.transportation.gov/buildamerica/financing/tifia/tifia-credit-program-overview> (10 Oct. 2022).

reality, the political leaders at the U.S. Department of Transportation are placing pressure on the TIFIA office to waive certain requirements. The RRIF program is even more problematic; several RRIF loans have been given to Amtrak, which lacks the funding to pay them back.<sup>44</sup> Texas Central would almost certainly not qualify for federal loans. If it did, it would likely default on its loans, and taxpayers would be stuck footing the bill.

---



*Texas Central would almost certainly not qualify for federal loans. If it did, it would likely default on its loans, and taxpayers would be stuck footing the bill.*

---



---

<sup>44</sup> “Amtrak Receives \$2.5 Billion RRIF Loan for Alstom Trains, Northeast Corridor Upgrades,” *progressiverailroading.com*, Progressive Railroading, 29 Aug. 2016. <https://www.progressiverailroading.com/amtrak/news/Amtrak-receives-25-billion-RRIF-loan-for-Alstom-trains-Northeast-Corridor-upgrades--49275> (10 Oct. 2022).

## PART 6

# CONCLUSION

The high-speed rail vision Texas Central outlined in 2013 of easy land acquisition, quick construction, minimal opposition, and low costs is vastly different from the grim reality that caused the company to abandon its project in 2022. However, as history has proven, high-speed rail in Texas may never be permanently dead. Despite past failures, the concept has continued to spring back to life over time.

Texas Central's failed attempt is fraught with four major obstacles that will be difficult to overcome were it to attempt to resuscitate the project. First, the project's estimated costs continue to escalate. While the \$10 billion cost estimate was never realistic, the project escalated from \$20 billion to more than \$30 billion due to land acquisition and poor management. Runaway inflation and rising construction costs and land values will only increase costs further. And it remains unclear how difficult and costly it will be for Texas Central to obtain all of the needed raw materials.

Second, Texas Central began promoting the project when travel was at an all-time high. No one could have imagined the severe impact that the COVID-19 pandemic would have on travel patterns. Most businesses learned to adapt by replacing in-person meetings with Zoom and other remote meeting systems/software. This adaptation by businesses has resulted in the reduction of business travel by more than 20% that is unlikely to recover anytime soon. Since business travelers make up the largest share of high-speed rail travelers, a reduction in their travel will affect the financial viability of any proposed high-speed rail line, including Texas Central's.

Third, Texas Central is a zombie company; it has no executive leadership, no board of directors, and apparently no employees. All purported work is being conducted by contractors. To resurrect the project, investors would need to hire an entire new management team.

Finally, Texas Central has failed to build significant support in Congress or the White House. The massive IJA did not have any dedicated funding for high-speed rail. The RAISE discretionary grants awarded only a very small share of funding to high-speed rail projects. Both Congress and the White House seem more interested in Amtrak than high-speed rail.

As challenging as the past decade has been for Texas Central, the future looks to be even more difficult. Texas Central (or any other high-speed rail promoter) will have to figure out how to minimize costs and maximize ridership while convincing landowners (most of whom oppose the project) to sell their land voluntarily at a reasonable price. For the reasons set forth in this brief, the prospects of Texas Central resurrecting its project and overcoming all these challenges are quite grim.

# ABOUT THE AUTHOR

**Baruch Feigenbaum** is senior managing director of transportation policy at Reason Foundation.

Feigenbaum has a diverse background researching and implementing transportation issues including revenue and finance, public-private partnerships, highways, transit, high-speed rail, ports, intelligent transportation systems, land use, and local policymaking. Prior to joining Reason, Feigenbaum handled transportation issues on Capitol Hill for Rep. Lynn Westmoreland.

Feigenbaum is a member of the Transportation Research Board Bus Transit Systems and Intelligent Transportation Systems Committees. He is vice president of programming for the Transportation and Research Forum Washington Chapter, a reviewer for the *Journal of the American Planning Association (JAPA)*, and a contributor to *Planetizen*. He has appeared on NBC Nightly News and CNBC. His work has been featured in the *Washington Post*, *The Wall Street Journal* and numerous other publications.

Feigenbaum earned his master's degree in transportation planning with a focus in engineering from the Georgia Institute of Technology.



