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Re: Finance Docket No. 36025 – Texas Central Railroad Petition to Reopen

Timothy B. Keith's Verified Statement in Support of Petition for Exemption to the STB on Texas Central Rail – Optimism not Supported by Reality

The VERIFIED STATEMENT OF TIMOTHY B. KEITH IN SUPPORT OF PETITION FOR EXEMPTION, dated April 19, 2016 contains statements about the timeline, costs, taxes and environmental impact that either have been proven false or are under great doubt. The STB cannot allow Timothy B. Keith's Verified Statement to stand. The STB cannot allow Texas Central to provide a verified statement in lieu of the Insight report and ridership and revenue reports and other documentation.

The STB is in the unique position of having access to both Insight Research Corporation's report: *Texas Central's High Speed Rail Corridor and Related Private Development Houston to Dallas/Fort Worth, Texas*, October 13, 2015 and Texas Central's proprietary ridership and revenue reports. These reports are essential to understanding issues with both Texas Central's filing with the STB and with the FRA's fatally flawed DEIS on the project, released in December of 2017. These reports have not been made public.

The lack of transparency has apparently extended to the authors of the DEIS. Based on the flawed data used in emissions calculations, it looks like the authors of the DEIS were not allowed to view the ridership and revenue reports. The authors of the DEIS state that the "TCRR reported" \$2.5 billion in estimated taxes "does not include detail sufficient to distinguish annual sales tax and property tax Impacts" – likely because they did not have access to the Full Insight Report. p 3.14-26. Since the FRA and Texas Central are basing many essential conclusions on these reports, they must be made public – and, of course, the authors of the DEIS must have access to these reports.

As a cooperating agency, the STB should require that Texas Central make the full Insight report and the ridership and revenue reports public.

Construction Timeline and Cost Estimate

Timothy B. Keith's Verified Statement dated April 2016, at best contains many extremely optimistic statements including "We currently anticipate that construction will begin in 2017." It is May of 2018 and construction has not begun and the current estimate is 2019.

Mr. Keith states: "Petitioners hope to complete construction and to initiate passenger service by late 2021. The total cost of civil construction and the core system is estimated to be over \$10 billion, which is being privately developed by Texas Central."

Both the timeline and cost have changed for the worse. The optimistic timeline is now 2024 for initial passenger service and, according to the DEIS “TCRR estimates capital costs for the HSR system between \$15 billion and \$18 billion (\$2017).” p 3.14-26. This is a 3-year delay and a 50% to 80% increase in cost before construction has even begun.

Mr. Keith states: “Texas Central anticipates that a Draft EIS will be issued by FRA in mid-2016.” The Draft EIS was issued in December 2017 (and has so many serious errors that members of the public cannot make informed comments on it). Why would Mr. Keith state in April of 2016 that the DEIS would be issued in mid-2016 when the release was in fact 20 months away? The delay was not caused by fact-checking Texas sales tax on transportation or verifying emissions calculations.

The Insight Report, the DEIS, and \$2.5 Billion in Tax Revenue – No Sales Tax on Transportation in Texas

Mr. Keith states: “Between now and 2040, we estimate the project (as a private entity and therefore a taxpayer) could be the source of nearly \$2.5 billion in tax revenues to the state, counties, local municipalities, school districts and other taxing entities.” The Petition for Exemption states the \$2.5 billion comes from Insight Research Corporation, *Texas Central's High Speed Rail Corridor and Related Private Development Houston to Dallas/Fort Worth, Texas*, October 13, 2015 (Full Insight Report).

While we don’t have access to the Full Insight Report, we do have access to Insight Research Corporation, *Texas Central's High Speed Rail Corridor and Related Private Development Houston to Dallas/Fort Worth, Texas Analysis of Economic, Employment and Tax Revenue Impact 2015 through 2040 Executive Summary*, (Executive Summary) also dated October 13, 2015. The Executive Summary states under the heading **Tax Revenue Benefit of the HSR, 2015 through 2040** (which is 25 years) that the \$2.5 billion “tax forecast includes conservative estimates of property taxes on the completed corridor and rolling stock, plus sales and use taxes on construction materials, rolling stock and other equipment, **and retail sales tax on ticket sales.**” (emphasis added).

However, the state of Texas does not levy sales tax on transportation. Texas does not levy sales tax on airline or bus tickets. There is no reason for Insight or Texas Central to believe that Texas would levy sales tax on high-speed rail tickets.

The DEIS prepared by the FRA also states that Texas Central would pay retail sales tax on train tickets. According to **Table 3.14-22: Annual Ticket Revenue Impacts for all Build Alternatives**, the state and local impact from sales tax on ticket sales would be \$118,206,000 annually or \$2.9 billion over 25 years – which is more than \$2.5 billion. It appears the majority of the \$2.5 billion in tax revenue is projected to come from the non-existent sales tax on HSR tickets.

The DEIS also claims “HSR ticket sales could generate between \$15 billion and \$39 billion in sales tax for the state plus \$5 billion to \$12 billion in local tax revenue”, but this is nonsense, as it would take centuries to reach \$39 billion in state sales tax based on Table 3.14-22. However, since Texas does not levy sales tax on transportation, this is a \$50 billion-dollar error.

The \$2.5 billion-dollar figure is being used in a supporting resolution for the HSR in Brazos County.

The STB can and should determine what the actual tax revenue impact could be for the state of Texas and other taxing entities within the state of Texas. The STB can and should require that the Full Insight

Report be released so that citizens and elected officials can determine the tax impact of the proposed project.

Ridership, Congestion and Emissions

Mr. Keith states: “The Texas Central Line represents an environmentally friendly alternative to travel via the state's congested highways. We anticipate that the Texas Central service will reduce automobile travel in the Dallas-Houston corridor, mitigating traffic congestion and reducing carbon emissions.”

Mr. Keith states: “Construction and operation of the Texas Central Line will have a positive impact on the environment. Locating the line along an existing utility corridor (as proposed by Texas Central) would minimize displacement of other land uses and reduce environmental impacts during construction. Once the line becomes operational, the environmental impact of Texas Central's train service will be decidedly positive.”

This has not been proven. The DEIS calculations for Vehicle Miles Traveled (VMT) removed are incorrect, rendering all the emissions calculations incorrect. The opposite may be true – that the environmental impact of the train may be decidedly negative.

DEIS VMT Removed Calculation Errors

“For the air quality emissions estimation at the full-service level (2040) scenario, the annual ridership of 7.2 million passengers, existing 89 percent share of people using passenger cars to travel between Dallas and Houston and average passenger occupancy of 1.2 passengers per car were then used to calculate the number of annual car trips of 5,340,000 cars per year. It should be noted that this number of vehicles that would no longer travel IH-45 between Houston and Dallas would equate to 14,630 vehicles per day, or about 14 percent of the 2035 annual average daily traffic of 106,475 vehicles per day projected in transportation planning documents for this corridor.” p 3.2-13

As shown below, all three numbers – 7.2 million riders, 89% share from cars, and 1.2 passengers per car are in doubt.

Ridership

The 7.2 million passengers per year is from Texas Central's secret ridership report. No backup for this number is provided. This number seems extremely high, other sources such as Reason and TxDOT have ridership between 700,000 and 2.7 million per year. What methodology did Texas Central use to obtain the 7.2 million riders?

Market Share from Cars

The “existing 89% of people using passenger cars to travel between Dallas and Houston” would have little bearing on the percent of the 7.2 million riders diverted from cars. Elsewhere the DEIS uses a build market share diverted from cars as 73%, not 89%. It is worth noting that both the 89% and the 73% provide for zero induced passengers.

Passengers Per Car

The DEIS uses 1.2 passengers per car because elsewhere in the DEIS 1.2 passengers per car is used to calculate traffic to proposed HSR stations. This has no bearing on how many passengers per car make the trip between Houston and Dallas.

Doubling Vehicle Miles Removed by using Round Trip Miles Instead of One Way Miles

To add insult to injury, the DEIS uses round trip miles between Dallas and Houston instead of one way miles to calculate Vehicle Miles Traveled removed even though the 7.2 million riders contains all trips. A single round trip between Dallas and Houston would account for 2 of the 7.2 million riders. This doubles the VMT removed and affects all of the emissions calculations.

Congestion

While the DEIS states that 14,630 cars will be removed from the road per day, this number is based on faulty data as shown above. The data from the Reason Foundation report *Texas High Speed Rail: Caution Ahead*, dated February 2017, shows that only 816 cars would be removed from I45 per day, which would not affect congestion. Furthermore, the congestion in Houston would merely move from I45 to the congested 290/610 area. If the DEIS's emissions calculations were corrected, they may well show that emissions increase from the train's operations and construction.

Texas Central Publicizing DEIS Errors

Members of the public have caught many serious errors in the FRA's DEIS, including a \$50 billion-dollar error on sales tax and doubling of Vehicle Miles Traveled that doubled gallons of gasoline saved and affected every single emissions calculation (in Texas Central's favor).

Texas Central, instead of correcting obvious errors in the DEIS, publicized them as fact. Texas Central, and Mr. Keith, either do not have the capacity to understand errors or do not care as long as the error is in their favor. Texas Central created a video with many of the errors in the DEIS highlighted such as 14,630 cars per day taken off the road, 81.5 million gallons of gasoline saved, \$15 - \$39 Billion Estimated Sales Tax Generated From Ticket Sales. The sales tax is especially egregious, given that Texas Central also touts \$2.5 billion in all taxes paid.

Texas Central did not catch these errors, and instead, touted the results of these errors in a video that was played at many (if not all) of the public meetings on the DEIS. This video was posted on Texas Central's Facebook page, and posted on Texas Central's website on a page that provided a link to comment on the DEIS to the FRA as well as sending copies to government officials. (Texas Central also had a contest to win a toy train as an incentive to comment on the DEIS – to enter, people had to comment on the DEIS via Texas Central's webpage).

Texas Central has not remained silent where it disagrees with the DEIS – Texas Central has disputed the DEIS's \$199 average one-way ticket price claim – calling it a “rumor”.

Conclusion

Texas Central needs to put up actual proof – the Full Insight Report and the ridership and revenue reports must be made public or Texas Central should cease the project.

Mr. Keith has proven to be a poor prognosticator and his statements must be dismissed as overly optimistic at best. Major factors of Mr. Keith's statement are either untrue or in great doubt – cost and timeline estimates are clearly wrong. Projected tax revenues of \$2.5 billion dollars are in great doubt. Ridership, congestion, and emissions are in great doubt. It is irrelevant if Mr. Keith declares “under penalty of perjury” whether or not something is “true and correct”.

The public doesn't have access to these secret reports, and it seems as if the authors of the FRA's DEIS don't either. Although the ridership reports are crucial for calculating VMT removed, the DEIS instead makes bad guesses. Members of the public have found grave errors in the DEIS – the FRA first published these errors and Texas Central publicized them as fact.

While the STB should deny Texas Central's bid as an interstate railway (as it is not), the STB should use its power as a coordinating agency to ensure truthfulness and transparency. The STB should require that the Full Insight Report and any ridership and revenue reports be released.

Links

<http://www.texascentral.com/wp-content/uploads/2016/04/Economic-Impact-Study-Executive-Summary.pdf>

<https://www.facebook.com/texascentral/videos/2027309054178497/>

<https://www.facebook.com/texascentral/videos/2027752127467523/>

<https://onedrive.live.com/?authkey=%21AM8FLGwaix4kZY8&cid=0C3F4FBBD378E95F&id=C3F4FBBD378E95F%21108&parId=C3F4FBBD378E95F%21106&o=OneUp>

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<http://2o9kb51xfph91b7rki281uu9.wpengine.netdna-cdn.com/wp-content/uploads/2018/05/BrCoComm052918BulletTrain.pdf>

<https://www.texascentral.com/2018/02/01/rumors-making-the-rounds-learn-the-facts/>

I certify that I have this day served copies of the document upon the Parties of Record in this proceeding, by U.S. Mail or E-mail.

Signature Julie Villaseca

Date 5/31/2018

CC: All Parties of Record