

Lutz Hendricks
7 Cortona Dr
Durham, NC 27707

February 23, 2019

Representative David Price
2108 Rayburn Building
Washington, DC 20515

Dear Representative Price:

I am writing to you as the Ranking Member of the House Transportation, Housing and Urban Development Appropriations Subcommittee.

In a nutshell, I ask you NOT to allocate federal funds for the Durham Orange Counties Light Rail (DOLRT). The main reason is that the project's costs will outweigh its likely benefits by a large margin.

As a professional economist, I expect large investment projects to be supported by detailed cost benefit analysis. This has not been the case for DOLRT.

The proponents have made vague and, as far as I can tell, unsubstantiated claims about DOLRT's "economic development" benefits. Mainly, GoTriangle and Durham city council members claim that DOLRT will generate large amounts of construction investment near rail stations as well as 30,000 new jobs.

The jobs argument is made in favor of just about every public investment project. Unfortunately, as any competent economist will attest, it makes no sense. The region is currently (and usually) near full employment. The only way to create more jobs is to attract more residents. This is hardly a desirable outcome in a region that already experiences rapid population growth. We need better paying jobs, not more jobs, and certainly not more construction jobs. How DOLRT is supposed to generate those better jobs, is entirely unclear.

The argument that DOLRT will create affordable housing is also false. GoTriangle claims that housing prices will rise in the vicinity of rail stations. Whether this will come true is debatable. In either case, it is hard to see how rising home prices lead to affordable housing.

In other cities, affordable housing was created near rail stations as city governments struck deals with developers. These deals specified that a fraction of new construction near rail stations be sold below market value. This is not a benefit of light rail. It is a benefit of housing agreements that could be achieved with or without rail. It is also a misguided policy for helping the poor, as any competent economist will attest.

Strangely, GoTriangle's own Environmental Impact Study shows essentially no expected benefit for traffic congestion, energy consumption (vehicle miles traveled are expected to fall by 0.1%; transportation energy use is expected to decline by 0.06%), or CO2 emissions. DOLRT is a public transit project which generates no transit benefits!

Once we set aside the "economic development" rhetoric, DOLRT looks rather less attractive. It is simply a technology for shuttling a few thousand people a day between 18 permanently fixed points on the map at 18 miles per hour.

And it is extremely costly. A simple calculation shows that transporting one person a day roundtrip between Durham and Chapel Hill for 30 years will cost at least \$500,000. In effect, GoTriangle offers lifetime commuter passes at a tax-payer cost of \$500,000 per commuter. This is simply absurd.


I should explain where the \$500,000 figure comes from. GoTriangle expects capital costs of \$3.4 billion (that figure has been rising every year). The direct construction cost will be \$2.6 billion. In addition, \$800 million in interest is expected to accrue by the time the project goes operational. DOLRT will certainly attract fewer riders than Charlotte's Lynx. But even if we optimistically assume the same number of riders (7,000 roundtrips per day), we end up with \$3.4 billion / 7,000 or approximately \$500,000 per roundtrip commuter.

To be clear, there is nothing wrong in principle with light rail. But Durham is a worst case scenario for the technology. Successful light rail requires passenger volume. Durham is just too small to amortize the upfront costs. The smallest U.S. city with light rail is Buffalo, NY (not counting a few cities with very small systems). Its service area is more than three times larger than DOLRT's projection for 2035. Construction costs are also unusually high (projected at \$140 million per mile before cost overruns and without addressing concerns by Duke University).

Unfortunately, GoTriangle has framed the decision as "DOLRT or no build." Most of the public conversation has asked whether DOLRT will be an improvement over the status quo. This is the wrong question. We should instead ask: what is the best technology to replace cars? Currently, most cities are choosing Bus Rapid Transit. Wake county has made this choice. BRT has two key benefits. First, it costs about 10% of light rail to build. Second, it does not lock cities into using a technology (rail) that will likely be obsolete very soon (if it is not already). BRT conveys essentially all of light rail's benefits at a fraction of the cost.

My conclusion is that DOLRT is a shocking waste of taxpayer dollars. Please do not allow it to proceed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Lutz H.' with a stylized flourish at the end.

Lutz Hendricks, Ph.D.
Associate Professor of Economics