

## PRESS RELEASE

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**TO:** Hawaii Governor, LG, Legislators,  
Honolulu Mayor, Council, Media

**SUBJECT:** Proposed Rail Creates 1,000 Local Jobs and Destroys 4,000 Jobs

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*For a nation to try to tax itself into prosperity is like a man standing in a bucket and trying to lift himself up by the handle.* (Winston Churchill)

### RAIL JOBS

The City claims that rail will create 4,500 construction jobs and 10,000 total jobs. Take a look at this Internet video <http://www.youtube.com/watch?v=mZPJ0n5AvKM>.

UH economists estimate that first year rail construction job count will be about 360 jobs and only in peak years the construction job estimate will reach about 2,000 jobs. But most of them will be unsuitable for carpenters that are suffering the brunt of construction sector unemployment now. Also almost all of the rail construction materials and technology comes from off-island sources, so at best 1,000 of these jobs are local. The City estimates for rail jobs are false. They are advocacy estimates.

The other half of the story is that rail jobs are paid by tax dollars, mostly local. Taxes reduce people's incomes and shrink the economy. Read below why the rail tax destroys at least 4,000 jobs.

### TAX and SPEND?

The "multiplier effect" like 4,500 construction jobs and 10,000 total jobs is fantasy. It's rooted in depression era economic theory. If this was true, then Honolulu should build a rail system that costs ten times more and yields 45,000 construction jobs and 100,000 total jobs!

Unfortunately tax and spend does not work. Look at Greece and California now; both are broke. Oahu will be in 2020. California Legislative Analyst's non-partisan office said that "the scale of the deficits is so vast that we know of no way that the Legislature, the Governor, and voters can avoid making additional, very difficult choices about state priorities." This means deep cuts, severe hardship for low income people, and higher unemployment.

Spending public money on the wrong project leads to huge loses. Here is a good example. Spain spent \$19 billion to create so called green jobs; 6,825 direct jobs and 8,175 related jobs were created at a cost of \$1.4 million per job. For every "green job" developed by government money (taxes), 2.2 jobs were lost from the general economy. The proposed Honolulu rail will be far less productive than green technologies, so many more that 2.2 jobs will be lost for every 1 rail job.

### From TAX to UNEMPLOYMENT

Taxation prolongs the downturn. Here is an analytical example. Washington State contemplates a 1% increase in state sales tax to fund its ambitious transportation program. The economic impact of a 1% increase tax can be summarized as follows.

Private employment would drop by 19,400 jobs, and public sector employment would increase by 8,100 jobs. The net effect would be a loss of 11,290 jobs. The job losses, combined with the increase in the cost of goods, would lead to a fall in real disposable income by \$1.85 billion. So their overall state economy will suffer more if the tax is added.

What does this mean for Oahu's 905,000 population and 0.5% general excise tax surcharge for rail? Every man, woman and child on Oahu pays about \$500 per year for the rail which based on the Washington State model and proportioned for Oahu destroys a net of 4,000 jobs for every year that the GET surcharge is levied. So rail will create a maximum of 2,000 jobs and regularly destroys 4,000 jobs.

To build rail we need trains, rails, escalators, elevators, electric lines, switches, computers, ticket machines, air conditioners, rebar and concrete, and heavy rail maintenance equipment. All the fed contribution and much of our local taxes for rail will go out of state to purchase the rail stuff. And to pay for mainland rail experts and technicians like those who design it now. So less than half of the 2,000 rail jobs will be island jobs.

### **CAN WE AFFORD IT?**

(February 1, 2010) Denver's \$6.6 Billion FastTracks rail can't be completed within budget. It needs an extra \$2.4 billion. Similarly, Honolulu cost estimates are not credible. They are advocacy estimates. City said \$2.7 billion in 2006, \$4.6 billion in 2008 and \$5.3 billion in 2009. The real cost will be at least \$6.4 billion for the first 20 miles.

Do you doubt that the City, its consultant and the Federal Transit Administration are wrong? Let's look at a recent rail project on an island. San Juan in Puerto Rico had the same consultant as Honolulu and the same FTA oversight. The forecasts and real outcomes are as follows.

The consultant predicted a cost of \$1.25 billion. FTA approved it. San Juan's actual cost was \$2.25 billion. The consultant predicted 80,000 riders. FTA approved it. San Juan's rail carries fewer than 40,000 riders after several years in operation.

How about this reality vs. fantasy: San Juan has a population of 2,509,000 and Honolulu has 905,000. San Juan's rail carries 38,700 daily riders. For Honolulu, the hired "experts" forecast 97,000 riders on opening day and 130,000 riders in 2030.

Let me also clarify what it means for Honolulu to enter a Full Funding Grant Agreement with the FTA. It means that FTA will give Honolulu X amount of dollars and Honolulu is mandated to complete the agreed upon system. Honolulu can't stop short if the money runs out. It must collect more local taxes and finish the job. Like Denver and all the others. The average cost overrun for FTA projects is 40%.

Worse yet, Honolulu already is deep in the hole. "U.S. Environmental Protection Agency is requiring the city to upgrade its two major waste-water treatment plants, which could cost up to \$1.2 billion." City lost both the lawsuit and the appeal. So on top of degraded water, sewer and road systems, Honolulu has a current \$1.2 billion budget liability for developing secondary sewage treatment.

If ever-increasing property taxes, sewer fees, and other taxes or fees become politically unsustainable, the State will have to bail the City out. Ever higher City taxes drive out businesses and shrink State revenues. A bankrupt City (with roughly 80% of the state's population) diminishes both City and State ability to issue bonds and get projects done. **Are you not seeing a tax black hole?**

### **BOTTOM LINE**

Was any of this information available in the 2008 elections and the taxpayer funded rail commercials? In 2008, a slim majority voted in favor of a fake "light rail" that cost under \$5 billion and went through Salt Lake. The bases of 2008 are false in the 2010 proposed rail. Is the 2008 vote valid now? No. Instead we have heavy rail, fake ridership, fake costs, and fake jobs gains. Only the future economic calamity due to the rail is certain. **Each local rail job will cost \$2.6 million in local taxes!**