



MEMORANDUM

LEGISLATIVE REFERENCE BUREAU

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To: Ald. Robert G. Donovan
William Arnold, Public Information Manager

From: Richard L. Withers, Legislative Fiscal Analyst ext. 8532

Date: May 31, 2012

Subject: Summary of Points in "The Streetcar Scam," a Report Prepared for the John K. Maclver Institute for Public Policy by Randal O'Toole of the Cato Institute

The Maclver Institute for Public Policy (the "Institute") published a report on May 31, 2012, entitled "The Streetcar Scam," authored by Randal O'Toole, which examines the current City of Milwaukee proposal to build a downtown streetcar line. The Institute is a Wisconsin-based organization that "...promotes free markets, individual freedom, personal responsibility and limited government." The Institute requested preparation of the report by Mr. O'Toole, a Senior Fellow at the Cato Institute. Mr. O'Toole studied forestry at Oregon State University and studied economics at the University of Oregon. Mr. O'Toole has been widely published on matters involving land-use policy and light rail.

The report finds that:

- The same service proposed to be provided by a 2-mile streetcar system costing \$64 million to construct could be provided at an initial cost of \$2 million plus annual operating costs of less than \$500,000 using buses.
- Research has shown that rail transit rarely stimulates economic development.
- Reliance on City of Portland, Oregon, streetcar construction as an example of a local boost to economic development is misplaced due to the nearly \$1 billion in subsidies, tax breaks and other incentives given to developers.
- Reliance on the City of Portland's streetcar and commuter rail systems as an example of transit improvement is misplaced due to cuts in bus service and overall reductions in public transit ridership from 9.8% of commuters in 1980 to 7.1 % of commuters in 2010.
- Research has shown that the use of government subsidies to improve one district or neighborhood has zero overall benefit for the urban area as a whole.
- Transportation projects only produce economic growth when they provide transportation that is less expensive, faster or more convenient than what was previously available, which is not the case with the proposed Milwaukee streetcar.

- Proposals to capture a portion of costs from taxes on increased property values fail to take into account observations that property values elsewhere generally suffer.
- Streetcar operation results in poor land use as streetcar stop areas may serve as many as 20 railcars per hour compared to 42 buses served by bus stops.
- City of Portland streetcar operating costs in 2009 are estimated at \$1.79 per passenger mile compared to the Portland TriMet bus operating costs of \$0.91 per passenger mile.
- Operating costs for Portland streetcars are more than \$26 per vehicle mile; TriMet spends about \$11 per mile operating its buses.
- Current operating costs of Milwaukee transit system buses average \$8.57 per mile, less than 20% of the projected vehicle miles cost of operation for the proposed streetcar.

The report concludes that:

- The beneficiaries of streetcar line construction will be limited to engineering and construction firms.
- Downtown property owners and developers will benefit only if the City commits “hundreds of millions of dollars of additional subsidies.”
- Commitment of such resources will require either higher taxes, reduction of other services, or both.
- Decisions by developers to place projects in the impacted area may reduce potential property value increases in other areas of the City.
- Streetcars are an obsolete technology.
- Better resource allocations may be made for repairing their streets, installing better traffic control systems, and improving traveler safety.

Please contact the Bureau if you have any questions or would like additional information.

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