



March 11, 2005

The Honorable Linda Lingle  
Governor of Hawaii  
State Capitol Executive Chambers  
Honolulu, Hawaii 96813

Dear Governor Lingle:

On behalf of the more than 1,700 members of the National Taxpayers Union (NTU) in Hawaii, I urge you to veto the Legislature's proposal to allow local governments to raise taxes to pay for a costly light rail system. HB 1309 would permit the excise tax rate on goods and services to rise from 4 percent to 5 percent (a 25 percent increase). Honolulu is expected to quickly raise taxes to pay for light rail while other jurisdictions may raise taxes to build projects of their own.

Allowing local governments to raise taxes or to create new ones is not "home rule." It is an economically devastating tax increase! Raising taxes for transit is bad news for the state's economy. Residents already face the fourth highest state and local government tax burden in the nation and this burden will only grow heavier if the state excise tax is raised to fund light rail. Perhaps even more harmful than the immediate impact of higher taxes is that by saddling taxpayers with the costs of constructing and maintaining a new government transportation boondoggle, the Legislature is setting taxpayers up for worse taxes even into the future.

Worse than light rail's poor prospect for public use is the fact that public provision of this service will require massive subsidies. For example, fare revenue covers only 28.2 percent of operating costs in St. Louis, 19.4 percent of costs in Baltimore, and 21.4 percent of costs in Buffalo. Nationwide, annual light-rail operating costs (\$778.3 million) far exceed fare revenue (\$226.1 million); the balance (\$552.2 million) is paid for with tax dollars. Note that these numbers refer only to operating expenses. With such large annual losses, no light-rail system could possibly recoup its construction costs, which can amount to several hundred million dollars.

Don't be fooled by the empty promises rail backers have made of easy commutes and reduced traffic in Honolulu. Only the restoration of free market forces in the transportation sector and efforts by the state to encourage private investment in infrastructure projects can help Honolulu and other cities throughout the state break through their gridlock. Given their massive costs and inability to carry large numbers of people, light rail systems would never be built by private industry on its own, so please do not put taxpayers on the hook for this massive boondoggle. **I urge you to veto this harmful legislation.**

Sincerely,

Paul J. Gessing  
Director of Government Affairs