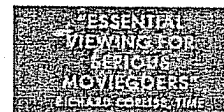


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In State's High-Speed Rail Plan, Ambitions Collide With Financial Realities

By SAQIB RAHIM of

SACRAMENTO, Calif. -- In his State of the Union address in January, President Obama spoke of an America that "does big things," one that delivers on grand ambitions and leaves the world in awe.

Among those "big things" was this goal: giving 80 percent of Americans access to high-speed rail in the next 25 years.

But to some who have watched the development of California's high-speed train, those who know the acrimony and gnashing of teeth it has caused on all sides, that message just sounds quaint.

The proposed system would span 800 miles and dispatch a passenger from San Francisco to Los Angeles in two hours and 40 minutes; the drive takes six hours. Traffic-congested Californians supported the train in a 2008 ballot initiative, and the vote helped draw federal funding under Obama. But over the past year, a wave of protest has slowed progress and even threatened the project's demise.

If the project fails, Republicans around the country will reap a golden campaign argument: that even one of the country's most Democratic states considers high-speed rail a boondoggle.

If it succeeds, Obama will have made his point: that the United States belongs on a global map that Europe, China and Japan have dominated.

For now, though, the heart of the debate is about money.

Even as the federal government has channeled more money to California, the project remains tens of billions short of its projected cost. Firm sources of funding to fill the gap don't yet exist.

Roy Kienitz, the undersecretary for policy at the U.S. Department of Transportation, said mega-projects like California's never start with the full cost of the project in hand. And he

described the public outcry as "typical growing pains" for any transportation project of this scale.

He said DOT intends to help the state see the project through: "It's a really big project, it's a really big deal."

Over the past year and a half, the California High-Speed Rail Authority has received about \$3.6 billion in federal funds. It has combined that with the \$9.9 billion bond that Californians passed in 2008. It plans to begin building in fall 2012.

Yet an opposition movement has sprung up in the past year. It has criticized the authority's planned route, blasted its ridership and cost figures, and accused it of ignoring public input.

Can Uncle Sam really afford it?

Then, in May, came a body blow. The state's Legislative Analyst's Office (LAO) issued a report that said the Authority had about \$13.6 billion available. That wouldn't cover the project even if it met the authority's cost forecast: about \$45 billion.

But LAO projected it could cost more: as much as \$67 billion.

"Given the federal government's current financial situation and the current focus in Washington on reducing federal spending," it said, "it is uncertain if any further funding for the high-speed rail program will become available."

Rod Diridon, who sat on the High-Speed Rail Authority's nine-member board until last December, said the authority is taking fire partly because it didn't engage the public from the start. Now, he said, it's battling "misinformation and obfuscation" by the project's opponents.

"In terms of pure technical work, I think they've done an outstanding job," said Diridon, who has returned as the full-time executive director of the Mineta Transportation Institute. "In terms of communicating and involving the stakeholders in that process, they've done a terrible job."

On the issue of cost, the authority is hoping to re-establish itself: It's composing a new business plan for release this October. The private sector is expected to play a larger role in that plan, although it's unclear how much money has already been secured.

But as the authority works on this report, it is warning that further delays could raise the cost of the project or trigger deadlines that would automatically refund federal dollars.

The partisan tone of the debate has made it difficult to get an independent view of cost. When

LAO revealed its \$67 billion number, train opponents rallied behind it, and proponents dismissed it.

For example, Rep. Jim Costa's (D) district would have two major stops for the bullet train: Fresno and Bakersfield. He called the LAO report "defeatist" and "misguided," according to the authority.

Who's closest to the truth? Martin Wachs, a senior principal researcher at RAND Corp., said there's no back-of-the-envelope calculation for a project of this magnitude. And he hasn't done formal research to come up with his own estimate -- he described that as a "full-time job."

Great expectations shrink

But generally, he said, "it's necessary to project costs low to make a project look attractive. And it's often the case that unknown factors, and unanticipated factors, result in costs proving to be higher than they are anticipated to be at the beginning."

If California's bullet train ends up like other major transportation infrastructure projects, he said, "one would suspect that the current cost estimates would prove to be low in comparison with the actual costs."

That shouldn't automatically nix it, Wachs added. Project planners can write the contracts in ways that keep cost overruns from running out of control. Lawmakers can write other precautions into law.

The project's struggles raise this question about President Obama's high-speed rail plan: Are Americans and their elected officials ready to fund cutting-edge infrastructure at a time of high unemployment and deficits?

The Obama administration awarded \$8 billion to high-speed rail through the American Recovery and Reinvestment Act. The most cutting-edge projects -- with trains that could top 200 mph -- were in Florida and California. They wouldn't rival the world's best, but at least they could be mentioned in the same category.

But in February, Florida's Republican governor, Rick Scott, signaled his disagreement. He returned all \$2.4 billion to Washington, citing cost and fiscal risk to the state.

Rail supporters in other states pounced on the money; California applied for all of it. On May 9, Washington awarded it \$300 million.

The next day, the LAO report came out. And the stewing political impasse returned to a boil.

Criticism has come from diverse corners, some from tea-party voices on fiscal grounds, others who are suspicious of political back-scratching, and academics who question the studies undergirding the project.

Melissa Lafsky, who edits the blog [Infrastructurist.com](http://www.infrastructurist.com), said the rancor captures the national mood.

"California's where all that's coming to the biggest head," she said. "If you're basically going to spend now to benefit later, that's a tough thing in U.S. politics these days."

Alternatives will be more expensive

Lafsky agrees with the California High-Speed Rail Authority's argument: that \$45 billion is a lot, but the alternative -- expanding highways and airports as the state population grows -- would cost almost double.

"Unless they invent flying carpets or beaming, that's what we've got," she said. So the question is, who pays for it? "And the 'Who pays for it' has really been the downfall of Obama's high-speed rail plan," she added.

It got \$8 billion in the Recovery Act, and earlier this year, Obama proposed a six-year, \$53 billion plan for high-speed rail.

Even if that could pass Congress, Lafsky said, a truly national high-speed system would take hundreds of billions of dollars. Current transportation budgets can't chip in: They can barely keep pace with highway demand, let alone visionary rail projects.

In California, much of the difficulty centers on the Central Valley, the 400-mile stretch that ranks among the world's agricultural powerhouses. The valley sits inland, off the populous and Democratic-voting coasts. The mountains to the east fence off remote forests, and beyond them yawns the Nevadan desert.

That's why, originally, the federal Department of Transportation had asked California to begin construction there. The open land would mean simpler construction and less public opposition than in the cities, which could be resolved later, it was reckoned. And with unemployment so high in the valley, the 135,000 projected jobs would be welcomed.

For the authority's part, it has said no San Francisco-to-LA train could exist without the Central Valley route. And it has said that no high-speed train in the United States can carry passengers before it's tested -- and that the Central Valley offers the only stretch in the country that's fit for testing these trains.

But opponents have derided the route as a "train to nowhere." Suppose California starts building in the valley but runs out of money before reaching San Francisco and LA, they say. Then the rail would only connect Fresno and Bakersfield, not the coastal metropolises.

Or worse, the line might only connect the smaller towns between Fresno and Bakersfield -- the easiest part to build, but the most sparsely populated.

Central Valley or bust?

Either outcome would violate state law, according to the Legislative Analyst's Office.

When voters approved the bond for high-speed rail, they included a safety valve. To get the state funding, the authority would have to show that the part it was building could operate without state, local or federal operating subsidy.

So critics have held that the authority can't build the Central Valley line, because it would never generate the ridership to cover its own expenses. (In an email, a spokeswoman for the authority said it won't operate any trains on the line until at least one endpoint reaches a major city, like San Jose or LA, so it's not illegal to begin construction in the valley.)

The LAO, like some of these critics, suggested the authority begin building in the San Francisco Bay Area and greater Los Angeles region. That way, if cash ran out, the state would still have high-speed trains in its major population zones.

The federal Department of Transportation rejected that option. In late May, it said it would not allow California to begin construction outside of the Central Valley.

In a letter to the authority, Kienitz said, "When construction of the Interstate Highway System began, the first segments to be completed were not in the largest cities on opposite sides of the nation." They were built in Kansas and Missouri, extending to larger populations and harder terrain over time, he said.

DOT also refused to change the 2012 deadline for beginning construction of the project; that would defeat the point of the stimulus, Kienitz said, and Congress wouldn't likely grant more time anyway.

If California misses that deadline, all federal funds will return to Washington, possibly before November's presidential election.

Diridon, the former board member of the High-Speed Rail Authority, saw another path. He said "ultra-conservative" members of Congress may face a backlash against budget cutting, and eventually, they will be tempted to fund transportation projects in their districts.

Meanwhile, the authority will look to give the private sector a bigger role in the project, to shore up its cash shortfall. Diridon said he's in contact with companies that are already forming mega-consortia as large as 100 firms.

"I would expect instead of covering around 10 percent of the project through private investments, that they will be covering something more like 50 percent, or in excess of 50 percent, from the private investors," Diridon said.

Lafsky, of the Infrastructurist blog, also hopes the private sector can pick up the slack while public coffers run dry. "Worst-case scenario," she said, "is that nothing gets built and this money gets wasted."

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