

Calif. ed boards split on wildly more expensive high-speed rail

Mike Hashimoto/ Editorial Writer

Can a newspaper editorial board change its collective mind? Of course it can. A newspaper might support, say, the death penalty for decades and then, after due consideration, switch sides. The important thing is that said newspaper must offer sound logic and good reasons for doing so. A change in position is not to be taken lightly.

To close the loop on a discussion from last week over California's high-speed rail pipedream and its wildly escalating cost estimate, I was interested in how some of the state's big-newspaper editorial boards would react. (Hey, you spend your weekend watching football; I'll just slave away on newspaper websites.)

The cost, remember, jumped from \$33 billion, as voters were told, to \$43 billion in a post-election review and now \$98.5 billion. The completion date has moved deeper into your grandchildren's lives, from 2020 to perhaps 2033.

In short, way more expensive, and watch your diet like a hawk if you want to live long enough to ride the thing.

Forget this nonsense, says *The Orange County Register*. Joining the just-say-no chorus are *The San Jose Mercury News* and *Oakland Tribune*.

Unsurprisingly, the liberal *San Francisco Chronicle* is sticking by the bullet train and encourages Californians to "take the long view." (One could argue that means it will be a long time before this thing is built and an even longer time before anyone worries about paying for it.)

For sheer entertainment value, though, you can't beat the *Los Angeles Times*, the state's most influential newspaper. It's no shock that the *Times'* editorial board backed the 2008 voter prop to approve about \$10 billion in state bond money to throw down the high-speed rat hole.

Would the *Times* switch positions in the face of an extra 13 years of building time and a new cost estimate three times higher than what voters were told? Is that enough new information? Not really, no.

Let's evaluate the *Times'* latest editorial supporting this very bad idea (with commentary, of course):

It's easy to see why many Californians are losing patience with the bullet train.

Voters who were asked in 2008 to approve \$9.95 billion in bonds to build a high-speed rail line from Los Angeles to San Francisco were told the project would cost \$33 billion and be completed by 2020, yet a more realistic business plan released Tuesday by the rail authority placed the price tag at -- whoops -- \$98 billion and the completion date at 2033. The project has been hitting political snags at every turn, prompting raging disputes over routing decisions, proposed land seizures and its alleged interference with freight lines. So fed up is state Sen. Doug LaMalfa (R-Richvale) that he's planning to introduce a bill asking voters to reconsider the original bond measure, even as Republicans in Congress threaten to block future federal funding.

It's a steep hill to climb. Californians raised on bedtime stories, though, might recall the tale of a certain Little Engine. If we think we can build it, we can. We just have to be more realistic about the costs, benefits and risks.

(Oh, no. Not *The Little Engine That Could*. This only works as a metaphor if you concede that children today will still be paying for high-speed rail when they're reading this book to their grandchildren.)

This page endorsed Proposition 1a, the 2008 bond measure for the train, with words that now seem prophetic: "If voters approve Proposition 1a, it seems close to a lead-pipe cinch that the California High Speed Rail Authority will ask for many billions more in the coming decades." That's because the financial projections and ridership figures used by the authority at the time were based on little more than conjecture, and now that such issues have been subjected to greater scrutiny, it's clear that they were wildly optimistic.

(So we *knew* back then that voters were being duped, and this new cost estimate proves us right.)

Voters have good reason to believe they were sold a bill of goods, and the project would be in less jeopardy today if its backers had been more honest about the price from the outset. Yet for the same reasons we shrugged and endorsed the bond measure anyway, we still think the train is worth building.

(Yes, it appears we knew the \$33 billion number was made up, but "we shrugged"? Oh, my.)

California is expected to add 17 million people by 2040. The state has little choice but to build transportation infrastructure to meet the growing demand; the only question is whether it should invest in freeways and airports, thus increasing our reliance on vehicles powered by fossil fuels and subject to traffic gridlock, or in clean, speedy trains on dedicated tracks that don't get jammed.

(So it's an either-or. Either Californians should put their hard-earned tax dollars into the bullet train fantasy *or* they spend it on "freeways and airports." Of course, that implies that California will now stop maintenance on its freeways and airports and sink all available dollars into high-speed rail. Does that sound right to you?)

Moreover, unlike freeways that require continual government expenditures to maintain, the train would self-sustaining. Under even the most conservative assumptions considered in the business plan, the line is expected to turn a profit.

(Moreover, you need Californians to believe the new business plan even when the previous ones proved so false. Believe what you wish, but the ridership estimates -- like the cost -- appear wildly inflated, with more Californians choosing the bullet train than train riders in the congested Northeast corridor today. Moreover II, "turn a profit" means more revenues than operating expenses, as far as this business plan goes. It does not mean paying off the infrastructure investment, too. Again, buyer beware.)

The bullet train would be the backbone of public transit systems that would connect to it in urban centers. It's still a good investment, even if a much bigger one than voters were originally told. Bullet trains have been successful in places with even bigger financial problems than California (notably Spain), and we'd like to think that the home of such visionaries as Steve Jobs, Howard Hughes, D.W. Griffith and Earl Warren is at least as forward-thinking on transportation as, say, Japan or Turkey. The state is in a fiscal jam right now, but bonds are repaid over the course of decades, and the train is a major public work whose value to future generations could be compared to that of the California Water Project.

(Except Californians *need* water to survive -- to drink, grow crops, wash laundry. They do not *need* a kind-of-fast train to duplicate service already provided by airports and airlines, not to mention cars and trucks. No water, you die. No train, you find another way to get there.)

The good news about the rail authority's new business plan is that it's no longer a fantasy.

(So you say.)

It lays out a sensible and politically feasible strategy for building the line in segments, starting with the 130-mile, \$6-billion section from Fresno to Bakersfield slated to break ground next year, thanks to \$3 billion in stimulus funds kicked in by the federal government (the other half of the money will presumably come from the state in the form of Proposition 1a bonds, assuming the Legislature approves them). But the plan also lays bare the great risks California officials aim to take with taxpayer money.

The initial Central Valley segment won't attract enough riders to be commercially viable. The authority admits that no private operator could be enticed to run (and, presumably, invest in) the train until the next segment -- running either from Fresno to San Jose or from Bakersfield to the San Fernando Valley -- is built. That means California could be stuck with a showpiece bullet train to nowhere, unless more government money, to the tune of up to \$27.2 billion, materializes.

(Aren't you supposed to be trying to persuade me to support this?)

That's why it would have been much smarter to build the initial segment in an urban area, such as between Los Angeles and Anaheim or from San Jose to San Francisco, that would benefit from a fast train even if the rest of the project is later abandoned.

Unfortunately, Washington politics forced a less-than-ideal policy choice on California: To qualify for the stimulus money, the state had to guarantee the funds would be spent quickly, and planning for an urban segment would have taken too long. So now that we're apparently stuck with the Central Valley line, where will the money for the next segment come from? The authority concedes that "committed funding for this future period is not fully identified." It suggests that Washington will pony up most of the cash, with the rest coming from a mix of Proposition 1a bonds and local sources.

(Just a few sentences ago, didn't we write that this wasn't a "fantasy"?)

We still suspect that somewhere along the line, California voters will be asked to approve even more bonds. And whether the federal government opts to contribute more will depend largely on whether the U.S. economy turns a corner and infrastructure spending becomes more popular in Congress than it is today.

("Even more bonds." Yes, good luck with that. Also, infrastructure spending might one day prove more popular in Congress, but it's possible that Congress will use good sense and start with bridges and roads and maybe airports.)

It's a gamble, and not one to be taken lightly. But gasoline isn't going to get any cheaper in the future and the freeways aren't going to get less clogged. We think California can find a way to get the train built. We think it can. We think it can....

(Holy cow. Holy cow ...)

OK, writing editorials isn't easy, especially if you have to support a position that argues against all semblance of logic. But still.

More grim news on \$99 billion high-speed rail plan, as showdown looms

By Mike Rosenberg and Steven Harmon

Staff writers

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Californians suffering from a massive case of "sticker shock" over the new \$99 billion price tag for the state's bullet train project got some more unsettling details Tuesday: The high-speed trains will attract fewer riders and less revenue than originally promised. And more than half of the money needed to build the rail line would come from federal funding that currently doesn't exist.

Despite the soaring costs and dire projections, Gov. Jerry Brown and some leaders in the Legislature said Tuesday that they still support the ambitious plan. But the new estimates are forcing some Democratic lawmakers to seriously question whether the state can afford to build a bullet train to the future, while Republicans insist

it's time to kill the project or send it back to voters.

The bullet train is now expected to cost nearly triple what voters were promised when they approved the plan in 2008 and more than double the 2009 estimate.

"Boy, is it a scary number," said state Sen. Joe Simitian, D-Palo Alto, a key Democrat on the fence on the issue. "I think people are understandably going to experience sticker shock -- and that probably understates the case."

The California High-Speed Rail Authority's new business plan -- the first in two years -- is the last hard look at the project before lawmakers must decide whether to start construction next year.

Some legislators bail

Like Simitian, Sen. Alan Lowenthal, D-Long Beach, chairman of the committee that oversees the project, said he still needs state analysts to endorse the new financing plan and rider projections. In addition, he said, his panel must hold hearings over the next several months before making a decision.

The rail authority hopes the federal government will launch a new tax-credit bond program and create grants that would initially provide \$30 billion for the project, matched with \$11 billion in existing state and federal funds, to build a stretch of track long enough to start service. Those tracks would stretch from the Central Valley to either San Jose or the San Fernando Valley, with train service beginning in 2022.

From that point on, the state hopes to make a profit, which officials project will spark \$11 billion in private investments, an additional \$35 billion in federal grants and \$10 billion from various sources such as local governments and private companies. That would allow travel between San Francisco and Anaheim to begin in 2034 -- 14 years later than expected.

"There are always challenges, but when you look at funding sources -- tax credits, bonds, additional local and federal resources -- we see a multitude of different tools available," said Michael Rossi, a member of the high-speed rail board.

Still, the price tag jump and the funding plan were enough to prompt some legislative supporters to jump off the bandwagon.

"Until we address our structural fiscal problems, I do not see how California can afford additional debt from high-speed rail," said Assemblyman Rich Gordon, D-Menlo Park, a past project supporter who chairs the budget subcommittee that controls funding for the rail line.

Sen. Doug LaMalfa, R-Richvale, said he would introduce a bill to send the project back to voters in light of the recent price increase.

Yet business groups, construction unions, the governor and others praised the idea as an innovative way to create jobs and build the nation's most advanced public transit system, which could be an alternative to building more airport terminals and freeways.

"While the projected price tag to build out the high-speed rail system is high, reaching the same mobility goals through business-as-usual approaches will cost us much more," said Senate President Pro Tem Darrell Steinberg, D-Sacramento.

New estimates

The 230-page business plan includes much more new information on how many people will ride the train, how much fares will cost, and how much it will cost to run.

The state now expects the system to attract about 36.8 million riders per year by 2040, down from the 2009 estimate that 41 million people would ride it several years after full service begins. When voters approved the plan in 2008, they were told it would attract 55 million riders annually.

Elizabeth Alexis, a leading analyst on the project who has delved into the ridership estimates, said the rail authority is using the same ridership formula that UC Berkeley experts had already denounced as not credible. For instance, she said their estimates show current train ridership in Bakersfield would increase twentyfold with the introduction of high-speed rail service.

The expected revenue from the bullet train has also dropped, from an estimated \$6.2 billion per year to \$5.5 billion annually once the trains are running for several years.

Once the bullet trains are running, the state should expect to make a profit -- although \$900 million less than previously projected and not enough to pay back construction costs.

Another key decision is whether to start service from Central Valley to either San Jose or Southern California. The report shows that building first to the Bay Area is a bit cheaper but will generate less revenue. The intermediate line between San Jose and San Fernando Valley would open in 2027.

But there is good news. Fares to ride the train would drop from the most recent estimates, because they are based on future airfares, which are expected to be cheaper than previously thought. Therefore, the average bullet train fare between San Francisco and Los Angeles, and between San Jose and Anaheim, is set to be \$81. That's \$24 lower than the last estimate but still \$26 more than what voters were promised.

Most high-speed rail systems around the world require a public subsidy, but California voters have forbidden the Golden State's bullet train from using tax funds for operations.

And the rail authority has also embraced a two-track alignment along the Caltrain route, sharing the existing commuter rail corridor, at least at the start. The state could later build four tracks between San Jose and San Francisco.

Ultimately, Tuesday's plan could decide the fate of the biggest public works project in the country.

"If you look at the numbers, they are reasonable; financially, this plan is current, it's transparent, it's honest and it's realistic," Rossi said. "I personally look forward to hear from critics of the plan because that's the only place we'll make it better."

SFGate.com**High-speed rail board says plan is 'new beginning'**

Michael Cabanatuan, Chronicle Staff Writer

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When the California High-Speed Rail Authority released the long-awaited revision of its business plan, officials heralded the report as "a new beginning" for efforts to build the nation's first railroad with trains running at speeds up to 220 mph.

The report takes a blunt new approach to the project, hoping to convey a new open and honest attitude to combat the spreading impression of the authority as an arrogant, inflexible agency that can't be trusted.

The shift reflects both a new attitude toward dealing with the public and design, acknowledging that sharing operations with commuter rail operations on the Peninsula and in Southern California will help get a fast rail connection between the state's two largest regions completed more quickly, less expensively and with less community opposition.

The new attitude, and approach, was spurred by a makeover in the nine-member High-Speed Rail Authority board, which gained four new members in the past year - two appointed by Gov. Jerry Brown and two by state Sen. President Pro Tem Darrell Steinberg, D-Sacramento.

"This is not a small change in a relatively short period of time," said state Sen. Joe Simitian, D-Palo Alto, who has been critical of the rail authority's approach to the project. "This is a major change in perspective."

\$98.1 billion

But the new perspective comes with a \$98.1 billion price tag - more than twice the earlier official estimates - along with lower ridership figures and an extra nine years to build the Bay Area-Los Angeles segment in phases.

The new approach appears to have calmed some of the criticism of the 800-mile high-speed rail project, but the higher price has given ammunition to opponents who had already labeled the project a boondoggle. At least one rail foe, state Sen. Doug LaMalfa, R-Richvale (Butte County), wants to put the project back on the ballot for a public vote on whether to proceed. California voters backed the project in November 2008 with 52.7 percent supporting a \$10 billion bond measure for a project then estimated to cost \$43 billion.

The authority plans to start construction of the first segment of high-speed train tracks - a 130-mile stretch from the northern edge of Bakersfield to near Chowchilla - in about a year, with \$3.3 billion in federal stimulus funds and \$2.7 billion in state bond money. But the Legislature must approve

the release of the state funds, and include the money in the state budget, before ground can be broken.

Which means the authority needs the support of the Legislature, and the public, if California is to start building the nation's first high-speed rail system.

"This is a watershed moment," Simitian said.

A different approach

Gov. Jerry Brown did not respond to questions about the change in the authority board, but it's widely acknowledged that his appointment of two financial experts, Dan Richard, a former BART director and Pacific Gas and Electric executive, and Michael Rossi, a former financial industry executive and the governor's jobs czar, was intended to steer the authority in a more forthright direction. Senate appointees Jim Hartnett, an attorney and former Redwood City mayor, and Bob Balgenorth, president of the state Building and Construction Trades Council, also helped move the board, and the business plan, in a new direction, board members and legislators say.

"The governor said he'd like to see everybody get their act together," Richard said.

'Rightful distrust'

The authority, under the previous board, gained a reputation for pushing forward with its plans without listening to communities along its intended right of way. That feeling was particularly strong on the Peninsula, where engineers insisted on elevated tracks and a wide four-track right of way that residents felt would divide communities.

"There was a fair amount of rightful distrust of the rail authority's work," Hartnett said.

The new directors have used the business plan, which was released last week, to mend the agency's reputation and push the project forward.

Richard focused on the financial assumptions of the business plan, he said, while Rossi delved into the ridership estimates. Hartnett worked on the "blended approach," which relies on incorporating Caltrain on the Peninsula and Metrolink in Southern California.

Under the phased construction plan, the San Joaquin Valley segment would next be extended either to San Jose or to the San Fernando Valley, and high-speed trains would start to run while the other end of the line is constructed. Until the commuter lines can be electrified, and rails improved to accommodate high-speed trains, passengers would have to transfer to diesel trains to get to downtown San Francisco or Los Angeles.

Trying to 'get it right'

Financially, Ross said, the plan relies on high estimates for construction costs, low estimates for revenue and ridership, and assumes that construction will take longer than originally anticipated.

"The plan," Richard said, "is a major departure from the thinking of the past. It is not a promotional plan; it is a business plan."

Hartnett said the plan "has to be solid enough" to restore the confidence of critics.

"We don't get another chance at this," he said. "We've got to get this right."

Questions remain

But critics haven't been silenced.

"The business plan is the first step in the right direction," said state Sen. Jean Fuller, R-Bakersfield. "While many in the valley would like to see additional transportation infrastructure, it's questionable if this project is viable when you weigh the cost and impact to local communities."

Others, however, are more skeptical.

Elizabeth Alexis, co-founder of Californians Advocating Responsible Rail Design, a Peninsula group that has been critical of the authority, said that she's met with Rossi and Richard, but that the ridership model remains seriously flawed, and so does the authority's relationship with the public.

"The new board members would like to erase what's happened," she said, "but you can't. There's a lot of water under the bridge."

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<http://sfgate.com/cgi-bin/article.cgi?f=/c/a/2011/11/10/MNH91LRJL8.DTL>

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Brown will ask legislators to OK billions for bullet train

The governor says the state will have a broad need for the system in the long term and that high-speed rail is a cheaper alternative to more highway and commercial aviation investments.

By Ralph Vartabedian and Dan Weikel, Los Angeles Times

November 11, 2011

Gov. Jerry Brown said Thursday that he will formally request that the Legislature approve billions of dollars to start construction of the California bullet train next year and will work hard to persuade skeptical lawmakers that the project is critical to the state's future.

In his first extended remarks on the \$98.5-billion project since a controversial business plan was unveiled last week, Brown said that the state will have a broad need for the system in the long term and that it represents a significantly cheaper alternative to additional highway and commercial aviation investments.

"As an idea, if you think of California as growing and expanding, then it fits into it," Brown said at a meeting with The Times' editorial board. "It is based on an optimistic assessment of where California is going."

The California High-Speed Rail Authority last week approved a new business plan that more than doubled the project's cost and a related financing plan that would ask for the first construction money, tapping \$2.7 billion in state bonds and \$3.3 billion in federal grants.

Rail officials hope the money can cover construction of a 140-mile Central Valley segment from Chowchilla to Bakersfield, though it would not pay for electrification, trains or other necessary parts of an operating system. To actually carry passengers will require more than \$20 billion of additional investment in track and equipment, money that the state now does not have.

Still, the start of construction with the money in hand represents "a prudent next step," and the state could find future sources of funding in new types of federal bonds, in state taxes or even by securing more federal funding, Brown said.

"I want to see the first segment completed in short order," Brown said, noting that under the current plan the full scale-system would not be finished until he was 95 years old. "You can't build something like this in one jump. We have the first step paid down."

State Controller John Chiang's office reported Thursday that tax receipts are about \$1.5 billion

lower than state budget architects anticipated through the first four months of the fiscal year.

"I think we're in for a rough ride for the next couple of years in terms of the budget, but we are going to promote investments in the state, because I think they're crucial," Brown said.

Even though the cost of the project has doubled, Brown said it is manageable over the 23-year construction period.

"Lincoln built the transcontinental railroad during the Civil War, and we built the Golden Gate Bridge during the Great Depression," Brown said.

The governor downplayed widespread criticism that the rail construction would destroy businesses, damage farms and displace homes along the route. He recalled that during his time as Oakland mayor, opposition surfaced against every building project from people concerned about traffic and those complaining about structures that would block sunlight.

"It is part of the reason we can't get anything done in the state," Brown said about opponents of building projects. "You don't make an omelet unless you break the egg."