



October 21, 2014

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Mr. Michael D. Setty
Administrative Director
Train Riders Association of California
1025 9th Street, Suite 223
Sacramento CA 95814

Dear Mr. Setty:

Your recent commentary in the *Sacramento Bee* included a series of misstatements and erroneous claims and ignored the fact that Proposition 1A, passed by the Legislature and the voters in 2008, includes very specific requirements for the system’s routing, technology, and design characteristics. While you may not agree with those statutory requirements, they are the law, and we must follow them. Since the California High-Speed Rail Authority (Authority), like the Train Riders Association of California (TRAC), is committed to delivering, “a modern high-speed rail system for California...providing interregional mobility to a growing population at a lower environmental impact than widening highways or adding runways,”¹ I would like to think that we can find ways to work cooperatively toward those goals. A common understanding of the facts shaping the development of the high-speed rail system in California is fundamental to such cooperation, and I am writing this to clear up some of the confusion in your commentary. I respect your right to disagree with either the legal requirements of Proposition 1A or the steps being taken to implement those requirements. But, there is no basis or justification for inflammatory and unsubstantiated charges that distract from the stated goals of improved rail service. Following are excerpts from your letter, and my responses to them. I hope that you will share this correspondence with your membership.

“Why would the authority plan to build a route through these cities [of the Central and Antelope Valleys] at enormous cost, if they don’t have that many potential passengers?”

Proposition 1A specifically and clearly requires that the system “links the state’s major population centers, including Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County, and San Diego...” and specifically identifies high-speed corridors including “Fresno to Bakersfield to Palmdale to Los Angeles Union Station.” Your allegations not only ignore the law, but also disregard the transformative and long-term nature of this investment. Fresno and Bakersfield are two of California’s fastest growing cities – 6.5 million people live in the

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Central Valley today and it is the fastest growing region in California. The Antelope Valley continues to experience growth as well. Both regions present a significant amount of potential passengers; Amtrak's Central Valley San Joaquin service is the nation's fifth busiest passenger rail corridor and thousands commute daily from the Antelope Valley to the Los Angeles Basin.

“The answer is simple: These cities contain huge swaths of vacant land perfect for sprawl development. Morales unwittingly disclosed how the authority has changed the fundamental nature of the project: What had been sold as a self-sustaining profitable business has morphed into crony capitalism with generous government support.”

While this particular accusation makes good use of popular buzzwords, you did not venture to provide any evidence to support it. One can surmise that this evidence was omitted because it does not, in fact, exist. For one, Proposition 1A (the voter approved bond measure that serves as the guiding document for high-speed rail in California) explicitly requires that high-speed rail serve the cities of Merced, Fresno, Bakersfield, and Palmdale. Furthermore, serving these regions is critical to achieving the main goals of high-speed rail: curbing the emission of harmful greenhouse gasses; improving transportation connectivity and mobility throughout the *entire* state; meeting the needs of California's growing population; and, reducing the need for more highway lanes and airport runways.

As to your allegations regarding sprawl development, the opposite is in fact true. The Authority has worked with local governments, state and federal agencies, environmental groups, and “smart” growth/planning advocates to develop policies and procedures aimed at ensuring our stations serve as models for transit-oriented development and sustainable planning. In these cities where suburban sprawl has left urban centers largely devoid of housing, high-speed rail will serve as catalyst for revitalizing once-vibrant downtowns.

Finally, as detailed in our 2012 and 2014 business plans, the system is being planned and designed to meet all requirements of Proposition 1A, including that it be operationally self-sustaining. In fact, our projections, which have been vetted by multiple independent experts, show that the net positive cash flow from operations will generate significant private sector capital for investment in the system.

“Besides the massive undisclosed subsidy to developers, the current plan cannot possibly work financially. There's no conceivable source for the \$26 billion shortfall for a line just to get from Merced to the San Fernando Valley. Neither federal nor private investment is forthcoming. Cap-and-trade revenue cannot fill the gap, either, even if that proposal survives a legal challenge.”

Again, a broad statement is tossed out without any supporting facts or data. The Authority, on the other hand, has spent countless hours with experts (both internal and external) to hone our business model, which has been widely validated by independent reviewers. We are delivering

the program in segments that each possess independent utility and provide immediate benefits to the public. Cap and Trade proceeds will fast-track this process, allowing us to focus on high-priority segments. This is how all major infrastructure projects are delivered, including the interstate highways system, and is consistent with foreign experience in developing high-speed rail.

As has been chronicled publicly numerous times, the Authority's plans for private investment are based on highly-advanced ridership, revenue, and operations/maintenance cost projections that have been validated by independent review. We have received confirmation from an array of private infrastructure development and financial firms that our model for private investment is reasonable and would be enticing to them. We remain confident that an operating segment can be delivered with existing funds and future Cap and Trade proceeds, at which point a private entity would pay for the rights to operate the system (and receive the revenue it generates), thus allowing for completion of the full statewide system.

“Two courts have ruled that the authority failed to meet bond measure requirements.”

Your statement ignores the fact that the Third District Court of Appeal overturned earlier rulings. A Sacramento Superior Court judge issued a ruling that was subsequently appealed by the Governor, Treasurer, Director of Finance, and Controller. After reviewing the matter, the 3rd District Court of Appeal overturned the lower court's ruling, ordering: “the trial court to enter judgment validating the authorization of the bond issuance for purposes of the 2008 voter approved Safe, Reliable High-Speed Passenger Train Bond Act,” and that the trial court, “vacate its rulings requiring the Authority to perform the idle act of redoing the preliminary section 2704.08, subdivision (c) funding plan after the Legislature appropriated the bond funds.” And as I'm sure you are aware, the California Supreme Court on Oct. 15 reaffirmed our compliance with the law when it declined to review an appeal of the 3rd District Court's ruling.

“Spend federal stimulus money to upgrade the existing Amtrak corridor between Sacramento and Bakersfield to 110 mph. That would provide fast service up and down the San Joaquin without noise to cities and disruption to agriculture that the current project would bring. The mission to connect these population centers to the rest of the state could be accomplished by spending a tiny fraction of the planned \$6 billion.”

Your suggestion ignores the fact that the federal funds were provided in the form of grants, which are effectively contracts requiring that the funds be used for the construction of the high-speed spine of the system in the Central Valley. While 110 mph maximum speed service on Amtrak's San Joaquin would be an improvement over current speeds, it is not what the voters demanded when they approved Proposition 1A or what the Congress and President appropriated under the American Recovery and Reinvestment Act. Rather, the people and their elected representatives have called for a 2 hour and 40 minute trip time between San Francisco and Los Angeles and trains that operate in excess of 200 mph.

Your suggestion further assumes that these upgrades would even be feasible given the fact that the actual tracks are owned by private freight operators. This speaks to the broader reasoning behind building a backbone of the system in the Central Valley at an early stage. Aside from the legal and policy considerations enumerated above, it is important to keep in mind that, unlike the dense-urban areas where high-speed rail will be largely constrained to existing commuter rail corridors, the Central Valley segment will necessarily consist of brand new infrastructure allowing high-speed trains to reach their top speeds. This requires a relatively straight and flat corridor (which is not the case with existing freight lines) and means that the time to act on building this segment is now, before further development in the state's fastest growing region drives up right-of-way acquisition costs.

“Use cap-and-trade funds to upgrade the San Diego-Los Angeles Amtrak corridor to 110 mph. These investments in the state-subsidized Amtrak system will provide significant improvements in mobility at an affordable cost. San Joaquin Valley residents would be able to board in Fresno, for example, and disembark in Los Angeles or San Francisco less than three hours later, without changing trains. Existing stations would continue to be served by Amtrak, with tickets that cost much less than high-speed rail.”

See above regarding 110 mph service. Additionally, the types of investments in regional rail improvements that you propose are already being implemented. Proposition 1A set aside nearly \$1 billion for “connectivity” projects to enhance the overall statewide rail network so that high-speed rail will be more accessible and, as such, more successful. The California Transportation Commission has already expended a good portion of these funds on improvements to, among other systems, Amtrak's Capitol Corridor, San Joaquin, and LOSSAN services. Also, the legislatively enacted Greenhouse Gas Reduction Fund approved by the Governor dedicates a significant portion of yearly Cap and Trade proceeds to regional and intercity rail that will connect to high-speed rail. Clearly, Amtrak service should continue to be a critical component of California's statewide rail system, but it cannot be a replacement for true high-speed rail demanded by the people of California.

As for your references to one-seat rides from Fresno to Los Angeles and San Francisco, I am not sure how to respond. Currently, there is no passenger rail link between Bakersfield and the Los Angeles Basin, nor is there an Amtrak line that runs from the Central Valley to downtown San Francisco. Of course, we plan to close those gaps by implementing high-speed rail, but simply making minor improvements to the LOSSAN Amtrak service would not do anything to meet this goal.

The claim that ticket prices would be lower on Amtrak than high-speed rail again comes with no evidence. In fact, due to operations/maintenance costs and fees paid to freight railroads for use of their infrastructure, Amtrak fares are comparatively high. In contrast, a high-speed rail network operated on publicly owned infrastructure would generate net positive operating cash flow, thereby avoiding the need to raise ticket prices to cover the type of operating losses

experienced by Amtrak. Furthermore, since high-speed rail competes with air travel, international experience has shown that this competition drives down ticket prices.

“Create an open bidding process for private investment in high-speed rail. We believe that experienced operators should direct the development of new routes. Past interest by operators suggests that access from Bakersfield to Los Angeles via the Grapevine is far superior to the authority-proposed detour through the Mojave Desert via Palmdale. Similarly, operators are likely to prefer access to the Bay Area via Altamont Pass rather than Pacheco, as that route would add significant revenue from Sacramento.”

We have consulted extensively with experienced foreign governments and high-speed rail operators to improve and refine our plans. Many experts who have delivered and operated high-speed rail systems around the world work on our program. As such, we are confident that our Proposition 1A-mandated station locations and the associated routes are the best possible. The route through Palmdale is not an “authority-proposed detour” but is the segment prescribed in law and approved by the voters.

Additionally, we have instituted an Unsolicited Proposals Policy, which encourages private sector entities to provide their input to improve our plans and attract private investment in the program. This policy has been well received by industry leaders, and we believe it will ultimately provide a great benefit to the program.

We are working to gain the insights of operators through a number of mechanisms, including agreements with numerous foreign operators. Through these agreements, as well as through our participation in the International Union of Railways (UIC), operators provide insights on many aspects of our system planning, design, construction and eventual operation. The larger key point when discussing the type of shuttle service from San Francisco to Los Angeles along Interstate 5 that you suggest is that such a scheme would still depend on public investment and support in various forms. Generally this either means direct loans (e.g., Railroad Rehabilitation & Improvement Financing), publicly-funded grade separations, public support for completing environmental reviews, or other factors. This has been the experience with other flat, direct, shuttle-type services that have been proposed by the private sector in other states.

Your suggestion (and those being proposed in Florida, Texas, and Nevada) does not comprise a complete system like we are building in California, but rather a single line – and it would not comply with the law. By mandate, we are building a system that connects all population centers in California, not just the most lucrative and profitable. Your proposal would not take into account any feeder services or off-peak services that may not generate the greatest profits, but are essential to achieving the goals of high-speed rail in California.

Finally, the Transportation Solutions Defense and Education Fund’s push for the Altamont Pass rather than the Pacheco Pass that you reference has been soundly rejected by the courts of

Mr. Michael D. Setty
Page 6

California. For numerous reasons, including its reliance on the dilapidated Dumbarton Rail Bridge, that route is not technically feasible. Moreover, that route would relegate San Jose to second-class service, splitting trains so that only a few served California's third-largest city. Residents of Atherton and Palo Alto with a "not in my backyard" mindset brought these lawsuits not to improve the Authority's plans, but out of self-interest. The courts saw through this and the issue has now been put to rest.

Through the development of the high-speed rail system as part of a statewide rail network, we have the opportunity to make real and lasting improvements to passenger rail service in California. The Authority has laid out an achievable plan to reach the very goals for which you advocate. I'm sure you'll agree that it's important for the public to understand the facts about our program. The passenger rail community should work together, along with millions of Californians who voted for Proposition 1A, to achieve a modern, clean, and interconnected statewide rail system.

Sincerely,



Jeff Morales
Chief Executive Officer
California High-Speed Rail Authority

ⁱ TRAC Resolution, August 2013. <http://www.calrailnews.net/wp-content/uploads/2014/05/TRAC-HSRResolution-Aug2013.pdf>