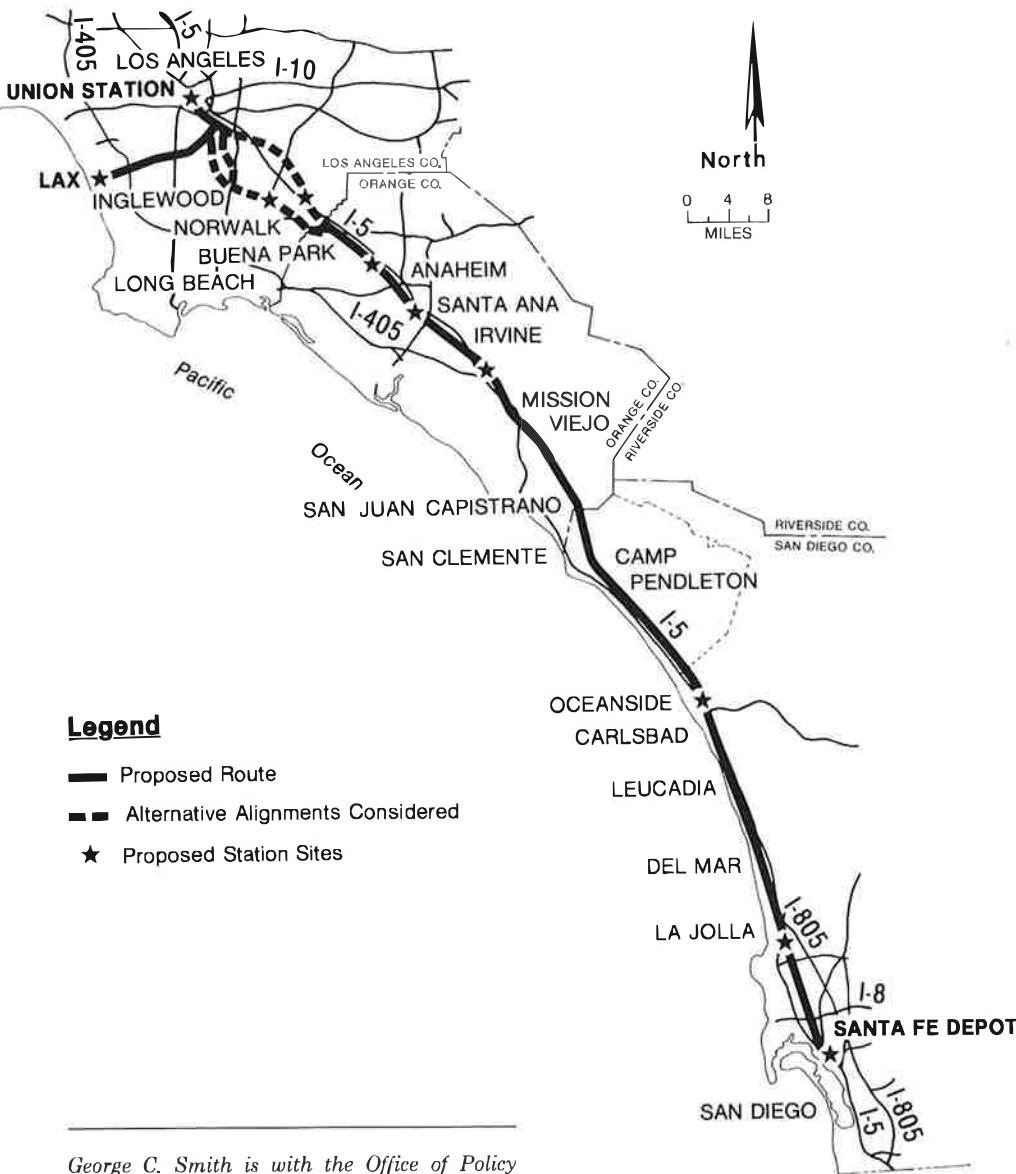
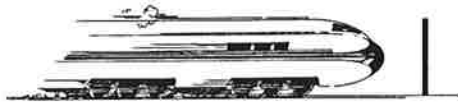


High-Speed Rail in California: Avoidable Controversy

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Route of the proposed high-speed passenger train service between Los Angeles and San Diego, California.

As public funds dwindle, private enterprise involvement in public transportation will grow. As a result, the size and scope of privately financed projects will also increase. The proposed Los Angeles-to-San Diego bullet train provides some insights into potential problem areas with privately financed projects. Looking back at the failure of the project offers an opportunity to make some observations about the dramatically different approaches by the public and private sectors to development.

The public has grown accustomed to having a large voice in determining the nature of public projects in recent years. Although the public hearing process is tedious, lengthy, and perhaps even detrimental to the short-range interests of private enterprise, it is not going to disappear. Thus, it is important to search for a middle ground to provide the best opportunities for both the public and the developer as private development in transportation increases. The public could benefit from the efficiencies of the private sector, and the developer could benefit from the depth and scope of information provided by the public.

A study by the Federal Railroad Administration and the National Railroad Passenger Corporation (Amtrak) in 1981 identified the San Diego-Los Angeles transportation corridor, of 25 rail passenger corridors studied nationwide, as having the best potential for development.¹ Soon after, a group of entrepreneurs familiar with the study formed the American High Speed Rail Corporation (AHSRC) with the intent to construct, operate, and maintain a privately funded \$3.1 billion high-speed passenger train service between Los Angeles and San Diego. Presenting its proposal at public meetings and in published documents and discussing the project with state and federal agencies, the AHSRC filed a letter of intent in August 1983 to formally begin the approval process. AHSRC's published material provides most of the project and financial information used in this article.²⁻⁴

AHSRC's Basic Proposal

The proposal of the American High Speed Rail Corporation was based on the high speed technology and design of the Japanese bullet train. It was to be electrically powered by an overhead catenary system, operate on exclusive right-of-way, and

have a maximum cruising speed of 160 mph. The proposed route would pass through Los Angeles, Orange, and San Diego counties for a total route length of 130 miles: 18 miles from the Los Angeles International Airport to Union Station in downtown Los Angeles, and 112 miles from Union Station to the Santa Fe Depot in downtown San Diego. Additional stations would be located in Norwalk, Anaheim, Santa Ana, Irvine-Mission Viejo, Oceanside, and North San Diego. The 18-mile trip from the Los Angeles International Airport to Union Station would take about 15 minutes, while the Los Angeles-to-San Diego nonstop run would take about 59 minutes. Approximately 6 minutes would be added to the running time for each intermediate station stop.

The AHSRC estimated that up to 100,000 people would use the high-speed service daily—more than 36 million passengers per year. In order to meet projected traffic demands, and generate adequate revenue, service would be provided at half-hour intervals or less, using 15 train sets of 8 cars each with a seating capacity of about 500 passengers per train.

The AHSRC planned to have the full route in operation by 1990, operating a portion of the route by mid-1987 in order to generate revenue during construction. This revenue would be used to offset capital requirements, because there was a difference of \$200 million between projected capital costs and the preliminary financing plan.

Project Financing

Projected costs to build and equip the proposed system were \$3.1 billion: \$2.1 billion in capital costs and \$1.0 billion in inflation and interest. The preliminary financing plan provided for \$2.9 billion in capital resources: \$0.5 billion in equity, \$0.7 billion from Japanese debits and credits, \$0.4 billion from commercial banks, and \$1.3 billion in tax-exempt bonds and notes. The equity sources were to include investors who would be economic beneficiaries from the project either through enhancement of land values, creation or expansion of markets, preferential treatment as vendors, or utilization of tax benefits. The primary source of the tax-exempt bonds was to be the California Passenger Rail Financing Commission Act, which established the California Passenger Rail Fi-

ancing Commission. The commission was authorized to issue up to \$1.25 billion for the financing of rapid-rail transit system projects (speeds in excess of 120 mph). The bonds would be repaid solely from revenues of the project and would not be claims against the credit of the state itself.

AHSRC's goal to have a portion of the route in service by mid-1987 and the full route in operation by 1990 would have required starting construction around January, 1985. The corporation's processing schedule was ambitious: environmental reviews to be completed by the end of 1984 (18 months to develop and process a document complying with the California Environmental Quality Act and the National Environmental Policy Act); the application for a Certificate of Public Convenience and Necessity to be approved by the California Public Utilities Commission by the end of 1984 (18 months of processing); the initial segment to be in operation by mid-1987; all design and construction to be completed by end of 1989 (7 years of effort); and the full route to be in operation by 1990. This ambitious schedule may have been a catalyst for later problems.

The Environmental Process

The legislation that provided for the tax-exempt bonds also amended the California Environmental Quality Act with respect to rapid rail transit. The intent of the amendments was to facilitate the processing of rapid rail projects. Unfortunately, the amendments caused confusion by appearing to exempt such projects from the Environmental Quality Act, or at least to preclude logical candidates such as the California Public Utilities Commission and the Department of Transportation from being the state environmental lead agency. This confusion was clarified through discussions, but seeds of mistrust had already been sown by public groups.

After deliberations on the legislation, the proposed project was determined to be subject to the California Environmental Quality Act and to require an environmental impact report. Furthermore, the California Department of Transportation would be the state environmental lead agency. The FHWA would later be named as the federal environmental lead agency and decide that the proposed project would require an environmental impact statement subject to the National Environmental Policy Act.

Caltrans and FHWA would be joint lead agencies in the preparation of the environmental impact statement.

Environmental Process Begins. In August, 1983, the AHSRC requested Caltrans and the FHWA to begin the environmental process. Launching into the formal process, Caltrans made every effort to ensure adequate public and agency involvement in this large-scale project. From November through January, 1984, the department conducted 21 scoping meetings: 6 with local agencies; 9 with the public at large, 3 in each county affected (Los Angeles, Orange, and San Diego), and 6 with state and federal agencies. Major environmental concerns raised at the public scoping meetings included:

- Noise, vibration, and visual impacts;
- Pedestrian and bicycle access to the beach and community facilities across the tracks;
- Impacts on the ecology of the lagoons;
- Safety;
- Possible decline in property values;

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