POINT OF VIEW

High-Speed Rail in California

Avoidable Controversy

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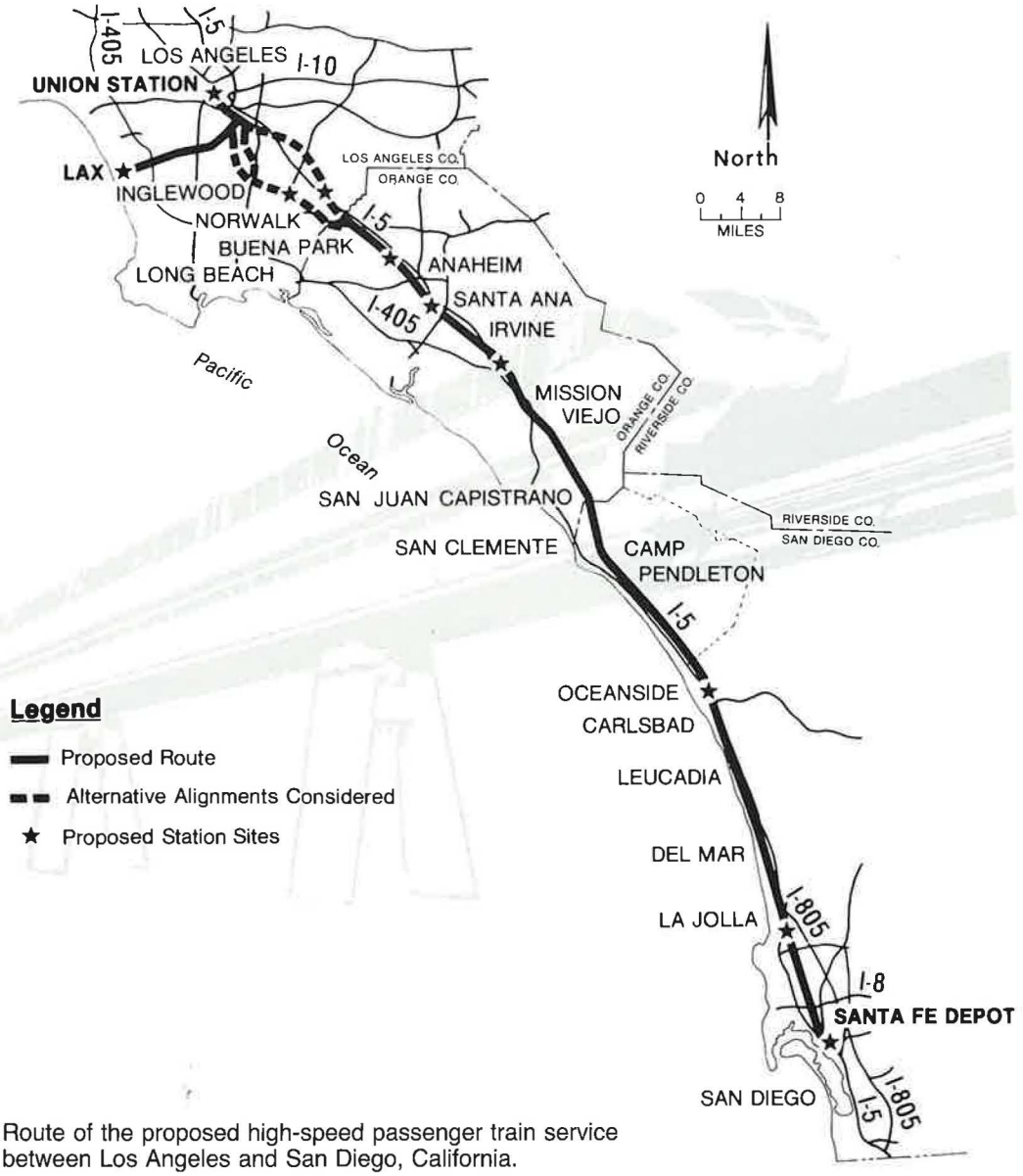

Route of the proposed high-speed passenger train service between Los Angeles and San Diego, California.

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*).

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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 Financing 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.

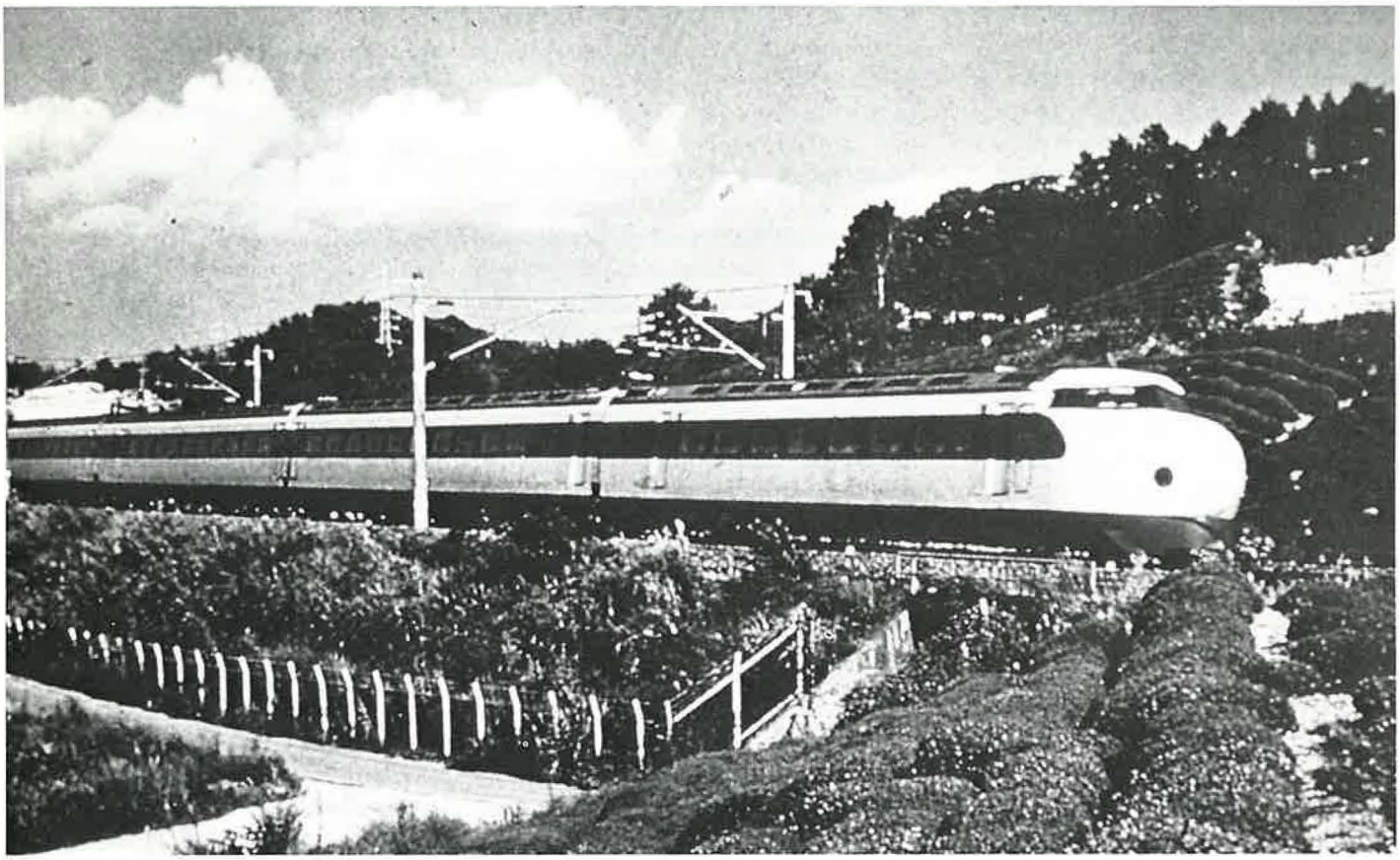
After deliberations on the legislation, the proposed project was determined to be subject to the California Environmental Quality Act and to require an environmental impact report. Furthermore, the California Department of Transportation would be the state environmental lead agency. The FHWA would later 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;
- Possible preemption of improved or enhanced Amtrak service and planned local light rail service;
- Local traffic and circulation impacts, especially around stations and during the construction process; and
- Impacts on the local public transportation system expected to provide access to the new facilities, as well as to continue or improve existing local service.

The proposal for high-speed train service in California called for a terminal at Los Angeles International Airport.



The proposed high-speed passenger train service between Los Angeles and San Diego was based on the technology and design of this bullet train (Shinkansen) developed by the Japanese National Railway.

After evaluating the results of scoping (5), meeting regularly with AHSRC, and assuming that the department would have all the necessary technical data by September 1984, Caltrans adopted an optimistic preliminary schedule providing for a time period of 20 months for processing and approval of the environmental impact statement. Project approvals were estimated to take another 4 months. With this schedule, the American High Speed Rail Corporation would be able to start construction in September 1986, almost 2 years later than the corporation had initially envisioned (January 1985).

The Controversy

The proposal was controversial. Opposition centered mainly on environmental and economic impacts, although this opposition may have been ignited and continually fueled by the manner in which the project proponent communicated with the public and governmental agencies. According to an article in *Passenger Train Journal* (6): "AHSRC from the outset essentially told Southern Californians what it was going to do for them, rather than asking what people wanted." The corporation also was accused of playing "fast and loose" with the political process.

This fast and loose attitude stemmed from the legislation mentioned previously, which was passed under unusual circumstances and was thought to have exempted the project from complying with certain aspects of California environmental law. According to an article in the *San Diego Union* (7): "So quickly did the pieces go together in the final drama, just hours before the end of the legislative session, that there was time for only one perfunctory hearing, which left more questions unanswered than answered."

Opposition by Citizen Groups, Professionals, and Local Government

The formation of the United Citizens Coastal Protective League, the largest citizens' organization opposing the project, was attributed by its leader, Robert Bonde, to the indignation resulting from the passage of that piece of legislation (8). Although the possible state environmental exemption was the catalyzing issue at the time, the group later became very concerned that should the project fail subsequent to the issuance of the tax-exempt revenue bonds, the state government would feel obligated to pick up the payment and possibly operate the system at the expense of the

taxpayers. Because the financial health of the project would depend ultimately on ridership, AHSRC demand estimates were subjected to even greater scrutiny, and the group questioned the lack of an impartial feasibility study.

It was in the arena of ridership forecasting that the professional community first became involved. About mid-1983, the media were quoting well-established members of academia, such as Roger Skrentny, an associate professor of economics and urban and regional planning at the University of Southern California, who termed the project a "boondoggle" (*9*). A study released by the City of Tustin (*10, 11*) concluded that the methodology used in the ridership estimates "turned reality upside down," and inadequacies in the cost estimates would make the project "a massive unplanned burden on the public sector." The study also concluded that because the public would have to support the project, "it should be the public and not the corporation who decided whether the plan goes ahead."

The professional planning staff for the San Diego Association of Governments also lacked confidence in the ridership forecasts and believed that adequate environmental analysis was of paramount concern because the coastline was the area's "most valuable physical resource" (*12*). They asked the AHSRC to make its proprietary studies available for analysis.

In addition, although a study by the Office of Technology Assessment on *U.S. Passenger Rail Technologies* did not evaluate specific proposals for high speed corridors in the United States, the report contained the following statement: "Based on foreign experience and current U.S. market factors, however, it seems that any U.S. corridor with totally new high-speed rail service would have difficulty generating sufficient revenues to pay entirely for operating and capital costs" (*13*).

There was a third sector of criticism or opposition in addition to citizen's groups and the academics and professionals. Local governments, primarily cities acting alone or in concert with others and in association with local, state, and federal politicians, took their case to the media and, eventually, to the courts (*14*).

Response of the AHSRC

Although opposition was vocal, diverse, well organized, and had the attention of the media, some observers felt that real damage to the project was from the manner in which the AHSRC responded to its critics. The corporation was very defensive when criticized and, aside from the environmental process, the media became the forum for discussion of the project.

The AHSRC refused to make public any marketing or ridership studies on the grounds that possible competitors could use the material to their advantage. In response to criticism of ridership estimates, the corporation charged local government with spending "scarce public tax dollars to harass a private company" (*15*). The media reported that AHSRC officials were perceived by some as lacking credibility. Credibility, in fact, became an issue in the environmental scoping meetings when citizens and local government sought assurance that recommended mitigation would indeed be carried out. In response to these concerns, Caltrans developed plans for a citizen's committee to monitor the environmental process and to begin bridging the credibility gap.

Follow-Up

The public controversy surrounding the project has had repercussions in several areas. Locally, it stimulated interest in upgrading the Los Angeles–San Diego Amtrak service. A task force was formed to make recommendations, and implementation is anticipated. Nationally, a conference was sponsored by Louis Thompson of the Federal Railroad Administration to try to make demand forecasting for high-speed rail a more logical process (*16*).

Although not precipitated directly by the project's controversial history, in a presentation at the 1986 Annual Meeting of the Transportation Research Board entitled "Ethics of Private Infrastructure Finance," Elizabeth Deakin remarked that making choices on which assumptions to use in modeling trip generation rates and modal shares is a major ethical issue facing the transportation analyst. The High Speed Rail Association has developed standard guidelines for revenue and ridership forecasting because of the "tentative quality, lack of disclosure of methods and uncertain comprehensiveness of some early high-speed rail travel analyses in proposed corridors elsewhere in the United States. These early studies had led to confusion and even disbelief among the public, the investment community, and government officials" (*17*).

Project Failure

In November 1984, the AHSRC requested the California Department of Transportation to stop work on the proposed bullet train as the state environmental lead agency. According to the corporation, its plans to build and operate the train were suspended because of a lack of short-term financing. The request came 1 year after Caltrans and the FHWA had notified the public and cooperating agencies of the proposal.

It is difficult, if not impossible, to determine the extent to which failure to obtain financing can be attributed to the actions of the opposition. However, writing in *Passenger Train Journal*, Belden (*6*) observed that "AHSRC officials placed virtually all the blame for the collapse of their project on money trouble, despite the fact that other important issues, including political diplomacy, environmental impact, and the reliability of ridership figures were also at work, as they are in all proposed high-speed projects." Whether the suspension of the bullet train proposal is permanent, and whether others take advantage of the lessons learned remains to be seen.

Observations

Because the proponents of the bullet train were not accustomed to working closely with the public, they made some mistakes that led to problems. Although public agencies, which are experienced

in involving the public in decision making, may well be aware of the pitfalls, it is worthwhile to discuss here the elements of the approach required to minimize problems for private entrepreneurs.

- *Exercise political diplomacy at all levels of government: federal, state, and local.* Actions that may seem expedient at the time may prove to be adverse in the long term. The legislation discussed in this case (the California Passenger Rail Financing Commission Act) is a good example of such action.
- *Maintain an open data process.* Relatively open access to project material is important. True discussion and debate can only take place when both parties base their positions on the same data. To withhold data is to invite skepticism. The ridership forecast in this project is a good example of what not to do. Had the study been made available, the forum would have been the scientific community instead of the media.
- *Establish open communication with the public and governmental agencies, especially at the local level, and keep the "loop" closed by continuing to provide feedback on issues that have been raised.* This is difficult advice to follow because it involves a lot of listening and iterative, sometimes elementary, discussion. It involves understanding and satisfactorily addressing the public points of view. In such a large project with pervasive impacts, the community at large has to be, in fact, accepted as a partner. "If a comprehensive plan is to be acceptable as a total package it must arise out of widespread debate and compromise; it cannot be the result of elite, backroom bargaining that magically crystallizes into social consensus" (*18*).
- *Establish credibility through an open door data process and open communication, and maintain credibility by accepting criticism and handling it from a professional standpoint.* A position of defensiveness erodes credibility and blocks a comprehensive understanding of the reasons for the criticism.
- *Avoid any perception of arrogance.* Nothing can crystallize opposition and give it a personal focus more quickly than a perception of arrogance. Once perceived, the opinion is difficult to change. In this project, the media reported that the public believed that after receiving the "official blessing" from the legislature, the corporation dictated without considering the opinions of others. In an article in *Urban Land,* Cooper and Shea concluded from their own research: "Public approval, therefore, is expedited if the plan first deals with issues the public cares about, showing that the developer and the designer understand the place and polity and are willing to balance profit with public interest" (*19*).

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