



January 13, 2012

Staff and Board of Directors  
California High-Speed Rail Authority  
770 L Street, Suite 800  
Sacramento, CA 95814

**Re: HSRA Draft Business Plan**

Dear California HSRA Staff and Board:

On behalf of Sierra Club California's 150,000 members and activists, I am writing to share comments and concerns regarding the *California High-Speed Rail Program Draft 2012 Business Plan*, released November 1, 2011.

Transportation generates about two-thirds of the conventional air pollution in California. It is responsible for nearly 40 percent of the state's greenhouse gas emissions. Transportation is also responsible for non-point-source water pollution, wildlife kills, and habitat destruction. Californians have indicated many times—through public opinion surveys and bond and tax votes—that they want a better transportation system that allows them options that reduce automobile dependence and reduce transportation's environmental impacts.

In general, Sierra Club California supports transportation projects and systems that will help Californians reduce environmental impacts as we achieve mobility and access to work, school and services. More specifically, Sierra Club California has supported a high speed rail system for the state, as expressed in its 2008 endorsement of proposition 1A, which provided nearly \$10 billion in bond funding for a California high-speed rail system.

Sierra Club members around the state have participated in public workshops and other events held by the California High-Speed Rail Authority (HSRA) as it has developed plans for a high-speed rail system. Members have submitted comments regarding the HSRA's programmatic and project-level EIRs/EISs. Through those workshops and comments, our members have expressed concerns about various specific aspects of the rail project under consideration, particularly about environmental impacts and route selection.

The draft business plan is not intended to directly address environmental issues. However, we are commenting on this document today because we believe that the promise of a high-speed rail

system that can deliver environmental benefits depends substantially on the business assumptions underlying the project. With these comments, we draw to your attention troubling elements in the business plan. Although there have been recent positive steps, such as consideration of Los Angeles interoperability and reduction of viaduct requirements, we remain concerned that excessive costs threaten the ability to complete the core Los Angeles-Bay Area project.

It appears that, as currently proposed, the rail project will either not be completed, will be completed in a way that would create substantial, unmitigated environmental damage, or will be completed at the expense of other pressing transit needs. We continue to support a robust mass transit system statewide that includes fast and reliable passenger rail and that reduces transportation's environmental impacts in California. However, the draft business plan does not leave us feeling optimistic about the viability of the current high-speed rail (HSR) program.

### **Specific Concerns about the Draft Business Plan**

Sierra Club California staff and volunteers have carefully reviewed the business plan. We have concluded that it is seriously flawed and should be revisited. We acknowledge and accept—as did the voters in 2008—that a high-speed rail system will require substantial investment. However, it is essential that plans for the system, including the business and financial plan, be grounded and inspire confidence in the project's potential to justify and encourage that investment. This plan fails to do that.

The plan is based on faulty assumptions about ridership, revenue and investment. It underestimates the funding needed and overestimates the funding available to support essential linkages to the rail route. We describe these flaws and our concerns below.

#### Exaggerates Ridership, Revenue and Investment

The draft business plan projects that the IOS-South will attract annual riderships of 10.8 million (high), 9.1 million (medium) and 7.4 million (low) by 2025.<sup>i</sup> Currently, only about 200,000 Amtrak riders a year travel between Merced and the L.A. Basin, the section to be replaced by Merced-LA Basin IOS-South. This current level of Amtrak ridership does not support the claim that IOS-South will attract between 7.4 and 10.8 million riders a year.

We acknowledge that current Amtrak service is generally slow and often unreliable on this route. However, a 3700% to 5400% increase in ridership would have to occur to meet the projections noted above. It is challenging to conclude that higher speeds will generate such a high level of ridership on that particular corridor.

The plan also projects that the above-listed IOS-South riderships would produce 2025 revenues of \$1,195 million, \$1,002 million and \$810 million respectively, the equivalent to an average fare of \$110 per rider in 2025 dollars. Yet in the plan's Exhibit 6-5 the average fare shown for a trip from Los Angeles to Kings/Tulare inflated to 2025 is only \$103.<sup>ii</sup> Even if the projected riderships as set forth in the plan were accurate, unless every rider of the IOS-South traveled the entire distance between Southern California and the north end of the line, the

resulting operating revenues would come nowhere close to the amounts shown in the plan's Exhibit ES-3.

In part because of inflated ridership and revenue projections, the contention that the IOS would turn an operating profit, and therefore attract private capital to help pay for subsequent high-speed extensions, appears to be unfounded. The plan emphasizes the importance of private investment. Private investment is attracted by the lure of profit that does not entail the assumption of excessive risk. Since Proposition 1A prohibits the State of California from subsidizing the high-speed rail operation, the system would have to generate enough in revenue to pay all its operating and maintenance costs, with enough left over to provide a reasonable return to the investor. However, as noted in the comments above, there is virtually no chance of producing the operating surpluses required to demonstrate a money-making HSR operation.

#### Depends on Non-Existent Funding for Linkages

The business plan calls for a “blend” of conventional rail upgrades and high-speed rail development.<sup>iii</sup> The challenge is getting the right blend, consistent with the need and available funding. This challenge is made more critical by the fact that much of California's existing conventional rail system is substandard in terms of reliability, train speeds and continuity. In other words, to form an adequate network into which to incorporate a high-speed line or set of lines would require a substantial upgrading of the existing system.

Proposition 1A set aside \$950 million to upgrade the State's conventional passenger rail systems. This amount is not nearly enough to bring these systems up to standard. The business plan makes reference to related rail improvements underway in various parts of the State, but there is no indication that the high-speed planners have adequately considered what would be needed to render the existing systems capable of serving as effective extensions of a high-speed line.

California's existing passenger rail systems are far less effective than their European and Japanese counterparts. For instance, intercity train speeds are about half that of their European counterparts. Intercity lines here are plagued by periodic conflicts with rail-freight operations. Correcting these and other existing defects would cost far more than the aforementioned \$950 million.

The plan makes reference to “leveraging” the \$950 million state allocation with “local resources”, and notes that the HSRA plans to work closely with other jurisdictions to bring about the necessary changes. However, the fact remains that no such local resources exist or are likely to exist in the foreseeable future. Moreover as pointed out in a letter from the Orange County Transportation Authority (OCTA) to HSRA Board President Thomas Umberg dated December 12, 2011, in seeking funds to pay for its own high-speed system the HSRA would be competing actively for allocations from the same state and federal funding sources typically used by these local and regional jurisdictions to improve their own transportation systems.

The plan mentions that an upgraded and expanded “Super ACE system” could provide a fast commuter rail link between Stockton and Modesto and Fremont and San Jose, with the

possibility of being further extended to serve as a commuter rail connection between Merced and Sacramento.<sup>iv</sup> Given the very small allocation that ACE would receive from Proposition 1A's available \$950 million, it would not be possible to significantly improve today's sluggish ACE service.

In short, to render the proposed high-speed line useful to enough California travelers to achieve the objectives set forth in the business plan, it would be necessary to massively upgrade California's existing inter-city and regional rail lines. To do this would cost many times the \$950 million set aside in Proposition 1A for this purpose. Yet as referred to in the OCTA letter of December 12, 2011, in discussing future HSR funding sources, the business plan makes repeated reference to the same funding sources traditionally used by local and State rail operators to pay for necessary improvements to their respective systems. For this reason it would appear that the advent of \$98 billion or more California high-speed rail system could actually hinder the conventional rail upgrades necessary to render a California HSR capable of meeting the transportation and environmental objectives set forth in the business plan.

## Conclusion

The best, most environmentally beneficial transportation system will incorporate a range of options that help people minimize their per-capita vehicle emissions and vehicle miles traveled without sacrificing their access to school, work and services. The current business plan presents the risk that a single transportation project could absorb all public funding at the expense of a robust system. For this and all of the reasons expressed above, we urge the HSRA to reconsider its business plan.

Sincerely,



Kathryn Phillips  
Director  
Sierra Club California

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<sup>i</sup> California High-Speed Rail Authority. *California High-Speed Rail Program Draft 2012 Business Plan*. November 1, 2011. Page ES-9, Exhibit ES-3.

<sup>ii</sup> Op cit. Page 6-9, Exhibit 6-5.

<sup>iii</sup> Op cit. Chapter 2.

<sup>iv</sup> Op cit. Page 2-23