

JOINT LEGISLATIVE INFORMATIONAL HEARING
CALIFORNIA HIGH-SPEED RAIL AUTHORITY'S
2009 BUSINESS PLAN

BACKGROUND

Senate Transportation and Housing Committee

Senator Alan Lowenthal, Chair

Senate Budget and Fiscal Review Sub-Committee No. 2
on Resources, Environmental Protection,
Energy and Transportation

Senator Joe Simitian, Chair

January 19, 2010

Sacramento, CA

This hearing is the fifth oversight hearing the Senate Transportation and Housing Committee has held on California's high-speed rail program. This report provides an overview of the actions that have been taken in the state and nationally that affect the development of high-speed rail since the committee's last hearing in October 2008. In November 2008, the voters approved Proposition 1A— Safe, Reliable High-Speed Train Bond Act for the 21st Century. Proposition 1A provided \$9 billion for high-speed rail development and \$950 million to upgrade conventional rail services that would feed high-speed rail service.

Clearly, the voters of California want high-speed rail as does the Senate, which voted to put Proposition 1A on the ballot. The High-Speed Rail Authority (HSRA) has made progress on the program during the last year. The purpose of this oversight hearing is to ensure that Californians will have a high-speed rail program that conforms to the requirements of Proposition 1A. In the long-run high-speed rail will enhance mobility for all Californians and in the short-run it has the potential of providing badly needed jobs during very difficult economic times.

This hearing will review the High-Speed Rail Authority's 2009 Business Plan, which is required by the 2009-2010 State Budget. Beginning in 2012, SB 783 (Ashburn), Chapter 618, Statutes of 2009, requires the HSRA to prepare an updated business plan, conduct public hearings on the plan, and to submit that plan to the Legislature every two years.

As required by the 2009-10 budget, the HSRA delivered its new business plan to the Legislative Analyst Office (LAO) on December 15, 2009. The budget appropriated funds to the HSRA through December 31st. To receive its appropriation for the remainder of the current fiscal year, the Joint Legislative Budget Committee must agree that the business plan meets the conditions specified in the budget. The budget bill requires that the HSRA's business plan include at least the following:

- A plan for a community outreach component to cities, towns, and neighborhoods affected by the project.
- System details, such as route selection and alternative alignment considerations.
- A thorough discussion describing project financing.
- A working timeline with specific, achievable project milestones.
- The strategies the HSRA would pursue to mitigate different risks and threats.
- Additional information related to funding, project development schedule, proposed levels of service, ridership, capacity, operational plans, cost, private investment strategies, staffing, and a history of expenditures and accomplishments to date.

The Legislative Analyst Office will present its assessment of the business plan at the hearing.

Before presenting an analysis of the some key policy issues raised by the business plan, an outline of the Obama administration's program to fund high-speed rail development in the country and a summary of California's applications to the federal government for funding to advance the state's high-speed rail project is provided.

Obama Administration Initiates A High-Speed Rail Program

The Obama administration's economic stimulus program, the American Recovery and Reinvestment Act of 2009 (ARRA), includes \$8 billion for high-speed rail development. ARRA defines high-speed rail as intercity passenger service that reaches a top speed of 110 miles per hour (mph) or greater. This gives a state interested in pursuing high-speed rail the opportunity to incrementally develop service by initially designing service at lower speed ranges and increasing the speed, as conditions and demand warrant, to high-speeds above 150 miles per hour that are typical of international high-speed rail service. The HSRA's goal is to have a top operating speed of approximately 220 mph.

The \$8 billion included in AARA has two high-speed rail funding categories referred to as Track 1 and Track 2.

California's Track 1 Application

Track 1—Intercity Rail Projects are projects that can be constructed within two years of the funds being awarded. Projects within this category are intended to meet ARRA's economic recovery goals by creating jobs in the short-term. The Track 1 funds are to pay for final design and construction of projects. Track 1 projects should have or be near to receiving environmental clearance. California submitted a Track 1 application having a total value of \$1,155,220,000. Exhibit 1 is a summary of the state's Track 1 application.

Exhibit 1

Summary of California's Track 1 Application for Federal High-Speed Rail Stimulus Grants

Statewide Equipment Improvement (emissions control for locomotives, rehabilitation of locomotives, and on board bicycle storage racks)	\$ 42,850,000
San Joaquin Amtrak service (Bakersfield to Emeryville) double tracking, positive train control	\$ 262,460,000

Exhibit 1**Summary of California's Track 1 Application for Federal High-Speed Rail Stimulus Grants**

Pacific Surfliner (San Diego-Los Angeles-Santa Barbara) double tracking, positive train control, improved switches, bridges	\$ 379,720,000
Capitol Corridor (Auburn-Sacramento-Oakland-San Jose) track improvements	\$ 68,590,000
Transbay Terminal (San Francisco)	\$ 400,000,000
Richmond Rail Connector Planning (TCIF project)	\$ 1,600,000
Total	\$1,155,220,000

The state submitted its Track 1 application to the Federal Railroad Administration last August. The projects must be obligated by September 2010.

California's Track 2 Application

Track 2—High-Speed Rail/Intercity Passenger Rail Service Development Program provides grants that are intended to fund projects that will result in high-speed rail service or substantially upgrade rail facilities in corridors in which existing intercity passenger rail service operates. It is intended to fund the development of a set of inter-related projects that constitute a distinct phase of a long-range, service development plan. This includes tracks, stations, signals, grade separations, equipment, maintenance facilities, electrification, and related systems. Track 2 projects must be completed by 2017. The federal government is willing to provide 100 percent of the funding, but applications that include state or other nonfederal funds will receive additional points during the evaluation process. By committing to match federal funds with bond revenues, the HSRA expects California to be a strong contender for Track 2 funding. California submitted an application for \$4.7 billion of ARRA funds. (See Exhibit 2).

The Track 2 high-speed rail application includes \$980 million for investments between San Jose and San Francisco, \$466 million between Merced and Fresno and \$819.5 billion for the Fresno to Bakersfield segment, and \$2.187 billion for the segment between Los Angeles and Anaheim.

The Federal Railroad Administration must select Track 2 projects and the funds obligated by October 2011.

California's Track 2 application had originally also included \$1.1 billion for a program of interrelated projects for conventional intercity passenger rail services. Governor

Schwarzenegger deleted this \$1.1 billion element from the state's Track 2 application when the state submitted it in October 2009. Among the improvements in the deleted application elements was \$170 million for positive train control (PTC), a computer aided emergency braking system on the Southern California rail network. This committee learned at its hearing on the Metrolink commuter rail collision with a Union Pacific freight train at Chatsworth, in which 25 people lost their lives, that installation of PCT is absolutely essential for public safety. In addition, the Track 2 application had included \$969 million for grade separations, track and signalization improvements, and other improvements that collectively would increase trains speeds and reliability between San Diego and Santa Barbara, the second busiest passenger train corridor in the country, after the Northeast Corridor serving Washington, New York and Boston. Several of the projects in the deleted application element would have increased operating speeds for passenger services above the current 79 mph limit to as much as 110 mph in some segments.

The state submitted its Track 2 application to the Federal Railroad Administration last October.

Exhibit 2**Summary of California's Track 2 Application for Federal High-Speed Rail Stimulus Grants**

San Francisco to San Jose—including improvements at San Jose Diridon and San Francisco 4th & King Stations and platform extensions at San Francisco Transbay Terminal Grade separations and safety state-of-the-art "positive train control", electrification and other upgrades on shared alignment with Caltrain	\$ 980,000,000
Merced to Fresno grade separations, guideway structures, utility relocation, earthwork and track, environmental mitigation and right-of-way acquisition	\$ 466,000,000
Fresno to Bakersfield--grade separations, guideway structures, utility relocation, earthwork and track, environmental mitigation and right-of-way acquisition	\$ 819,500,000
Los Angeles to Anaheim--high-speed train facilities at Los Angeles Union Station, Norwalk Station, and the Anaheim Regional Transportation Intermodal Center, grade separations, utility relocation, guideway structures, tunneling, earthwork and track environmental mitigation and right-of-way acquisition	\$ 2,187,000,000
Preliminary engineering and environmental work Los Angeles to San Diego via the Inland Empire, Los Angeles to Palmdale and Bakersfield, Sacramento to Merced, San Jose to Merced and the Altamont Rail Corridor.	\$ 276,500,000
Total	\$4,729,000,000

Analysis

The HSRA's latest business plan increases the estimated cost of the high-speed rail project from \$33.6 billion as reported in the October 2008 plan to \$42.6 billion. This increase occurred because an accurate forecast of construction cost was required by the federal government for the Track 2 application. The new business plan also increases the proposed ticket price in the ridership model used for forecasting ridership. A ticket for a trip between Los Angeles and San Francisco has increased from \$55 in the 2008 plan, about half of the cost of an airline ticket, to \$105 in the new plan. This is about 83 percent of the cost of an airline ticket between the two cities. This increase in fare reduces forecasted ridership in 2030 from 54.6 million to 39.9 million riders in the current plan.

This analysis focuses on the following elements of the HSRA's 2009 Business Plan: ridership, project funding, and organizational structure. Successfully addressing the issues associated with these three elements of the high-speed rail project is essential for the project to achieve its promise.

Ridership

The HSRA acknowledges that the inability to meet the ridership forecasts pose a serious risk to project success. Its 2009 business plan states:

Solid ridership projections are necessary to build support in the private sector for the high-speed rail project. If it were to be projected that the potential ridership on the system would be low, private entities would be less willing to provide funding for the project, and since our financial plan requires private participation, that would represent a threat.¹

For the high-speed rail project to succeed, a "solid" ridership forecast is necessary, because accurate and reliable ridership estimates are essential for encouraging investment in the project. For example, the number of trainsets that the HSRA will acquire is based on the ridership estimate, as is the forecast of passenger revenue, which in turn determines the economic soundness of a system and its attractiveness to private investors.

Ridership estimates are derived from statistical models that endeavor to represent travel demand both for today and at a future date. Short of disassembling the model, an observer can examine the model outputs and assess their reasonableness in order to draw some first level conclusions about the model. For example, one can use the HSRA forecast of daily boardings by station to assess the model's reasonableness.

¹ Page 121, Report to the Legislature, California High-speed Rail authority, December 2009

Daily Station Boardings

Exhibit 3 shows HSRA's forecasted daily station boardings along the entire route. The business plan forecasts that San Francisco will have the highest daily station boardings in the state at 24,100 riders, of which 19,700 are interregional trips. This is reasonable because San Francisco's central business district's employment density of 192,932 employees per square mile is second only to Manhattan. The second busiest projected station is Anaheim with 23,500 boardings, of which 18,200 are interregional. In contrast, Los Angeles, the largest city in the state, has only 14,100 daily boardings, with only 3,700 of them being interregional. The plan forecasts Los Angeles to have 10,400 local boardings. This is difficult to understand given that Los Angeles has 310,000 jobs in its downtown.²

Inexplicably, Merced, projected to have 5,300 daily interregional boardings, has more interregional boardings than Los Angeles. Palmdale is expected to have 12,900 total boardings, of which 5,200 are interregional trips, again more than Los Angeles. With 7,600 daily boardings, San Jose has fewer total riders than Palmdale. Moreover, Palmdale has more interregional riders than San Jose, which is the epicenter of the international high tech industry. It is difficult to understand what might account for these discrepancies in the ridership forecasted for the various stations along the California high-speed rail route.

Exhibit 3

Daily Station Boardings

Station	Total	Inter-regional	Local
San Francisco Transbay	24,100	19,700	4,400
Millbrae	2,500	900	1,600
Redwood City	3,900	2,300	1,600
San Jose	7,600	4,500	3,100
Gilroy	4,700	3,600	1,100
Merced	5,300	5,300	-
Fresno	4,500	4,500	-
Bakersfield	5,100	5,100	-
Palmdale	12,900	5,200	7,700
Sylmar	5,100	3,100	2,000
Burbank	2,900	700	2,200
Los Angeles Union Station	14,100	3,700	10,400
Norwalk	4,500	2,900	1,600
Anaheim	23,500	18,200	5,300
Daily	120,700	79,700	41,000

Source: High-Speed Rail Authority Program Management Team, 2009. Note: This table provided by the HSRA corrects errors in the table that is in the business plan.

² Employment Density in International Central Business Districts, Demographia, accessible at <http://www.demographia.com/db-intlcbddensa.htm>.

Fare Assumptions

The new business plan sets the fare for Los Angeles to San Francisco at 83 percent of an airline ticket, while the 2008 plan set it at 50 percent. In contrast, the high-speed rail fare between Anaheim and San Jose is \$102.50, which is 97 percent of the airline fare (see Exhibit 4). It is unclear why the HRSA set the fare between Los Angeles and San Francisco at 83 percent of air fare and Anaheim at nearly 100 percent. A more explicit discussion of the fare structure with clear examples of fares, revenues, and ridership between city pairs would be useful.

It is possible that the model may have a pricing strategy in Southern California similar to Metrolink's commuter rail service. That certainly would explain the high local ridership for both Los Angeles and Palmdale. Should this be true, such an assumption constitutes a major policy decision because it converts a premium rail service like high-speed rail to a commuter type service. If this is the case, this fare policy should be thoroughly vetted in public.

Exhibit 4

AVERAGE HST & AIR FARES, AND AUTO COSTS IN 83% FORECAST, SELECTED MARKETS (2009 \$\$)				
Travel Market	Miles	HST	Air	Auto
San Francisco – Los Angeles	432	\$104.75	\$125.75	\$118.50
Anaheim – San Jose	417	\$102.50	\$105.25	\$114.50
Bakersfield - Burbank City	131	\$51.25	n.a.	\$42.00
Fresno - Millbrae	174	\$58.75	n.a.	\$47.75
Merced - Sylmar	287	\$77.75	n.a.	\$78.75

Overseas High-Speed Rail Ridership Experience

Errors made in forecasting ridership can be costly. For example, Taiwan financed and constructed a 208 mile high-speed rail line using private resources under a design-build-operate-transfer agreement with the national government. The private operator was to transfer the ownership to the government after thirty-five years.³ In 1999 dollars, the cost of the project was approximately \$19 billion. The service began in 2007 and by 2009 daily ridership was only 87,000 riders, at a time when the daily ridership should have been 280,000 riders according to the forecast prepared at the outset of the project. With this disappointingly low ridership, the project was not economically viable, which has

³ References for the information on the Taiwan high-speed rail include "Syndicated loans for debt-ridden high-speed rail granted" by Kao Chao-fen and Deborah Kuo, Central News Agency, Taiwan News Online, January 8, 2010 and "12 billion dollar loan for Taiwan high-speed rail firm", Agence France-Presse, January 11, 2010.

required the government to step in. Earlier this month the project developers received a government-guaranteed \$12 billion loan from a consortium of eight banks. To be sure, the international economic recession has diminished demand for passenger transportation services worldwide, but with ridership at only 31 percent of the total originally forecasted, it suggests that an overly optimistic original forecast was made.

In Great Britain, the Eurostar service between London and Paris has failed to meet original ridership forecasts. The original forecast made in 1996 predicted approximately 25 million annual riders in 2006. Actual ridership by 2008, however, was only 8 million passengers. Based on the original ridership forecast, the 68 mile high-speed line from the portal of the tunnel under the English Channel to central London was expected to be constructed as a private venture. When the project began in 1996, the financial markets were uncomfortable with the project's viability; and therefore unwilling to provide financing. The analysis of prospective private investors turned out to be prescient. Subsequently, the government had to convert the project to a public private partnership and arranged financing to ensure the project's completion and operations.⁴

Examples of successful high-speed rail systems include the French TGV national network of six rail lines that carried about 95 million passengers in 2006. This is a mature system that has been developed over thirty years. What is applicable to California's high-speed rail project from the French experience is how the system performed during its first decade of service. The initial line linking France's two largest metropolitan regions, Paris and Lyon, carried about 18 million riders annually after being in service for a decade.⁵

To be sure there are important differences between California, Great Britain and France, but the HSRA's forecast of 39.3 annual passengers in 2030, ten years after service begins, appears to be quite optimistic in light of the European experience.

Japan inaugurated the first high-speed rail service in the world in 1964. After forty-four years of service, the main trunk line from Tokyo to Osaka carried 150 million riders in 2008, substantially more than the entire French national TGV network.⁶ There is much to be learned from the Japanese experience in terms of land development in and around high-speed stations, and other aspects of the system. However, it is unlikely that California will achieve anything similar to the Japanese in terms of ridership in the foreseeable future given the differences in demographics and land use patterns between Japan and California.

⁴ Channel Tunnel Rail Link, House of Commons Committee on Public Accounts, Thirty-eighth report of Session 2006-06, 27 March, 2006, page 7.

⁵ Role and Condition of Success, SNCF International, Jean-Pierre Loubinoux, President, SNCF International, 2006, page 15.

⁶ Central Japan Railway Data Book, 2008.

Project Funding

It is clear that any complex infrastructure project, such as the high-speed rail project, will encounter unforeseen financial risks. The business plan of the HSRA points to the risk that the project may not be found creditworthy by banks or private equity funds. Another risk is that the financial markets may “freeze”, as occurred in 2008 and 2009, making private capital unavailable to the project. A third risk relates to an inability to fund the project either because government is limiting the amount that is available for grants, or by a future lowering of the state’s credit rating which then hinders its ability to issue general obligation bonds.⁷

In the business plan’s financial risk analysis, the HSRA correctly acknowledges, but does not discuss, some of the critical risks involved for both government and private sector funding.

During HSRA’s financial planning efforts conducted before Proposition 1A, a goal of the high-speed rail program was to have the state and local governments, the federal government, and the private sector each share approximately one-third of project cost. When comparing the 2008 and 2009 business plans, HSRA has shifted each funding partners’ share. As can be seen in Exhibits 5 and 6, as the cost of the project has increased, the state’s share has diminished. Because the \$9 billion available in the Proposition 1A bond is a fixed amount, it now equals only about 21 percent of total project cost. (The purchasing power of the bond revenue is also being reduced over time.) The HSRA is attempting to leverage the bond funds by applying for federal ARRA funds. To this end, the ARRA application is seeking \$4.7 billion for the project. When that is matched with an equal amount of state bond funds, the total would be \$9.4 billion for engineering and construction, or about 22 percent of the total project cost. If this request is fully funded, the remaining amount of state bond revenue available to the project will be approximately \$4.3 billion.

Exhibit 5

Trends in Source of Project Revenue 2007-2009

(dollars in billions)

	2007 Before Prop 1A 2007\$*	2008 Business Plan 2008\$	2009 Business Plan Year of Expenditure \$
Federal Grants	\$10.0- \$12.5	\$12.0-\$16.0	\$17.0-\$19.0
State Bonds	\$9.0-\$12.5	\$9.0	\$9.0
Local Grants	\$2.0-\$4.0	\$2.0-\$3.0	\$4.0-\$5.0
Private Funding	\$5.0-\$7.5	\$6.5-\$7.5	\$10.0-\$12.0
Miscellaneous	\$0.5-\$1.0-\$3.5	0	0

⁷ See page 119 of the HSRA’s [Report to the Legislature](#).

Exhibit 5**Trends in Source of Project Revenue
2007-2009**

(dollars in billions)

	2007 Before Prop 1A 2007\$*	2008 Business Plan 2008\$	2009 Business Plan Year of Expenditure \$
Total	\$27.5-\$39.5	\$29.5-\$35.5	\$40-\$45
HSRA's Assumed Total Cost	\$27.5-\$39.5	\$33.6	\$42.6
*Source for 2007 estimates: Preliminary Funding Strategy and Finance Plan Bay to Anaheim Segments, Infrastructure Management Group and Lehman Team, May 23, 2007			

Exhibit 6**Share of Project Costs by Revenue Source**

	2008 Business Plan 2008\$	2009 Business Plan Year of Expenditure
Federal Grants	36.0%-47.6%	40.0%-44.6%
State Bonds	26.8%	21.1%
Local Grants	6.8%-9.0%	9.4%-11.7%
Private Funding	19.4%-22.3%	23.5%-28.2%
Miscellaneous	0	0
HSRA's Assumed Cost	\$33.6 Billion	\$42.6 Billion

Local Funding

As Exhibits 5 and 6 demonstrate, local governments' planned share of the project's total cost increased to about ten percent under the 2009 business plan. The HSRA's policy is that local agencies will be responsible for funding the cost of stations. The HSRA has suggested that this could be done through redevelopment financing, the use of assessment districts, and other value capture mechanisms. Essentially, all of this financing is based on the value of local real estate. The business plan also mentions revenue from commercial concessions at the stations as a possible source of funding, but it would seem that this option would be viable only at the most heavily used stations. There is no discussion in the risk analysis of the uncertainty regarding local financing sources. In light of the financial difficulties local governments are experiencing, and the complexity

of redevelopment financing, a more detailed discussion of the problems involved with relying on local funding should be presented.

To move the discussion of station financing and the role of local funding from theory to practice, the HSRA may want to consider contracting with a city in which a station is planned in order to prepare a prototype station financing plan. This would provide specific information regarding the issues involved with generating local financing.

Private Financing

As private financing must assume a larger role in underwriting the high-speed rail project's cost (Exhibits 5 and 6 above), it becomes important for the Legislature to identify the issues that it may have to address and the financial responsibility it may be assuming. The business plan's section on risk analysis avoids discussing private financing in detail, but elsewhere the plan briefly references the risk of private financing. The HSRA currently believes that obtaining \$10 to \$12 billion of private financing is possible based on forecasted ridership revenues that the project would generate. The business plan makes a realistic assessment of what the private sector will require when evaluating the project:

Implicit in these (ridership) assumptions is some form of a revenue guarantee that would guarantee to private sector participants that a minimum level of revenues would be received in the event that system revenues are significantly lower than forecasted. Without some form of revenue guarantee from the public sector, it is unlikely that private investment will occur at this level until demand for California's high-speed rail is proven".⁸

The HSRA has been unwilling to discuss a revenue guarantee in any of its financing documents or business plans thus far. Although Proposition 1A put into law the requirement "that planned passenger service by the authority in the corridor or usable segment thereof will not require a local, state, or federal operating subsidy,"⁹ the HSRA has not provided the Legislature with any back-up for this analysis. The voters' mandate that there shall be no operating subsidies together with the prospective financiers' desire for a revenue guarantee represent important issues that remains to be resolved.

Organizational Structure

The need for changes in the HSRA management structure is well addressed in the plan. This has been an ongoing concern of the HSRA board in recent months. Dave Crane, Special Advisor to the Governor for Jobs and Economic Growth and a governor's appointee to the HSRA's board, directed attention to this issue when he made the

⁸ See pages 103 and 104 of the HSRA's [Report to the Legislature](#)

⁹ Section 2704.08 (c) (2) (J) of the Streets and Highways Code.

following comments during a board discussion with the HSRA's project management oversight consultant:

Crane: Now, if the tracks don't line up and the costs are twice what we predicted, are you the guy we hold accountable?

Consultant: Like I said before, yeah, I think we are one of the people you hold accountable for that.

Crane: I'm looking for one. As I mentioned at the last meeting, this to me is as fundamental an issue as anything else. We have a project here which is massive; it's the largest in the United States, and there's no one person accountable. And there's a large board and there're a lot of consultants, but *there's no one person accountable*. And, all these things have to fit together and they also have to do so at the right price and the right cost and at the right time. So, I'm looking for someone we can hold accountable for that.¹⁰ (Emphasis added)

The HSRA has recognized the difficulties associated with managing this large and complex project and has sought outside assistance. To this end, KPMG was retained to assist "the Authority in its determination of which functions it should perform internally and which it should consider contracting out to other state agencies or private entities."¹¹ The important work elements of this study include:

- Review of the current organizational and management structure of the HSRA.
- Identification of the key functions that the HSRA will need to perform, whether through internal staffing or contracted staffing, or a combination of both.
- Identification of best management practices for similar mega-projects, particularly in the high-speed rail industry and other transportation infrastructure sectors.

The theme of the recommendations contained in the KMPG report is that the HSRA has to retain its own staff and rely less on contract consultants. The report made numerous managerial recommendations to improve the organization. The most significant recommendations relate to creating exempt positions for the chief executive officer, chief financial officer, chief program manager, and chief of external affairs. The HSRA intends to request that the Legislature act on these recommendations during this year's session.

The Governor's 2010-2011 budget essentially endorses the recommendation. It includes \$956 million for the high-speed rail program. Of that amount \$581.4 million is from Proposition 1A bond revenues and \$375 million ARRA funding. In addition, the budget

¹⁰ Archived video of the HSRA's November 5, 2009 boarding meeting.

¹¹ Organizational Assessment Board Workshop Briefing, KPMG, October 1, 2009, page 13.

proposes 25.7 positions to enhance overall management of the HSRA and reducing its reliance on contract staff for many day-to-day activities.

Conclusion

The size of the federal grant that the HSRA receives will determine structure of the high-speed rail program over the next several years. The HSRA still has to answer question regarding the role of the private sector and local governments in the ultimate funding of the project. The inability of the HSRA to address the constraints place on operating subsidies by Proposition 1A remains to be addressed.

Suggested Questions

1. What are the reasons for Anaheim to have more ridership than Los Angeles and Palmdale more than San Jose?
2. Does the High-Speed Rail Authority plan to seek consultant services to do a new ridership forecast?
3. What specifically will be required from the Legislature to implement the HSRA's new management plan?
4. Why is the Authority unwilling to address the issues related to the implications of Proposition 1A's requirement that no state, local, or federal funds may be used for operating subsidies? Wouldn't be better to address this issue sooner rather than later?
5. The quality of community outreach has been an important issue in some of the cities through which the high speed rail service is proposed to operate. What have you done to improve your outreach program? Is the High-Speed Rail Authority willing to re-design how it proposes to construct the system in the communities where there are concerns about its compatibility?
6. Does the HSRA propose to acquire any train equipment with the federal funds?