November 23, 2011

Mr. Roelof van Ark
CEO, California High Speed Rail Authority
925 L. Street, Suite 1425
Sacramento, Ca. 95814

SUBJECT: Comments on Draft 2012 Business Plan for California High Speed Rail

Dear Mr. van Ark:

The City of Burlingame wishes to comment on one section of the Draft 2012 Business Plan for high speed rail, namely, the assessment of replacement infrastructure costs for alternative modes of travel. Since this “replacement” analysis is being used as a justification for why California ought to embark on a project now three times more expensive than the voters approved, it is especially important that it be scrutinized. But upon closer review, we can only conclude that the analysis is methodologically flawed, grossly misleading to policy makers and should be struck from the plan in its entirety. We wish it were different. Our City would materially benefit if high speed rail really reduced in a substantial way the future expansion needs at San Francisco International Airport or the twin highways that bracket our city (Highways 101 and 280). But it will not.

Background

Our City Council appreciates the greater rigor shown in the Draft 2012 Business Plan. While we still have misgivings, especially about the fact that California and U.S. taxpayers are now being asked to shoulder ALL the front-end development risk ($35 billion or so) before the private sector will invest a dime, we appreciate the greater detail and realism in this revision, especially on the cost and timing side. That is why we feel so strongly that this capacity analysis, which smacks of a marketing document more than a business model, should be expunged from the 2012 Plan and from the California High Speed Rail Authority’s talking points.

In the Executive Summary and in the Economic Analysis portions of the 2012 Plan, the Authority seeks to show policy makers that the high speed rail investment of $98 billion, while much higher than what voters were told it would cost in 2008, would nonetheless be a good deal compared to building equivalent capacity in airports or roads. The Authority claims that
replacement capacity at airports or roads would cost California $177 billion instead. This analysis, as we describe below, is both intellectually dishonest and misleads policy makers who don’t read the fine print.

**Flawed Methodology**

In the 2009 version of the Business Plan, the Authority asked the question: “How much would it cost airports and roads to expand so as to handle the ridership we forecast for High Speed Rail? Clearly, this is a loaded question. If one believes that the ridership may be significantly overstated, then the answer about incremental expansion costs at airports and highways will also be significantly overstated.

But the analytical problem is much worse in the current 2012 Business Plan. In the current plan, the Authority’s private sector adviser, Parsons Brinkerhoff, asks, “How much extra airport and road capacity would be needed to accommodate the maximum throughput of a California High Speed Rail system?” (Note that this capacity would be well above even the most optimistic ridership forecast.) To be clear and fair, PB spells out its assumptions:

- 12 trains per hour in each direction
- 1,000 seats per train
- 19 hours of operation every day
- 70% average load factor for trains

These assumptions would mean a train leaving San Francisco and Los Angeles every five minutes, loaded with 700 passengers, 19 hours a day, 365 days a year. This “maximum throughput capacity” analysis yields 116 million passengers a year that Parsons Brinckerhof (PB) then needs to “accommodate” with larger airports and more highway lanes. This astounding number is completely divorced from any reality over the next 50 years, even by CHSRA forecasts. Undeterred, PB concludes that to “provide equivalent new capacity through investment in highways and aviation would cost California almost twice as much ($177 billion) as the Phase 1 high-speed rail system” and would require approximately:

- 2,300 miles of new highways
- 115 new airport gates
- 4 new airport runways

The Authority is so enamored of this comparison that it cites the conclusions (but not the premise) in the 2012 Executive Summary on Page 1.

It is a poor way to serve busy policy makers, to create this false sense of “choice.” Using this approach, one might propose to lawmakers that we spend billions on power plants, just in case

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1 “Cost of Providing Equivalent Capacity to HSR through Other Modes,” Parsons Brinkerhoff, Oct. 2011
2 CHSRA Draft 2012 Business Plan, pages ES 1+2. See also Chapter 10, Economic Analysis
every Californian turned on his/her lights, air conditioning, TV and computer simultaneously and ran them for 19 hours a day. Beyond the disingenuousness of PB’s analysis, PB also fails to point out that highway lanes and airport expansion can occur organically, over time, as demand warrants (or not). The CHSRA system, on the other hand, has to be built virtually all at once, with very little difference in capital expense between a minimum and maximum ridership scenario. As any business person knows, it is far preferable to build enterprises whose capital investments can be staged over time as demand requires them, rather than having to make a very large bet up front, especially in an untried service or product offering.

**False Benefit for Policy Makers**

There is another, more damaging element to PB’s and the Authority's use of this analysis. By equating the high speed rail (HSR) investment with the airport/road investment, the Authority is implicitly promising the people and policy makers of California that an investment in HSR will obviate or substantially reduce the need for new infrastructure investment in our airports and roads. In fact, if the State builds HSR, then it will have to pay for the rail AND roads AND airport expansions.

In September 2011, San Francisco International Airport (SFO) released a thorough review of its future capacity needs through 2035, and these needs are significant. Importantly, SFO analysts included HSR in its forecast. The SFO analysis used the 2009 ridership scenario for 2035 (which is higher than the 2012 Plan, ergo, SFO’s forecast assumed even higher HSR ridership than is in today’s forecast for 2035). SFO experts concluded:

> “Using information developed by the California High Speed Rail Authority, about 6 million annual air passengers would be diverted to HSR in 2035, or about 6% of total Bay Area air passengers in 2035. All three Bay Area airports would experience some air passenger diversion to HSR, estimated at 2.4 million air passengers from SFO, 1.9 million air passengers from SJC and 1.8 million air passengers from OAK. Air passengers are diverted from OAK to HSR at a lower rate than the other airports because these passengers have less convenient access to HSR from the East Bay. Total passengers would be reduced 11.9% at SJC, 8.6% at OAK, and 3.7% at SFO. **Total Bay Area aircraft operations would decrease by 6.1%.**” (Emphasis added.)

Of course, every little bit helps. But in the same planning document, total forecast demand expansion for SFO is on the order of 90%, with passengers growing from 35 million to 64 million and air cargo almost doubling. Growth comes from low-cost airlines expanding their offerings around the USA from SFO, growing international traffic, and cargo – none of which HSR competes for. Therefore, HSR provides only minor alleviation of SFO’s total capacity constraints; indeed, one might even forecast that HSR would bring more passengers to SFO from the Central Valley for its international flights.

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Burlingame is extremely close to SFO; our City is an original member of the SFO Airport Roundtable, which works to mitigate the airport’s effects, and we remain vigilant, on behalf of our residents, that SFO’s growth is managed in a way that supports our regional economy while minimizing incremental noise pollution in our city. Likewise, we are surrounded by two major highways that carry tens of thousands of people every day. We welcome cost-effective strategies to significantly reduce growth in auto and airplane traffic. It would be wonderful if HSR did that, but we don’t believe it will, because traffic between Los Angeles and San Francisco is just a fraction of the overall demand.

In sum, policy makers may decide to invest $98 billion to construct high speed rail for various reasons. What we suggest policy makers NOT do is make this investment because they believe that the alternative is to spend $177 billion on airport and road capacity.— That assumption is not grounded in reality. It is also unrealistic to assume that an investment in high speed rail will alleviate the need for substantial additional airport and highway investments.

We strongly advise the Authority to drop this flawed analysis from the Draft 2012 Business Plan, lest it further undercut the credibility of other parts of the plan.

Sincerely,

Terry Nagel, Mayor, on behalf of the entire Burlingame City Council

cc: California High Speed Rail Authority Board
Congresswoman Jackie Speier
Congresswoman Anna Eshoo
Congressman John Mica
State Senator Joe Simitian
State Senator Leland Yee
Assemblymember Jerry Hill
Assemblymember Rich Gordon
CHSRA Board Member Jim Hartnett