

Joint Hearing

Transportation and Housing Committee and Select Committee on High-Speed Rail

Hearing on the Review of the High-Speed Rail Authority's Draft 2012 Business Plan Committee Background Report

December 5, 2011

I. Introduction

In December, 2007, the Senate Transportation and Housing Committee held the first oversight hearing of the High-Speed Rail Authority (HSRA). Since then, the Transportation and Housing Committee, the Select Committee on High-Speed Rail, and the Budget Committee Subcommittee on Transportation and Resources has held at least twelve hearings on the high-speed rail (HSR) project.

Today's hearing focuses on the draft *California High-Speed Rail Program Draft 2012 Business Plan*. This is the third business plan. The HSRA published previous plans in 2008 and in 2010. Some criticized the previous plans because they were promotional in nature, did not provide a coherent HSR deployment strategy, did not use reliable ridership forecast to determine revenue, relied extensively on public funding from the state, local, and the federal governments, were dismissive of developing strategies to shift the project's various risks from the state to a private co-development partner, and were opaque as to how the HSRA reached the plan's conclusions.

The draft 2012 Plan is an improvement over previously published plans. The HSRA is proposing a well-defined development strategy. The assumptions used to reach conclusions regarding funding, cost, and deliverability are clearly articulated. There remains, however, issues related to ridership, the role of the private sector, the reasonableness of funding scenarios, and the state's exposure to risk.

This background report will discuss the business plan's proposed deployment strategy, ridership issues, and funding challenges.

Before discussing specific issues involving the business plan, it is useful to review the role of another document recently submitted by the HSRA called the funding plan. This review is important because the funding plan is derived directly from the business plan and will be a