

Jerry Brown orders all State Staff to hide all mentions of CA bankruptcy potential and avoid such discussions in governor's race

 By RALPH VARTABEDIAN
Vartabedian

 The bullet train is California's biggest infrastructure project — but it's seldom discussed in governor's race

The California bullet train's Cedar Viaduct alongside California Highway 99 in Fresno. (California High Speed Rail)

It's the biggest infrastructure project in state history, but the California bullet train gets hardly any attention on the campaign trail.

The leading candidates for governor have said little, if anything, publicly about how they would fix dire problems in the \$77-billion mega-project that has already overrun its initial cost estimate by \$44 billion.

The next governor, as well as the state Senate and Assembly, will inherit a financial storm and face the tasks of finding money to bore tunnels

under three mountain ranges, develop complex passages through the state's biggest urban regions and avoid further political compromises that would slow travel along the route.

Yet the California political system is largely shying away from addressing the problems at the very moment when the project's chief proponent, Gov. Jerry Brown, prepares to leave office and a new generation of politicians gets ready to step in.

The project is not at the threshold of needing an immediate solution, but remedies will grow ever more costly as decisions are delayed and the probability increases of even greater problems in the future, infrastructure experts say. Every six-month delay in making decisions drives hundreds of millions of dollars in future inflationary costs.

A new business plan, approved by the state rail authority on Tuesday, presents an ambitious 2033 completion date — but offers few details about how it can be executed on time. Based on the authority's own cost and schedule figures, meeting the deadline would require spending about \$4.6 billion per year that doesn't exist, an average of nearly \$13 million per calendar day — a staggering construction rate never approached in U.S. history.

"Successful projects have adequate funding and realistic plans from the start," said Bent Flyvbjerg, chairman of Oxford University's department for major program management and one of the world's top experts on high-speed rail projects. "They don't say we are optimistic about the budget. California is unusual in the degree of uncertainty. It is very risky."

Over the last decade, three independent advisory panels and the chairmen of three legislative committees have told the state rail authority that basing plans on uncertain funding would undermine the system's long-term success.

Those warnings were repeated in recent weeks when the Legislative Analyst's Office and the state-appointed peer review committee told legislative committees that the 2018 business plan is "not viable." The U.S. Department of Transportation inspector general and the California

auditor have launched inquiries into the project in recent months as well.

Democratic gubernatorial candidates Gavin Newsom and John Chiang and Republican candidates John Cox and Travis Allen declined requests for interviews or did not return phone calls.

Of the leading candidates, only Antonio Villaraigosa, a Democrat, discussed how he would fix the project. In an interview, he said the project would become an economic engine for the state and that he would find private investors that can plug the funding gap — despite the state's failure in recent years to attract such capital. He wants to streamline permitting and find ways to cut costs, he said. More state money isn't likely, he said, and he stopped short of giving his full support to some of the financing schemes that the rail authority wants to use.

In a recent debate, Democratic candidates said they want to keep the project going, though they did not address its problems. Delaine Eastin has said she would impose an oil severance tax on petroleum producers that could be used to finance the bullet train.

Cox said at a debate he would kill the project, though it isn't clear how he would unwind it without violating federal grant agreements. Allen also said in a debate that he would end the project.

The forces restraining detailed discussion of the project's future grow out of many fears: the consequences of betraying Brown, the scant political payoff in discussing government dysfunction, the possibility that the problems have no legitimate solutions and the potential of alienating the rail system's supporters. The backers, including organized labor, the construction industry and engineering consultants, have poured millions of dollars of contributions into the political system over the last decade and many show up at every hearing in the state Capitol.

"They can't talk about it," said Art Bauer, a retired Senate staffer who was involved in launching the project. "You can't fix it as it is currently conceptualized. And anything you say could alienate your base. There is a lot of support for high-speed rail among Democrats. They just want the government to find a way to make it work."

Brown has tightly controlled the politics of the project, owing to his mastery of using the power of his office and his vast personal campaign war chest to sway support, political analysts say. Appointees to the rail authority board have never strayed from what Brown sought and have until recently minimized any serious public examination of the problems they face in monthly board meetings. Brown declined a request for an interview.

The California political system has benefited from nearly \$8 million in contributions to candidates, propositions and other political organizations in the last decade by the engineering and construction firms working on the project, according to an analysis of contribution reports. Building trade unions involved in the project have contributed more than \$1.3 million directly to Newsom, Villaraigosa and Chiang.

Minor candidates, who garner little public attention, have articulated some of the clearest strategies on high-speed rail. Michael Shellenberger, an environmentalist Democrat, said in an interview he wants to kill the project because the world is on the cusp of a transportation revolution with autonomous vehicles that will soon offer much higher speeds than existing automobiles. He believes the project cost will likely exceed \$100 billion, which he says the state can't afford as it grapples with a housing crisis, falling support for education and loss of middle-class jobs.

Robert Griffis, a retired engineer and Democrat, says the project was a good idea but was hijacked as a profit machine by the organizations that put it on the ballot. "It is going to be psychologically difficult to admit is failure," he said. His priority would be reducing the state's debt.

Bauer, the former Senate staffer, believes the next governor will have to call a timeout and do a forensic analysis of what can realistically be accomplished and what is "pie in the sky."

Programs that encounter higher costs and long delays often "get completed in some shape or form, but they have a tormented process," said Flyvbjerg, the Oxford expert. He pointed to Berlin Brandenburg Airport, which is set to open in a couple years about a decade behind schedule at a cost that by some estimates has quadrupled to more than \$11 billion.

Legislators have already been urged by the peer review panel to consider options that would make the project more affordable.

The options, say various analysts, watchdogs and critics, include: curtailing service to San Jose by entering the Bay Area through Altamont Pass; eliminating tunnels through the San Gabriel Mountains by using the existing Metrolink corridor; eliminating a 1.3-mile tunnel under downtown San Francisco; relocating a heavy maintenance facility from the Central Valley; and halting future construction until a realistic funding plan is developed.

The rail authority, in its 2018 business plan, foresees a different path, hoping that the Legislature will act by about 2020 to extend greenhouse gas fees, which have contributed \$1.7 billion to the project so far. The existing program would expire in 2030, so the rail authority wants that extended to 2050. Under its plan, the rail authority would be granted legal authority to issue bonds against its share of future fees. That would raise an estimated \$4 billion to \$11 billion. But the plan may have to be approved by voters and could encounter resistance when Brown is gone.

Officials close to the project say the underlying strategy is to get the project so far along that it would compel the state to finish it, even if the cost grows and the schedule slips. It is a well-worn approach to all kinds of federal, state and local projects, including weapons systems and subways.

Even with that cap-and-trade infusion, however, the project would be short at least \$50 billion. The state has had no success since 2010 in getting additional federal support. Thirty-six private firms told the state in 2015 that they would not invest anything in the project without a guarantee that they could not lose money, a demand that would violate the terms of the 2008 bond act.

Pumping more state money into the project puts it in competition with other high-priority goals that have their own power constituencies: single-payer healthcare, an expanded program for the homeless, and shoring up the higher-education system to stem increases in tuition. Then there are demands for local transit, highway repairs, greenhouse gas reduction, water supply projects and much else at least as important to many constituents as high-speed rail.

"Obviously, single-payer is more critical than the bullet train," said Chuck Idelson, spokesman for the California Nurses Assn. "If you don't have health, you don't have anything. It is worth [it for] the state to examine all of its priorities individually to see whether it is appropriate to spend that money on the bullet train."

A strong argument is also raised for affordable housing, which not only affects people living on the street but also those priced out of cities and forced to endure long commutes, said Gary Toebben, president of the Los Angeles Area Chamber of Commerce.

"The long-term priorities for the state should be education, housing, water and transportation," he said.

The bullet train isn't necessarily part of that mix, though the chamber has supported the project.

"It is harder and harder to justify every year," Toebben said. "It doesn't rise to the level of something we have to have."

ralph.vartabedian@latimes.com

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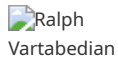
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Ralph Vartabedian, a national correspondent at the Los Angeles Times, joined the newspaper in 1981. In his many reporting assignments, he has written on Toyota vehicle defects, presidential candidates, the New Orleans levee failures, the defense industry, the Columbia space shuttle accident investigation, nuclear weapons, tax collection abuses, and the California bullet train, among much else. He won the 2015 Gerald Ford Presidential Foundation award for defense writing, as well as Loeb awards in 1987 and 2010. He was also a Pulitzer finalist in 2010, among many other career recognitions. In 1989, the Delta Mu Delta honorary society at California Polytechnic University school of business gave Vartabedian a special award for integrity. He covered aerospace and defense issues for 10 years at The Times, covering the military buildup that preceded the end of the Cold War and its decline afterward. He spent five years as a Washington, D.C., reporter for the paper and then four years as the deputy business editor. He previously worked at the Minneapolis Star and the Kalamazoo Gazette. Vartabedian is married to Jeanne Wright, a freelance writer. Born in Detroit, he graduated from the University of Michigan with a master's degree in economics and a bachelor's degree in journalism.