

TESTIMONY OF WILL KEMPTON  
CHAIR, CALIFORNIA HIGH-SPEED RAIL PEER REVIEW GROUP  
REGARDING THE CALIFORNIA HIGH-SPEED RAIL AUTHORITY'S  
DRAFT BUSINESS PLAN

ASSEMBLY TRANSPORTATION COMMITTEE  
STATE CAPITOL, ROOM 4202  
NOVEMBER 29, 2011

Madame Chair, members of the committee, good afternoon, my name is Will Kempton; I serve as the Chairman of the California High-Speed Rail Authority Peer Review Group. I am also the Chief Executive Officer of the Orange County Transportation Authority.

The purpose of my testimony today is to outline for you the Peer Review Group's intentions regarding our review of the California High Speed Rail Authority's Business and Funding Plans as well as a few of the issues we are looking at for both of those documents.

As you may recall, California Law AB 3034 established a Peer Review Group whose duty is to evaluate the California High-Speed Rail Authority's funding plans and provide its independent judgment as to the feasibility and the reasonableness of the Authority's plans, appropriateness of its assumptions, analyses and estimates, and observations or evaluations as the Group deems necessary. The Peer Review Group was established with eight members, and currently has six appointed members.

The Peer Review Group is assembling its draft comments on both the Business and Funding Plans. We have every intention of meeting all of the deadlines for comments on both plans. The Peer Review Group has met with Authority staff on several occasions and hopes to meet with staff prior to any written submittal to review the plans in order to gain further insight and understanding of them.

Before I outline for you a few of the issues in the Business Plan identified by the Peer Review Group, let me state that the 2012 Draft Business Plan represents a significant improvement over preceding plans. The plan is more realistic regarding its cost estimates and ridership projections. It also recognizes the need and importance of a "blended" service approach in and around the project's termini, San Jose/San Francisco and Los Angeles/Anaheim.

Based on a preliminary review of the Business Plan, following are a few of the issues the Peer Review Group is examining:

- Business Model: It is unclear as to whether the same private sector entity who will design the project will be the same as who will operate it. Until this is

clarified, the project's concession value may be diminished to future buyers/operators.

- Funding: The plan does not identify additional reasonable or expected funding sources beyond the Initial Construction Segment. There is no certainty of funding for the Initial Operating Segment and the identification of future funding sources is problematic.
- Operating Subsidy: The Group will want to be more assured that the revenue generated by either of the Initial Operating Segments will cover the operating and maintenance costs.
- Business Planning and Schedule: Even though in its early stages, Group members think that the project needs a more detailed development schedule.
- Staffing: Staffing problems are still apparent. A project of this size demands that positions dealing with administration, risk management, and right-of-way acquisition, etc., be filled immediately.
- Ridership: While the plan's ridership estimates have adjusted downward, Group members still have questions. Further analysis needs to be done regarding the assumed high cost of driving, train schedules, frequency of service, and the cost of airfare.

As I stated before, the Peer Review Group will meet all deadlines required by law. Madame Chair, the Peer Review Group, as it has done in the past, is prepared to meet with you and members of the committee to continue to discuss the high-speed rail project and any work being done by the Group.

I will be happy to answer any questions you may have.