

Palo Alto Rotary Pinion

Weekly Newsletter

Date: July 30, 2012

Reporter: MIKE McMAHON

Editor: LYLE CONNELL

CALL TO ORDER

President HAL MICKELSON opened the meeting at 12:20 and introduced JULIE JEROME, who led the Pledge of Allegiance in honor of our late Rotarian, DAVID NEGRIN, whose memorial service was last Friday.

WALT HAYS introduced Visiting Rotarian David MacKenzie of the Palo Alto University Club, and President of the Palo Alto Chamber of Commerce, who presented our club with a Certificate of Membership.

Guests of Rotarians: Brian Hurwick, guest of KATIE SEEDMAN, and Kate and Claire Durning, visiting from Chicago, who are both guests and cousins of President HAL MICKELSON.

OPENING REMARKS

DAN QUINN was inspired by a recent trip to Yosemite where he



encountered signs along the trail, placed by some backpacking school children.

“Look =>”

“How many senses do you have? How many have you used today?”

“Imagine you were as big as [picture of a ladybug]! What would the world look like to you?”

“What is the loveliest thing you can see from here?”

“A ship in the harbor is safe, but that is not why ships are built.”

PRESIDENT'S CLUB CONTRIBUTIONS

E.J. HONG made a contribution to both the President's Club and to the Endowment in honor of DAVID NEGRIN.

JOYCE CUSICK made a gift in honor of DAVID NEGRIN.

DENNIS MCGINN made a gift in honor of his second grandchild.

SALLY TOMLINSON made a gift in honor of many ways our Rotarians support the local community.

ANNOUNCEMENTS

President-Elect STEVE EMSLIE reminded Rotarians of Refreshments and Recognition scheduled for the Picnic on Sunday, August 5 from 3 to 6PM, at Greer Park in Palo Alto at the corner of Colorado and West Bayshore. The Picnic celebrates both the completion of the Hands-On Project to install Sun Screens over the picnic tables, designed by BILL BUSSE and installed by many Rotarians, and is the Summer Social to inaugurate President HAL MICKELSON.

PROGRAM

YORIKO KISHIMOTO introduced our speaker, Louis S. Thompson, of Thompson, Galenson and Associates, LLC in Saratoga. His curriculum vitae can be found in the first Bibliography entry. He is a member of the California High-Speed Rail Peer Review Group.



Lou started by discussing the evolution of modern high-speed rail from Japan to Europe and to the Northeast Corridor of the United States. The California High-Speed Rail Project is planned to be 520 miles from San Francisco

to Anaheim via San Jose, the Central Valley, and Los Angeles. Each end is “bookended” by the major urban connectors in San Francisco, Caltrain, and Los Angeles, Metrolink. The project started in 1996 in the promotional stage. It progressed to Proposition 1A in 2006-2008 as a \$9.95B project to be 50% matched by other than the State of California. The project was helped by the financial collapse of 2008, when it received \$2.6B in funds from the American Recovery and Reinvestment Act of 2009. These funds have the requirement that the Central Valley section of the project must be expended by 9/30/2017. In November, 2011, the draft of the 2012 Business Plan was completed with a proposed funding plan that amounted to \$100B for the 500 miles.

At this point the Peer Group, of which Lou is a member weighed in with the opinion that:

Plans were inadequate and recommended no funding.

No known funding beyond the initial step.

Business model is incomplete and contradictory.

Limited utility, if only Central Valley is completed.

Management resources and structure is unworkable.

Peer Group questioned demand forecast, capital costs, and risk management.

In 2012 there have been many further changes:

Governor Brown has committed to the project, installing new Management:

Carbon trading income could be used to fill in the funding gap.

Added \$1.1B in bookend projects, i.e. Caltrain electrification.

Released clearer Business Model.

The operation of trains will be contracted out.

Lowered demand forecast and cost estimate.

SB 1029, Budget Act of 2012, signed.

Lou then forecast that:

- 3 Design/Build Contracts will be released for initial Central Valley section, which is at 30% design stage.
- Should be rapid movement on Caltrain and Metrolink projects.
- Caltrain electrification needs to move rapidly ahead, since State Treasurer has right to take funding away for Central Valley.

Environmental litigation appears certain.

The 2014 Business Plan should have improved demand estimates. Overall, you should look at High-Speed Rail as a Process; it is not a Construction Project.

BIBLIOGRAPHY

California High-Speed Rail Peer Review Group Reports: <http://www.cahsrprg.com/documents.html>

Legislative Analyst's Office Reports on High-Speed Rail: http://www.lao.ca.gov/laoapp/laomenu/sections/lao_sectionpage.aspx?catid=11

California High-Speed Rail Business Plans: http://www.cahighspeedrail.ca.gov/Business_Plan_reports.aspx
Megaprojects and Risk: An Anatomy of Ambition, Paperback by Bent Flyvbjerg, Nils Bruzelius, and Werner Rothengatter, 2003
Decision-Making On Mega-Projects: Cost-Benefit Analysis, Planning and Innovation, 2008 edited by Hugo Priemus, Bent Flyvbjerg and Bert Van Wee, 2008

Mega-Projects: The Changing Politics of Urban Public Investment Paperback by Altshuler and Luberoff, 2003

The Northeast Corridor Improvement Project, available at: www.tgaassoc.com/documents/northeast-corridor.pdf

For another viewpoint see the following paper from California Common Sense, who spoke to us last year, entitled "California High-Speed Rail Realities" at <http://cacs.org/ca/article/38>. The author alleges that if California pays for most of the rail's construction, debt payments may cost the State up to \$6.5B every year starting in 2028. That's enough to fly every Californian from San Francisco to Los Angeles and back each year. Twice.

FUTURE PROGRAMS

August 6 **Radha Basu**, Frugal Innovation

August 13 **Sgt. James Reifschneider**, Fraud & Identity Theft: How You Can Protect Yourself

August 20 **Phil Taubman**, International Security / International Relations

August 27 **Amir Dan Rubin**, Stanford Hospital President and CEO

2013 ROTARY INTERNATIONAL BANNER



Meeting Information www.rotarypaloalto.org