THE ALAMEDA CORRIDOR PROJECT: ITS SUCCESSES AND CHALLENGES

HEARING

BEFORE THE

SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS

OF THE

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THE ALAMEDA CORRIDOR PROJECT: ITS SUCCESSES AND CHALLENGES

MONDAY, APRIL 16, 2001

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS,
COMMITTEE ON GOVERNMENT REFORM,
Long Beach, CA.

The subcommittee met, pursuant to notice, at 8:58 a.m., in the Harbor Department Administration Building Board Room, Port of Long Beach, 925 Harbor Plaza, Long Beach, CA, Hon. Stephen Horn (chairman of the subcommittee) presiding.

Present: Representatives Horn and Millender-McDonald.

Staff present: J. Russell George, staff director and chief counsel; Bonnie Heald, director of communications; and Grant Newman, assistant to the committee.

Mr. HORN. This meeting of the Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations will come to order.

More often than not congressional hearings are called to examine a problem. Sometimes it involves an outrageous waste of Federal taxpayer money, other times it may involve an abusive use of power. Today's hearing is different and refreshing. We are here today to examine the multi-billion dollar transportation project that, unlike most publicly funded programs of this magnitude, is nearing completion on schedule and within budget. By this time next year trains will be speeding their Pacific Rim cargo along the Alameda Corridor between the Ports of Long Beach and Los Angeles and transcontinental rail networks 20 miles away.

The intermodal project, which includes a 10-mile, 33-foot deep trench and 29 new bridges will ease traffic congestion and cut noise and air pollution in each of the seven cities along its path. The project will also allow cargo from the combined port complex, the busiest in the Nation and the third busiest in the world, to move two to three times faster toward destinations throughout the United States. Nearly one quarter of all waterborne imports currently enter this country through these ports and that volume is expected to double within the next 20 years. The need for such a project was clear, the challenges however were enormous.

When the Alameda Corridor Transportation Authority was created in 1989, board members had the daunting task of building a consensus among seven distinct city governments, huge railroad companies that were in the process of merging, and Federal, State, and regional government agencies. The support of all of these enti-

ties was vital to the completion of the $2.4 billion project. Today we would like to learn how that consensus was achieved. We would like to hear about the specific challenges, how they were met and finally how the project is progressing.

There are a number of proposals for similar projects in other cities, such as Seattle and New Orleans, perhaps Houston and others. In addition, projects are being discussed for other congested California areas north and east of Los Angeles. We hope that today's testimony will provide guidance for those who are considering these proposals. I congratulate all of our witnesses who are here with us today for their contributions to this highly successful public/private enterprise.

I would like to welcome our first panel of witnesses who helped put this project together. Jeffrey Kellogg of the Newark Co., former Long Beach City councilman and former vice chairman of the Alameda Corridor Transportation Authority Board of Directors; Gill Hicks, president of Gill Hicks and Associates, Inc., and former general manager of the Alameda Corridor Transportation Authorty; James Preusch, vice president and managing director of A.G. Edwards and Son and former treasurer of the Alameda Corridor Transportation Authority; and Jeffrey D. Holt, vice president of Goldman Sachs & Co., and senior managing underwriter of the Alameda Corridor Project.

On panel two we will hear the stakeholders of this project, the ports and the railroads. Richard Steinke, the executive director of the Port of Long Beach, who will also represent the Alameda Corridor Transportation Authority Board of Directors; followed by Larry Keller, his counterpart, executive director of the Port of Los Angeles and Rollin Bredenberg, vice president of service, design and performance for Burlington Northern Santa Fe Railroad.

Our third and final panel will provide an update on the progress and successes of the project and the challenges that remain. James Hankla, chief executive officer of the Alameda Corridor Transportation Authority, former city manager of the city of Long Beach, former chief administrative officer for the county of Los Angeles; Tim Buresh, director of engineering and construction for the Alameda Corridor Transportation Authority; Jeffrey Brown of the California State Office of Research, who is also representing State Senator Betty Karnette.

I welcome all of you and look forward to your testimony. Let me explain how we conduct this hearing. Technically we are an investigating committee, and as I said earlier, this is the good luck day with this committee. We have had about 100 different hearings in the last 2 years and we will do the same process here. The minute—if you have a written statement—that we introduce you, that automatically goes in the hearing record with the gentleman from my left, and your right, and that will all be put in there with exhibits and everything else. What we would like you to do is summarize your testimony within 5 minutes. We would like to have a lot of time for questions and answers, because that is the way we learn a lot. Your statements are very fine. They have been gone over by staff and I have had a chance to look at some. So if we can get panel one up here. You cannot see it apparently, but I can see

it. Mr. Kellogg is on the right side. Mr. Hicks next to him. That is Mr. Hicks. Then we have Mr. Preusch and we have Mr. Holt.

I might add for the second panel and the third one, you might want to just get around here and then it will be more intimate than having you just sitting and seeing their backs. So why doesn't the second panel just come up? We will put you in the right place when that time comes. Those chairs might even be more comfortable. The commissioners are very good at being comfortable. This is a beautiful building and we thank all of the people in the Port for helping us with this Corridor hearing, and you have been so good in the past when we have had hearings on the Customs Service and trying to help them, a very fine service.

So we have Mr. Kellogg, Mr. Hicks, Mr. Preusch and Mr. Holt.

Ms. HEALD. Mr. Holt is here and we are trying to find him.

Mr. HORN. Oh, OK. Well he will be the fourth one anyhow, so it does not matter.

Let me just say that we also swear in all witnesses. So if you will stand and raise your right hands.

[Witnesses sworn.]

Mr. HORN. The clerk will note the three witnesses have assumed the oath.

We will now begin with Mr. Jeffrey Kellogg, former Long Beach city councilman and I think mayor pro tem and former vice chairman of the Alameda Corridor Transportation Authority Board. So, Jeff, we are delighted to have you here.

STATEMENTS OF JEFFREY KELLOGG, FORMER LONG BEACH CITY COUNCILMAN AND FORMER VICE CHAIRMAN, ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY BOARD; GILL HICKS, FORMER GENERAL MANAGER, ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY; JAMES PREUSCH, VICE PRESIDENT, MANAGING DIRECTOR, A.G. EDWARDS & SONS, FORMER TREASURER, ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY; AND JEFFREY D. HOLT, VICE PRESIDENT, GOLDMAN SACHS & CO., SENIOR MANAGING UNDERWRITER, ALAMEDA CORRIDOR PROJECT

Mr. KELLOGG. Actually by starting with me you are jumping a little bit ahead because Mr. Hicks was involved with the Southern California Association——

Mr. HORN. Have we got those microphones OK? The clerk will check. Can you hear it out in the audience?

Mr. KELLOGG. The problem with these tables is you do not know where the microphones are unless you look over at them. That is fine.

Mr. HORN. Fine, but you have got to speak up.

Mr. KELLOGG. It is on.

Mr. Chairman, my involvement is from the beginning of the Alameda Corridor in 1988 as a newly elected member of the Long Beach City Council. I am one of the original members of that governing board. The beginning process though really began with Mr. Hicks and the Southern California Association of Governments as they went through a process of determining the planning for the growth of the Ports of Long Beach and Los Angeles. I wish I could sit here today and tell you that I had this great vision, and if I was

still in elected office I probably would make that claim, but the fact remains that I was simply trying to find a way of removing train traffic and eliminating a lot of the problems that trains were causing in my neighborhoods as a Council member.

Someone showed me a document about this proposed Alameda Corridor. I got involved more out of luck than anything else. I became one of the original members and I was a chairman, I believe, four different times of that governing board during my 12 years. It is probably one of the projects I am most proud of during my tenure as a member of the city council, and also representing the city of Long Beach on that governing board.

There are too many stories that I have talked to your staff about on the project that are beneficial to it, some of the challenges along the way. I could probably—as you mentioned, you many times have to talk to different public works projects that have not had a success rate, as this one has been. Every time I did go back to Washington, DC, or Sacramento to lobby, it usually began with the following: Good morning, my name is Jeff Kellogg and I am not with the Metropolitan Transportation Agency. We are not part of the MTA, because the MTA, or the big dig project in Boston were at that time at the forefront of how to spend a lot of money and not necessarily get a lot of results.

If I had to tell you what I felt was the strongest point on the Alameda Corridor that made it successful, it is because of one strong factor. You had people that were vested in it financially. The Ports of Long Beach and Los Angeles stepped up. When we went back to Washington, DC, or Sacramento to ask for additional funding, we did not say we have no funding, we said we have funding, we need more funding to make this project work. The strongest point is to have a partner in this who is willing to step up financially, whether it be corridor or cities. In other parts of this country who are trying to do similar projects, if they are not willing to put financial dollars up to make the project initially begin, I believe they will have a difficult time getting any more support back in Washington, DC, for example.

The other issue that we felt very strongly about, we had a sole purpose. We are building one corridor to connect the Ports of Long Beach and Los Angeles to downtown Los Angeles and move the cargo. We are not trying to do 10 or 15 different items. We did not have 10 or 15 different political agendas taking place. We had one agenda, to build this corridor, to help improve moving cargo out of the Ports of Long Beach and Los Angeles. That impact is positive for the Federal Government, as well as the local area. For a local official, it meant less trains running through my neighborhood. So we had from the very smallest part, as an elected official, all the way to the top end of government realizing the benefits of it all.

Those two points were critical as I looked at this. Having the people who were willing to financially invest in the project from the very beginning and then the community continuing to focus on the mission statement of what this was to do, and that was to build this project, not to become social engineers, but to just advance an engineering project of this magnitude.

Mr. Chairman, that is the best advice I can give to anyone. It was a wonderful experience for me. I had a tremendous time work-

ing with different people and the Ports of both Long Beach and Los Angeles. I truly believe it is a model for everyone else to follow. Thank you, Mr. Chairman.

Mr. HORN. Well, I thank you very much because that was a good summary, and here we are even before the end of the 5-minute situation.

Mr. Hicks, who was one of the early pioneers in guiding the Alameda Corridor project.

Mr. HICKS. Good morning, Mr. Chairman, ladies, and gentlemen. Thank you very much for the invitation to speak to you today.

You have asked me to discuss some of the challenges faced by this project. I am going to speak primarily to the issues prior to construction. There are other speakers here today who will touch base on that.

As you know, the Alameda Corridor began modestly as a low-budget planning study in the early 1980's and has now developed into a $2.4 billion program, one of the largest public works projects in the United States. I believe that the success of the Alameda Corridor is due in part to the successful execution of what I call the seven C's of project development, and they are communication, coordination, credibility, compromise, consensus, coalition and champions. These C words reflect the necessary components of implementing a complex project involving many stakeholders with competing agendas. Successfully navigating these seven C's is normally a prerequisite to obtaining another C word, namely capital. Conversly, missteps in any of these areas, if serious enough, could easily sink or derail a major project.

In the early days of the program, one of the key challenges was what is the project. What is the project definition? And in the early 1980's, the Southern California Association of Governments created a Ports Advisory Committee which looked at the options. And after only 5 months, in March 1982, the Ports Advisory Committee did reach consensus on a comprehensive list of highway improvements that included the widening of Alameda Street from the ports to Route 91.

From 1982 to 1984, the Ports Advisory Committee focused on railroad access for the ports, and in December 1984 the SCAG Executive Committee adopted a plan for the consolidation of all port-related railroad traffic onto the former Southern Pacific San Pedro Branch. This corridor is largely industrial and thus more compatible with the heavy freight trains than three other harbor-access lines that cut through residential neighborhoods.

When the plan for the consolidated corridor was originally proposed in 1984 the railroads looked at it and were generally opposed because, of course, they had their own privately owned rights-of-way. It was like asking three neighbors on a residential street to share the same driveway. Ultimately however, through simulations of the railroad traffic and other studies, we were able to convince the railroad that, yes indeed, the project would speed up the trains and reduce the significant amount of delay to their own trains; thus, improving the efficiency of the rail line and facilitating the movement of international cargo were important objectives, along with the goals of reducing vehicular delays at grade crossings, improving emergency access, and reducing noise and air pollution.

The SCAG study demonstrated that the consolidated corridor would be a win-win solution for all concerned.

Another major challenge, of course, was obtaining additional funding beyond the seed funding that the ports provided in the early days of ACTA. We first approached the L.A. County Transportation Commission, which was the earlier agency before the MTA. Initially there was not even a category in which to compete. We were not a freeway, we were not buses, we were not commuter rail. For 2 years we lobbied the agency for a category for goods movement so that the Alameda Corridor could compete in this arena. Eventually over time we were successful in getting commitments from the MTA for $347 million in State, Federal and county grants. These efforts were also supported by the California Transportation Commission, another major champion of that project.

One of the highlights of the program, of course, was obtaining the Federal loan in 1996 and 1997. Through a variety of legislation, the ISTEA, the National Highway System Desigination Act which desiginated the Alameda Corridor as a high-priority corridor, we became eligible for the innovative financing. In 1996, the Omnibus Budget legislation allowed for a $58.68 million appropriation to support a $400 million loan. In 1997, in January, President Clinton held a signing ceremony for the loan at the White House.

This process, culminating in the landmark loan, was the result of extensive communications, coordination, credible analyses of national economic impact of port activity, consensus and coalition building, compromise and the support of key champions within the legislative and executive branches of the State and Federal Governments. Members of ACTA's coalition and advocacy team successfully communicated the key message that the project was vital to the health of the Nation's economy because it would dramatically improve a critical international trade corridor linking every other State in the Nation to the largest port complex in the United States. Congressman Horn and several of his colleagues were true champions in this endeavor and deserve enormous credit for the successful effort.

Mr. Chairman, there are other challenges that I have listed in my written testimony that you can read at your leisure, but in the interest of time, I would like to stop here.

Mr. HORN. Well thank you very much, Gill. You have been a real pioneer and I am sure you will have plenty of people saying how did you do it and how can we do it. So that will be helpful.

Our next presenter is James Preusch, the vice president and managing director of A.G. Edwards & Sons, former treasurer of the Alameda Corridor Transportation Authority. He also was the chief financial officer to the Port of Los Angeles. So he really knew the territory.

Mr. Preusch.

[The prepared statement of Mr. Hicks follows:]

Testimony of Gill V. Hicks
President, Gill V. Hicks and Associates, Inc.
House Committee on Government Reform, Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations

Long Beach, CA
April 16, 2001

Good morning Mr. Chairman, members of the Committee, ladies and gentlemen. Thank you very much for the opportunity to speak to you today about a project dear to my heart, the Alameda Corridor. My name is Gill Hicks. I own my own transportation planning consulting firm, Gill V. Hicks and Associates, Inc. I served as General Manager of the Alameda Corridor Transportation Authority (ACTA) for 10 ½ years, from July 1, 1990 to December 31, 2000. From 1989 to 1990 I was Transportation Planning Manager for the Port of Long Beach, and prior to that I was a Principal Transportation Planner with the Southern California Association of Governments (SCAG).

You have asked me to describe some of the key challenges in implementing this major project. I believe the Alameda Corridor is the result of the successful execution of what I call the "Seven C's" of Project Development:

1) Communication
2) Coordination
3) Credibility
4) Compromise
5) Consensus
6) Coalition
7) Champions

These "C' words reflect the necessary components of implementing a complex project involving many stakeholders with competing agendas. Successfully navigating these seven "C's" is normally a prerequisite to obtaining another "C" word: *Capital*. Conversely, missteps in any of these areas, if serious enough, could easily sink or derail a major project.

In the early 1980's, the Southern California Association of Governments (SCAG) coordinated a planning effort focusing on highway and railroad access to the Ports of Los Angeles and Long Beach. In 1981 the ports were interested in obtaining state or federal grants for highway access improvements. The ports approached Heinz Heckeroth, the Caltrans District 7 Director at the time, and inquired about the feasibility of state funding. Mr. Heckeroth suggested that SCAG, the Metropolitan Planning Organization for the area, coordinate a systems-level analysis of the transportation access needs of the ports. The goal was to develop an action plan for improving traffic conditions in the port area and to raise funds for implementing that plan. Thus was born the Ports Advisory Committee (PAC) in October of 1981. The PAC brought together a diverse group of interest groups to begin the communications and consensus building process. The PAC

included representatives from the ports, railroads, trucking firms, Caltrans, Los Angeles County Transportation Commission (LACTC), and other public agencies.

The PAC initially focused on highway access. After only five months, in March of 1982 the PAC agreed on a comprehensive list of highway improvements that included widening of Alameda Street from the ports to Route 91. These projects were later partially funded with a $58 million federal grant from the Surface Transportation Assistance Act of 1982. The late Congressman Glenn Anderson was the principal champion for this funding.

From 1982 to 1984 the PAC focused on developing a railroad access plan for the ports of Los Angeles and Long Beach. During that period the key issue was concern over a projected surge in coal train traffic through communities north of the ports. The anticipated growth in coal exports never materialized but was replaced by a very real increase in container trains serving the ports. In December of 1984 the SCAG Executive Committee adopted a plan for the consolidation of all port-related railroad traffic onto the former Southern Pacific San Pedro Branch, a 20-mile rail line which parallels Alameda Street between downtown Los Angeles and the ports. This corridor is largely industrial and thus more compatible with heavy freight trains than three other harbor-access lines that cut through residential neighborhoods.

When the plan for a consolidated railroad corridor was adopted in 1984 the railroads were generally opposed because of course they had their privately owned tracks and they felt the government should not force them to share a common right-of-way. It was like asking three neighbors on a residential street to share the same driveway. Ultimately, through simulations of future railroad traffic we were able to demonstrate convincingly that the consolidated corridor would speed up trains and eliminate a significant amount of train delay. Improving the efficiency of the rail line and facilitating the movement of international cargo were important objectives along with the goals of reducing vehicular delays at grade crossings, improving emergency vehicle access, reducing noise in residential neighborhoods, and reducing air pollution. The SCAG study demonstrated that the consolidated corridor would be a win-win solution for all concerned. The credibility of these early technical studies was a critical element leading to consensus.

From 1985 to 1989 SCAG's Alameda Corridor Task Force worked to develop consensus on institutional arrangements, phasing, and funding. In 1989 the ports stepped up to the plate and provided the seed money for early design and environmental studies. The ports also spearheaded the effort to create an implementing agency to take the lead on design and construction. The cities of Los Angeles and Long Beach formed a joint powers authority, the Alameda Corridor Transportation Authority (ACTA) in August of 1989.

One of ACTA's biggest challenges was to raise additional funds. In the early 1990's, the Los Angeles County Transportation Commission (LACTC) was responsible for programming state and federal funds in Los Angeles County. Initially, ACTA was frozen out of the competition for these funds because there was no category in which to compete. The Alameda Corridor was not a freeway project, nor a light rail project, nor

any of the other categories established by the LACTC. For two years ACTA lobbied for a new category on the basis that goods movement projects such as the Alameda Corridor are essential for reducing congestion and air pollution and for maintaining a healthy economy. Ultimately the LACTC and its successor agency, the Los Angeles County Metropolitan Transportation Authority (MTA) provided a major contribution to the project. Over several funding cycles through the 1990's, the MTA committed $347 million in state, federal, and county grants. These efforts were also supported by the California Transportation Commission (CTC), another major champion of the project.

Through the Surface Transportation and Uniform Relocation Assistance Act of 1987 and the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) additional federal funding became available for grade separations south of Route 91. Section 1105 of the ISTEA established a revolving loan fund for "High Priority Corridors on the National Highway System." In 1995, the National Highway System Designation Act named the Alameda Corridor a "High Priority Corridor," thus making it eligible for innovative financing. After passage of the NHS, ACTA's advocacy team worked closely with the White House, OMB, the U.S. Department of Transportation, and key members of Congress to secure a loan-financing program. In the final month of the 1996 Congressional session, the Omnibus Budget legislation was adopted and contained a provision for $58.68 million to support a $400 million loan for the Alameda Corridor. In January 1997 President Clinton held a signing ceremony for the loan at the White House.

This process, culminating in the landmark loan, was the result of extensive *communications* and *coordination*, *credible* analyses of the national impact of port activity, *consensus* and *coalition* building, *compromise*, and the support of key *champions* within the legislative and executive branches of the state and federal governments. Members of ACTA's coalition and advocacy team successfully communicated the key message that *the project was vital to the health of the nation's economy because it would dramatically improve a critical international trade corridor linking every other state in the union to the largest port complex in the United States.* Congressman Horn and several of his colleagues were true champions in this endeavor and deserve enormous credit for the successful effort.

While there was no public opposition to the project, there were local disagreements over project design. The corridor cities preferred a lowered railway; i.e., a trench. The ports preferred an at-grade railway with standard grade separations (highway overpasses or underpasses). In the end, the final configuration included standard grade separations at the north and south ends, and a lowered railroad in the mid-corridor. Other important compromises were negotiated on alignment and design including aesthetic treatments along the entire 20-mile corridor. These agreements could not have been reached without extensive technical studies, including preliminary engineering and the Environmental Impact Report/Environmental Impact Statement. The success of the project is due in no small measure to the credibility of these studies and the hard work and dedication of the engineers and planners involved.

Another major challenge facing this project was governance and the decision-making structure of the Governing Board. Initially the Governing Board had 16 members, including representatives from all of the corridor cities in addition to Los Angeles, Long Beach, the ports and other agencies. Later the size of the Board was reduced to seven members including two representatives each from the two ports, a representative from each of the two city councils (Los Angeles and Long Beach), and a delegate from the Los Angeles County Metropolitan Transportation Authority. The corridor cities believed they deserved representation. The ports were contributing funds to the project and believed they had a fiduciary responsibility to maintain control of how the money was spent.

Resolved in part by court decisions and in part through intense negotiation, agreement was ultimately reached on Board membership. The cities along the corridor received $12 million in funds for mitigation of construction activities. Memoranda of Understanding were negotiated with each of the corridor cities, allowing their detailed review and approval of proposed changes to city facilities while assuring timely turnaround on city permits. These agreements are excellent examples of the consensus building process involving negotiation and compromise. Of all the "C" words, compromise is no doubt the most difficult to achieve. Through perseverance and patience and the tireless work of ACTA's legal team, these agreements were signed and provided an orderly framework for implementation.

Negotiating agreements with the railroads took several years. In order to assure impartial dispatching of trains and to assure access to and control of the railroad property, the ports purchased the necessary rights-of-way from the railroads in December 1994 for approximately $394 million. The ports and railroads also negotiated construction and maintenance agreements and use and operating agreements. The railroads agreed to pay $30 per forty-foot container and other fees for other types of railcars using the corridor. The projected revenue stream allowed ACTA to finance a $1.1 billion revenue bond issue and the $400 million federal loan. These negotiations were enormously complex, to say the least.

Construction got underway in April of 1997 with the $6-million Los Angeles River Bridge. The ACTA Governing Board has awarded over a billion dollars in construction contracts since then. Due to the commitment and skill of ACTA's contractors and construction managers, and due to the product-oriented approach of ACTA's management and Governing Board, the project is on time and on budget. By April of 2002 the Alameda Corridor will be ready for revenue service completing an 18-year odyssey that started modestly as a low-budget planning study. I am glad to have played a role in bringing the project to fruition, but it was a coordinated *team effort* from the very beginning.

Thank you for the opportunity to speak to you today.

Mr. PREUSCH. Thank you, Mr. Chairman, and good morning. It is a pleasure to be here. I want to thank you for your support and encouragement of the ACTA project. It was one of the things that helped us move the financing along.

Let me talk about several factors that led to the success in financing the ACTA project.

First, I think was the recognition that ACTA represented a solution to a bona fide need. As Mr. Hicks pointed out, in the early 1970's and the 1980's, the three rails were using different routes; asking them to consolidate, was vital to eliminating 200 separate points of conflict where surface streets crossed—met rail lines, creating traffic conflicts, safety, noise and environmental impacts at each one of those points. The fact that there was a very clear and substantive need, I think brought people together to resolve that need. The ACTA project was the outgrowth and the solution.

Second, the project developed a great deal of regional support and involvement. As people began to understand what the project represented and really grasp the nature of the challenge, they recognized this as a vital solution to resolving that conflict. I think an important aspect was the recognition that cargo would come to our country through the San Pedro Bay ports regardless of whether or not there was a plan to deal with that eventuality or not. The fact that the cargo was coming motivated people to do something about it. There was little that could be done to stop the cargo movement and the recognition that it would be here motivated people throughout the community to get on board to find a workable solution.

In the early 1990's, as the concept was beginning to take shape, there were some preliminary estimates of costs that led to several funding strategies. The initial thinking included right-of-way funding by the ports, funding from State and local sources, bond financing supported by a truck or rail user-fee and a Federal grant of $700 million. It soon became clear that in spite of the need and support for ACTA, a Federal grant of that magnitude was simply out of the question. Many Members of Congress and the administration encouraged flexibility and some cooperation in resolving that problem, and we saw creative, experienced staff members within the U.S. DOT and with the new latitude in the ISTEA legislation find ways to craft a loan for ACTA's benefit. The cargo use fee which grew out of the negotiations with the railroads was essential to supporting the debt structure that was necessary to provide the financing.

In 1994, the ports made a major financial commitment by purchasing miles of railroad right-of-way potentially needed for the project for some $394 million. That was a very bold move, but that extraordinary commitment of cash when ACTA's costs were unknown and its financial viability unproven was vital. The use-fee, which was negotiated as part of the funding package, was essential in assemblying and leveraging those funding sources.

I want to talk for just a minute more about the outgrowth of the Federal loan in the TIFIA legislation that came about in TEA–21. TIFIA, as you know, provides $10.6 billion in loanable money between 1999 and 2003. When ACTA received its loan, the loan was negotiated, and the first $140 million draw was received before the

ACTA costs were clearly known or the details of the bond structure were in hand. Today the TIFIA process has become more conservative to the frustration of many of the applicants. The result has been some stagnation. I would like to encourage that in going forward these projects find ways to become more flexible with TIFIA funding that can go to the ports or to ACTA, and to more flexibility in using TIFIA that might be possible with charges during reauthorization.

Thank you.

[The prepared statement of Mr. Preusch follows:]

Testimony of
James P. Preusch
VP & Managing Director
A.G. Edwards & Sons, Inc.

Before
House of Representatives
Committee on Government Reform
Subcommittee on Government Efficiency

Congressman Stephen Horn, Chairman

Monday, April 16, 2001
Long Beach, CA

Good morning Chairman Horn and Honorable Committee members. My name is James P. Preusch. For the past two years, I have been with the firm of A.G. Edwards & Sons, Inc. specializing in financing of public transportation facilities and projects. Prior to that time, I worked for the Port of Los Angeles for approximately fourteen years. From 1989 to 1999 I served as Chief Financial Officer of the Port, and as Treasurer of the Alameda Corridor Transportation Authority (ACTA). It is a pleasure for me to speak with you today about the success of the ACTA project, and about how the factors that lead to success in funding the project can be effectively transferred to other projects.

There are a number of factors that collectively lead to the successful financing of the ACTA project. Allow me to enumerate them.

Bona fide need

In the 1970's and 1980's the Santa Fe, Union Pacific, and Southern Pacific railroads carried freight between the Ports of Los Angeles and Long Beach, and large national population centers to the north and east. The three railroads used four routes from the Ports and the downtown Los Angeles rail yards to move cargo. At more than 200 points, the rail lines crossed surface streets "at grade" creating traffic conflict, safety, noise, and environmental impacts at each rail to road intersection. Port, transportation, and community leaders, recognized years ago, the growth that would occur in shipments through the San Pedro Bay ports, as our nation's population, economy, and demographics was expected to change between 1990 and 2020. It was clear that a bona fide need existed for a visionary plan to dramatically reduce the number of "at grade" intersections of rail lines and roadways between the Ports and the downtown rail yards for the benefit of people not just in the immediate area, but for those living in every part of the nation served by cargo handled through the Ports. The ACTA project was the outgrowth of that bona fide need.

Regional Support & Involvement

With the large local population which was being effected, the number of "at grade" intersections, and the alternative solutions available to resolve the impending rail and vehicular traffic conflicts, it was important to include as many interests, communities, and constituents as possible in crafting a proposed solution. As people gained understanding and prospective about the growth in cargo traffic that our national economy would bring through the San Pedro Bay ports, interest and support for the ACTA project grew. There was a general community recognition that the cargo would travel through the San Pedro Bay ports regardless of whether there was an effective plan to deal with the eventuality or not. Interest groups, and friends of ACTA emerged in many community sectors. The environmental process encouraged and invited involvement. The public nature of the project stimulated involvement and project consensus.

Flexibility in Funding

In the early 1990's, as the project concept began to take shape, preliminary estimates of project costs resulted a number of funding strategies. Initial thinking included right-of-way funding to be provided by the Ports, some $150 million from local and State sources, bond financing supported by a truck and/or rail user fee, and a Federal grant of $700 million. In became clear, that in spite of the need and support for the project, the magnitude of the Federal grant expectation was simply out of the question. The Administration, and many members of Congress encouraged flexibility, and cooperation in approaching funding. Creative and experienced staff members within the US Department of Transportation, with the latitude afforded by the creative financing provisions of the ISTEA legislation suggested ways to craft a loan for ACTA's benefit. The expected cargo growth, and the user fee concept negotiated with the railroads as a part of the right-of-way purchase, made it possible for ACTA's talented financing team and investment bankers to create a debt repayment structure that would grow in the future as the cargo growth, and fee increases would cause future ACTA revenues to grow.

Later in the process, as the need to move the project forward to meet scheduling expectations, and limit project expenditures for interest charges grew, it was determine that design and construction of the project could be expedited by many months by using a design/build process. While the approach was new to both the Ports and Cities of Long Beach and Los Angeles, after considering the options, both Cities and Ports recognized that the concept would save money and move the project forward faster. The flexibility demonstrated in moving away from traditional government contracting practices has proven to be very rewarding thus far through the bidding and construction to date.

Strong leadership

The ACTA project included very strong and committed leadership. Commissions and management at the Ports, Mayors and City Council Members in Long Beach, Los Angeles, and neighboring communities, LA County Supervisors, Members of Congress,

and the Senate worked together to find ways to create funding opportunities and resources for the project. Community business leaders promoted the project as vital to the interests of the region and the nation. The underlying financial strength of the Ports provided a financial foundation to support many initial and start up needs of the project.

Early Local Equity

In 1994, the Ports made a major financial commitment to the project, by purchasing miles of railroad right-of-way potentially needed for the project for some $394 million from the Southern Pacific, Union Pacific, and Santa Fe railroads. The bold move involved months of commitment to challenging negotiations, engagement of numerous consultants and attorneys, and an extraordinary commitment of cash for a project whose costs were unknown and financial viability remained unproven. Once the purchase was made it was clear that the project had to move ahead to design, financing, and construction.

Future Revenue Funds Current Needs

The right of way purchase included a use fee to be paid by the railroads for future use of the corridor. The ability to use the rail corridor use fee and container charge system was essential to assembling and leveraging funding resources for the project without the need for the massive government grants initially anticipated. The railroads were willing to agree to the charges for several reasons; (1) they received substantial benefit from the project, in immediate cash from the right-of–way purchases, and in the future through a faster, safer, more efficient rail corridor, (2) the charges were implemented uniformly, avoiding any competitive advantage for one railroad as compared to another rail line, and (3) the charges can likely be included in the cost of the goods and products shipped, transferring the cost of the project to the ultimate beneficiaries, the consumers of the goods and products throughout the country and around the globe.

The TIFIA Out Growth

With the expiration of the ISTEA legislation, ACTA and the Orange County Transportation Corridor Agencies became the poster children for the benefits of the Federal creative financing initiative. Adopted within the TEA-21 legislation was the TIFIA program, an effort to extend, and expand the success with creative loans in lieu of grants. TIFIA provided $10.6 billion in loanable funds between 1999 and 2003. The program added some structure, and caution designed to protect the Federal government.

There emerged, as a result of specific language in the TIFIA legislation, or as a matter of policy and interpretation, several key differences between the ACTA-US DOT loan, and other TIFIA loans. At the time ACTA negotiated its loan, and received its first draw of $140 million, ACTA's project costs were not clearly known, and the details of the bond structure were quite vague. These factors were not significant issues or impediments to signing the ACTA loan agreement, or drawing loan proceeds. The TIFIA process has become far more conservative, to the frustration of potential project loan applicants, and to some project sponsors who wish to proceed through the negotiation process to obtain

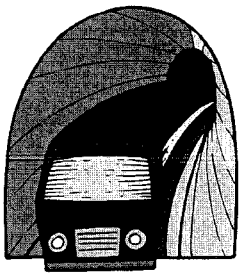
TIFIA financing. With this recent TIFIA experience, and some stagnation in the program, it may be appropriate to consider some legislative adjustment to the TIFIA program at the upcoming reauthorization. The process needs to be simpler, employing the fundamentals of the ACTA loan: the Federal government, while it needs to be paid back, can afford to be a patient lender.

Other Projects

Several other projects with characteristics similar to those of ACTA have emerged in the last few years. Of particular interest are the Southern California rail to roadway "grade separation" projects, OnTrac, in northern Orange County along the BNSF main line, and ACE in the San Gabriel Valley, east of downtown Los Angeles, along the two main lines of the UPSP railroad. Both projects benefit the nation as a whole, by creating more efficient freight rail movement of goods and products from the San Pedro Bay ports, through Los Angeles, Orange, Riverside, and San Bernardino Counties. Ultimately other "at grade" intersections will be identified throughout the heavily populated areas of Southern California, which need to be grade separated. Funding responsibility should not fall strictly to the Federal government grant process, or be placed upon the Ports. New funding and revenue mechanisms are necessary. One such approach might include a cargo or container fee, charged uniformly to cargo which uses local facilities, and applied to fund or finance projects that improve transportation and related efficiencies in the area where the charges are collected, to move cargo more effectively for the benefit of the consumer. A similar fee is in place at airports around the nation in the "Passenger Facility Charge" structure. The fee recognizes the need for beneficiaries from around the country and globe to pay for the facilities needed to accommodate efficient air travel services and systems.

Included with my testimony is a concept paper, which further describes the key southern California projects, and considers funding issues further.

Southern California Rail Grade Separation Concept



James P. Preusch
Adam Bryant

August 2000

Freight Rail and Vehicular Traffic in Southern California

Background

Freight rail traffic in Southern California consists largely of goods being shipped to and from the ports of Los Angeles and Long Beach for import or export. The combination of these two ports, known together as the San Pedro Bay Ports, comprises the largest port facility in the United States and the third largest in the world. Their combined annual cargo load is currently more than 100 million metric tons valued at over $157 billion. Approximately 80% of all cargo handled in the ports was containerized in 1998, accounting for 60% of all West Coast containerized cargo. Half of this containerized cargo is taken either from the port to Redondo Junction in downtown Los Angeles to meet the transcontinental rail lines or from these rail lines to the ports to be shipped elsewhere. This means that approximately 40 million metric tons of cargo was transported via rail to and from the ports in Southern California in 1998. The total amount of cargo handled by the ports is expected to double to 200 million metric tons by 2020 and the total number of twenty-foot equivalent units (TEU) is expected to nearly triple from approximately 8.2 million in 1999 to 24.3 million in 2020, creating a tremendous burden on the rail infrastructure of the region.

In order to prepare for the future growth in rail traffic between the port and downtown Los Angeles, the Alameda Corridor Transportation Authority (ACTA) was formed as a Joint Powers Authority (JPA) in 1989. The goal of ACTA was to create a more efficient rail system that would reduce traffic delay and improve environmental quality along the corridor en route to the transcontinental rail system downtown. In order to realize this goal, ACTA is consolidating the three separate lines that handle freight from the ports into a single corridor that travels due north from the ports to Redondo Junction (map in appendix). The project will eliminate conflicts at 200 grade crossings, which block East-West streets to vehicular traffic creating delays and increasing emissions from idling cars. This is being accomplished by creating grade separations at the north and south ends of the now-consolidated corridor and excavating a 30-foot trench in which to lower the railroad for the middle 10-mile stretch. The project is expected to cost $2.4 billion and is being financed largely through the issuance of revenue bonds backed by user fees paid by the railroads. Construction has begun on the corridor and the project is within its budget and on pace to be completed in the spring of 2002.

Despite the measurable economic and environmental benefits of the Alameda Corridor project, however, its scope includes only the 20-mile stretch of track from the ports to Redondo Junction. From Redondo Junction 80% of the rail cargo travels on one of three lines eastward on the transcontinental rail system. The Union Pacific (UP) railroad company owns two lines in LA County that together transport 40% of the ports' rail cargo. The two lines extend eastward from downtown generally paralleling the I-10 and SR-60 freeways out through Pomona and into San Bernardino and Riverside Counties. The Burlington Northern/ Santa Fe (BNSF) line carries another 40% of the ports' rail cargo and travels southeast through Pico Rivera and northern Orange County. At present, most of the rail/street intersections along these routes lack grade separations. The logical

extension of the ACTA project is to continue the infrastructure improvements eastward along these lines that handle most of the ports' rail cargo.

Currently there are two JPAs in existence that were formed with the intent of improvements along these rail lines. The Alameda Corridor East (ACE) Construction Authority was created in 1998 by the San Gabriel Valley Council of Governments (SGVCOG) to address the rail problems along the UP tracks in Los Angeles County. Seven jurisdictions are represented on the Authority's Board of Directors (El Monte, Industry, Montebello, Pomona, San Gabriel, SGVCOG, and Los Angeles County) and the JPA serves 30 municipalities and 1.9 million residents. Improvements along part of the BNSF line are being considered by the OnTrac JPA. OnTrac was formed in April 2000 by the City Council and RDA of the City of Placentia. Placentia is currently the only municipality included in the association, though the cities of Fullerton, Anaheim, and Yorba Linda are considering joining.

The plan that ACE is proposing is a multi-faceted program that includes a variety of safety and efficiency improvement measures at 55 grade crossings along a 35-mile stretch of track (map in appendix). The Safety Upgrade Program includes protection equipment, signs, road restriping, medians, warning devices and repair of damaged crossing blocks. This part of the project will be implemented at almost all of the 55 grade crossings. The Traffic Control Measures will improve detection of trains and use signals at grade crossings to direct traffic towards grade separations within 7 signal groups. The ACE plan also includes the widening of 17 roads with at-grade crossings to increase the area available for queuing cars. The largest part of the program involves separating 21 crossings along the two lines. These grade separations would primarily take the form of roadway underpasses or overpasses with the train remaining at-grade. The total estimated cost of the project is $912 million, the vast majority of which is allocated to the actual grade separations.

The OnTrac plan is less ambitious in its scope, but it involves effective grade separations at every one of the crossings included in the plan. OnTrac has proposed a 5-mile long, 30-foot deep, and 51-foot wide trench to grade separate all ten crossings between Placentia Avenue in Placentia and Kellogg Drive in Yorba Linda (map in appendix). The railroad itself would be lowered below street level so that roads would remain at-grade making the construction of overpasses or underpasses unnecessary. Though the excavation of the trench is costly, because the railroad itself has been lowered there are no necessary right-of-way acquisitions for the property surrounding the tracks. The total cost of the project is estimated at $300 million. This figure, however, understates the true cost of solving the rail problems on the BNSF line because the OnTrac project currently includes only a 5-mile piece of track through Placentia, Anaheim, and Yorba Linda. There are still other cities in Orange County, as well as in Los Angeles and Riverside Counties that have grade-crossing issues that need to be addressed at additional cost.

Issues

Capacity

The previously mentioned figures for the growth in cargo handled at the San Pedro Bay Ports imply a high degree of growth in cargo transported via the transcontinental lines that meet the Alameda Corridor at Redondo Junction. At the current percentages of cargo handled by these two lines, the increase in TEUs predicted for the ports translates into a 196% increase in the number of TEUs that these connecting lines must transport. Both ACE and OnTrac have conducted studies to estimate the increase in train traffic that will be necessary to accommodate this rise in cargo transportation. The UP lines in LA County currently carry about 67 trains per day. With the expected increase in cargo at the ports, ACE predicts that the number of trains required will increase 60% to 109 trains per day. The estimates given by OnTrac for the expected freight and passenger train traffic through the BNSF route predict even stronger growth. Based on the current traffic between the ports and downtown as well as the expectations for the Alameda Corridor's future capacity, OnTrac predicts an increase from the current level of 50 trains per day to between 89 and 178 trains daily in 2020, with 135 trains per day being the most likely estimate. There are a number of issues associated with this vast increase in the amount of train traffic handled by the BNSF and UP rail lines.

Vehicular Traffic Delay

One of the primary concerns associated with this increase in train traffic, is the increase in vehicular delay as a result of at-grade crossings. Given the predicted values of train volume for each route in 2020, there will be a train passing through the UP route approximately once every 13 minutes and a train passing through the BNSF route approximately once every 11 minutes. ACE and OnTrac have conducted studies on how this frequency of train traffic will affect the delays experienced by automobile drivers. The study conducted by ACE predicts a 40% increase in vehicular traffic at many of the grade crossings by 2020 in addition to the 60% increase in train traffic. Using these estimates ACE forecasts that a given crossing gate will be down between 50 minutes to 140 minutes every day depending on where it is located. For peak vehicular traffic hours the wait experienced by a single driver at one crossing could be between 10 and 24 minutes.

The OnTrac study used a prediction of one percent per year growth in vehicular traffic through the relevant intersections for its calculations. Combined with the expected dramatic increase in train volume, this estimate implies an increase in the percentage of peak traffic hours that crossing gates are down from 17-25% currently to 31-56% in 2020. The problem is made even worse when long lines form and cars in the back of the queue are unable to cross the tracks before another oncoming train lowers the crossing gates. The total number of annual "person-hours" of delay at the ten grade crossings involved in the project will be nearly 2 million in 2020 and the cost associated with these delays simply in terms of lost time will exceed $33 million. When 5 other grade crossings along the corridor are considered, annual hours of delay are more than 2.75 million and the associated cost is over $50 million. The cumulative loss to the region from these

delays over the period from 2000 to 2020 is $389 million for 10 grade crossings and nearly $583 million for all fifteen. These figures only account for the delay time in the part of Orange County in which OnTrac is currently involved and only for delays on the weekdays. If the costs of delay from the Los Angeles and Riverside County portions of the BNSF line were included the delay costs resulting from a no-build scenario would be much greater.

Environmental Costs

A further cost imposed by the increased rail traffic through these two corridors is the environmental damage caused by emissions from idling vehicles and slow traveling trains. ACE predicts that the rail improvements it plans will bring about a reduction in emissions of 221 tons of air pollutants annually.

An OnTrac study predicted similar environmental benefits from their railroad-lowering project. The study estimated that a cumulative reduction in emissions of 143 tons could be achieved between 2000 and 2020 with the railroad lowered. This amounts to over $171 million in benefits to the region from air quality improvements alone. Again, these figures only include emission reductions from weekday delays and account for only 15 grade separations along the corridor. The benefits that could be gained if other portions of the BNSF line were included in the study would be greater. Additional environmental benefits include a decrease in fuel consumption and a greater ability to comply with air quality standards. Lowering the railroad also decreases noise, including train whistles, and vibration caused by the train. If these environmental issues aren't addressed, OnTrac predicts that they will result in a 5% reduction in property values within the city of Placentia and an annual tax revenue loss of $1 million.

Safety

Another major problem with at-grade crossings is the safety hazard that they create. Impatient or impaired drivers that attempt to cross the tracks before the crossing gate has closed can find themselves trapped, leading to property damage, injuries, and fatalities. Local municipalities can be liable for these accidents while the railroad companies are only responsible in a few cases of direct misconduct. By grade separating the tracks and streets or installing additional safety measures most of these losses can be avoided.

A study from OnTrac showed that the costs associated with property damage and injury from railroad accidents can be significant. The study estimates that at the current level of 50 trains per day there is an average of between .062 and .067 fatalities per year and between .13 and .189 non-fatal accidents per year depending on how the measurements are made. These numbers yield a current annual cost of accidents on the railway in the relevant area of between $450 and $633 thousand. Averaging these estimates and accounting for higher train volume in the year 2020, OnTrac predicts that the annual cost of accidents on the corridor will be over $3 million. Cumulatively over the next 20 years there will be a cost of nearly $35 million associated with accidents at these grade crossings. This figure understates the real costs of these accidents given that human lives are at stake and the entire BNSF route is not considered as a whole in the study.

Regional Advantage
Though the San Pedro Bay Ports currently handle more cargo than any other port in the U.S., the second largest port in terms of containerized freight volume is a competitor for market share on the west coast. Washington's Puget Sound region, containing the ports of Seattle and Tacoma, currently handles over 20% of all cargo on the west coast and plans are underway for rail transport improvements on the lines running inland from the ports. The Freight Action Strategy (FAST) corridor has been listed as a high priority corridor by the U.S. Department of Transportation and construction has already begun on the first of 12 grade separations planned for the project. The ports are also planning construction of ramps that will allow containerized cargo to be transferred directly to trains rather than being carried by trucks to the rail yard. These northwestern ports already have a one-day advantage over Southern California in terms of shipping time from Japan. Extensive rail infrastructure improvements in the northwest will make the Puget Sound ports even more attractive to cargo shippers. The extension of the Alameda Corridor project eastward through the UP and BNSF lines may be a vital step in ensuring continuation of the market share dominance that Southern California currently enjoys.

Support

Many legislators and government agencies have given their support to one or both of the ACE and OnTrac projects, including: Congress members Dreier, Martinez, Miller, Royce, and Napolitano; Mayor of Los Angeles; U.S. Department of Transportation; State of California Public Utilities Commission; 30 Municipalities in San Gabriel Valley; Cities of Anaheim, Placentia, and Yorba Linda; Los Angeles County and Orange County Transportation Authorities; San Pedro Bay Ports; Southern California Association of Governments; Los Angeles and Orange County Supervisors whose districts are served by the projects.

Financing

There is a variety of federal, state, and local funding available for projects designed to improve rail efficiency and relieve traffic congestion. Some of these funds come in the form of grants and other funds come in the form of direct loans or loan guarantees intended to leverage private co-investment. This funding is usually allocated for specific projects and will not crowd out other transportation funds for which a city may be eligible. Public funds will likely be insufficient to fully finance the projects and the issuance of revenue bonds may be necessary.

Transportation Equity Act for the 21st Century (TEA-21)
The Transportation Equity Act for the 21st Century provides for several federal programs to fund transportation infrastructure improvements. Section 1601 establishes the High Priority Projects Program, which provides funding for certain projects selected by Congress. The Act allocates nearly $7 billion between 2000 and 2003 to fund these projects. The ACE project has already been chosen as "high priority" and is earmarked to receive $135.5 million over the next four years. OnTrac has not yet received funds from

this source, but will be applying for high priority status in the upcoming TEA bill in 2003.

Section 1501 of TEA-21 establishes the Transportation Infrastructure Finance and Innovation Act (TIFIA). This program allows the Secretary of Transportation to provide secured loans, loan guarantees, and standby lines of credit to certain transportation projects. The projects will be considered based on a number of factors, including the project's national and regional economic benefits, creditworthiness, ability to foster public-private partnerships, and environmental impact. The loan may be for no more than 1/3 of the total project cost and the cost must exceed the lesser of $100 million and 50% of the state's federal highway assistance funds. Most importantly, the project must demonstrate the existence of a dedicated revenue source such as user fees with which the loan may be repaid. At this point neither ACE nor OnTrac has secured financing from TIFIA. Both projects meet all aspects of the program's criteria except for the establishment of a revenue stream for repayment of the loan.

The National Corridor Planning and Development Program (NCPD) is created by section 1118 and provides another potential source of funding for corridor projects. The funds provided through this program are intended for projects that promote economic growth and international or interregional trade. This section allocates a total of $140 million each year until 2003 to be shared between this program and the Coordinated Border Infrastructure Program (CBIP), intended to expedite trade with Canada and Mexico. Eligible corridors will be considered based on their past growth in traffic and expected future growth as well as the value of cargo carried through the corridor and the cost of congestion that it creates. ACE has already been awarded $1.24 million and is expected to submit applications in 2002 and 2003 for an additional $34 million in grants. OnTrac has not applied for any funds from this program.

TEA-21 also provides for Railroad Rehabilitation and Improvement Financing (RRIF) in section 7203. The purpose of this program is to provide no more than $3.5 billion in direct loans and loan guarantees for railroad capital improvements. Not less than $1 billion of this total is to be reserved for primarily freight railroads other than Class I carriers. Projects that enhance safety and the environment, promote economic development, increase the ability of U.S. companies to compete internationally, are endorsed at the state and local levels, and enhance service to small or rural communities will be given priority. Neither ACE nor OnTrac has applied for this funding, though they appear to meet all of the selection criteria except for enhancing service to rural communities.

State Transportation Improvement Program (STIP)

The State Transportation Improvement Program is a 4-year, $4 billion inventory of transportation needs in the state of California. The program receives funds from the State Highway Account and distributes these funds to projects listed in the Regional Transportation Improvement Programs (RTIP) and Interregional Transportation Improvement Program (ITIP). Seventy-five percent of funds are allocated to programs designated by regional transportation planning agencies. The Southern California

Association of Governments (SCAG) is the relevant agency for Orange, Los Angeles, San Bernardino, Riverside, Ventura, Imperial, and San Diego Counties. The other 25% of funding is allocated to an interregional plan chosen by Caltrans. The STIP program is updated every two years, retaining those projects that carry over from the previous STIP and adding two more years of programming. The funds allocated by the program can only be used for capital expenditures, planning, programming, and monitoring. Non-capital purposes are allowed only if they are considered to be a cost effective substitute for capital expenditures. ACE has already received a commitment of $39 million from state ITIP discretionary funds to be received over fiscal years 2000-2004.

California Traffic Congestion Relief Plan

Assembly Bill 2928 establishes the Traffic Congestion Relief Fund to be used for local and regional transportation projects that are listed in the bill. The SGVCOG is slated to receive $150 million for grade separations along both the UP and BNSF lines within Los Angeles County. The San Bernardino Associated Governments is listed in the bill to receive $95 million for grade separation projects, including a rail-to-rail separation at Colton, along the UP line from the Los Angeles County border to Colton in San Bernardino County. The bill also allocates $28 million to OCTA for grade separations from the southern border of L.A. County through Santa Ana Canyon in Orange County. Before grants are received by any of the applicants, they must present a report outlining the regional, state, and national benefits of the project as well as the technical merits, phasing and delivery schedule, and financing plan. Grants are to be given for specific projects within the corridors and all of the money available can be allocated to one or more of the applicants for these projects.

Local Transportation Authorities

Funding at the local level is available from the Transportation Authorities of Los Angeles and Orange Counties (LACMTA and OCTA, respectively). LACTMA has already pledged a matching grant of 17% on all fully funded portions of the ACE project up to a maximum of $162 million for the entire $950 million total cost. They have also committed $37.4 million from LACMTA Call for Projects Prop. C funds. OCTA has allocated $4.6 million toward a study of the railroad-lowering project proposed by OnTrac. This funding was state STIP money funneled through SCAG and OCTA, however, rather than direct funding from OCTA itself. OCTA has provided an additional $350,000 from Measure M funds received through a voter-approved sales tax increase.

ACTA's Financing

ACTA utilized several of the funding sources listed above to pay for its $2.4 billion corridor project. They received a federal Department of Transportation loan for $400 million as well as receiving $347 million from LACMTA. Because the ACTA project directly served the Ports of Los Angeles and Long Beach, ACTA was also able to raise $394 million from the ports to purchase the right of way that helped enable them to establish a fee structure with the railroads. The railroad companies that transported cargo through the corridor (BNSF and UP) agreed to the following fees:

Railroads pay *Use Fees* for using rail corridor		Railroads pay *Container Charges* on waterborne containers not using rail corridor	
Waterborne containers (i.e. entering or leaving ports):	$15/ TEU (loaded) $4/ TEU (empty)	Waterborne containers:	$15/ TEU (loaded) No Charge (empty)
Non-waterborne containers:	$4/ TEU (loaded or empty)		
Other railcars:	$8/ railcar (loaded) No Charge (empty)		

*Note: All fees are to be indexed for inflation at a minimum of 1.5% and a maximum of 3% per annum.

The fee structure was based on the expected future cargo load of the corridor and the additional funding requirement needed in excess of what was allocated from other sources. Establishing such a fee structure not only allowed ACTA to secure the loan from the Department of Transportation, but it also provided a revenue stream that would allow for the issuance of the bonds that provided nearly half of ACTA's total financing. ACTA issued $1 billion in senior lien bonds, about half of which was tax- exempt, and $163 million in subordinate lien bonds, $21 million of which was tax- exempt. As it is likely that public funding for similar corridor projects eastward from Redondo Junction will also fall short of the total funding requirement, these projects may also require private financing in the form of bonds.

Strategy

The benefits of rail infrastructure improvements along the UP and BNSF lines in Southern California are substantial and there are several sources of funding available for projects like these. It is critical to ensure that funding is reserved for these projects rather than being lost to other transportation plans across the state and nation. In order to secure the largest amount of funding possible for these projects, two major steps could be taken:

1) The scope of project plans in the southeast corridor can be extended to include the entire BNSF line in Southern California. Including all relevant municipalities in the project provides several advantages over a partial corridor approach. A larger project will be able to secure more federal and state funds and will be able to take advantage of economies of scale in planning and construction costs. Increasing the scope means including more members of state and federal legislatures that have an incentive to support the project. It also means including more agencies from which funding can be drawn. For example, extending the rail improvements northwest of Fullerton brings LACMTA into the picture. LACMTA has already endorsed the ACTA and ACE projects and has stated that it would be willing to "examine the applicability of such projects in other corridors." Thus, by widening the scope of the project the average total cost is reduced and the funding available is increased.

2) Creation of a revenue stream would allow the JPAs to secure federal loans and would provide an income source for repaying private debt. A DOT loan provided 1/6 of the funding for the ACTA project and the issuance of bonds provided nearly another half. These financing sources would not have been available if ACTA had not negotiated a user fee with the railroads that used the corridor. If grant funding for the ACE and OnTrac projects falls short of the total project cost, a revenue stream would be a useful tool that would enable these two associations to obtain the balance of their required funds.

Conclusion

ACE and OnTrac are nationally significant, widely supported projects that improve the rail infrastructure of Southern California and expedite the transport of cargo between the ports and the rest of the country. These projects will result in saved time, emission reductions, safer intersections, and increased trade. As Pacific Rim economies grow and the volume of port traffic rises, the improvement of rail infrastructure in the region becomes increasingly important. Steps can be taken now to ensure that these projects are given the attention they deserve and receive the funding they need to prepare for the rapid growth expected at the ports in the next 20 years.

Appendix A

Rail Corridor Funding Sources

ACTA	
Source	**Amount (millions)**
LACMTA Grant	$347
Ports	$394
DOT loan	$400
Senior lien bond proceeds	$1,000
Subordinate lien bond proceeds	$163
Other sources	$124

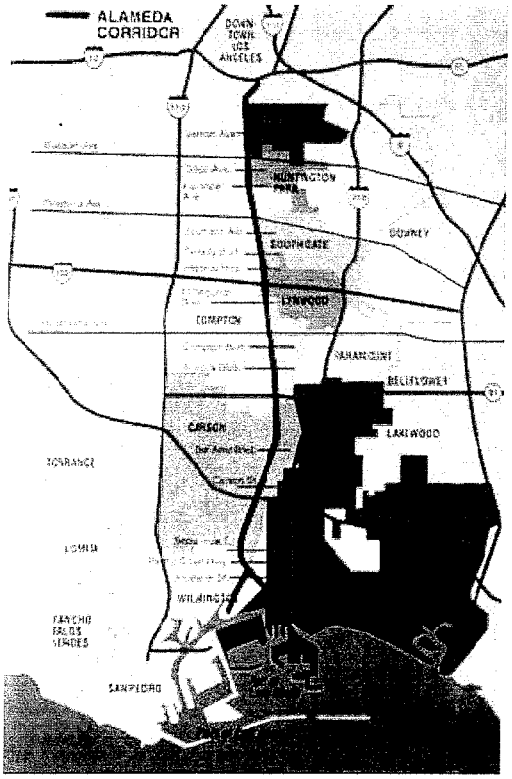
ACE		
	Source	**Amount (millions)**
Funding commitments:	TEA-21 "High Priority"	$135.5
	TEA-21, section 1118c (FHWA)	$1.2
	ITIP Discretionary Funds	$39
	17% MTA local commitment	Variable
	LACMTA Call for Projects – Prop. C	$37.4
Pending applications:	California Traffic Congestion Relief	$150
Planned applications:	TEA-21, section 1118c (2002-03)	$17/ year
	Railroad contribution	$13.25

*As of 2/16/2000

OnTrac		
	Source	**Amount (millions)**
Committed:	OCTA Grant	$4.6
	OCTA (Measure M)	$.350
Pending:	California Traffic Congestion Relief Plan	$28

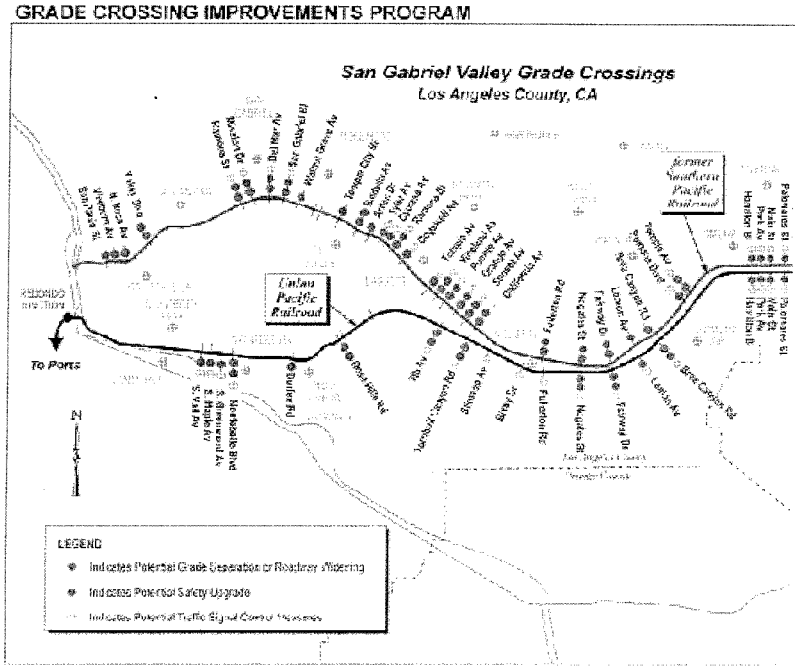
Appendix B

Alameda Corridor Transportation Authority



Appendix C

GRADE CROSSING IMPROVEMENTS PROGRAM



Mr. HORN. Well, that is very helpful and I am sure in the question period, maybe you will reveal some of the other options that you must mentioned would be needed if someone is going to try to replicate this.

Is Mr. Holt—somebody said he is in the building——

Ms. HEALD. No, he is not in the building.

Mr. HORN. Well, we will go to the next panel then, Let me go through two panels I think and then we will have questions.

Panel two: Richard Steinke, executive director, Port of Long Beach. Just stay where you are, folks, we will have a grand convention here before the end. Welcome, Richard. And then Larry Keller, executive director of the Port of Los Angeles; and Rollin Bredenberg, vice president, service design and performance, Burlington Northern Santa Fe Railroad.

So we will start with Mr. Steinke.

STATEMENTS OF RICHARD STEINKE, EXECUTIVE DIRECTOR, PORT OF LONG BEACH REPRESENTING THE ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY BOARD; LARRY KELLER, EXECUTIVE DIRECTOR, PORT OF LOS ANGELES; AND ROLLIN BREDENBERG, VICE PRESIDENT, SERVICE DESIGN AND PERFORMANCE, BURNINGTON NORTHERN SANTA FE RAILROAD

Mr. STEINKE. Good morning, Mr. Chairman.

I would like to tell you a little bit about what I consider the challenges and successes of the Alameda Corridor transportation project. As executive director of one of the Nation's busiest ports and as a member of the governing board of ACTA, I can tell you that the word that best describes ACTA to me is perseverance. Most people think that ACTA is only a few years old, but as Mr. Kellogg, Mr. Preusch, and Mr. Hicks indicated, it really has its origins going back to the early 1980's. This intermodal project was first conceptualized during this time and it has taken over 15 years to transition from concept to design and now to construction. With any large-scale project, there will always be challenges, and during this period of time, this project has certainly seen its share of these obstacles that it has had to overcome.

I stand before you today happily being able to tell you that we have overcome these obstacles and are scheduled for an on-time and under-budget completion of ACTA in April 2002. There has been a tremendous amount of inter-governmental cooperation by a whole host of entities. First of all, there had to be cooperation between the Port of Long Beach and the Port of Los Angeles. Also we share one bay, we are two separate and distinct harbor departments within two different cities. And while we compete vigorously for customers and market share, we also have recognized that we must cooperate on regional infrastructure projects. The Alameda Corridor is a good case in point. The project traverses important corridor cities and cooperation and consensus had to be attained from the cities of Long Beach, Los Angeles, Carson, Compton, South Gate, Huntington Park and Vernon. A number of major regional governmental organizations have also had to be involved in this project including the Metropolitan Transportation Authority, Southern California Association of Governments, Metrolink, South-

ern California Regional Rail Authority and others. A significant role has been played by the State of California and our Federal Government has served an essential role through the various agencies involved in reviewing and approving the project and funding for the same. You can mix or you can combine any or all of these entities because all of us have had to work cooperatively through a myriad of issues to make this project work successfully. Years have been spent in negotiations on issues ranging from permits and environmental documentation to funding issues and construction, to name a few. I will not go into detail about the funding of the project, but suffice to say that besides the Ports of Long Beach and Los Angeles, various other sources of governmental funding have been used to finance the $2.4 billion project, including the $400 million loan from the Department of Transportation.

This is truly a public-private partnership, and while I previously mentioned the governmental stakeholders that have been involved in this project, it also required cooperation with the railroads. When this project started, we were dealing with three major railroad companies—Southern Pacific, Union Pacific, and Santa Fe, all who had separate lines that ran to the ports. By the time all of the operating agreements and final documents were completed, there were mergers and acquisitions that resulted in our railroad partners being Union Pacific and Burlington Northern Santa Fe.

Probably the key aspect of this project has been the recognition by all of the parties that this is a critical and beneficial infrastructure project that will positively impact not only southern California, but also the State's and the Nation's surface transportation system. Without that recognition and without the various parties working toward the greater good, the project would still be in a planning mode. We all look forward to this time next year when all the various entities will rightfully be able to say they contributed to the success of a critical linchpin in our Nation's transport system of goods movement. This has been a great example of intergovernmental interdependence that will assure the continuing movement of goods from our Pacific gateway ports to consumers across the country.

Thank you.

Mr. HORN. Thank you.

[The prepared statement of Mr. Steinke follows:]

TESTIMONY FOR COMMITTEE ON GOVERNMENT REFORM'S SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL MANAGEMENT AND INTERGOVERNMENTAL RELATIONS

BY RICHARD D. STEINKE, EXECUTIVE DIRECTOR
PORT OF LONG BEACH

APRIL 16, 2001

Good Morning.

Mr. Chairman and other distinguished members of the Subcommittee:

My name is Richard D. Steinke, Executive Director of the Port of Long Beach.

I would like to tell you a little bit about the success and challenges of the Alameda Corridor Transportation Authority Project (ACTA). As Executive Director of one of the nation's largest ports and as a member of the Governing Board of ACTA, I can tell you that a word that best describes ACTA is "perseverance." Most people think that ACTA is only a few years old but it really has its origins going back to 1984. This intermodal project was first conceptualized during this time and has taken over 15 years to transition from concept to design to now construction. With any large-scale project, there will always be challenges; and, during this period of time, this project has certainly seen its share of these obstacles that have had to be overcome.

I stand before you today happily being able to tell you that we have overcome these obstacles and are scheduled for an on-time and under-budget completion of ACTA in April 2002. There has had to be a tremendous amount of intergovernmental cooperation by a whole host of entities. First of all, there had to be cooperation between the Port of Long Beach and the Port of Los Angeles. Although we share one bay, we are two separate and distinct harbor departments within two different cities. While we compete vigorously for customers and market share, we have also recognized that we must cooperate on regional infrastructure improvement projects and the Alameda Corridor is a good case in point. The project traverses important corridor cities and cooperation and consensus had to be attained from the cities of Long Beach, Los Angeles, Carson, Compton, South Gate, Huntington Park, and Vernon. A number of major regional governmental organizations have also had to be involved in this project, including Metropolitan Transportation Authority, Southern California Association of Governments, Metrolink, Southern California Regional Rail Authority, and others. A significant role has been played by the State of California, and our Federal government has served an essential role through the various agencies involved in reviewing and approving the project and funding for the same. You can mix or combine any or all of these entities because all of us have had to work cooperatively through a myriad of issues to make this

project work – successfully. Years have been spent in negotiations on issues ranging from permits and environmental documentation to funding issues and construction, to name a few. I won't go into detail about the funding of the project but suffice to say that besides the Ports of Long Beach and Los Angeles, various other sources of governmental funding have been used to finance the $2.4 billion project, including a $400 million loan from the Department of Transportation.

This is truly a public-private partnership; and, while I previously mentioned the governmental stakeholders that have been involved in this project, it also required cooperation with the railroads. When this project started, we were dealing with three major railroad companies – Southern Pacific, Union Pacific, and Santa Fe, all who had separate lines that ran to the Ports. By the time all of the operating agreements and final documents were completed, there were mergers and acquisitions that resulted in our railroad partners being Union Pacific and Burlington Northern Santa Fe.

Probably the key aspect of this project has been the recognition by all of the parties that this is a critical and beneficial infrastructure project that will positively impact not only Southern California but also the state's and the nation's surface transportation system. Without that recognition and without the various parties working towards the greater good, the project would still be in a planning mode. We all look forward to this time next year when all of the various entities will rightfully be able to say that they contributed to the success of a critical linchpin in our nation's transport system of goods movement. This has been a great example of "intergovernmental interdependence" that will assure the continuing movement of goods from our Pacific gateway ports to consumers across the country.

Thank you very much.

Mr. HORN. Let me introduce Ms. Millender—Juanita Millender-McDonald. She has been very helpful on the Alameda Corridor and we are glad to have her here this morning.

Mr. Holt has arrived now and what I would like to do is swear in Mr. Holt and the three witnesses.

[Witnesses sworn.]

Mr. HORN. The clerk will note that the fourth witness of panel one and all of panel two have taken the oath.

So we now go to the executive director of the Port of Los Angeles, Larry Keller. Glad to have you here.

Mr. KELLER. Good morning, Mr. Chairman and Congress Member Millender-McDonald.

We are proud to be one of the founding partners of the Alameda Corridor and thank you for this opportunity to appear before your subcommittee to discuss this vital infrastructure project. I would also personally like to thank both of you for your support of this project over the years that it has been in existence. It is much appreciated and it has made it possible.

At the core of our success to date has been the significant intergovernmental cooperation and bipartisan support received from all levels of government. It has been unprecedented and certainly signifies the value placed on the need for seamless transcontinental cargo delivery. In reality, the beneficiary of the Alameda Corridor's successful completion and operation is the American public, to whom our domestic and global transportation efficiency is critical.

In the early 1980's, it was apparent an improved infrastructure would be required if the cargo transportation system serving the Ports of Los Angeles and Long Beach was to handle the predicted growth in cargo through the west coast ports. In the ensuing two decades, cargo through southern California has increased more than 700 percent. Globally, containerization has become the undeniable mode for efficient, cost-effective cargo handling and intermodalism has become the delivery mode of choice.

Our growth projections proved to be conservative. Container growth at Los Angeles in the last 5 years has been an explosive 76 percent. Business has been brisk despite economic uncertainties with some of our trading partners around the world starting in 1997. In fact, the Port of Los Angeles saw a 27 percent overall increase in container cargo last year alone. With our neighbor, the Port of Long Beach, our total cargo places us third in the world behind the Ports of Singapore and Hong Kong.

Needless to say, we must be prepared for continuing growth surges in the near and long term. Our planning has been likened to a chess game where you must contemplate at least 12 moves ahead and there is no single all-encompassing solution for our future. The puzzle of our highway and rail efficiency has numerous pieces which must fit precisely together in order to achieve a functioning whole. No longer can we afford to have cross traffic at intersections which slows cargo transit and delays our people.

And as environmentally responsible public agencies, we are also charged with addressing air emissions and other quality of life issues caused by idling vehicle traffic and costly delays to people and commerce. One answer was to design a better corridor for the short but critical 20-mile stretch between the ports and downtown

railheads. That piece of the puzzle was the construction of the Alameda Corridor.

At the extreme south end of the Corridor are port grade separations, street improvements and similar infrastructure projects serving major terminal developments designed to meet current and future transportation needs. Efficient infrastructure is the centerpiece of our future potential in planning for road and rail improvements and is a normal but important part of our terminal design work.

At the Port of Los Angeles alone, we have spent more than $200 million in recent years for infrastructure improvements to link the Corridor with our Pier 300 and 400 projects. These Pier 300 and Pier 400 landfill and terminal projects are dependent upon the Corridor and highway access to carry almost 5 million containers of cargo today alone. For our two ports, that number can be expected to swell to about 24 million containers in just 20 years.

No longer are container terminals built on 100 acres, which was common just 10 years ago. When completed in less than 4 years, our newest terminal on Pier 400 will cover almost 500 acres, built on a manmade landfill of some 600 acres. This is responsible planning and careful readiness.

Our projections are matched by those of our customers to develop the best technology, design and logistics to set the standard for our industry. We are committed to continued improvements in coordination with the Alameda Corridor project completion early next year.

Further, the Ports of Los Angeles and Long Beach are jointly pursuing an MTA grant for $7.2 million for an intelligent transportation system to put the whole thing together. We have each committed over $1 million in matching funds because we feel so strongly about efficient transportation. The goal is to provide real time traffic information to truckers using the ports, using tools like interactive transit signage and programmable signs driven by TV cameras mounted on freeway bridges. These measures in sync with express rail access provided by the Corridor will ensure that all cargo, both local and intermodal loads, will move swiftly from our docks to their ultimate destinations.

Growth will continue here. That is a given. The reason for our continued growth is quite simple. Today, half our cargo stays in our five-county area to serve this consumer pool of 16 million people. We are a distribution and manufacturing hub for import and export cargo. In about 10 years, it is estimated that the Los Angeles regional population could swell to 20 million people. The addition of a population the current size of the city of Los Angeles. The other 50 percent of our cargo goes to points east of the Rockies because of our excellent access to America's rail system.

America depends on us, we depend on you, we thank you for your efforts. Projects like the Alameda Corridor ensure that we can in fact deliver as promised.

Thank you very much.

Mr. HORN. Thank you for that very succinct presentation.

And now Rollin Bredenberg is vice president, service design and performance for the Burlington Northern Santa Fe Railroad. Welcome.

[The prepared statement of Mr. Keller follows:]

Testimony of Larry A. Keller, Executive Director of the Port of Los Angeles
Before the House Subcommittee on Government Efficiency,
Financial Management and Intergovernmental Relations
April 16, 2001

Good morning Mr. Chairman and members of the Subcommittee. My name is Larry Keller, Executive Director of the Port of Los Angeles.

We are proud to be one of the founding partners of the Alameda Corridor, and thank you for this opportunity to appear before your Subcommittee to discuss this vital infrastructure project.

At the core of our success to date has been the significant intergovernmental cooperation and bipartisan support received from all levels of government. It has been unprecedented and certainly signifies the value placed on the need for a seamless transcontinental cargo delivery system. In reality, the beneficiary of the Alameda Corridor's successful completion and operation is the American public to whom our domestic and global transportation efficiency is critical.

In the early '80s, it was apparent that improved infrastructure would be required if the cargo transportation system serving the Ports of Los Angeles and Long Beach was to handle the predicted growth in cargo through the West Coast. In the ensuing two decades, cargo through Southern California ports has increased by more than 700%. Globally, containerization has become the undeniable mode of efficient, cost effective cargo handling, and intermodalism has become commonplace.

Our growth predictions proved to be conservative. Container growth at Los Angeles in the last five years has been an explosive 76%. Business has been brisk despite economic uncertainties in some of our trading partners around the world. In fact, the Port of Los Angeles saw a 27% overall increase in container cargo last year alone. With our neighbor, the Port of Long Beach, our total cargo places us third in the world to Singapore and Hong Kong. Needless to say, we must be prepared for continuing growth surges in the near- and long-term.

Our planning has been likened to a chess game, where you must contemplate 12 moves ahead. And there is no single, all encompassing solution to our future. The puzzle of our highway and rail efficiency has numerous pieces which must precisely fit with each other to achieve the whole.

No longer can we afford to have cross traffic at intersections slow cargo transit. And as environmentally responsible public agencies, we were also charged with addressing air emission and other quality of life concerns caused by idling vehicle traffic and costly delays. One answer was to design a better corridor for the short, but critical, 20-mile stretch between the ports and the downtown railheads. That piece of the puzzle was the construction of the Alameda Corridor.

At the extreme south end of the Corridor are port grade separations, street improvements and similar infrastructure projects serving major terminal developments designed to meet current and future transportation needs. Efficient infrastructure is the centerpiece of our future potential, and planning for road and rail improvements is a normal part of our terminal design work.

At the Port of Los Angeles alone, we have spent more than $200 million in recent years for infrastructure improvements to link with the Corridor with our Pier 300 and Pier 400 projects. These Pier 300 and Pier 400 landfill and terminal projects are dependent upon the Corridor and highway access to carry almost five million TEUs of container cargo today. For our two ports, that number can be expected to swell to about 24 million in just 20 years.

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This is responsible planning and careful readiness. Our projections are matched to those of our customers to develop the best technology, design and logistics to set the standard for our industry.

We are committed to continued improvements in coordination with the Alameda Corridor project's completion early next year. The Ports of Los Angeles and Long Beach are jointly pursuing an MTA grant for $7.2 million for an Intelligent Transportation System. We have committed over $1 million each as matching funds because we feel so strongly about it.

The goal is to provide real time traffic information to truckers using the ports, using tools like interactive transit signage and programmable signs. These measures, in sync with the express rail access provided by the Corridor, will ensure that all cargo, both local and intermodal loads, will move swiftly from our docks to their ultimate destinations.

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The Alameda Corridor provides the vital link between the Ports of Los Angeles and Long Beach and cargo destinations, as America depends on us to get goods to their marketplaces swiftly and efficiently. Projects like the Corridor ensure that we can, in fact, deliver as promised.

lktest.401

Mr. BREDENBERG. Good morning, Mr. Chairman, ladies and gentlemen, thank you for the opportunity to speak to you today. I am Rollin Bredenberg, vice president, service design and performance with Burlington Northern Santa Fe.

When the Corridor first started being negotiated, I was at that time general manager on the Southern Pacific Railroad and so have seen this from a couple of angles. I can tell you from either angle it was not the railroad's great vision that got the project started.

As a matter of fact, the different railroads had different slants on whether the project should even go or not. Southern Pacific had arguably the best existing infrastructure with the San Pedro and Wilmington branches serving as a paired track feeder to the ports. Southern Pacific also had the ICTF facility, the near dock facility, that facility started producing so many trains that even their paired track operation started to get slow, and because of other problems that the Southern Pacific had, even Southern Pacific went along with this. Union Pacific had their harbor subdivision, a single track, unsignaled mainline. The Santa Fe was in probably the worst position with its harbor subdivision, a 23-mile branch line that goes down through the L.A. Airport and Inglewood area.

The infrastructure that existed in the mid-1980's, and remains today substantially, could not and has not sustained growth. When the Corridor opens up in April 2002, we will be past the time when we needed to have that corridor open.

The use-fee that the railroads will be paying for the use of the Corridor can be absorbed by traffic on the Corridor because much of that traffic would have to be drayed at a higher cost to facilities in Vernon or Los Angeles. Not only that, but today there is no place to expand intermodal production lift facilities anywhere in the Los Angeles basin short of San Bernadino, on our railroad.

The project model for the Alameda Corridor is not a model that can be replicated other places that do not have the fundamental franchise need or infrastructure need by the railroads to sustain growth. That is the reason why the railroads over time will retire a $1.1 billion bond and I believe $400 million loan. At the rate of $30 per 40-foot container, we will be paying and passing the costs on to our customers or absorbing in margin ourselves what we would not have been able to do without this project.

As we move toward substantial completion of the project, Union Pacific and BNSF and ACTA have been able to reach consensus on all of the important decisions necessary for a successful implementation and operation.

Thank you.

Mr. HORN. Thank you very much. That will be helpful in the question period there.

Let us go back now to Mr. Jeffrey D. Holt, vice president, Goldman Sachs & Co., senior managing underwriter for the Alameda Corridor Project. Thank you, Mr. Holt, for coming.

Mr. HOLT. Thank you, Mr. Chairman and distinguished members.

My name is Jeff Holt. I am a vice president of Goldman, Sachs & Co., and I am the manager of the municipal finance division of the Fixed Income Currency and Commodities Group, and my offices

are in San Francisco. I served as the senior managing underwriter for the Alameda Corridor project. It is my pleasure to address the committee concerning the financing aspects of the Alameda Corridor project. The views I present today are my own and do not necessarily represent those of Goldman, Sachs & Co.

In my business, I see many great proposals for new infrastructure ideas. Engineers bring in beautiful conceptual drawings, planners project tremendous statistical benefits and policymakers stress the need for such projects. In the end, each and every one of these projects comes down to financial feasibility. The big question is always, how do we pay for the large public works projects that everyone needs but that no one agency, on its own, can afford. The Alameda Corridor is possibly the best example of how multiple parties in a public/private partnership can come together to fund such large projects.

The effort started with the ports of Los Angeles and Long Beach. Of all the stakeholders, one group, the ports, finally stepped up to take the leadership position, and they brought their checkbook. The all-important $400 million in development money used to secure the right-of-way was only surpassed in importance by the many dedicated and skilled personnel they lent to the effort on a full-time basis. The ports provided the organization, the vision, and the enthusiasm to make the project happen.

Next the railroads agreed to combine three separate lines into one. They proved ultimately reasonable through the negotiations and the entire debt burden of $1.6 billion will be paid from the $30-per-box corridor user-fee.

The Federal Government added several critical financing components. Through the local MPO, the LACMTA, the Federal Government is passing through $347 million in grant funding for the project. The LACMTA is graciously accelerating that funding through its own financing efforts in order to turn those future grants into construction dollars now. In addition, the U.S. DOT closed the last portion of the funding gap with a very innovative loan. The U.S. DOT staff came to the finance team early in the process and asked us how they could be helpful. We said give us more grants. They said the grant well is dry, so how about a loan. We said we can borrow in the tax exempt market, why do we need taxable Federal loans. They said, we can give a loan with very favorable terms. So we got busy and designed a loan whose terms one could only describe as being very close to straight equity, and they agreed. That $400 million loan finished the funding package and completely closed the gap. That loan stands as a prototype for the U.S. DOT's now popular TIFIA program. The key piece to that loan was a $59 million congressional appropriation in a key budget vote in a key budget year. That $59 million appropriation for a loan-loss reserve made a $400 million loan available which, in turn, made it possible to borrow an additional $1.2 billion from the capital markets to complete the $2.4 billion total project cost.

I also want to compliment the ACTA Board. During the final stages of the process, the negotiations with the railroads made the project costs increase by several hundred million dollars. Rather than succumb to whispers of potential cost overruns, the ACTA board held fast in their courage that the project was feasible in its

proposed form and size, and they moved ahead with the final approvals.

Last, bondholders stepped forward and provided $1.2 billion in bond proceeds to complete the funding package. Interest rates were very favorable at the time. Swarms of lawyers wrote stacks of documents, including a 650-page official statement, the primary disclosure document for the municipal market. In the end, the projected revenue stream was converted to construction dollars with the maximum leverage that the capital markets would allow and with the least risk to the principals possible. The bond financing was non-recourse to the ports and non-recourse to the railroads. Bondholders accepted a basketful of risks, including construction risks, interruption risks and long-term business, revenue and economic risks. The ports provided a limited backup pledge, which under current projections will never be drawn. This was groundbreaking financing in many ways, but most importantly, it was the first time that any financing for intermodal cargo facilities had been secured almost solely from the container cargo stream coming through a single gateway port. The strong market forces that make containers come through the Los Angeles/Long Beach area provided the credit and security to bondholders. So in the end, the problem became the solution.

The blended cost of capital for the combined financings was near 6.5 percent. On the date of financial closing, it was expected that the debt service for the $1.6 billion in debt would have been paid off on the last possible day that container use charges could be collected. As you all are well aware, the San Pedro Ports have been growing at double digit numbers for several years running. Given the tremendous growth through the last 3 years and the fact that the management team has brought the project in on time and on budget, it is now expected that the Federal loan will be paid off many, many years early. By all financial standards, this project is a raging success.

In closing, I must say that it was the governmental partners that brought the critical elements together for a successful project. They saw the original need for the Corridor using regional long-term planning. They brought all of the parties together across many jurisdictions to solve the organizational, logistical and financial problems. They staffed the Carson office with dedicated and brilliant men and women, and most importantly, they have, and still have, the will to succeed.

Thank you.

[The prepared statement of Mr. Holt follows:]

Testimony given to the House Committee on Government Reform
in the Port of Long Beach Board Room
925 Harbor Plaza
Long Beach California
April 16, 2001

Jeffrey D. Holt
Vice President and Manager of the Western Region
Municipal Finance Division
Goldman, Sachs & Co.

Mr. Chairman and Distinguished Members:

My name is Jeff Holt. I am a Vice President of Goldman, Sachs & Co. and am the manager of the Western Region of the Municipal Finance Division of the Fixed Income Currencies and Commodities Group, and my offices are in San Francisco. I served as the Senior Managing Underwriter for the Alameda Corridor project. It is my pleasure to address this committee concerning the financing aspects of the Alameda Corridor project. The views I present today are my own and do not necessarily represent those of Goldman, Sachs & Co.

In my business I see many great proposals for new infrastructure ideas. Engineers bring in beautiful conceptual drawings, planners project tremendous statistical benefits and policy-makers stress the need for such projects. In the end each and every one of these projects comes down to financial feasibility. The big question is always, "how do we pay for the large public works projects that everyone needs but that no one agency, on its own, can afford."

The Alameda Corridor is possibly the best example of how multiple parties in a public private partnership can come together to fund such large projects.

The effort started with the Ports of Los Angeles and Long Beach. Of all the stakeholders, one

*group, the Ports, finally stepped up to take a leadership position. And they brought their checkbook. The all-important $400 mm in development money used to secure the right-of-way was only surpassed in importance by the many dedicated and skilled perso*nnel lent to the effort on a full-time basis. The Ports provided the organization, the vision and the enthusiasm to make the project happen.

Next, the Railroads agreed to combine three separate lines into one. They proved ultimately reasonable throughout the negotiations and the entire debt burden of $1.6 billion will be paid for from the $30 per box corridor user fee.

The Federal Government added several critical components. Through the local MPO, the LACMTA, the Federal Government is passing through $347 million in grant funding for the project. The LACMTA is graciously accelerating that funding through its own financing efforts in order to turn those future grants into construction dollars now. In addition, USDOT closed the last portion of the funding GAP with a very innovative loan. The USDOT staff came to the finance team early in the process and asked us how they could be helpful. We said "give us more grants." They said, "the grant well is dry, how about a loan." We said, "we can borrow in the tax-exempt market, why do we need a taxable federal loan." And they said, "we can give a loan with VERY favorable terms." So we got busy and designed a loan whose terms one could only describe as being very close to straight equity, ... and they agreed. That $400 million loan finished the funding package and completely closed the gap. That loan stands as a prototype for the USDOT's now-popular TIFIA program. The key piece to that loan was a $59 million Congressional appropriation in a key budget vote in a key budget year. That $59 million appropriation for a loan-loss reserve made a $400 million loan available which, in turn, made it possible to borrow an additional $1.2 billion from the capital markets to complete a $2.4 billion total project cost.

I also want to complement the ACTA board. During the final stages of the process, the negotiations with the railroads made the project costs increase by several hundred million dollars. Rather than succumb to whispers of potential "cost overruns" the ACTA board held fast in their courage that the project was feasible in its proposed form and size, and they moved ahead with the final approvals.

Lastly, bondholders stepped forward and provided $1.2 billion in bond proceeds to complete the funding. Interest rates were favorable. Swarms of lawyers wrote stacks of documents, including a 650 page official statement, the primary disclosure document for the municipal market. In the end, the projected revenue stream was converted to construction dollars with the maximum leverage the capital markets would allow and with the least risk to the principals possible. The bond financing was non-recourse to the ports and non-recourse to the railroads. Bondholders accepted a basketful of risks including construction risk, interruption risk and long-term business, revenue and economic risk. The ports provided a limited backup pledge, which under current projections will never be drawn upon. This was a groundbreaking financing in many ways, but most importantly, it was the first time that any financing for intermodal cargo facilities had been secured solely from the container cargo stream coming through a single gateway port. The strong market forces that make containers come through Los Angeles/Long Beach provided the credit and security to bondholders. So, in the end, the problem became the solution.

The blended Cost of Capital for the combined financings was near 6.5%. On the date of financial closing, it was expected that the debt service for the $1.6 billion in debt would have been paid off on the last possible day that container use charges could be collected. Given the tremendous growth through the last three years, and the fact that the management team has brought the project in, on budget and on time, it is now expected that the Federal Loan will be paid off many years early. As you all are aware, the San Pedro Ports have been growing at double digit numbers for several years running. By all financial standards, this project is a raging success.

In closing, I must say that it was the governmental partners that brought the critical elements together for a successful project. They saw the original need for the Corridor using regional long-term planning, they brought all the parties together across many jurisdictions to solve the organizational, logistical and financial problems, they staffed the Carson office with dedicated and brilliant men and women, and most importantly, they had, and still have, the will to succeed.

Mr. HORN. Thank you. I think we will now—if panel three is here, we will merge you in and then we can put questions to all of you and not have to replicate it. I see Mr. Hankla, Mr. Buresh, Mr. Brown and Mr. Wiggs are here.

Gentlemen, we do have an oath to be administered, so Mr. Holt and the new panelists please rise.

[Witnesses sworn.]

Mr. HORN. The clerk will note that all five of the witnesses have affirmed the oath. That duty done, we will start with Mr. Hankla, chief executive officer, Alameda Corridor Transportation Authority, and as I noted, former city manager of Long Beach, former chief administrative officer of the largest county in the Nation, which is Los Angeles County. So thank you for coming.

STATEMENTS OF JAMES HANKLA, CHIEF ECEXUTIVE OFFICER, ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY; TIM BURESH, DIRECTOR OF ENGINEERING AND CONSTRUCTION, ALAMEDA CORRIDOR TRANSPORTATION AUTHORITY; JEFFREY BROWN, CALIFORNIA STATE OFFICE OF RESEARCH, REPRESENTING STATE SENATOR BETTY KARNETTE; AND LARRY WIGGS, JOB TRAINING OFFICER, TUTOR-SALIBA

Mr. HANKLA. Thank you, Mr. Chairman and Congresswoman Millender-McDonald. It is always nice to see both of you. My name is Jim Hankla. I am the chief executive officer of the Alameda Corridor Transportation Authority, known by the acronym ACTA. We are the public agency building the Alameda Corridor rail cargo expressway, otherwise known as a toll road for trains.

Thank you for inviting us here today to discuss how our project came together and how we have benefited from intergovernmental cooperation. At ACTA, we believe very strongly in government efficiency and think there are good lessons to be learned from our experience in this area, so we are very grateful for the opportunity to appear before you today.

I especially want to thank you, Mr. Chairman, and also Congresswoman Millender-McDonald for your longstanding and active support of the Alameda Corridor project. I doubt that this project would be in existence today were it not for your efforts. As you know, intergovernmental cooperation has been at the heart of the success of the Alameda Corridor project.

In 1981, a Ports Advisory Committee was created in response to growing concerns about the ability of ground transportation systems to accommodate increasing levels of traffic in the port area. The committee was formed by the Southern California Association of Governments. Its members included representatives of the ports, the U.S. Navy, the Army Corps of Engineers, the railroads, the trucking industry, and the Los Angles County Transportation Commission, the predecessor agency to the Los Angeles County MTA.

Perhaps the most basic example of intergovernmental cooperation can be found in the very structure of the Alameda Corridor Transportation Authority itself. ACTA is a Joint Powers Authority created by the cities of Los Angeles and Long Beach in 1989. The seven-member governing board includes representatives from each city council, two representatives from each port and a representa-

tive from the Los Angeles County Metropolitan Transportation Authority.

By putting aside their friendly but unmistakable rivalry to cooperate on the Alameda Corridor project, the two ports are benefiting not just the region but the entire Nation, and they should be praised for their leadership.

In the early 1990's, ACTA began reaching out to Members of Congress to line up bipartisan support for the project. Members of Congress and elected officials at all levels were invited to the port area to see for themselves the critical need for the Alameda Corridor. In 1995, Congress approved legislation that identified the Alameda Corridor as a project of national significance. I should note, Mr. Chairman, that as a Member of Congress, you and the Congresswoman were both instrumental in the success of this effort.

The congressional identification of the Alameda Corridor as a project of national significance was the trigger needed to secure Federal funding for the project. In 1997, Congress appropriated $57 million needed to back a Federal loan for the project, and in 1998, the U.S. Department of Transportation authorized a $400 million loan for the Alameda Corridor project. Neither of these actions would have been possible without a broad coalition of support from elected officials and our strategic partners in the Federal Government.

The process that resulted in the Department of Transportation loan became the model for the Transportation Infrastructure Finance and Innovation Act of 1998 [TIFIA]. Through TIFIA, the Department of Transportation and the Federal Highway Administration now provide financial assistance to projects across the country identified as being nationally significant. I understand that the Federal Government is considering an expansion of this program. I can tell you unequivocally that this innovative program worked well for ACTA. In effect, it allowed us to leverage Federal financial support to complete our funding package with money from the public and private sectors, which I will get into in a moment.

At the State level, ACTA worked closely with members of the legislature, Caltrans' staff and the California Transportation Commission to include the Alameda Corridor in short and long-range plans, and to expedite its funding. Through Caltrans, ACTA also received a grant as partial funding for a major rail/rail grade separation, known as the Redondo Junction, to grade separate freight train movements from commuter and intercity passenger rail services, thus providing benefit to both freight and passenger rail services.

At the local level, we worked closely with the Los Angeles County MTA to set aside State and Federal grant funds, as well as local transportation sales tax revenue that MTA allocates at its discretion for use on the Alameda Corridor project.

The ports, of course, provided the most essential risk capital, $394 million for rights-of-way purchases and startup financing.

Innovative financing was provided. The collective assistance offered by the Federal, State and local agencies and elected officials provided the base funding—the leverage if you will—for the biggest piece of our innovative financing package, more than $1.1 billion in proceeds from revenue bonds sold by ACTA. Approximately 55 per-

cent are taxable bonds and the remaining 45 percent are tax exempt.

The bonds and the Federal loan are to be retired with revenues from the fees paid by the railroads for use of the corridor. These fees are based on the number of full and empty cargo containers hauled by the railroads on the corridor. The fee program is the product of the successful partnership developed between ACTA and the railroads that transport freight from the ports. I sometimes refer to this, as I said earlier, as a toll road for trains.

In total, ACTA's innovative $2.4 billion financing package breaks down as follows: 51 percent from revenue bonds; 18 percent from Federal loans; 18 percent from the ports; 8 percent from California State grants and 5 percent from other sources, much of it administered through the Los Angeles Metropolitan Transportation Authority.

The Alameda Corridor project truly is a public/private partnership that has benefited from the cooperation of our strategic partners, the multiple Federal, State and local agencies, elected officials and, of course, the railroads.

Because of our success in multi-agency cooperation, ACTA has been approached numerous times by organizations planning large transportation related infrastructure projects. We are happy to share our experiences with them because we believe the public benefits from efficiencies achieved when government agencies put aside competition to cooperate for the greater good.

We would also be pleased to provide any guidance that will assist the subcommittee in applying our experiences to other programs and projects.

Thank you again for having us here today, Mr. Chairman. We would be happy to address any questions you may have.

Mr. HORN. Thank you.

Mr. Tim Buresh is director of engineering and construction, Alameda Corridor Transportation Authority. Mr. Buresh.

[The prepared statement of Mr. Hankla follows:]

Testimony for Committee On Government Reform's Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations
April 16, 2001

James C. Hankla
Chief Executive Officer
Alameda Corridor Transportation Authority

Mr. Chairman, good morning. My name is Jim Hankla, Chief Executive Officer of the Alameda Corridor Transportation Authority. Known by the acronym ACTA, we are the public agency building the Alameda Corridor rail cargo expressway.

Thank you for inviting us here today to discuss how our project came together and how we have benefited from intergovernmental cooperation. At ACTA, we believe very strongly in government efficiency and think there are good lessons to be learned from our experience in this area, so we are grateful for the opportunity to appear before you.

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ACTA Organization

Perhaps, the most basic example of intergovernmental cooperation can be found in the very structure of the Alameda Corridor Transportation Authority itself. ACTA is a Joint Powers Authority created by the Cities of Los Angeles and Long Beach in 1989. The seven-member Governing Board includes a representative from each City Council, two representatives from each Port, and a representative from the Los Angeles County Metropolitan Transportation Authority.

By putting aside their friendly but unmistakable rivalry to cooperate on the Alameda Corridor, the two ports are benefiting not just the region but the entire nation, and they should be praised for their leadership.

"Project of National Significance"
In the early 1990s, ACTA began reaching out to members of Congress to line up bipartisan support for the project. Members of Congress and elected officials at all levels were invited to the port area to see for themselves the critical need for the Alameda Corridor. In 1995, Congress approved legislation that identified the Alameda Corridor as a project of national significance. I should note, Mr. Chairman, that as a member of Congress, you were instrumental in the success of this effort.

The Congressional identification of the Alameda Corridor as a Project of National Significance was the trigger needed to secure federal funding for the project.

Federal Funding
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And, in 1998, the U.S. Department of Transportation authorized a $400 million loan for the Alameda Corridor project. Neither of these actions would have been possible without the broad coalition of support from elected officials and our strategic partners in the federal government.
The process that resulted in the Department of Transportation loan became the model for the Transportation Infrastructure Finance and Innovation Act of 1998, known as TIFIA. Through TIFIA, the Department of Transportation and the Federal Highway administration now provide financial assistance to projects across the country identified as nationally significant. I understand that the federal government is considering its expansion. I can tell you unequivocally that this innovative program worked well for ACTA. In effect, it allowed us to leverage federal financial support to complete our funding package with money from the public and private sectors, which I will get to in a moment.

State and Local Funding
At the state level, ACTA worked closely with members of the Legislature, Caltrans staff and the California Transportation Commission to include the Alameda Corridor in short- and long-range plans and to expedite funding. Through Caltrans, ACTA also received a grant as partial funding for a major rail / rail grade separation - known as Redondo Junction – to grade separate freight train movements from commuter and intercity passenger rail services, thus providing benefit to both freight and passenger rail services.

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The collective assistance offered by federal, state and local agencies and elected officials provided the base funding – the leverage if you will – for the biggest piece of our innovative financing package – more than $1.1 billion in proceeds from revenue bonds sold by ACTA. Approximately 55 percent are taxable bonds, and the remaining 45 percent are tax-exempt.

The bonds and the federal loan are to be retired with revenues from fees paid by the railroads for use of the Alameda Corridor. These fees are based on the number of full and empty cargo containers hauled by the railroads on the Corridor. The fee program is the product of the successful partnership developed between ACTA and the railroads that transport freight from the Ports. I sometimes refer to the Alameda Corridor as a toll road for railroads.
In total, ACTA's innovative $2.4 billion financing package breaks down as follows:

- 51% from revenue bonds
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- 5 % from other sources (much of it administered by the Los Angeles Metropolitan Transportation Authority.)

The Alameda Corridor project truly is a public-private partnership that has benefited from the cooperation of our strategic partners – the multiple federal, state and local agencies, elected officials, and the railroads.

Because of our success in multi-agency cooperation, ACTA has been approached numerous times by organizations planning large transportation-related infrastructure projects. We are happy to share our experiences with them because we believe the public benefits from efficiencies achieved when government agencies put aside competition to cooperate for the greater good.

We would also be pleased to provide any guidance that will assist the Subcommittee in applying our experiences to other programs and projects.

Thank you again for having us here today, Mr. Chairman. We would be happy to address any questions you may have.

Mr. BURESH. Good morning, Mr. Chairman and Congresswoman. If you will please refer to the slide show I will use to accompany my remarks, I will provide a brief description of the project and a status report of construction.

As has already been mentioned, the Corridor is a 20-mile rail-link between the ports and the transcontinental railroads which are located just east of downtown Los Angeles. The Corridor is being built primarily to smoothly accommodate an exponential increase in cargo shipped through the ports. Port cargo volume doubled in the 1990's. By 2020 those volumes are expected to triple to approximately 24 million containers per year. Unfortunately the existing rail system now serving the ports, two railroads with four low-speed branch lines, are insufficient to handle such volumes.

Trains on the existing lines, which are often more than a mile long, typically travel at less than 15 miles an hour and the system can only accommodate about 20 unit trains per day. This threatens the region's competitiveness in international trade and causes major delays of vehicle traffic at street-level railroad crossings throughout the Los Angeles Basin. On the Alameda Corridor, these trains will now travel at over twice their current speed and the Corridor will be able to accommodate over 100 unit trains per day, a five fold increase.

How do we accomplish that kind of increase? By consolidating the rail lines into a single two-track expressway that is completely grade-separated and eliminates the conflicts at more than 200 street-level rail crossings.

Besides safeguarding the region's competitiveness in the global marketplace and easing traffic congestion, the Alameda Corridor has the added benefits of reducing air pollution from idling cars and trucks and slower-moving trains and cutting noise pollution from trains. The Alameda Corridor is one of the largest air abatement projects in California. We are also providing job training and placement services to 1,000 residents of Corridor communities, a societal benefit that will last well beyond the construction of the Alameda Corridor. Mr. Wiggs will expand upon this point later.

The Corridor is a large, complex project. It is one of the largest transportation projects in the Nation and currently the largest single public works project in California. The centerpiece of the project is the Mid-Corridor Trench, a 10-mile long, 30-foot deep trench that will carry trains below ground level between State Route 91 to the border separating the cities of Vernon and Los Angeles. At this date over 6 miles of the trench has been excavated, track work is under way with over 3 miles of permanent track already in place, as you can see on this slide.

There are over 30 bridges as part of the Mid-Corridor project. At this time only four bridges remain to be completed. Twenty-six are already opened up to traffic, as is this one at Zoie Street in Huntington Park. By this fall the trench structure will be complete and all bridges will be in place. Track work and street reconstruction will continue through the spring of 2002.

There are many construction elements that make up the Alameda Corridor. Besides the Mid-Corridor Trench, the two biggest pieces are the Henry Ford Avenue grade separation on the south end and the Redondo Junction grade separation at the north end.

This photograph is a picture of the Henry Ford Avenue grade separation, which replaces a single track rail with a mile long two-track rail bridge over the Dominguez Channel and State Route 47 with transition ramps at Henry Ford Avenue.

The Redondo Junction grade structure is a bridge structure stretching the length of eight football fields in the vicinity of Washington Boulevard and Santa Fe Avenue in Los Angeles. This project separates passenger rail lines from cargo rail lines by elevating Amtrak and Metrolink commuter tracks above the Alameda Corridor mainline. This project will be completed and opened up in July of this year with an immediate benefit to all of the passenger rail which uses it daily.

Right now, we are in the middle of full-scale construction up and down the 20-mile route, with up to 1,500 people working on various construction projects on any given day. These projects are rapidly working toward completion. Major project segments will be completed and opened to traffic this year.

I am pleased to report that the Alameda Corridor project is on schedule to open on April 15, 2002. This was the original project completion date and there has been no schedule delay to this project. I would also like to report that ACTA remains well within our original budget of $2.4 billion.

Any project of this scope inevitably encounters significant hurdles in the construction process that can lead to delays. There are many reasons why our project remains on schedule, but at the top of the list are our agreements with the corridor communities and our decision to use a design-build contract for the Mid-Corridor Trench.

ACTA has Memoranda of Understanding [MOUs], with each of the cities along the route detailing expedited permitting processes, haul routes for construction traffic and the processes for lane closures and temporary detours. By agreeing in advance on these and other issues, we have streamlined a complex construction process. For instance, the Santa Fe Avenue bridge that you see here required the cooperation of the city of Los Angeles, the city of Vernon and Los Angeles County, in addition to ACTA, to become a reality.

On the Mid-Corridor design/build project, we have saved an estimated 18 months in project delivery by using the design/build approach. The design/build approach allows for the overlapping of some design and construction work. ACTA has obtained design/build authority through a city of Los Angeles ordnance. This enabled ACTA to award the Mid-Corridor contract based on the lowest ultimate cost as opposed to the traditional bid process. This contract ensures that the contractor's work will be completed by a fixed date and a fixed cost or be subject to significant financial penalties.

These are just two of the many examples of how ACTA has cleared some hurdles and saved time by making the construction process more efficient.

ACTA continues to face strategic challenges in completion of the project. For example, ACTA will be obtaining final environmental permits for stormwater discharge. ACTA has installed state-of-the-art stormwater treatment and collection systems. However, some of the proposed discharge standards are extremely stringent. For ex-

ample, falling rain may be too contaminated to be discharged into the Los Angeles River and San Pedro Bay estuaries. We continue to strive for a common-sense solution to this situation.

The ports in the Los Angeles region have continued their rapid growth. Mr. Keller outlined many of those statistics in his remarks. ACTA is taking all reasonable steps to ensure that there is adequate capacity to meet this demand. The trench and north end of the project definitely have adequate capacity for the foreseeable future. At the south end, ACTA is strengthening connections between the ports and to the Corridor. For example, this photograph shows that the existing connections to Terminal Island must be expanded within a few short years. This will require a new bridge. ACTA is working cooperatively with the ports and the Coast Guard to deliver a less expensive bridge which will save time as well as cost. ACTA will continue to explore other opportunities to enhance its capacity and efficiency.

That concludes my remarks, Mr. Chairman.

Mr. HORN. Thank you very much for that presentation. It gives us a better view. OK, we will now go to Mr. Jeffrey Brown, the California State Office of Research representing State Senator Berry Karnette.

[The prepared statement of Mr. Buresh follows:]

Testimony for Committee On Government Reform's Subcommittee on Government Efficiency, Financial Management and Intergovernmental Relations
April 16, 2001

Tim Buresh
Director of Engineering and Construction
Alameda Corridor Transportation Authority

Good morning, Mr. Chairman. I am Tim Buresh, Director of Engineering and Construction for the Alameda Corridor Transportation Authority. It is my pleasure to be here.

I will be providing a brief description of the project and a status report on construction.

The Alameda Corridor is a 20-mile-long rail cargo expressway that will link the Ports of Long Beach and Los Angeles to the transcontinental rail switching yards near downtown Los Angeles. It is being built primarily to smoothly accommodate an exponential increase in cargo shipped through the ports.

Port cargo volumes doubled in the 1990s. By 2020 those volumes are expected to triple to approximately 24 million containers per year. Unfortunately, the rail system now serving the ports – two railroads with four low-speed branch lines – are insufficient to handle such volumes.

Trains on these lines, often more than a mile long, typically travel at less than 15 miles an hour, and the system can accommodate only about 20 trains per day. This threatens the region's competitiveness in international trade and causes major delays in vehicle traffic at street-level railroad crossings throughout the Los Angeles Basin.

On the Alameda Corridor, trains will travel over twice their current speed. The rail cargo expressway will be capable of handling up to 100 trains per day.

How do we do that? By consolidating the rail lines into a single, two-track expressway that is completely grade-separated and eliminates conflicts at more than 200 street-level railroad crossings.

Besides safeguarding the region's competitiveness in the global marketplace and easing traffic congestion, the Alameda Corridor has the added benefits of reducing air pollution from idling cars and trucks and slower-moving trains, and cutting noise pollution from trains. The Alameda Corridor is one of the largest air abatement projects in California. We also are providing job training and placement services to 1,000 residents of Corridor communities – a societal benefit that will last well beyond construction of the Alameda Corridor.

The Corridor is a large, complex project. It is one of the largest transportation projects and currently the largest public works project in California.

The centerpiece of the project is the Mid-Corridor Trench – a 10-mile-long, 30-foot-deep trench that will carry trains below ground level between State Route 91 in the border separating the cities of Vernon and Los Angeles. At this time over six miles of the trench has been excavated. Trackwork is also underway, with over 3 miles of permanent track in place.

There are 30 bridges, which are part of the trench portion of the project. At this time, only four bridges remain to be completed. By this fall, the trench structure will be complete. Trackwork and street reconstruction will continue through spring of 2002.

There are many construction projects that make up the Alameda Corridor. Besides the Mid-Corridor Trench the two biggest pieces are the Henry Ford Avenue Grade Separation on the South End, and the Redondo Junction Grade Separation on the north end.

The Henry Ford Avenue Grade Separation replaces a single-track rail with a mile-long, two-track rail bridge over Dominguez Channel and State Route 47 transition ramps at Henry Ford Avenue. The project also widens the Henry Ford Avenue vehicle bridge over Dominguez Channel to six lanes from four and widens the on- and off-ramps to three lanes from two.

The Redondo Junction Grade Separation is a bridge structure stretching the length of eight football fields in the vicinity of Washington Boulevard and Santa Fe Avenue in Los Angeles. The project separates passenger rail lines from cargo rail lines by elevating Amtrak and Metrolink commuter tracks above the Alameda Corridor mainline.

Right now, we are in the middle of full-scale construction up and down the 20-mile route, with up to 1,500 people working on various construction projects on any given day. These projects are rapidly working towards completion. Major project segments will be completed and opened to traffic this year.

I am pleased to report that the Alameda Corridor project is on schedule to open on April 15, 2002. This was the original project completion date; there has been no schedule delay to the project. I would also like to report that ACTA remains well within our original budget of $2.4 billion.

Any project of this scope inevitably encounters significant hurdles in the construction process that can lead to delays. There are many reasons why our project remains on schedule, but at the top of the list are our agreements with corridor communities, and our decision to use a design-build contract for the Mid-Corridor Trench.

ACTA has Memoranda of Understanding, or MOUs, with each of the cities along the route, detailing expedited permitting processes, haul routes for construction traffic and the processes for lane closures and temporary detours. By agreeing in advance on these and other issues, we have streamlined a complex construction process.

Similarly, we have saved an estimated 18 months on project delivery by utilizing the design/build approach for our largest contract – the Mid-Corridor Trench. The design/build approach allows for the overlapping of some design and construction work. ACTA obtained design/build authority through a City of Los Angeles ordinance. This enabled ACTA to award the Mid-Corridor contract based on Lowest Ultimate Cost. The contract ensures that the contractor's work will be completed by a fixed date and at a fixed cost, or be subject to significant financial penalties.

Those are two of the many examples of how ACTA has cleared some hurdles and saved time by making the construction process more efficient.

ACTA continues to face strategic challenges. For example, ACTA will be obtaining final environmental permits for stormwater discharge. ACTA has installed state-of-the-art stormwater treatment and collection systems. However, some of the proposed discharge standards are extremely stringent. Falling rain may become too contaminated to be discharged into the LA River and estuary. We continue to strive for a common sense solution to this situation.

The Ports and the LA Region have continued their rapid growth. ACTA is taking all reasonable steps to ensure that there is adequate capacity to meet this demand. The trench and north end definitely have adequate capacity for the foreseeable future.

At the south end, ACTA is strengthening connections between the Ports and the Corridor. For example, the existing connection to Terminal Island must be expanded within a few short years. This will require a new bridge. ACTA is working with the Ports and the Coast Guard to deliver a less-expensive bridge which will save time as well as cost. ACTA will continue to explore other opportunities to enhance capacity and efficiency.

That concludes my remarks, Mr. Chairman.

Mr. BROWN. Good morning, Chairman Horn, Congresswoman Millender-McDonald, I am Jeff Brown with the California Senate Office of Research. I am here today to speak on behalf of State Senator Betty Karnette. Unfortunately the Senate floor session has prevented Senator Karnette from attending today's hearing. But she would like to thank you for the opportunity to comment today on the Alameda Corridor, which the Senator truly believes to be America's Corridor of National Significance.

In addition, Senator Karnette would like to thank all of the men and women of the Alameda Corridor Transportation Authority [ACTA]. It is their world-class professionalism and dedication that have delivered one of America's largest transportation projects on time and on budget. Moreover, ACTA not only implemented the Nation's major transportation corridor with efficiency and innovation, but incorporated a jobs development and training program to assist in developing a sustainable economic development effort for the Alameda Corridor region.

Given the significant growth in international trade, and the increasing share of rail and freight cargo moving east and west, there is a critical need to effectively implement a comprehensive regional transportation plan. The Alameda Corridor is now the efficiency and innovation standard on how to do transportation planning and implementation.

Years of supporting and working on the Alameda Corridor have helped Senator Karnette, as former chair of the Transportation Committee and as current chair of the Subcommittee on the Alameda Corridor to recognize that California's trade-based economy requires California to expand the State's policy in facilitating goods movement and to increase State support for projects that promote international trade.

Last year, Senator Karnette authored Senate Concurrent Resolution 96, the Global Gateways Development Program which will help contribute to the regional transportation infrastructure and be the State's goods movement blueprint. In addition, SCR–96 will help lay the groundwork for the State to develop an effective and strategic plan to influence the next Federal transportation reauthorization bill. The goal of SCR–96, as inspired by the Alameda Corridor, is to improve major freight gateways in California, to enhance overall mobility, including increased access at and to international ports of entry, international airports, seaports and other major intermodal transfer facilities, goods movement distribution centers and trade corridors in California.

The measure requires the Department of Transportation in cooperation with business transportation and housing, the trade and commerce agency, the California Transportation Commission and other appropriate parties to submit a final report to the legislature by July 1, 2001.

This $2.4 billion public-private partnership is not simply a transportation project, but a project dedicated to helping the Alameda Corridor region to produce a sustainable economic development strategy that will effectively meet the challenges of a 21st century global economy.

International trade is a key element to local, regional, State and national economies. The Corridor is enabling southern California

businesses to prosper as well as to create a substantial number of new jobs. ACTA chose not only to be a major transportation project but to partner in the economic development of the Corridor region. In order to realize the potential for the quality of life and the attraction of new industries and jobs, a strong collaborative effort among all interested parties involved in the Alameda Corridor project needed to be developed. to achieve this goal, a comprehensive regional strategic plan has been created and is being effectively implemented. The job development and training program required by the Alameda Corridor Transportation Authority for the Corridor community residents is an important component in helping to develop a sustainable economic development effort for the Alameda Corridor region. This opportunity for sustained community development is enormous.

ACTA, local organizations, communities along the corridor have demonstrated a collaborative spirit and visionary leadership to develop the opportunities which are helping to realize the full potential of the Alameda Corridor region.

In the past, we have often viewed transportation, economic, environmental and social goals as competing. Over the past decade, however, a new vision of the future has emerged. One arguing that progress in all areas is not only possible, but required for communities and regions to be sustained over the long-term. Consensus is emerging among business, government, environmental, regional and community leaders about sustainability and the importance of creating sustainable regions and community. This project is addressing that goal. The core essence of sustainability is the focus on the future and a collaborative commitment to ensure prosperity and opportunity for the next generation. Economic regions increasingly compete with one another to attract private investment and talented workers to assure a rising standard of living. However, few regions are able to implement policies region-wide and support and effectively implement a sustainable economic development strategy. The Alameda Corridor has been an important agent in helping the region meet these challenges of a new economy. The effort motivated Senator Karnette to author SB–653, the Alameda Corridor Industrial Reclamation Act of 1999, which the legislature passed and the Governor signed. The bill is doing the following: It is directing several local entities to provide assistance, both short and long-term, to coordinate, plan and implement strategies to assist cities and unincorporated communities impacted by the Alameda Corridor, to expand their commercial and industrial base. In addition, it is improving workforce preparedness to meet the needs of a changing manufacturing and technological environment.

Chairman Horn, Congresswoman Millender-McDonald, I would like to thank you again for the opportunity to praise this remarkable transportation project and to salute the men and women who are making it a reality.

Mr. HORN. Thank you very much for coming down here to testify.

Mr. Wiggs. Mr. Wiggs is the job training officer for Tutor-Saliba.

Mr. WIGGS. Thank you very much. Chairman Horn and Congresswoman Millender-McDonald, it is a pleasure to be here representing the Tutor-Saliba Corp., the Tutor-Saliba Team and its

president, Ron Tutor, who is the president and the prime contractor for the mid-corridor component of the Alameda Corridor project.

I am here today to speak briefly on the job training program that has been alluded to and the development component and the performance statistics and accomplishments of the program at the end of the second year of operation. I want to point out that while the first quarter 2001 performance statistics are not yet compiled, rest assured that the goals established by the Alameda Corridor Transportation Authority are growing closer to achievement.

As a condition of contract approval, the recommended contractor for the mid-corridor segment of the Alameda Corridor project, the Tutor-Saliba Team, was required to develop and fund a program designed to provide pre-apprenticeship training, construction training for 650 residents and non-trade construction training to 350 residents.

The Century Housing Corp., the Carpenter's Educational Training Institute [CETI], the Alameda Corridor Jobs Coalition Training and Employment Corp. were contracted by Tutor-Saliba to administer and implement the job training program.

At the end of the first program year, organization changes took place within the job training program resulting in the Carpenter's Training and Education Employment Institute relinquishing all of its training programs in the State of California, thus backing out of our program, as well as a non-trade training entity backing out, thus being substituted by Century Housing Community Training Program and the project-by-project consulting program.

The main criteria for eligibility in a training project is residency within a specific geographic area adjacent to the Alameda Corridor project and the graduation of the 1,000 Corridor community residents represents the satisfaction of the training goals established by ACTA.

Following the pre-apprenticeship training, the placement goal is triggered. Here, the goal is to place the 650 graduates in State-approved union apprenticeship programs. I want to point out that while the additional 350 non-trade construction trainees are not—there is no requirement for placement, we are happy to note that 10 percent of the current trainees have been placed in support positions within the construction industry.

The employment goals set forth two performance criteria. The first is that 30 percent of all the work hours on the mid-corridor segment of the Alameda Corridor project be performed by Corridor community residents or local workers. Again, those individuals who are within an established geographic boundary of the Alameda Corridor location.

The second requirement is that 30 percent of all the local work be performed by graduates of the training program.

I would like to take the next few moments to give you a comparison as to where we were at the end of year one, December 1999 and at the end of year two, December 2000, with respect to our various goals. At the end of December 1999, we had established program graduate rate of 167. At the end of 2000, we had 674 Corridor residents graduating from our combined programs.

The graduates in the construction pre-apprenticeship training; i.e., the goal is 650. At the end of the first program year, 97; the

second year was 486. The graduates in the non-trade training, the goal was 350; the first year resulted in 70 graduates; second year, 188.

The placement accomplishments, again, the goal is to place those 650 in union apprenticeships. Graduates at the end of the first year was 70; second year, 295 in union apprenticeship programs.

In the non-construction jobs, these are jobs that individuals opted out rather than going into union apprenticeships, they were still related to the construction industry, there were 13 in the first year, 49 in the second year.

Total placements, 83 the first year; 344 end of year two.

Now the breakdown I wanted to share with you on the three segments of our contract, mid-corridor project, that is a 10-mile trench; the first year, we had 14 graduates; second year, 116.

The north and south Alameda projects, the first year, 4; second year 14. And then other construction projects within the L.A. County region, 65 first year and 214 second year for a total of 344.

Our local worker goal, the number of local workers in the first year we had 223 representing the various surrounding community corridor cities. At the end of the second year, we had 559 who had been placed and were gainfully employed.

Local worker hours, 21 percent, the goal was 30 percent. At the end of the second year, 29 percent.

Percentage of graduate hours, 6 percent and 12 percent. We are struggling in that area, I should note, but we are making substantial improvement with our subcontractors hiring more of our trainees and maximizing their hours. And I want to point out that several subcontracts on the Alameda mid-corridor project have yet to come on-line, so we feel very certain that those numbers will be increasing in the next three quarters.

One area that ACTA has asked us to really focus on is to ensure the equitable distribution of our resources; i.e., jobs and training. I'll provide this pie chart to just indicate to you where we are with our training graduates, and this replicates itself around the work force as well.

Black population of our training graduates, 57 percent; Hispanic, 23; and other, 20 percent. The gender is split 66 percent male, 25 percent female.

This is important to note, because as our graduates enter in the program, with a few exceptions, they are without wage or at minimum wage. But upon completion of the program and entering into the union apprenticeship, the average of our apprenticeship is $11.95, so at the end of their 8 week training, they are virtually—they are making $12 a hour with benefits, with vacation time and health benefits. At the end of their 4 to 5 year apprenticeship program, they can command a $25.62 hourly wage, as of this date. And this is nationwide within the construction industry.

The next chart is one that we prepared because this is the guide that we are using as a tool for our training officers as well as to share with all parties involved how your particular community or city fares with respect to our placement of local workers and job trainees.

The labor force goal is essentially the labor-force, percentage of the labor-force per Corridor city and the goal that we are to

achieve. For example, the city of Carson has a labor-force goal of 6.97 percent. The actual to date is 4.41. There is some effort that we need to do in that regard to increase the numbers of trainees and graduates working on that project within the city of Carson.

So where are we? To date, within the 2-years of our program, 3,100 Corridor residents have responded to our outreach effort. That is, 3,100 individuals have received written communications inviting them to participate in the Alameda Corridor jobs program; 67 percent of our goal has been achieved; i.e., 674 program graduates; 45 percent of our placement goal at the end of 2000, December, has been achieved with 295 graduates being placed in union apprenticeships; 130 graduates have been placed on the Alameda Corridor project specifically; 653 non-trainee local workers have been hired on the mid-corridor segment of the project. There are many others who were hired by contractors on both the north and south end projects. Twenty-nine percent of all of our work hours have been performed, the goal is 30; 12 percent of the local work hours were performed by graduates, again the goal is 30. And we completed 70 percent of the mid-corridor segment of the Alameda Corridor project, 30 percent of our work remains to be completed by 2002, April.

That concludes my comments, Members.

[The prepared statement of Mr. Wiggs follows:]

The Tutor-Saliba Team

CONTRACTORS/ENGINEERS

TESTIMONY BEFORE
THE COMMITTEE ON GOVERNMENT REFORM'S
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY, FINANCIAL
MANAGEMENT AND INTERGOVERNMENTAL RELATIONS
APRIL 16, 2001

Presented By
Larry A. Wiggs
Job Training Officer
Community Relations Manager
The Tutor-Saliba Team, Prime Contractor
Alameda Corridor-Mid Corridor Design-Build Project

CHAIRMAN HORN AND HONORABLE MEMBERS, THANK YOU FOR THE OPPORTUNITY TO PRESENT A BRIEF SUMMARY OF THE ALAMEDA CORRIDOR JOB TRAINING AND DEVELOPMENT PROGRAM AND THE PERFORMANCE STATISTICS AND ACCOMPLISHMENTS OF THE PROGRAM AT THE END OF ITS SECOND YEAR OF OPERATION. WHILE THE 1ST QUARTER 2001 PREFORMANCE STATISTICS ARE NOT YET COMPILED, THE PROGRAM GOALS ESTABLISHED BY THE ALAMEDA CORRIDOR GOVERNING BOARD ARE CLOSER TO ACHIEVEMENT.

AS A CONDITION OF CONTRACT APPROVAL, THE RECOMMENDED CONTRACTOR FOR THE MID-CORRIDOR SEGMENT OF THE ALAMEDA CORRIDOR PROJECT, THE TUTOR-SALIBA TEAM, WAS REQUIRED TO DEVELOPMENT AND FUND A PROGRAM DESIGNED TO PROVIDE PRE-APPRENTICESHIP CONSTRUCTION TRAINING FOR 650 RESIDENTS AND NON-TRADE CONSTRUCTION TRAINING TO 350 RESIDENTS.

THE CENTURY HOUSING CORPORATION, THE CARPENTER'S EDUCATIONAL & TRAINING INSTITUTE (CETI) AND THE ALAMEDA CORRIDOR JOBS COALITION TRAINING & EMPLOYMENT CORPORATION WERE SUBCONTRACTED TO ADMINISTER AND IMPLEMENT THE JOB TRAINING PROGRAM. AT THE END OF THE 1ST PROGRAM YEAR, ORGANIZATION CHANGES WERE MADE REPLACING BOTH THE PRE-APPRENTICESHIP AND NON-TRADE TRAINER, I.E. CETI AND OPPORTUNITY MARKETING GROUP- OMG. CENTURY COMMUNITY TRAINING PROGRAM AND PROJECT BY PROJECT CONSULTING WERE SUBCONTRACTED TO IMPLEMENT THE PRE-APPRENTICESHIP AND NON-TRADE TRAINING.

THE MAIN CRITERIA FOR ELIGIBILITY IN THE TRAINING PROJECT IS RESIDENCY WITHIN A SPECIFIC GEOGRAPHIC AREA ADJACENT TO THE ALAMEDA CORRIDOR PROJECT. THE GRADUATION OF THESE 1000 "CORRIDOR COMMUNITY RESIDENTS" REPRESENTS THE SATISFACTION OF THE **TRAINING GOAL**.

FOLLOWING THE PRE-APPRENTICESHIP TRAINING THE **PLACEMENT GOAL** IS TRIGGERED. HERE, THE GOAL IS THE PLACEMENT OF THE 650 GRADUATE TRAINEES IN STATE APPROVED UNION APPRENTICESHIP PROGRAMS. (ALTHOUGH THERE IS NO PLACEMENT GOAL FOR THE 350 NON-TRADE TRAINEES, TO DATE 10% OF THE NON-TRADE GRADUATE TRAINEES HAVE BEEN PLACED IN NON-UNION JOBS IN THE CONSTRUCTION INDUSTRY OR ON JOBS ASSISTING THE ALAMEDA CORRIDOR PROJECT).

THE **EMPLOYMENT GOAL** SETS FORTH TWO PERFORMANCE CRITERIA: (1) THAT 30% OF ALL WORK HOURS ON THE MID-CORRIDOR SEGMENT OF THE ALAMEDA CORRIDOR PROJECT BE PERFORMED BY CORRIDOR COMMUNITY RESIDENTS OR "LOCAL WORKERS"; AND (2) THAT 30% OF ALL LOCAL WORKER HOURS BE PERFORMED BY GRADUATES OF THE TRAINING PROGRAM.

I WILL NOW SUMMARIZE THE JOB TRAINING AND DEVELOPMENT PROGRAM BY REVIEWING THE THREE GOALS AND COMPARING THE 1ST AND 2ND YEAR PROGRAM ACCOMPLISHMENTS. WE WILL ALSO BRIEFLY LOOK AT THE DEMOGRAPHIC PROFILE OF THE GRADUATE TRAINEES AND THE ALLOCATION OF GRADUATE TRAINEES AND LOCAL WORKERS PLACED ON THE MID-CORRIDOR SEGMENT OF THE ALAMEDA CORRIDOR PROJECT.

TRAINING ACCOMPLISHMENTS:
AT THE END OF THE 1ST PROGRAM YEAR (DECEMBER 1999) 167 CORRIDOR RESIDENTS GRADUATED FROM THE JOB TRAINING PROGRAM; AT THE END OF THE 2ND PROGRAM YEAR (DECEMBER 2000) 674 CORRIDOR RESIDENTS COMPLETED TRAINING. INDIVIDUALLY, GRADUATES IN THE CONSTRUCTION PRE-APPRENTICESHIP TRAINING INCREASED FROM 97 TO 486; WHILE GRADUATES IN THE NON-TRADE TRAINING INCREASED FROM 70 TO 188.

PLACEMENT ACCOMPLISHMENTS:
AT THE END OF THE 1ST YEAR, 70 GRADUATES HAD BEEN PLACED IN UNION APPRENTICESHIP PROGRAMS; 295 GRADUATES HAD BEEN PLACED AT THE END OF THE 2ND YEAR. AN ADDITIONAL 49 GRADUATES WERE PLACED IN NON-UNION CONSTRUCTION JOBS COMPARED TO 13 AT THE END OF THE 1ST YEAR.

EMPLOYMENT ACCOMPLISHMENTS:
AT THE END OF THE 1ST YEAR, 223 LOCAL WORKERS AND TRAINEES HAD BEEN EMPLOYED ON THE MID-CORRIDOR SEGMENT OF THE ALAMEDA CORRIDOR PROJECT AS A RESULT OF THE JOB TRAINING PROGRAM. AT THE END OF THE 2ND YEAR, THE LOCAL WORKER AND TRAINEE NUMBER HAD RISEN TO 559.

SIMILARLY, LOCAL WORKER HOURS AND TRAINEE HOURS HAVE INCREASED. AT THE END OF THE 1ST YEAR, LOCAL WORKER HOURS TOTALED 21%; FOR THE YEAR 2000 THE HOURS INCREASED TO 29%, JUST 1% UNDER GOAL. TRAINEE HOURS TOTALED 6% IN THE 1ST YEAR AND 12% AT THE END OF THE

SECOND YEAR. THE 18% SHORTFALL IN GOAL ATTAINMENT IS SUBSTANTIAL BUT IN AN EFFORT TO ACHIEVE GOAL PROJECT MANAGEMENT IS AGGRESSIVELY PUSHING OUR SUBCONTRACTORS TO HIRE GREATER NUMBERS OF TRAINEES AND MAXIMIZE THEIR WORK HOURS. WE EXPECT INCREASES IN TRAINEE HOURS OVER THE NEXT SEVERAL QUARTERS.

TRAINEE PROFILES:
WITH RESPECT TO MINORITY AND FEMALE UTILIZATION, BOTH THE TRAINING PROGRAM AND LOCAL WORKER PARTICIPATION LEVELS ARE IMPROVING. CUMULATIVELY, BLACKS REPRESENT 57% (385) OF ALL TRAINEE GRADUATES; HISPANICS REPRESENT 23% (156); ALL OTHER GROUPS REPRESENT 20% (133). THE GENDER BREAKDOWN IS 66% MALE (483) AND 25% FEMALE (191).

I SHOULD POINT OUT THAT AT THE END OF THE 2ND YEAR TRAINEE GRADUATES AND LOCAL WORKERS EMPLOYED ON THE MID-CORRIDOR PROJECT REPRESENTED 29.75% (769) OF THE TOTAL MID-CORRIDOR WORKFORCE (2585).

TRAINEE PLACEMENT AVERAGE RATES:
AT THE END OF THE 2ND YEAR, TRAINEE GRADUATES ENTERED EIGHTEEN APPRENTICEABLE TRADES. THE AVERAGE 1ST PERIOD APPRENTICE HOURLY WAGE IS $11.95; AT COMPLETION OF THE APPRENTICESHIP PERIOD THE JOURNEYLEVEL HOURLY WAGE FOR THESE TRADES AVERAGES $25.62. I SHOULD NOTE THAT ALL BUT A VERY FEW TRAINEES ARE UNEMPLOYED. THEREFORE ACHIEVING A WAGE EXCEEDING THE NATIONAL MINIMUM, WITH HEALTH INSURANCE, RETIREMENT AND VACATION BENEFITS COUPLED WITH THE ABILITY TO SEEK WORK ANYWHERE IN THE UNITED STATES AND COMMAND THE UNION STANDARD WAGE IS THE HALLMARK OF THE JOB TRAINING PROGRAM.

LOCAL WORKER & ACTA TRAINEE PLACEMENTS:
CENTRAL TO THE PROGRAM'S TRAINING AND PLACEMENT STRATEGY IS THE EQUITABLE ALLOCATION OF TRAINING SLOTS AND UNION APPRENTICESHIP PLACEMENTS FOR

CORRIDOR RESIDENTS. IN AN EFFORT TO ESTABLISH A "PER CITY" GOAL FOR PARTICIPATION IN THE JOB TRAINING AND LOCAL WORKER PROGRAM THE PERCENTAGE SHARE OF THE LABOR FORCE FOR THE AREA, ADJUSTED BY CENSUS TRACTS WAS USED TO ESTABLISH A PER CITY "LABOR FORCE GOAL".

SO, WHERE ARE WE?

- 3118 CORRIDOR RESIDENTS HAVE RESPONDED TO THE JOB TRAINING TEAMS' OUTREACH AND RECRUITMENT EFFORTS

- 674 CORRIDOR RESIDENTS HAVE GRADUATED FROM THE JOB TRAINING PROGRAM, REPRESENTING 67.40% GOAL ATTAINMENT

- 295 GRADUATE TRAINEES HAVE BEEN PLACED IN UNION APPRENTICSHIPS, REPRESENTING 45.38% GOAL ATTAINMENT

- 130 GRADUATE TRAINEES HAVE BEEN PLACED ON THE ALAMEDA CORRIDOR PROJECT

- 653 NON-TRAINEE LOCAL WORKERS HAVE BEEN HIRED TO WORK ON THE MID-CORRIDOR SEGMENT OF THE ALAMEDA CORRIDOR PROJECT. CONTRACTORS FOR THE NORTH AND SOUTH END ALAMEDA CORRIDOR PROJECTS HAVE HIRED MANY MORE LOCAL WORKERS.

- 29% OF ALL WORK HOURS ON THE MID-CORRIDOR PROJECT PERFORMED BY LOCAL WORKERS

- 12% OF ALL LOCAL WORKER HOURS ON THE MID-CORRIDOR PROJECT PERFORMED BY GRADUATE TRAINEES

- 70% OF THE MID-CORRIDOR SEGMENT OF THE ALAMEDA CORRIDOR PROJECT COMPLETED

THANK YOU!

The Tutor-Saliba Team

CONTRACTORS/ENGINEERS

ALAMEDA CORRIDOR
Job Training & Development Program

"Committed to providing training and employment opportunities to local residents"

Fourth Quarter Report
1 September - 31 December 2000

WIGGS

ALAMEDA CORRIDOR JOB TRAINING & DEVELOPMENT PROGRAM

TRAINING GOALS:

- 1,000 Corridor residents receive job training
  - -650 pre-apprenticeship construction training
  - -350 non-trade training

EMPLOYMENT GOALS:

- 30% of all work hours performed on the Mid-Corridor Design/Build project be performed by local workers.
- 30% of all local worker hours be performed by graduates of the training program.

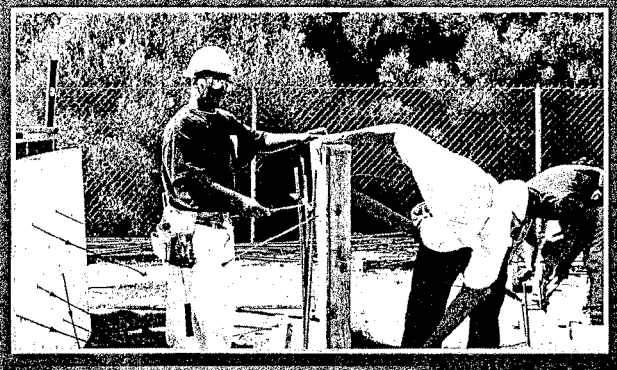
PLACEMENT GOALS:

- 650 pre-apprenticeship construction graduates

TRAINING ACCOMPLISHMENTS

(Training Goal = 1,000 Corridor Residents)

	December 1999	December 2000
Number of Program Graduates	167	674
Graduates in Construction Pre-Apprenticeship Training (650 residents)	97	486
Graduates in Non-Trade Training (350 residents)	70	188



PLACEMENT ACCOMPLISHMENTS

(Placement Goal = 650 Graduates in Union Apprenticeships)

	December 1999	December 2000
Graduates in Union Apprenticeships	70	295
Graduates in Non-Union Construction Jobs	13	49
TOTAL PLACEMENTS	**83**	**344**
Graduates Placed On:		
Mid-Corridor Project	*14*	*116*
North/South End Alameda Projects	*4*	*14*
Regional Construction Projects	*65*	*214*

EMPLOYMENT ACCOMPLISHMENTS

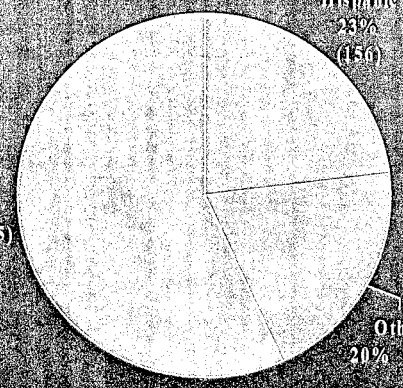
(Local Worker Hour Goal = 30%)
(Graduate Hour Goal = 30%)

	December 1999	December 2000
Number of Mid-Corridor Local Workers	223	559
Percentage of Local Worker Hours	21%	29%
Percentage of Graduate Hours	6%	12%

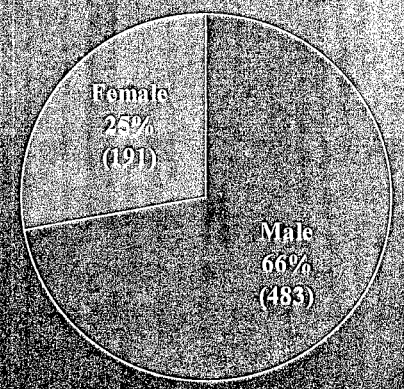
TRAINEE PROFILES: Total Graduates = 674

(Graduate Goal = 1,000 Corridor Residents)

Ethnicity



Gender



Fourth Quarter Graduates 203

GRADUATES PLACED AVERAGE RATE

$11.95

1ST PERIOD APPRENTICE

AVERAGE JOURNEYLEVEL RATE
AT COMPLETION OF APPRENTICESHIP
$25.62

ALAMEDA CORRIDOR JOB TRAINING & DEVELOPMENT PROGRAM
LOCAL WORKER & ACTA TRAINEE PLACEMENTS
(BENEFITS=JOBS)

Corridor Community[2]	ACTA GRADUATE PLACEMENTS: Mid Corridor Project	Other ACTA Projects	Other Projects in the Region[1]	Non-Trainee Local Workers on Mid Corridor Project	Total # of C.C. Resident "Benefits"	% of C.C. Labor Force	Labor Force % Goal[3]
Carson	8	0	11	25	44	4.41%	6.97%
Compton	27	5	39	85	156	15.65%	5.08%
Huntington Park	2	0	5	27	34	3.41%	3.21%
Long Beach	15	3	33	100	151	15.15%	14.25%
Los Angeles City	43	2	66	277	388	38.92%	46.85%
Los Angeles County	13	1	37	73	124	12.44%	15.67%
Lynwood	6	2	13	35	56	5.62%	3.12%
South Gate	2	1	9	31	43	4.31%	4.82%
Vernon	0	0	1	0	1	<1%	<%
TOTAL	116	14	214	653	997	100%	100%

1 Cumulative January 1999 through December 31, 2000
2 Corridor Community
3 Source; State of California E.D.D. Labor Market Information Division

SO, WHERE ARE WE?

- 3,118 corridor residents have responded to the job training teams' outreach and recruitment efforts

- 674 program graduates, representing 67.40% goal attainment

- 295 graduates placed in union apprenticeships, representing 45.38% goal attainment

- 130 graduates placed on Alameda Corridor Project

- 161 new local workers during fourth quarter

- 653 non-trainee local workers have been hired to work on the Mid-Corridor segment of the Alameda Corridor Project. Contractors for the North and South end Alameda Corridor Projects have hired many more local workers.

- 29% of all work hours performed by Local Workers

- 12% of all Local Worker hours performed by Graduates

- 70% of the Mid-Corridor segment of the Alameda Corridor Project Completed

April 16, 2001

ALAMEDA CORRIDOR

Mid-Corridor Design/Build Project

Job Training & Development Program

Prepared by Century Housing Corporation under contract to the Tutor-Saliba Team for the ACTA Mid-Corridor Design/Build Contract Number MC01CS01.

Mr. HORN. Thank you very much. We appreciate your presentation and the statistics there.

Let me now move to some questions. I am going to spend 5 minutes on them and then I am going to yield to my colleague and she will spend another 5 minutes and we will go back and forth, so we can cover some of this ground and get it from various perspectives. Let me just start with a few simple ones.

Either Mr. Hicks or Mr. Kellogg might be on this. There were some problems involving some of the smaller cities along the Corridor. How were those problems resolved?

Mr. KELLOGG. Mr. Chairman, I always like to tell people in the private sector, in government you have a term called mitigation when you get something resolved. A lot of times it is called blackmail, but that said, there were issues that were going on in the cities that needed to be addressed. They were addressed.

The problems that communities had up and down the corridors were real. My concern was—

Mr. HORN. Cannot hear up here.

Mr. KELLOGG. My problem at the time, Mr. Chairman, was that as we were negotiating with the cities, unfortunately we followed another project and that project was an MTA project. As was mentioned earlier, some of the successes of this project is because we stayed very focused on what we were trying to accomplish. This was a project, as Mr. Hankla mentioned, a road for trains, it was not a program that we were going to build fire stations, things that were not related to the transportation issues, because we had to stay very focused on it.

What finally happened is the cities realized the benefits of this project, eliminating something that has been historically having a negative effect, and that is the impact of train traffic through their communities, cutting their cities in two, three, four different sections. This project, just by going below grade, had a tremendous impact on that. Many of the cities along the Corridor finally realized that. They accepted the fact that we were putting—we, this project, was putting a lot of money toward making those improvements and everyone stayed focused on what this project was. I think that was critical to working with those cities, working through the problems and getting beyond them at the very beginning. In the beginning a lot of people looked at this project as if this was a wish list of the many things outside the parameters of what the Alameda Corridor was. The Alameda Corridor, on its own, would have a tremendous impact positively in each community and I believe all the community leaders up and down the Corridor finally realized that and accepted the fact that this was the answer to a lot of their problems. What we were not going to do was answer a lot of problems that had nothing to do with the Corridor.

And so finally, reasonable minds came together and the project moved forward. I think Mr. Buresh made a comment about, again, keeping focused on this project, having all the permits in place. One of, as was mentioned, the criteria for this if you are moving forward with a construction project and you do not have agreements with the cities that you are passing through and you expect when you enter that city to get all your permitting done in a timely

fashion, you are horribly mistaken. By the time we began the actual construction of the trench, for example, all the permits were in place, the agreements with the cities, and we passed through those cities with relative ease. And that was a critical point.

But this project took a lot of time and I know there was a lot of comments about that, especially dealing with a lot of the communities, but reasonable minds did take place finally.

Mr. HORN. Any other members of the panel want to make a comment on this? Mr. Hankla.

Mr. HANKLA. The only point that I would add to what Mr. Kellogg has said, Mr. Chairman, is that essentially there was litigation. The litigation was ultimately resolved in the favor of the Alameda Corridor Transportation Authority, which allowed the Authority to restructure itself.

Notwithstanding the success on the litigation front, it was obvious that we were going to need the cooperation, just as Mr. Kellogg said, to secure the necessary permits in a timely fashion and the cooperation we would need in carrying out the construction project through these cities. The scope of the negotiations then narrowed to a payment to those cities, those six cities, to secure their cooperation. Alameda Corridor Transportation Authority did make that payment. My recollection is it was about $12 million, and as a consequence of that, those MOUs went in place and we have been administering the project pursuant to those MOUs.

Mr. HORN. Thank you. On that, we will switch to Ms. McDonald for 5 minutes and then I will go back.

Ms. MILLENDER-MCDONALD. Thank you, Mr. Chairman. I do have other meetings to attend, but I am going to try to see if I can get all of my questions answered at this point.

Let me first say, in seeing Mr. Hicks in front of me, it reminds me of the time when in the State legislature, the bill that I passed on gridlock, those three rail tracks that you were talking about—Mr. Steinke, I think is your name—reminds me of the fact that Mr. Hicks was in front of us at that time on the transportation committee in Sacramento and it was indeed the bill that I authored to ungridlock those three railroads to get them to the table to start the Alameda Corridor running and also the bonding bill that I authored as well as the bill to make this Corridor a Corridor of National Significance. I never thought that I would get to Congress in time to ungridlock the $400 million that Mr. Holt spoke about in terms of ensuring that we did get this funding. And so it seems like a baby that is about to be born, way over time, as one of you said, but then right on time, so that is a dichotomy in and of itself.

But as I sit here and really am sitting here 1 year out from the opening of this Corridor and really taking the traffic as it should be, not only downtown Los Angeles but across this great Nation, in listening to Mr. Keller, he kind of brought back the whole notion that I speak so often to the Members of Congress that 50 percent of this Corridor does come across the Nation and indeed we are a significant partner not only in this State but in this Nation in terms of economics.

Mr. Kellogg, getting back to you though on the cities, I am going to have to disagree with my friend, those cities still have not been really given the due diligence that they should have in terms of

this Corridor. We are talking about jobs that Mr. Wiggs has outlined, and yet I have a bone to pick with him as well, as well as the economic significance of this whole Corridor. This is why I introduced that bill, not only for the national significance of it, but also the economic viability of those cities along the Corridor, the 37th Congressional District's cities really are impacted by this Corridor and yet, they have not seen the jobs that should have come, they have not seen the economic vitality that we had wanted to have here. So I need to have someone on this panel speak to me about the jobs.

When Mr. Wiggs talks about the jobs, they are extremely low in numbers and unemployment is still tremendously high in Wilmington, Carson, Compton, Watts, Lynwood, all of those cities that are severely impacted by this.

I recall that I had to go to DOT and get at $1.5 million for mitigation of those cities because of the tremendous impact of this Corridor. So please tell me now why is it that the jobs have not come in as they should have and the economic vitality has not been reached by those cities—someone please talk to me.

Mr. HANKLA. Congresswoman, I think it would be certainly on point to tell you that of this entire program, we have probably spent almost as much time and energy in trying to get the jobs program up and running as we have on problems of the Corridor.

I think we had a false start in the efforts to accomplish the training of the skilled workers program through the auspices of the Carpenter's Educational and Training Institute. It was only after we shifted to Century Housing Corp. that we began to record substantial success in those numbers. To the extent that we have also implemented the Alameda Corridor Conservation Corps, which is another 200-plus members that is separate and apart from the Job Training Program, which is training young adults between the ages of 18 and 23, and is also assisting them with their high school diplomas and also placing them in the union apprentice programs. When you add that 200-plus members—and I think they are at over 200 now—I think then our numbers come up to exactly what was promised.

Now the project is not over. And let me say that the economic benefits—

Ms. MILLENDER-MCDONALD. What is that number that was promised, Mr. Hankla?

Mr. HANKLA. The number that was promised was basically 650 trainees in the trades and 350 in non-trade training. Now with roughly one-third of the project yet remaining, we think we will meet those numbers. When you overlay that with the numbers on the Alameda Corridor Conservation Corps, which were never promised, but were essentially undertaken by our Board of Directors as more or less an insurance policy to make sure we hit those number—

Ms. MILLENDER-MCDONALD. I just wanted someone to get back to the numbers that the Inspector General was told we would get for the jobs on the Alameda Corridor at my next round of questions.

Mr. HANKLA. And basically that was 650 in trades, 350 in non-trades.

Now in terms of the economic benefits that these communities are going to derive, I think it is fair to say that most of these communities are tremendously negatively impacted today by a monumental construction project.

If I were to sit here today and tell you we have been able to mitigate all of the inconveniences caused those cities by this project, that would be totally, utterly false. It cannot be done. But as we open those new bridges, and we have opened over 20 bridges today, and there is transportation taking place where it never took place before, connecting cities from east to west where they have been disjointed for over 100 years.

We see the L.A. Economic Development Corp. beginning to market large parcels of real estate along the Corridor for major employers. That is where the economic benefit is going to come for these communities. It will come after our project, aside from the labor training project, which I think is beginning to show the numbers.

Mr. HORN. Let me move a little bit to the railroad situation. The Alameda Corridor is a win-win situation for cities and railroads, as you have just mentioned. Other California proposals for similar projects appear to lack that balance. What do these projects need to do in order to get the railroad support?

Mr. HANKLA. Is that question directed to me, Mr. Chairman.

Mr. HORN. Yeah, beyond the State. There are about 30 ports in California.

Mr. HANKLA. Well, I believe it perhaps goes without saying that these projects need to find the hot button that will interest the railroads in participating in these projects. That may be something akin to what was done in the Alameda Corridor, such as purchasing right-of-way, I frankly do not think the Alameda Corridor would have happened had that particular step not taken place. That may well be the linchpin in terms of these other rail projects that are important to cargo movement in southern California. If I had to pick one single linchpin, that would be it.

Mr. HORN. Any other comments on that anybody wants to make? Yes, Mr. Bredenberg.

Mr. BREDENBERG. Congressman, I would like to clarify that, however. In the case of the Alameda Corridor, a very inadequate infrastructure was purchased from the railroads, an infrastructure that did not have the capacity to absorb growth. It would be very difficult to interest the railroads in purchasing right-of-way if they have the infrastructure at the time and have already provisioned for the funding of the amplification of that infrastructure to handle the growth it is going to be seeing in the next 30 to 40 years.

Mr. HORN. Thank you. Yes, Mr. Buresh.

Mr. BURESH. Mr. Congressman, I think one of the big keys to the Corridor's success is the fact that it is a systemic solution. That is, that it provides a comprehensive solution to moving containers from the ports to the transcontinental railroads. The classic trap facing many transportation agencies is that they focus on congestion issues. Basically they develop a grade separation here, improve an intersection there and so forth. The problem is that is basically a reactive rather than a proactive solution and it does nothing to change your fundamental flow and movement patterns of goods, either their efficiency or their cost.

When the Corridor comes into play, it changes a lot of those economics. You have got a consolidation of that flow of traffic, there is a big increase in speed for the rail trains happening through there, there is a big increase in the safety and efficiency, an increase in capacity for the future. And fundamentally, the transportation economics for the railroads have changed and therefore justifies their investment in those toll charges.

So I think it is inherent that other mega projects of that scale must combine that systemic overview on there. And while a particular community may need a grade separation as its major mitigation, it has to look elsewhere to find an enhancement to the railroads to offset that and combine that in there in a systemic improvement. That is the real challenge.

Mr. HORN. Let me move to another field on this last question on this 5 minutes. Regarding the stormwater discharge standards, Mr. Buresh, you say that falling rain may be too contaminated to flow into the Los Angeles River. Can you explain this or elaborate on it?

Mr. BURESH. We ran into a great problem in the process of dewatering on this project where we had basically a temporary situation of having to discharge water and we could not meet the discharge standards for trace metals. These are very, very low. We were able to discharge under the agreement that we proceed with a series of studies to validate that we did no harm to the environment. Based on those studies, which demonstrated no harm, I would have a serious series of challenges to raise those limits. I think they are extremely low. Essentially, the trace metal limits are so low that rainfall coming through the atmosphere in L.A. picks up enough trace metals out of the atmosphere, that we may not be able to be in compliance. That essentially puts us in the business of polishing rain.

I think it has come to the point that it is almost absurd and it requires an overall solution and I think it is going to have to come out of the Congress. We are just one of many projects being impacted. Some of the environmental cleanup work that is reflected in these standards is very necessary and should be going forward; however, the standards do need to be real world standards that communities and agencies can meet. Fundamentally, we are part of the solution, not a problem here. We have cleaned up a 20-mile corridor, we have better stormwater control and cleanup standards than has probably been seen in most sections of railroad anywhere in the country and yet, we found ourselves extremely vulnerable to those standards.

Mr. HORN. Were those State or Federal standards or both?

Mr. BURESH. Both are in here, but it comes out of the Federal Clean Water Control Program.

Mr. HORN. But you think it will be solved?

Mr. BURESH. I believe that we will be able to solve it. But I think it poses a grave risk for any other large-scale transportation project.

Mr. HANKLA. Mr. Chairman, by way of scale, the potential fines that could have been levied against the Alameda Corridor, for the privilege of cleaning up 20 miles of the most polluted environment in the United States, was $794 million.

Mr. HORN. $794 million. And how did we come to that?

Mr. HANKLA. That was basically based upon the requirement by the Regional Water Quality Control Board that we meet the standards of the national toxic rule which establishes limits of trace metals which can be discharged into I guess threatened bodies of water?

Mr. BURESH. That is correct.

Mr. Chairman, the way the fines are set up, if I put out of a gallon of water and it has say 10 different trace metals in there, I can collect a fine for each one of those metals per gallon as a violation. It has a huge compounding effect.

These rules basically exist to punish agencies that are attempting to do the right thing. We are very easy targets to get. Meanwhile, we have spent $40 million cleaning up messes left from other people out there that are true lawbreakers. They are hard to catch, the regulatory agencies do not go after them. We are very easy to find.

Mr. HORN. We are hoping with a new administrator there, she will have common sense and that is basically—the former administrator just simply had lawsuits all over the place and hardly ever cleaned-up any major dumps, and you are absolutely right about that. So hopefully we will get some action this time.

Now I will yield to my colleague from—

Ms. MILLENDER-MCDONALD. Following up on the questions that you have raised, Mr. Hankla, the 790, did you say $3 million?

Mr. HANKLA. $94.

Ms. MILLENDER-MCDONALD. $94 million. Were these additional fines that you had to try to get for this cleanup or was it all encompassed in the $2.4 billion that this project cost?

Mr. HANKLA. Basically it is the potential fine that could have been levied by the Regional Water Quality Control Board. We were successful in Sacramento, with the tremendous assistance of Senator Karnette and Assemblyman Lowenthal, in securing some relief. There was a bill previously that had been passed by the legislature and signed by the Governor called the Migdon Bill that would have removed the discretion on the part of the Regional Board and would have made the levying of those fines mandatory. We were able to secure the relief that returned that discretion to the Regional Water Quality Control Board. Our subsequent interaction with staff, we believe, will lead to relatively reasonable fines. Frankly, I do not think we should be fined at all, but we have already been fined about $180,000 for our work on the Corridor.

Ms. MILLENDER-MCDONALD. Well, certainly you should not be fined when it is something that is out of the realm of your—you have no cause for this type of—the rainfall, the falling rain, and the contamination of it. So that is something that perhaps, Mr. Chairman, we can pursue or follow-up on to make sure that some relief can be done there.

Mr. Keller, in terms of the dredging of the 300 and 400 pier, I have been following that for years because it certainly does speak to the quadrupled freight cargo that we are anticipating and projecting. Will this falling rain affect anything that we are doing down in the pier—would it not affect that as well?

Mr. KELLER. Congressmember, it really never has. That is a natural function of the ports and certainly the downstream portion during major rain events and that type of thing, it is our duty to clean-up as best we can, particularly floating materials.

The dredging, however, has had a beneficial effect overall because materials that have historically been washed into the harbor from former industrial activities have been cleaned up and removed. As you know, under our dredging permits, we are allowed only to take clean material out to sea. Hazardous material is hauled to upland waste disposal sites and encapsulated. So the actual dredging is a beneficial effect that does largely cleanup the effects of former industrial activity. And these are the same type of activities that Mr. Hankla and Mr. Buresh are dealing with on shore, where the materials have percolated down into groundwater.

Ms. MILLENDER-MCDONALD. Uh-huh.

Mr. KELLER. We have inherited the activities from water and materials that were dumped directly into our waters.

Ms. MILLENDER-MCDONALD. I have sent a letter to Ms. Christine Todd-Whitman to come and look at some of the brownfields in this area, Mr. Chairman, and perhaps you and I can come together with her to look at some of the things that you are talking about, because after all, this is the region that is going to be the engine that drives the economy of this State, especially given the power problem that we now face. But this has always been, in my estimation, and will always be the engine that drives it.

As you said, Mr. Keller, we are a third behind Hong Kong and Singapore, we have gone to Hong Kong to look at their port system. I have not gone to Singapore and perhaps we need to go there and we can talk with our new chairman and see if we can get that trip out, Mr. Chairman.

But are you saying that right now we are going to have a 700 percent increase in cargo with the dredging of both 400 and 300 pier completed, we will go into 24 million tons of cargo? Explain that to me. I wrote it down as you were speaking and I may not have gotten it all correctly.

Mr. KELLER. Congresswoman, our cargo has increased 700 percent since the early 1980's and in the next 20 years—the two ports right now are putting through about 10 million containers, imports and exports. By the year 2020, we expect that number to rise to 24 million—from 10 million to 24 million.

We are not, by any means, done with our development between the two ports. We have additional landfills, consolidations and dredging projects in order to allow the larger ships to come in.

Ms. MILLENDER-MCDONALD. Uh-huh, absolutely.

That is why it is so critically important that we make sure that the air, the quality of the environment is conducive to your continuing that, because we are looking forward to that, as we talk about international trade and other entities that will help us in our economic vitality.

Mr. HORN. Let me ask you, what is the extent you have engaged in eminent domain in order to get the project done?

Mr. BURESH. Mr. Chairman, the bulk of the real estate which was required for the Corridor was obtained either from the initial rail purchase executed by the ports or has come from the ports or

additional purchases from the railroads or from the Corridor cities. There are approximately 200 parcels that we have been required to obtain from third parties other than the ones I previously mentioned.

Mr. HORN. So what percent of the land was picked by eminent domain?

Mr. BURESH. Approximately 10 percent.

Mr. HORN. Ten percent. That is rather unusual in a major program like this, is it not?

Mr. BURESH. That is very unusual, and again, that underscores the importance of that initial purchase of the railroad right-of-way by the ports.

Mr. HORN. I think you would agree, Mr. Hankla, on that, if you look at a nationwide perspective.

Mr. HANKLA. Yes, sir.

Mr. HORN. Well, that is very good news because you did not drive a lot of people out of their houses. But did we have that problem anywhere along the line?

Mr. HANKLA. Actually no, there has been very little residential relocation, other than we have some people who live in junkyards and they will get relocated. But basically no housing was taken out, it is mostly commercial space.

Mr. HORN. What about the Pacific Coast highway, what is the situation with that in terms of—I can see you saying oh, no, not this one—but who wants to take that on?

Mr. BURESH. Nobody wants to take that.

Mr. HORN. Looks like you have got the gavel.

Mr. BURESH. OK. There were a series of related transportation projects funded called the Port Access Demonstration Projects. These were done by various cities, the city of Carson and Los Angeles County in particular. One of those projects was the PCH or Pacific Coast Highway grade separation. This takes place through the Equilon Oil Refinery.

Mr. HORN. I am sorry, which oil refinery?

Mr. BURESH. The Equilon Oil Refinery, used to be Texaco, now it is owned by both Texaco and Shell.

Mr. HORN. Oh, OK.

Mr. BURESH. At that particular grade separation—and I would emphasize, all the other grade separations along the Corridor are either done or very close to being done. By the end of the year, they will all be in place, whether they were done directly by the Corridor or by some of our sister agencies as part of the PADP projects.

The one exception is the PCH grade separation, which is a CALTRANS project. That project is not yet underway. The design is not complete, they have not obtained a final deal with Equilon to expand access across their refinery. Building a grade separation at that particular location will require an extensive relocation of refinery utilities. That work has not yet begun, there is not even a business or engineering solution to that work.

Our concern from the Corridor's point of view is very simple. We already have our main tracks in place at this location, we do not need additional work there. That allows us to run 100 trains per day or more with impunity, but the reality is that when we put

that many trains in there, we will effectively have stopped or completely blocked Pacific Coast Highway. Highway No. 1 of the State is going to come to a standstill.

The solution CALTRANS is putting forward will be a detour of Pacific Coast Highway, beginning at the Terminal Island Freeway going north to Sepulveda, going west on Sepulveda, coming down Alameda Street and then resuming its former route. Essentially, we will deactivate this portion of the Pacific Coast Highway. It is a cause of great alarm for us. Right now we see, when train traffic appears down there, a large number of illegal movements on the part of vehicles, people turning U-turns in the middle of streets. I think it is just a question of time before somebody with a tanker does something like that and we have a tragedy on our hands.

The other thing is that this particular intersection is close to the port, we get a large number of trucks moving through here. This is an important part of our grid system, and having that capacity in place is critical, especially as the 710 becomes more congested, either because of port growth or because of CALTRANS construction on the 710. If you happened to drive it this morning, you noticed all the K-rail or temporary concrete barriers along the median. That is just the first step in some repaving and correction of drainage problems along the 710. The minute those K-rails went up, we saw a significant increase in truck traffic in other portions of the grid, in particular along Alameda Street, on PCH and on Anaheim, as well as on the 110 freeway. So it is important that we fix this portion of our grid before other portions experience increased, more increased capacity problems.

Mr. HORN. Mr. Brown, you have come from Sacramento and you have spent a lot of time on transportation for Senator Karnette. Where are we on the PCH side and where are we particularly on 710? How are we going to handle the truck traffic that is there now and that we hoped, when the Alameda Corridor was complete, it might not be doubling, just as the Corridor is with rail containers. How do you feel about this and what do they say in Sacramento and at CALTRANS on all that?

Mr. BROWN. Well, Mr. Chairman, with regard to the 710, a study is underway, we should have that hopefully within the very near future. CALTRANS is prone to be delinquent in delivering its reports, but given the critical nature of the 710, we hope that we can hold their feet to the fire, get the study done and produced to the legislature on time so that we can begin to address and begin to implement a solution to the 710.

With regard to the Pacific Coast Highway, which as Tim has just outlined, is most critical, Senator Karnette, Assemblywoman Orapeza and Assemblyman Lowenthal will be—Senator Karnette is convening a meeting on April 27 with ACTA and with CALTRANS to discuss at length and hopefully come up with a solution that provides a win-win strategy. The solution that currently is on the table by CALTRANS, as I understand it from members I have just outlined, is unacceptable. It brings with it a great deal of liability, it does not allow the freight and goods movement as well as movement by vehicles and the general public, to move in a safe and conducive capacity. In the future it will potential bring tremendous liability with those tanker trucks.

So I hope that we can begin to address solving the Pacific Coast Highway situation with a plan that ACTA brought up and was discussed at length 1 year ago. We hope that through productive and constructive discussions with CALTRANS, with the members that will meet with them on the 27th, that we will be moving in the direction, hopefully, that CALTRANS has outlined. In addition to CALTRANS' gracious and generous offer to contribute in making this happen with some of their engineering ability and maybe some of their construction management contribution, which would be sorely needed in order to divert us away from this potential problem that we face.

Mr. HORN. Is one option to either get the trucks isolated that will still be using 710 or the cars that are isolated to still get some sort of special lanes for cars, because people that go to work up in that area, it is a terrible situation where you have got a truck on the side, truck behind you and truck in front of you. Is there any way CALTRANS has got some creative methods to get them moving?

Mr. BROWN. The short answer to that, Mr. Chairman, is no. I think that the design that ACTA has provided addresses the elements that you have just outlined with a long overpass instead of a short overpass or a roundabout or whatever the configuration that CALTRANS currently has on the table. That does not in any way address what you have just suggested and questioned. In looking at the plans that ACTA has put forth and discussed at great length with CALTRANS and with the legislature, the long bridge is what is necessary in order to meet these needs for the present time as well as to address the future impact of freight and vehicular movement on the PCH.

Mr. HORN. What does the Alameda Corridor think of doing something to either help the individual vehicle traffic—and most of those are just one person in a car—or getting the isolations of the trucks left over to go to various places where, but not to where the railroad yard is that the Alameda Corridor feeds into?

Mr. HANKLA. Mr. Chairman, an organization called Gateway Cities currently has a cooperative study underway relative to the 710 Freeway. There is no question it is a serious concern to the cities of the region and the residents of the region and it has every prospect of getting worse. Now what the ultimate recommendations will be coming out of that study, we are not involved with. We have representatives that observe those deliberations. How ACTA might be involved in any future effort would be strictly a policy matter for our Board of Directors.

Mr. STEINKE. Mr. Chairman, if I might add a little bit more detail about the 710 as it pertains to truck trips into and out of the Port of Long Beach and Los Angeles, the two ports have embarked upon a $600,000 study looking at some interim solutions, some things that we might be able to do. It is called the Transportation Master Plan. We are looking at ways to either look at moving traffic to some of the other arterials like the underused Terminal Island Freeway or the 110, looking at empty containers that might be able to be isolated away from the ports some things like that.

The results of this study are going to be fed into a major investment study, a $4.2 million study that Mr. Brown was referring to, that is looking at the overall long-term solutions to capacity re-

straints on the 710. And that is what Mr. Hankla was referring to that the Gateway Cities Council of Governments is keeping very close tabs on. That study will take some time to complete but it should come up with some capacity recommendations which will hopefully be implemented over the course of the next several years.

The two ports, with the growth that we are experiencing, cannot afford to wait for 5, 6, 8, or 10 years to have capacity improvements take place on the 710 and that is why we are looking at some short-term mitigation measures to try to move trucks to different locations, reduce truck trips, extend hours, do some other things that give the ports more elasticity than they currently have.

Mr. HORN. We have met, and I think you and all your colleagues, with the Gateway Cities people and their problems with 5 and the Orange and the interconnection with what goes on in Los Angeles County.

As you know, one of their basic thrusts is to go east with the Alameda Corridor, to solve some of the pollution problems that are going on. I think the group feels there are some of the things come into the ports, especially coal from Utah that they either tie down the loads or not, I do not know, but it is a real problem still. I thought we had done all that and now I do not think we have.

So who would want to grapple with the extension of the Alameda Corridor? I am not saying you should do it, but I am saying that a lot of Members of Congress, starting with Mr. Dreier, or really starting with the rail yard and then going east. You have got Mr. Dreier's District, Mr. Jerry Lewis' District, Ken Calvert's District, all of that, to go to the Nevada line essentially. But certainly to get into Riverside and San Bernardino.

Any comments? I do not think I see too many hands on this. Mr. Hicks.

Mr. HICKS. Mr. Chairman, there are a number of efforts to look at grade separations and other improvements east of downtown Los Angeles. The so-called Alameda Corridor East in the San Gabriel Valley is approximately a $900 million effort. It has raised about $400 million thus far for their program.

Another program is called OnTrac in Orange County, which is also called the Orange County Gateway. It's approximately a $450 million railroad lowering project similar to the ACTA trench along Alameda Street. They have raised about $32 million thus far and are looking of course for additional funding.

The county of Riverside and the county of San Bernardino are also putting together a plan for grade separations and have teamed up with the San Gabriel Valley and Orange County to prepare a report per AB 2928 in the State, which requires them to collaborate and develop a long-range plan for grade separation improvements in all four areas. Once that report is done, then some funding will become available through the State to help supplement those projects. But it will not be enough. Clearly, significantly more funding will be required, hopefully through the TEA–21 reauthorization and other sources.

There are needs east of downtown Los Angeles. Clearly all those trains continue east and go through various communities on their way to the San Bernardino area.

Mr. HORN. Mr. Kellogg, did you want to comment on that?

Mr. KELLOGG. Mr. Chairman, I know in the past I have had discussions with Supervisor Antonovich on this, some rather heated ones. I have talked to Congressman Lewis and Dreier on it. Obviously they do have concerns, but my only caution—and I have been removed from the Alameda Corridor for 9 months, but as I mentioned to them, in particular Supervisor Antonovich, we have many issues in the corridor cities that we need to address first and foremost. My caution was always not to look at the Ports of Long Beach and Los Angeles as a funding source. My comment to him was what you are attempting to do is build the second coming of the transcontinental railroad by piecemeal and using the funding from the Ports of Long Beach and Los Angeles. We have issues we have to address in this general area and, again, as my opening comments, the communities up there, the impacts they have, they do have to step up financially because to look at the ports as the financial vehicle I find inappropriate, but I think there would be some legal questions as well. But I know they have looked many times when I was serving on the Alameda Corridor as—their solution to a lot of their funding was to come back to the Ports of Long Beach and Los Angeles, and I think that would be a travesty and it would be irresponsible to the corridor cities who do have direct needs that we have to address on this project.

Ms. MILLENDER-MCDONALD. Mr. Chairman, if I might just comment on that. The reason they are looking at the ports is because after all, you are going to quadruple in your cargo container movement, which means that they perceive 710 as being the conduit for the trucks. Of course it is. The Alameda Corridor is not a corridor for the trucks to go through, and so they are looking at the 710. Indeed, Congressman Horn and I did meet with the Gateway Cities folks just last month and they raised this issue and raised the whole capacity issue, especially given NAFTA. NAFTA is now opening up new truck traffic and we are just going to be inundated with trying to take this cargo from the ports out east. So they have suggested that the port, as well as the Federal—in other words, they want to mimic what we have done for the Alameda Corridor, for the Alameda Corridor East. They want pretty much the same type of model in order to move the truck traffic out east and beyond.

And so it is a problem, Mr. Chairman. I have talked with SCAG about this and again, we need to look at and convene, Mr. Chairman, a regional—we had tried to put that in place last year when I suggested to them last year that we need to look at that, because indeed Congresswoman Napolitano and all of those who are witnessing the heavy truck traffic on the 710, the gridlock that the chairman talks about in terms of cars interwoven with the trucks, we have got to do something about that. No one wants to travel the 710 now because of the gridlock. And so indeed we have got to study that, whether it is ACTA, whether it is whatever, whether it is SCAG, whether it is CALTRANS, we have got to do that.

Mr. Brown, my question is why is it that we are still in a dilemma of the PCH in terms of making sure the grade separation takes place? I mean that is also a critical component to what we are talking about in terms of moving cargo in and onto the 710 and beyond. So what is going on here that we cannot get that grade separation going?

Mr. BROWN. I think it is CALTRANS' way of doing business, which you have experienced for many years.

Ms. MILLENDER-MCDONALD. God knows, yes.

Mr. HORN. That is Mr. Brown—I am going to start—the reporter cannot quite hear everybody.

Mr. BROWN. I am sorry, Jeff Brown.

I think CALTRANS—and Tim knows the history of this a lot better—because of the long history and lack of action on the part of I guess the city of L.A. and CALTRANS to address the Pacific Coast Highway grid sep is the answer to your question, Congresswoman. I just think that it has been on the back-burner, it has remained on the back-burner. Because of a decade of keeping it on the back burner, the project costs have gone up. I think the parties involved have, to some degree, alienated Equilon in the negotiating process of right-of-ways, and as a result of that it escalated their costs—it has almost doubled from what it was last year.

I think what we need to address the problem in a timely, cost-efficient, and efficient way with innovative approaches is to address this in a public/private partnership way, CALTRANS partnering to a great degree with ACTA, because we are about to get a black eye if we do not address Pacific Coast Highway grade sep.

Ms. MILLENDER-MCDONALD. I do not think anyone wants to come into a project that is already over-budget—or you are saying lack of funding, because you have an override, right?

Mr. BROWN. It is tremendous, I mean I think the figure now is $115 million. Last year, it was about $30 million less. I think that with some type of public/private partnership collaborative effort, we might be able to bring that cost down and get the project underway. But I think we, the State, will have to prevail upon ACTA and their gracious offer to help us get ourselves out of this knot. Because based on historical inaction on the part of the city and CALTRANS, we are where we are today and that is absolutely at step one. We need a partner to pull us along quickly, efficiently and hopefully in a cost-effective way.

Ms. MILLENDER-MCDONALD. Mr. Hankla, where are you on assisting them in making sure that we open up PCH so that we can begin to look at this regional intermodal transportation mode?

Mr. HANKLA. Congresswoman Millender-McDonald, let me say that we have met on a number of occasions with CALTRANS, we have made suggestions to CALTRANS and offered some technical assistance to CALTRANS. What seems to be the rub, if I may be so bold, is that CALTRANS would like ACTA to make up the financial shortfall. I think that is highly problematic from the standpoint of management of our funds, as well as the policies established by our Board of Directors.

Mr. HORN. CALTRANS is funded by the Federal Trust Fund for most of the interstate highway. This is partly interstate highway——

Ms. MILLENDER-MCDONALD. It is.

Mr. HORN [continuing]. And presumably only 10 percent is put in by the States across the country. So we give them a good hefty bit when all of us drive in to our friendly gasoline station and see the Federal tax go in the pocket back east and we have fought very

vigorously to make sure that people do not use that for other things than primarily interstate highways.

Ms. MILLENDER-MCDONALD. Mr. Chairman, I suggest, given the fact that this is Government Reform and Efficiency, that perhaps a letter goes out asking them to delineate the cost that has been incurred to date, to see whether or not it has been efficiently done, so that we can get a handle on this. You know, we are looking at not only this quadrupled container traffic coming in, but also the truck traffic that is going to be increased. And if we do not get some of these corridors opened up, you are talking about gridlock, it is just going to be a tremendous detriment to us down here economically. So perhaps I would like to suggest that you and I together——

Mr. HORN. They are going to have a meeting on this and——

Ms. MILLENDER-MCDONALD. The 24th, April 24.

Mr. HORN. Yeah.

Mr. BROWN. April 27.

Mr. HORN. The State legislative personnel, both Assembly and State Senate, are the ones that tell CALTRANS what to do.

Ms. MILLENDER-MCDONALD. Of course, they should dictate to them.

Mr. HORN. It is not the Federal legislators.

Ms. MILLENDER-MCDONALD. But our funding, we can ask just how to date that has been implemented in terms of getting the corridors taken care of; in my opinion, it certainly would not be a problem.

Mr. HORN. We talked with them, as I recall, in 1993 and we had very mixed feelings when we left discussions with our friends in CALTRANS, but I think they have helped in a number of ways ever since; is that not so?

Mr. HANKLA. Mr. Chairman, by frame of reference, I believe this project was essentially initially funded in 1987.

Mr. HORN. 1987?

Ms. MILLENDER-MCDONALD. And we are still pretty much in the same position where we are, have we crawled, have we snailed, have we done anything in terms of moving on?

Mr. HANKLA. To term the movement glacial would probably be an overstatement.

Mr. HORN. Is that ahead of a snail or behind a snail? [Laughter.]

Ms. MILLENDER-MCDONALD. Or even a snail.

Mr. HORN. Even a snail. It is a melting one, anyhow, it is a glacial one.

Ms. MILLENDER-MCDONALD. I really do think that we will wait to hear what the meeting on the 27th brings about, but certainly with the funding from the Federal, I think we will be in a position to ask if we can get some kind of efficiency report or something to see just where we are and where the money has come down, because it is important that we get that corridor up and going, given this truck traffic increase as well as the cargo container increase.

Mr. Chairman, you spoke about eminent domain, my bill did not move any residents any place, we did not have that type—I wanted to make sure, given that they were poor people along that corridor anyway. So that particular eminent domain bill that Mr. Hicks and

all of us fought for in Sacramento with Mr. Kellogg did not bring about any undue hardship on anyone.

Mr. HORN. I want you to know that there are low income people on both sides of the tracks and the L.A. River.

Ms. MILLENDER-MCDONALD. That is very true, I am not suggesting——

Mr. HORN. And based on that, that is how I got the money to solve the L.A. River problem. You know, this is not people sitting in Carmel on bluffs.

Ms. MILLENDER-MCDONALD. That is very true, we connect in Long Beach, so how well I know.

Mr. HORN. And we have gotten everybody on both sides of the river to help us; on all of these things, we try to have a bipartisan approach in Los Angeles County, and I must say my colleagues have signed on the dotted line every time.

Ms. MILLENDER-MCDONALD. Uh-huh.

Mr. HORN. Whether it be Ms. Waters, whether it be the ones related like Jerry Lewis and Ken Calvert. We work together, in brief.

Let me ask you, Mr. Wiggs, I am particularly interested in what we learned from the experiences you had with the project and I was very interested to see the data you had on apprenticeships. There are a number of firms in the area where women are the CEOs and the workers. To what extent have we had those firms that are right in the area get jobs along the way in terms of the Alameda Corridor?

Mr. WIGGS. Let me go back and describe for you just the process of how our trainees gain entry into the program. We have established what we call intake sites or points of entry for any Corridor resident that is located within your Congressional District; Congresswoman Millender-McDonald's Congressional District; your colleague, Maxine Waters', Lucille Roybal-Allard and to an extent Congressman Becerra's District, so that we can get individuals from the entire breadth and length of the Alameda Corridor participating in the job training program, thus representing all of the geographic and demographic constituencies in the areas.

In my opinion, we have had great success in the last year, year two has been a turning point in the program. The labor unions, the trade unions, have stepped up to permit our graduates' entry into their unions, thus ensuring them a position in the new apprenticeship program. The private sector is a sector that we have not reached out to in any great way because the structure of our program is union apprenticeships. That is the goal that we are striving, attempting to achieve within the project.

Any private sector support has come by way of the small number of placements from our non-trade component. There again, they are essentially support staff to the construction industry.

If I were to name the central lesson that has been learned from this project, it is two-fold; one you and Congresswoman Millender are probably familiar with. The first is the trade unions opening up their union roles to be as receptive as possible for new blood, as it were. Our project has some 350 labor personnel coming out of the trade unions or labor locals. Our goal in that regard was to have the highest number of apprentices per journey level. At that particular trade, there are about 25 percent of apprentices to jour-

ney level. That is the rule of thumb. We have not met that basic goal yet. We are approximately 50 percent below that threshold mark and in the last month we in fact may have even—may meet substantial difficulty in getting that additional 50 percent labor union support. It is not a formal support, it is an informal relationship. They have agreed—they being the three labor unions operative in the Alameda Corridor parameters—to work with us. Nothing formal. We attempted early on to get a memorandum of understanding between the labor unions and the Alameda Corridor Project, at least our mid-corridor segment, whereby any individual that we would sponsor into the labor union would be accepted. That was not received by the three labor unions, they agreed that they would take a percentage of our graduates proportionate equally amongst the three unions. It was a very small number at that point. Subsequent to meeting that number with that labor union, then informally, they have expanded and permitted us to go beyond that.

I say that because I recall reading several weeks ago, emanating from the White House, there is a position that there may be an elimination of PLAs, project labor agreements, with any new projects of this magnitude. That would, in my opinion, serve a substantial disincentive for any future project of this nature to incorporate local workers and apprentices in their program because the project labor agreement is that binding document that at the front-end, if established properly, will then hold the hands of both the contractor and the labor unions to buy into a concept. Absent a project labor agreement, then the workforce of course then becomes probably non-union and absolutely antithetical to what this project and other projects do, enhance the lives of individuals and transition them into a union workforce.

Mr. HORN. Any more thoughts on that?

Ms. MILLENDER-MCDONALD. Mr. Wiggs, you know, you and I have gone back and forth on these jobs and the inability of the training; first of all, the unions to accept those who were trained by Tutor-Saliba and the training program, to go on board without having to pay a union fee before coming aboard. Has that been dismissed or where are we on trying to get those who have been pretrained or into the apprenticeship training program to at least get on board and start working and then pay the union fee, because after all, these folks are folks who did not have jobs and do not have funds for that?

Mr. WIGGS. We have worked that out. I am happy to report to you that the issue of union sponsorship and payment of dues has been worked out. That was worked out several months after we met in your office and you encouraged us to work out that relationship.

That is not the issue at this point. The issue now, of course, is for more and more subcontractors and others in the area to accept our trainees as apprentices, bring them on to their workforces, their labo-force, and give them the requisite number of hours to continue their apprenticeship training.

Ms. MILLENDER-MCDONALD. So there was not an MOU done to enable that to go forth, if I am understanding you correctly?

Mr. WIGGS. That is correct.

Ms. MILLENDER-MCDONALD. Then is it ACTA who comes back and talks about that or what happens here that there is a slight——

Mr. HORN. Mr. Hankla.

Ms. MILLENDER-MCDONALD. Yeah, Mr. Hankla.

Mr. HANKLA. ACTA has certainly jawboned this issue, both with Tutor-Saliba and with the unions. The relationship, the critical relationship, is between the general contractor and those unions.

Ms. MILLENDER-MCDONALD. Right.

Mr. HANKLA. We cannot insert ourself in that relationship. If we do, we create certain imbalances and legal responsibilities. However, we have been pleased with the progress that Mr. Tutor has been making with the unions recently. We have certainly helped him out to the extent that we have talked, and I personally have talked, to the unions about securing their support.

It is a problem that is not solved yet, but our ability to impact the problem at this point is limited to jawboning.

Ms. MILLENDER-MCDONALD. To what?

Mr. HANKLA. Jawboning. We talk a lot and we do and we have.

Mr. HORN. A good labor term.

Mr. HANKLA. Yes.

Mr. HORN. J-a-w-i-n-g.

Ms. MILLENDER-MCDONALD. We do understand that jawboning, yeah.

All right, well, Mr. Wiggs, I did see that there is a slight under-percentage of jobs in the work force in the Carson area; also in the Compton area I saw in your grid, and Lynwood.

Mr. WIGGS. Compton has exceeded its goals substantially by three-fold.

Ms. MILLENDER-MCDONALD. Maybe I did not have my glasses on when I saw that.

Mr. WIGGS. Lynwood is approximately about a percentage point ahead of its goals.

Ms. MILLENDER-MCDONALD. And what about the Watts area?

Mr. WIGGS. Watts area is part of the Los Angeles community.

Ms. MILLENDER-MCDONALD. Which is part of my district.

Mr. WIGGS. It has approximately 45 percent of the entire labor force of the Alameda Corridor communities. They have the highest numerical number of workers and trainees on the project, yet we are still under goal about 9 percent, given the substantial numbers that the city of L.A. has.

Ms. MILLENDER-MCDONALD. Yeah, but I am talking about the city of L.A., Watts, Wilmington, the two W's that I have talked about for years. They are still under-represented in this job market.

Mr. WIGGS. If I may take a moment to somewhat take a different perspective. The Wilmington community, about 12 percent of our trainees and graduates are from the Wilmington community specifically. Unfortunately, I do not have the following numbers, I did a report several months ago——

Ms. MILLENDER-MCDONALD. Can you send that to my office, I will be in the rest of this week and I would like to get that.

The last question that I have, Mr. Chairman, so that I can move on and leave for my next meeting, I had wanted to talk with Mr.

Brown, but I suppose he has either left or he is out for this moment. But I would really like to talk with him. And again I appreciate Senator Betty Karnette having someone to come in and speak today—may I put that on the record? But I would like to talk with them about their SB–653, especially when you are talking about improving the work force preparedness to meet the changing manufacturing environment. With my being the ranking member on Small Business, Work Force and Empowerment, I am interested in working—is this Mr. Brown? Yes, Mr. Brown, thank you.

I just wanted to ask you to elaborate on your SB–653, especially directing certain local entities to provide assistance and so forth and so on for communities impacted by the Alameda Corridor. And again, will you extend my graciousness to the Senator for having someone here to represent her, and I know why she is not here. She is doing the people's business in Sacramento. Also improving the work force preparedness, can you expound on that for me somewhat?

Mr. BROWN. The SB–653 was actually a partnership with ACTA and L.A. County Economic Commission to invest in firstly identifying brownfield locations of the Corridor——

Ms. MILLENDER-MCDONALD. I am sorry?

Mr. BROWN. Brownfield locations.

Ms. MILLENDER-MCDONALD. Uh-huh.

Mr. BROWN. Which could be graded according to their toxicity so that you could begin to address the mitigation necessary to attract businesses. The L.A. EDC, as Mr. Hankla pointed out in his presentation, has reached out nationally to attract manufacturing concerns and advance transportation technologies to begin, hopefully in the near future, to create new plants there that would in turn help generate quality of life jobs.

I think if you have that in place, and one of the long-term goals of 653, although not part of the legislation, but certainly the intent and good will of that legislation; if you are able to attract the manufacturing concerns and the advanced transportation technology concerns to those sites, you will generate quality of life jobs for people in the corridor which will hopefully enhance small and mid-sized business in that community and hopefully will begin to initiate affordable housing strategies. You know, they are building blocks to the process. I think this is one of the key foundational building blocks, SB–653, in identifying the sites, grading them and then beginning an extensive marketing strategy that will attract the businesses to provide precision manufacturing jobs and advanced transportation jobs for people in this corridor and in the surrounding vicinities.

Ms. MILLENDER-MCDONALD. Have you gotten cities to come together in a joint policy authority or whatever it might be to engage in the solicitation of companies and manufacturing companies to come out and look at the area?

Mr. BROWN. Well, actually, that has been the responsibility of the L.A. EDC, Lee Harrington, and Richard Hollingsworth of Gateway Cities. They have been sort of at the front of that effort and I believe there have been two or three tours of industry, CEOs and decisionmakers to the corridor to look at these sites and to begin that process.

One thing that Senator Karnette would like to do and we have been trying to schedule that is to get an inter-agency effort with Health and Human Services, Winston Hickok, and the treasurer whose report on smart investment and the double-double bottom line addresses exactly what the potential of the Alameda Corridor community region has to offer in revitalizing this manufacturing hub with quality jobs, helping to raise small and mid-sized businesses to a higher level of earnings and to generate, as I said, affordable housing.

Ms. MILLENDER-MCDONALD. Well, I am interested in following you and following the Senator on her movements, given the signage of this bill, and making sure that those cities that are affected really do become cities that have quality of life jobs and economic vitality.

Mr. Chairman, let me thank you again for your insight in bringing this committee to Long Beach; and to all of you who have been here today, I must leave because I have other commitments and when I got the word, I had to stop and come in, but thank you so very much.

Mr. HORN. Good to see you.

Ms. MILLENDER-MCDONALD. Uh-huh.

Mr. HORN. Mr. Wiggs, I was very impressed with the data you gave to us and you told us some lessons about your experience on this. I guess let me ask you, if you could change one thing, what would it be in terms of what you have to go toward goals and so forth?

Mr. WIGGS. I think the fundamental change would be at the beginning—the front-end of the program design was the appointed authority determining that a job training, development program would be part of its criteria for selection of contractors—would be to establish a punitive system as well; and that is to say that if there is no performance, a monetary punitive statement in any contractual document setting forth that failing to perform established goals will result in—my terminology would be impacting contractors' retention. Because at this point, as I have shared with staff, the impetus for contract compliance is great, but it is one where there is the reference of goal, goal versus requirement. Wherever there is that reference point, there is a feeling that if you do not achieve the established goal, and you have demonstrated your best faith, given best faith efforts, the obvious response is OK, I did it, so what.

That means that there is a harder effort for the implementers and those who are encouraging goal attainment to really apply the pressure upon subcontractors and others to perform. At this point, we are grappling in the final stages of our contract as to what we should do as a contractor for our subs who less than achieve their goals. Therefore, the only thing that is left for us to do is to attack the retention or at least threaten that retention will be attacked should that become a necessity. I have gotten some response from our subcontractors in the last quarter, numbers have begun to increase, meaning specifically that trainees have been brought on their work forces and have been maximized—the hours have been maximized. So I would think at the beginning would be some reference that attachment of retention or some percentage of retention

should be withheld for job training assurance for performance purposes.

Mr. HORN. That is helpful. And a lot of them have been integrated into the various unions?

Mr. WIGGS. Yes.

Mr. HORN. So there has been good cooperation there.

Mr. WIGGS. Oh, we have not had union, trade union problems. I spoke to you early on about the Laborers Union, but again, the informal agreements have been working well. We are not getting those formal agreements unless you have at the front-end of a project as well that labor agreement specifically setting forth the terms of the training program; i.e., numbers of local workers or whatever designation of worker category you are using, shall be employed on this project from beginning-to-end and the trade unions are signing off on that agreement at the front end.

Mr. HANKLA. Mr. Chairman, I think it is important to note that in the mix of workers on the Corridor, approximately 60 percent—correct me if I am wrong—would be laborers. So if we have a problem with the Laborers Union, that is much larger as a problem than, for example, if we had a problem with the Electricians' Union. I think that has been one of our problems and I think that Mr. Wiggs would agree that best efforts at this point with the Laborers have as yet to produce the kind of results we would like. And since they are so over-represented in terms of the workforce, it has an interesting and negative impact on the numbers.

Mr. HORN. That is very important.

Anybody have something they want to get on the record before we close it out? Although if you have a good idea, we keep it open to put something, a memorandum or letter, in the mail or whatever. But this has been very enlightening for me of all the progress that has been made. You will have lots of visitors.

Mr. Buresh.

Mr. BURESH. There are a couple of comments I would like to get into, to go back to some of our discussions, if you will, about the overall transportation system. I think it is the lessons to be learned from the Corridor and some of the opportunities in here. This has been a very effective partnership between the ports and the railroads that impacts the transportation system dramatically.

When the Corridor comes on-line, one of the benefits will be the dramatic reduction in travel time for a container traveling by rail from the ports to say San Bernardino. Presently that trip I believe takes 10 to 12 hours depending on rail traffic congestion. Now that trip will go down to an average of say 3 hours for the Burlington-Northern Railroad. That suddenly changes possibilities and those things which would not make economic sense in the past suddenly become more viable.

We talked about AB–2928, that is a required study by several counties to address goods movement, but it has turned into a grade separation study. It is not really addressing goods movement. More important, it is not addressing how you change that flow of goods. I think for those of us who have worked with CALTRANS and been driving through their large long-term projects, that is a project delivery time line that is broken and we cannot count on. I think we need to find ways to shift more containers from trucks to rail and

expand that as a viable alternative, to start either reducing truck trip length or the number of truck trips. I believe that the current studies are not addressing that opportunity or taking advantage of the increased opportunities that the opening of the Corridor will present in a very short time.

We need to also come up with a different project delivery method for CALTRANS. Frankly, there has not been a penalty for their failure to perform. At peak construction volume on the Corridor, we put in place over $2 million worth of work per day. CALTRANS on average puts in $3 million per day in the entire State. Clearly things could be speeded up, expansions could be made more rapidly, and more responsive, to our changing needs.

The ports are unusual in that we can see where our growth is coming, we can see what the demand is going to be. Mr. Keller referred to the fact that half of those containers go to Los Angeles, well they come from the ports, but they go somewhere. We have over 20 million square feet of new warehouse or big box space opening up in San Bernardino. By definition, trucks come from somewhere to feed them, they leave them to feed somewhere else. And the whole time that all those facilities have been getting installed out there, we have not addressed whether we should serve them in any way other than traditional truck road, which consists of once they leave my loading dock, I do not think about them, I do not care how they get where they are going. I think as a region, we have got to get our arms around that and come up with a wiser approach to having a good mix between rail and truck service and having the right kinds of truck service into those facilities.

Mr. HORN. That is a very helpful perspective.

Mr. Hankla.

Mr. HANKLA. There is one other item, and that is, I think as these other projects search for the nexus that will allow them to become reality, the one thing that they should be looking toward is how they can add value in terms of cargo and goods movement, and in particular how they would add value for the railroads, because they are the principal partners. We added value, or the Alameda Corridor would not exist. How do they add value, that is the question.

Mr. HORN. Well, give me some examples of the value added.

Mr. HANKLA. Well, does this improve in some fashion the railroad's ability to move cargo; does it move it faster, does it move it cheaper, does it move it better. Those, I think, will become the sine qua non that the railroads are going to be looking for to get involved in a partnership and these other projects. Without the railroads, you do not have a partnership.

Mr. HORN. So you would see a much faster movement of goods from port to wholesale and retail, once it is out of Los Angeles County, and it is apparently quite a bit in Los Angeles County. But I take it the trucks will handle most of that. Is there sort of any rule of thumb, Mr. Keller, Mr. Steinke, as to whether you see the truck traffic changing and doing maybe within 150 miles or something like that, or San Diego, as opposed to putting it on a railcar?

Mr. STEINKE. Congressman, I think those are some of the studies that groups like the Transportation Research Board are looking at and as Mr. Buresh said, the idea of maybe taking a train, a unit

train, to a place like Ontario or San Bernardino, to eliminate trips on the 710; whether or not those make economic sense. And I think that those studies are taking place by the groups that I just mentioned. Traditionally, we think of intermodal cargo as anything about 300 miles and further, and so that is where we come up with our basic ratios of about 50 percent serving the local market and then 50 percent moving what we call intermodally. But I think we need to continue to look at what makes sense, if there is a train movement that goes into San Bernardino County, and then serves the areas closer in. Those are things that other groups are looking at, whether that makes sense. I think we need to continue to investigate those kinds of things.

Mr. HORN. Mr. Keller.

Mr. KELLER. That is certainly one part of the model. Another one, Congressman, that we have discussed actively is strengthening the whole distribution system. We have truckers who will drive at night, we have terminals in the ports that will stay open at night. But the containers have nowhere to go. The same distribution centers we are talking about want to open at 8 a.m., and close at 6 p.m., leaving the trucker with no secure spot to drop the container.

We have to strengthen that system, and in so doing, we would effectively free up the freeways for roughly sometime between 9 p.m., and 7 a.m., a time when most commuters and most other citizens are not using those freeways and highways. We think that has enormous potential as well and we are actively engaged with several of the groups who can make this happen, particularly with some of the smaller importers and exporters.

So we think that there are solutions here and they are all being studied.

Mr. HORN. That is an exciting idea as to certain times where the bulk of the traffic could go and other times not.

Any other comments? Yeah, Mr. Brown.

Mr. BROWN. Congressman, I would just like to go back to the Alameda Corridor East and I think Mr. Kellogg identified it as sort of a piecemeal process. AB–2928 invested $273 million for those four counties to invest in building the Corridor which is now, as Mr. Buresh indicated, a grade separation project, not necessarily a goods movement project. What is key, in order for this project to build it from the Redondo junction to the desert is that there needs to be a regional approach. We cannot do it in a piecemeal fashion, we cannot do it through a parochial lens. All of the districts—congressional districts, legislative districts east of the Redondo junction need to look at this as a team effort or else we will build this in a piecemeal fashion and it will take twice as long and probably three times the money. And we will have a great deal of congestion.

So I just want to suggest that in talking with your colleagues in Congress, that the approach to building the Alameda Corridor East be one of a regional approach.

Mr. HORN. That makes a lot of sense and that is how we got this far. Now as I remember, it was $800 million, the Secretary of Transportation signed on and said you did not have to start paying it back until what——

Mr. BURESH. $400.

Mr. HORN. $400. What did you do with the other $400?

Mr. HANKLA. We got $400 from the Federal Government in a loan.

Mr. HORN. Good heavens, I thought it was $800.

Mr. HANKLA. The ports advanced $400 risk capital up front.

Mr. HORN. That was Secretary Peña.

Mr. HANKLA. We got approximately $400 million, give or take, through California Transportation Commission MTA, the rest was bond funded.

Mr. HORN. So have you fixed a figure on the container and how long it will take to pay the Federal Government back?

Mr. HANKLA. It will be based—at current projections it looks like there will be an early retirement of the debt all around. How early, I could not say. But based upon cargo growth, it appears that the debt will be retired earlier than anticipated.

Mr. HORN. Do you have any thoughts on the financing here that somebody wants to comment on? Yes, Mr. Preusch.

Mr. PREUSCH. The $800 million was the amount that the $400 million loan grew to before the amortization actually occurred. With the increasing volumes that we are seeing, it probably will not get to that point. As Mr. Hankla pointed out, all of the debt should be retired quite a bit sooner than the loan agreement anticipated.

One of the things, if I could make one other point, with regard to regional issues and concerns related to the Alameda Corridor East or the Placentia project, I think it is important to recognize not just how, as Mr. Hankla pointed out, the railroads would benefit, but who the ultimate beneficiaries are. About half, 55 percent, of the cargo coming through the San Pedro Bay ports is moving to points well east for consumers that are back there. There needs to be some mechanism to connect the benefit that those ultimate consumers receive to the costs of moving those goods faster and with less congestion, less impact here.

One of the things that the airline industry has done is to use a passenger facility fee. Each one of us pays a very, very small amount to fly through LAX whether we live here or not. There may be a parallel structure that could be imposed on goods movements in a way that would cause the ultimate consumer to help support some of these projects in a more regional or national sense.

I think it is important that the money not be redistributed, that it be applied where the needs are, in this area as an example. But as has been said many, many times, we cannot expect the ports, we cannot expect ACTA to fund every grade separation between here and Chicago or New York.

Mr. HORN. Well said. I am interested in what you think—these would be the sort of duplicate for what was the harbor maintenance tax that the Supreme Court threw out.

Mr. PREUSCH. I think the issue with the harbor maintenance tax was the redistribution of money, it was not necessarily used where it was collected. I think perhaps an approach that would bring a fee back to a port or a region where the congestion is occurring, where the relief is needed might work a little more effectively.

Mr. HORN. Do you see any other option in terms of replacing the harbor maintenance tax that would withstand Constitutional muster?

Mr. PREUSCH. I do not know that I have explored it that thoroughly. I think that is likely the case. One of the issues there, of course, was the redistribution. To the extent that money is collected for cargo coming through an area, it needs to be used to support that same area. That is the principle that has worked with the passenger facility charge in the airline fee and I think that is a pretty good model to at least explore.

Mr. HORN. Yeah, and of course the airlines were very upset about that when Los Angeles International put that on, but I first remember that in Yugoslavia back in the 1960's and 1970's. They get you going out of town, that is for sure.

Well, thank you for that dialog and thank you all, gentlemen, for your help in this. A lot of people are going to want a copy at other ports in America as to what you all said this morning. So thanks for coming and we appreciate it.

Let me thank the staff that put this together. Right to my left, your right, staff director and chief counsel, Russell George; Dianne Guensberg, professional staff has returned to Washington. On my right is the professional staff member and director of communications, Bonnie Heald, who came from Long Beach here. Earl Pierce, professional staff is back in Washington, as is Matthew Ebert, policy advisor. Grant Newman is here doing all the work and he is over there. Put your hand up, Grant. And then Brian Hom, our intern is staying in Washington.

Now we want to thank the people here that helped us a lot and they are Steve Sykora and Arturo Garcia. We are delighted to have this facility. They are both related to public relations for the Port of Long Beach. And then Bill Warren, this will be his last hearing in the last 10 days and I am sure he is glad to get back to Georgia—the court reporter.

We thank you all and with that, we are adjourned.

[Whereupon, at 11:46 a.m., the subcommittee was adjourned.]

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