

Infrastructure Partnership Success in Southern California

Building and Paying for the Alameda Corridor Rail Project

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Introduction: A Public Infrastructure Success

The Alameda Corridor rail project became a tale of two cities: Los Angeles and Long Beach, California. It started as a story including each of the six cities in between. As a policy success, the story offers insight into the programme, processes, and politics that in 2002 built a 20-mile cargo rail line for \$2.4 billion. Initially this is a story of a compelling facilitator, Gill Hicks, who persisted in developing consensus across disparate political jurisdictions and the private sector railroads and port shippers. However, over time the story changes, with cooperation of the six mid-corridor cities evaporating, along with the projected revenue. Time, accompanied by an economic downturn and introduction of new logistics technology for cargo shipping, has changed a positive financial position to one of deferring a future debt that exceeds the initial construction costs of the project.

The Alameda Corridor Transportation Authority (ACTA) transformed a tangled web of rail lines, each owned and operated by three competing railroads, into one line. The new corridor created public value in eliminating grade rail crossing that backed up truck and car traffic in six mid-corridor cities, and through the reduction of air pollution emissions and groundwater contamination. Private sector value was created as the new line moved freight trains at 40 mph rather than 10 mph. The line moved the harbours from reliance on nineteenth-century rail technology to a twenty-first-century system aligned with the technology needed to compete in a globalized goods movement world. Public expense was significantly reduced as the line was built primarily with private sector debt financing, which was paid off by fees on private sector container cargo.

The process included the formation of a task force to explore the feasibility of a consolidated rail line. From the task force emerged an approach for governance

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as a formal joint power authority inclusive of the six mid-corridor cities, as well as the large cities of Los Angeles and Long Beach, each of which controlled the harbour. Subsequently, the ACTA eliminated the mid-corridor cities in a legally contested action. The move to governance by only the cities of Long Beach and Los Angeles contained costs and kept the project on time to reduce the financial uncertainty that would have adversely affected the costs of borrowing. This efficient decision-making structure based on those with a financial stake in cost containment came at the expense of participation in decision-making by mid-corridor cities. However, each city received a range of social benefits, which included a construction job training and hiring programme for local residents, contaminated groundwater clean-up, and millions of dollars of negotiated funding for specific benefits and in construction permitting fees.

Described as a successful public–private partnership (Callahan et al. 2010), the ACTA used private sector funding to retire the debt incurred to pay for construction. Politically, having the railroad companies pay a container fee to generate the revenue needed for debt service created a positive reputation for all participants. The use of a private funding mechanism insulated the public purse as well as elected officials from the costs of the project, yet the palpable success of constructing and operating the Alameda Corridor rail line through the first five years of operation benefited the elected officials of Long Beach and Los Angeles as well as the senior management of ACTA.

The ACTA linchpin has always been the temporal element—would revenue projections prove to be accurate? Could construction be completed on time? Would a long-term infrastructure project remain viable in a volatile global containerized shipping market? And not surprisingly, will a future technology make ACTA financials successful in the future (Pisano 2018)? When looking back at the ACTA project, there is reason to qualify the endurance of its initial level of success. The programme was a success in terms of construction to consolidate lines and increase rail cargo speeds, but with the Great Recession came a reduction in worldwide shipping. Also, new technology has reduced the amount of containerized cargo shipped by rail. The initial reduction in traffic congestion due to grade cross separations became less successful as truck traffic again increased. Initial emissions reductions also backtracked as truck traffic increased, and with it small particulate pollution as a potential health risk. Similarly, over time the ACTA governance structure evolved from inclusion to exclusion of the small cities in order to limit veto powers which could delay construction. The initially successful mechanism of the harbours paying for any shortfall in collected revenue broke down with the prospect of an extended shortfall of revenue. The process and political success of ACTA also waned over time. With the exclusion of mid-corridor cities, the politics became muddled.

Navigating Complexity in Developing ACTA

As an infrastructure project, the Alameda Corridor construction addressed bottlenecks in goods movement and economic growth. Prior to the construction of the grade-separated railroad lines, the existing outlets for shipping containers to move from the ports in Los Angeles and Long Beach harbours were a series of railroad lines and roads running north from the harbour to downtown. Most of the goods moved on routes that were roughly parallel to a major north-south surface street named the Alameda Corridor. Three separate railroads moved goods from the two harbours to Union Station, 20 miles north in downtown. In addition, trucks carried containerized products on Alameda Street and onto area interstate highways.

At the time of the initial studies in the mid-1980s, ranked as the third busiest port complex in the world, the Port of the City of Long Beach and the Port of the City of Los Angeles were increasingly congested. The growth in annual volume handled by the ports was anticipated to double from the 1980s to the 1990s and threatened to overwhelm existing rail and road capacity. Failure to expand transportation capacity ran the risk of losing future business to other ports. The challenge noted by the president of the Los Angeles Harbor Commission was for 'the Ports of Los Angeles and Long Beach, which are considered the most technologically advanced ports in the world, to make an archaic local 19th century rail system into a 21st century state-of-the-art cargo transportation system. We are doing this so that we can continue to expand to meet the cargo needs of the future' (Lushing 1993).

In the early 1980s this uncertainty regarding the impact for future harbour expansion prompted the ports' governing bodies to study alternatives for improving transportation outside the harbour. The policy challenge was to 'fix' the 'archaic rail system' in the area (Goodwin 2001; Hicks 2001). The Union Pacific, Southern Pacific, and Santa Fe railroad companies competed against each other out of the harbour area along three different routes to downtown and eastward, each crossing over roads and bringing trucks and cars to a stop while their freight cars rumbled past. The at-grade crossing created unwelcome congestion in the mid-corridor cities, as well as decreased air quality. A significant potential benefit for the Alameda Corridor project was to consolidate these three lines onto one line that had grade separations. When testifying to the California Legislature's Senate and Assembly Select Committees, Alameda Corridor General Manager Gill Hicks noted that though only thirty-four of the actual grade separations were along the Alameda Corridor. The rerouting of other trains would create a total of 200 grade crossing eliminations (California State Legislature 1997: 8-9).

Four sets of benefits were to result from grade separation. Truck and automobile traffic would no longer be stuck at street intersections waiting for countless

freight cars. Cargo could travel at increased speeds of up to 40 miles per hours on a grade separation rather than the existing 10 miles per hour average. Air quality could improve measurably with the reduction of idling cars and trucks in the region. And finally, what was described by Mayor Richard Riordan of Los Angeles as ‘the most important economic asset for Southern California over the next 30 years’ (Kirkorian and Zamichow 1993) would be able to thrive again, and according to project Executive Director Jim Hankla, lay ‘the foundation for other transportation improvements and long-term economic revitalization’ (*Corridor Chronicle* 1999: 3).

A Search for Governance

Given the fragmented multi-jurisdictional stakeholder and regulatory environment, a dedicated governance structure for building the line needed to be designed. In fact, the creation of the ACTA became a journey in governance as much as in rail construction. Initially in the early 1980s, the regional land use planning agency, the Southern California Association of Governments (SCAG), studied improving highway access to the harbour. The planner at SCAG working on the study was Gill Hicks, who became the top staff person for ACTA. Over the next two decades, and until the actual construction began, Hicks’ ability to facilitate and innovate, coupled with his persistence, would be rewarded with eventual funding and construction of the project. Hicks had been socialized into SCAG’s distinctive approach towards governance. SCAG served over 100 separate political jurisdictions, with the driving need to build regional consensus. Against that backdrop, Hicks approached his agency’s role in the Alameda Corridor project as one of a ‘facilitator... with a mindset of building consensus’ (Hicks 2001). Serving for over thirty years as executive director of SCAG, Mark Pisano viewed the Alameda Corridor project as a model of a locally crafted, decentralized institutional solution that responded to a pressing regional need (Pisano 2001).

As the SCAG lead for the Alameda Corridor, Gill Hicks’ role was as staff to the committees that met, but also multifaceted: initiator of action, innovator of solutions, navigator of the cities, harbours, county, state and federal government, and negotiator with the private and public sectors. From the initial discussions in the early 1980s to successfully securing funding, Hicks navigated and negotiated through a complex public sector intergovernmental landscape, with multiple veto powers, in the context of the multiple perceptions (public, journalists, and politicians) of the contemporary failings of the large-scale rail transit construction in Los Angeles County. At the start of Hicks’ journey, the first question was one of problem definition. In retrospect, the decision to build a consolidated, grade-separate cargo rail line appears foreordained. However, at the time of the discussions, multiple options included doing nothing, focus on moving truck

traffic over adjacent interstate highways, leaving the problem to the harbour commission or the Los Angeles County Transportation Commission, or consider rail construction.

Preparations for the project began to pick up steam with the railroads funding a study of rail access which recommended consolidating port traffic on the Alameda Corridor at a 'ridiculously low' estimated project cost of \$220 million (Hicks 2001). This led to the creation of an Alameda Corridor Task Force (ACTF), chaired by the influential Los Angeles City Council Member Joan Milke Flores, whose Council District 15 included the Los Angeles harbour area. Also, serving on the task force was a representative from the Los Angeles County Transportation Commission (LACTC), Jackie Bacharach—a city council member from a small city along the coast, and Art Goodwin representing the Los Angeles ports. As with Gill Hicks, Flores, Bacharach, and Goodwin remained involved in the Alameda Corridor project from the early task force discussion through the initial funding and ground-breaking for construction.

A key feature in the early discussions was the inclusion on the task force of representatives from the six small cities that experienced the traffic congestion at the rail crossings for the varied railroad routes of the Alameda Corridor: Carson, Compton, Huntington Park, Lynwood, and South Gate. Also serving on the task force were county and state representatives from Los Angeles County Supervisor Kenny Hahn's district and from the state transportation department, Caltrans. The task force structure included the varied stakeholders, becoming the model for the initial legal governing body of the Alameda Corridor project. Representation on the task force was mirrored to a large extent in the initial joint powers agreement (JPA) that initiated and oversaw the Alameda Corridor project.

The project did not progress much from 1985 to 1989 despite the task force meetings. However, the two ports' proposals to expand port facilities triggered state and federal laws requiring an environmental impact report (EIR) and environmental impact statement (EIS) prior to approval. The harbour project to increase cargo capacity would generate additional truck and rail traffic out of the harbours toward downtown Los Angeles for transcontinental shipment. The EIR/EIS process would lead to required mitigation of the traffic impact through communities between the harbour and downtown. Consequently, officials at the ports recognized the immediate need to improve the flow of goods along the Alameda Corridor.

The ports began intense negotiations in 1989 to structure a governing body that could improve goods movement outside of the harbour (Hicks 2001). The process for governance included at least three distinctive options. One, handing the project lead to the existing regional transportation planning and funding agency, the Los Angeles County Transportation Commission (LACTC) which was constructing the above ground light rail. Two, creating through legislation a special

district as had been done for the LA Rapid Transit District which oversaw the running of the second largest bus fleet in the United States and was building the downtown subway project. Three, retaining strong local control through a formal, legal agreement between public sector jurisdictions, known as a Joint Powers Agreement (JPA).

The leadership of the cities and harbours of Los Angeles and Long Beach favoured the third option. Accordingly, the strong local control option needed to decide who was in control of the governance process. At the core of this challenge was allocating representation. The six smaller cities along the Alameda Corridor diverged in their interests from the larger cities and harbours of Los Angeles and Long Beach. Each of the harbour commissions favoured limiting the governing body to a representation allotment that allowed the ports to dominate (Hicks 2001). However, the process for developing the ACTA Board saw the officials from the ports compromise to include representation from the mid-corridor cities. From the perspective of the ports' staff, this process of expansion was 'the fatal mistake to get buy in of the small cities' (Goodwin 2001). The initial JPA included fifteen members, with the harbour commissions, Los Angeles City Council District 15, the City of Long Beach, the six mid-corridor cities, the state Caltrans, and the regional transportation agency, LACTC, each having representatives.

In Los Angeles County, a very public debate was occurring over the larger transit agencies on requiring the principal elected official on a board to attend meetings, without the option to appoint an alternate delegate. Requiring the principal elected officials to meet was seen as a mechanism to advance accountability for successful transit construction and operations. The design of the ACTA JPA Board required the principals to attend meetings. The direct involvement of the principal board members, as opposed to designated alternates from staff or public members, had two significant effects. First, mid-corridor city ACTA members were deeply enmeshed in local politics as council members in their respective cities. Also, they were directly connected with other local elected officials as well as with their state legislators. The connection to the legislature allowed the corridor cities to press their grievances in another forum, seeking to bring the 'shadow of the legislature' to influence negotiations between the corridor cities and the cities of Los Angeles and Long Beach.

A second consequence of the principals exclusively serving on the boards was an expertise imbalance among the mid-corridor city representatives, the harbour commissioners, and executive directors of the ports. The representative from the Port of Los Angeles and the Port of Long Beach had detailed technical expertise on the issues related to the ports. In addition, they had considerable experience with the financing and construction of large capital projects. This accountability to the best interests of the ports, coupled with expertise in building infrastructure projects, drove the port representatives to attain control of the JPA Board.

In the words of the long-standing General Manager Gill Hicks, ‘the ports were not interested in risking hundreds of millions of dollars’ (Hicks 2001) with technically inexperienced mid-corridor city representatives who were more focused on benefiting their city than in competing a rail project.

Building and Maintaining Political Support

Politically, the Alameda Corridor project occurred in the substantial shadow of one of the United States’ largest infrastructure investment in the 1980s and 1990s: the construction of the Los Angeles rail transit subway and light rail lines. These projects were plagued by cost escalations, construction problems, and political acrimony to the point where both transit agencies were abolished and replaced by a new agency (Callahan 2007). In facilitating the delicate political agreement needed to move forward, Gill Hicks drew from the experience of the other projects to significantly influence important governance, project design, and contract award decisions affecting the Alameda Corridor project (Hicks 2001).

The political management of the project was initially led by Mark Pisano as Executive Director of the Southern California Association of Governments, with the point person as Gill Hicks of SCAG staff. Pisano had considerable experience of over a decade working with the powerful elected officials in the cities, the six-county region, state legislators, and members of the United States Congress. The governing board of SCAG eventually totalled seventy members. Gill Hicks had an inclusive political management style that looked to develop consensus with the elected officials most directly affected, as well as with the communities and the ports. Hicks worked closely with the Los Angeles County Transportation Commission Task Force that included powerful commissioners whose support would be needed for moving forward.

As the primary beneficiaries of the success of the construction of the Alameda Corridor, the Port Commissions for the harbours and their oversight the City of Long Beach and the City of Los Angeles emerged as important political players. As significant contributors to each city’s infrastructure and economic vitality, the harbour commission of each port had significant political importance. The essential shift that occurred in political management was the dominance of the cities and ports of Los Angeles and Long Beach representatives on the ACTA Board (Callahan 2007). The political management of the project was one of reducing the potential for the mid-corridor cities to add costs or slow down the project. The ACTA Board’s political management carried through to the construction phase with the selection of Jim Hankla to replace Gill Hicks. Each step in the political management of the project can be seen as the cities of Los Angeles and Long Beach’s elected officials and their designated representatives to the

completion of the rail line construction on time and on budget. The context of costs overruns for the transit infrastructure focused the political actors on protecting the Alameda Corridor projects from cost overages or unfunded costs. From the perspective of Mark Pisano, ACTA became a political success perceived as building needed regional infrastructure with significant costs carried by the private sector railroads.

Tackling Challenges

The strategic challenge facing ACTA was always a race to reduce uncertainty on the problem definition, the infrastructure solution, funding, governance, the private sector, construction costs, and project completion. The biggest challenge was to reduce the significant ambiguity on the global goods movement which provided the future revenue stream. As the project progressed, the ACTA Board struggled with its profound lack of control and uncertainty over land, funding, and mid-corridor city support. All these problems were connected. Problems included not owning the right of way. Right of way acquisitions required funding. Private capital required ownership of project land, and public funding was not in place. The need for mitigation of construction impacts required funding and certitude over the location of lines to address the need for local mitigation. There was no certainty that the project could create the resources needed and sustain the cooperation essential for constructing one of the largest public works projects in the United States in the 1990s, eventually costing in the range of \$2.4 billion (United States Congress 2001: 5).

Rights of Way

The privately held railroads—the Union Pacific Railroad, the Southern Pacific, and the Santa Fe—owned the right of way needed for construction of the Alameda Corridor project. Not only did they own the rights of way, but each also operated an active rail line shipping freight from the harbour in the same direction as the Alameda Corridor. The conflict over the purchase of the railroad-owned rights of way revolved around the value attached to the land. Assemblywoman Martha Escutia (1993) wrote, in a letter to the editor of the *LA Times*, after a joint legislative hearing that ‘railroad right of way valuation procedures and guidelines were highly subjective and indeed unfair to California taxpayers’. The critics of the purchase price argued that the railroads would continue using the right of way, that Southern Pacific had recently received nearly \$1 billion in public money for railroad rights of way purchased in other areas, and that loss of competitive advantage in owning the lines was overstated. The proponents for

purchase argued typically that the Alameda Corridor was, according to LA Harbor Commission President Ronald Lushing (1993) the 'foremost infrastructure improvement project in our state', with significant environmental and economic benefits.

The ACTA Board chose a negotiated settlement over applying eminent domain. The assembly member representing Long Beach in the legislature concluded that 'land seizure would only have resulted in a terribly expensive legal battle which would stall the Alameda Corridor project for years' (Karnette 1994). The Port Commissions led the negotiations as they were providing the funding for the purchase of the rights of way, excluding ACTA's board and general manager from the two years of negotiations (Goodwin 2001). The negotiations resulted in purchase of the 20 miles of rights of way from Southern Pacific for \$240 million. The ports also paid approximately \$75 million to Union Pacific Railroad and \$2 million to Santa Fe Railroad to complete the purchase of needed rights of way. The negotiation structured a cost sharing agreement on anticipated environmental clean-up, with Southern Pacific paying the first \$15 million, the ports the next \$10 million, and then sharing any additional expense (Kirkorian and Zamichow 1993).

The purchase of the right of way significantly reduced several sources of uncertainty. For construction, the ACTA Board gained control of the land for the entire length of the project. For operations, ACTA gained railroad customers committed to future use of the line for shipping containers from the ports. For future revenue, the railroads agreed to a negotiated charge per container shipped on the new rail line, providing a revenue stream for repayment of the debt service for construction of the project, with an escalation clause tied to the consumer price index (Goodwin 2001).

A Tale of Many Cities: Complexity and Institutional Design

The institutional design of the Alameda Corridor project as a Joint Powers Agreement (JPA) was the seminal event for the Alameda Corridor project. The ports' staff drew upon earlier experience forming the Intermodal Containerized Task Force (ICTF) in 1986 which provided the exact language for the subsequent formation of ACTA with the exception of the initial representation on the governing board (Goodwin 2001). The key feature of the ACTA JPA involved structuring the legal document as an agreement between the City of Los Angeles and the City of Long Beach but also including the mid-corridor cities on the ACTA Board. This inclusion reflected the preference of SCAG leadership to include representation of small cities and the contemporary institutional design of the Los Angeles County Transportation Commission with four designated members from small cities.

On ACTA, representatives of the ports pushed for increased control at the expense of representatives of the mid-corridor cities. A precipitating event was when port representatives were frustrated over being out-voted by mid-corridor cities on the selection of firms for bond financing. After the meeting the port representatives asked their legal counsel to draft language for a seven-member board that excluded representation from the mid-corridor cities. This evolved into a formal amendment to the JPA agreement to allow the formation of a seven-member finance committee in 1995. The finance committee consisting of representatives of the cities and harbours of Los Angeles and Long Beach assumed all significant contractual and financial powers for ACTA. In effect, the fifteen-member board lost authority over all important decision-making to the finance committee, which would present the results of their 8:30 a.m. meeting to the full board later in the morning for ratification (Goodwin 2001).

The four mid-corridor cities without representation on the ACTA Board lost control over the impact of a very large below-grade railroad trench literally being dug through each of their jurisdictions. In legislative hearings on the Alameda Corridor, Assemblyman Carl Washington, whose district included mid-corridor cities affected by the proposed project, argued that 'in the final analysis, when this Alameda Corridor is completed, the burden of proof will be upon us as legislators that we allowed these type of people [the ACTA Board members] to come in and just put together a \$2 billion project that affects all our districts' (California State Legislature 1997: 91). At the same legislative hearing, Assemblywoman Escutia noted that 'there was a great mistrust between the cities and the ports' (California State Legislature 1997: 105).

The mid-corridor cities contested the ACTA Board action on two counts: the amendments to the JPA Board structure and the environmental impact statement. The extent to which the mid-corridor cities resisted, with the exception of Huntington Park (Hicks 2001), is reflected in the involvement of ACTA's legal counsel in the Senate and Assembly select committee joint hearing on the project. The Chief Counsel for ACTA Gerald Swan's testimony responded to the lawsuit by the mid-corridor cities of South Gate, Compton, Vernon, and Lynwood as well as three separate lawsuits by the City of Lynwood and another suit by the City of Alhambra on the environmental impact statement. Swan concluded his testimony with, 'I encourage members of the State Legislature and members of the committees that you have assembled to discourage litigation and to encourage all to work cooperatively to see that this important project is completed without disruption' (California State Legislature 1997: 108).

The appellate court ruled in favour of the cities and ports of Los Angeles and Long Beach on 10 October 1996 (Los Angeles City Council 1996). The court found that the JPA was an agreement between the cities of Los Angeles and Long Beach and that as long as any amendment was approved according to the legal requirements of the JPA, the amendments were legal. Control of the governance

of the project shifted entirely to the cities of Los Angeles and Long Beach. The JPA evolved from a fifteen-member Board in 1994 to a seven-member board in 1997.

However, the ACTA Board members still needed to address the mid-city concerns for very practical reasons. First, the lawsuits posed the potential for cost and delay, and according to Assemblywoman Martha Escutia, they were ‘about leverage to get more mitigation’ (California State Legislature 1997: 105). Escutia publicly stated the fear that mid-corridor cities would hold the project construction hostage to gain additional funding from ACTA: ‘some other city council members felt well, gee, if they’re going to screw over my community by putting in a trench, which frankly was approved by both city council members, I want some money for the action, you know’ (California State Legislature 1997: 105). Digging a ten-mile, 33-foot deep trench through the six mid-corridor cities required construction all at once rather than in phases (Goodwin 2001) with prior approval of city permits for construction in their localities. ACTA needed to ensure the cooperation of the mid-corridor city governments or run the risk of delays in permits and introducing general uncertainty affecting the timely completion of the project.

The reconstituted Board shifted control over the project to those who were paying for the project: the cities and harbours of Long Beach and Los Angeles (Hicks 2001). The revised governance structure addressed the fundamental issues of financing. With the cargo fee revenue from the ports paying for the most significant portion of the project, the shift in governance allowed the appropriators to also be the expropriators. The governance of the project was in control of representatives of the ports and cities who were directly accountable for use of the ports’ generated money. The amended JPA ensured that the only decision-makers for the expenditure of funds represented those entities paying for the project. The new governance structure provided the increased control and a reduced uncertainty that were important to the bond market.

Adapting to Change

After approximately five years of successful operations, ACTA faced two significant changes forcing adaptation. First, the Great Recession of 2008 dramatically reduced the cargo flow to the port. Consequently, the revenue generated by the rail line declined significantly. Second, a new technology appeared in the late 2000s, transloading of containerized cargo shifting to trucks. Transloading moved specialized items locally, as opposed to container units moving items in bulk. This new technology reduced the number of containers shipped by rail from over 60 per cent to approximately 40 per cent of total harbour volume. As a result, rail revenue declined.

The combination of these two unforeseen events caused ACTA to lack sufficient funding for making bond repayment subsequent to 2008. In response, two adaptive features in the design of ACTA were called upon. First, the agreement with the rail companies called for any shortage of revenue to be made up for by the harbour commissions. For two years, each harbour commission contributed to a total of over \$10 million annually. Second, the ACTA Board voted to refinance the loan, moving debt service out to the future. The result created more total debt, but literally bought time for revenues to increase. The debt service (Alameda Corridor Transportation Authority 2018: 5) now totals over \$2 billion.

The deferral of debt service added significantly to the interest payments due, particularly the 2004B series line, with over \$100 million in additional interest payment due. Two competing views characterize the borrowings. A critical view compared the debt service to a 'Ponzi scheme' (Humphreville 2017), using the promise of future revenue to create unsustainable debt. Alternatively, there is the view that the time value of money lessens the impact of the debt and creates time for additional technologies to emerge that will increase the revenue on the rail corridor (Pisano 2018). As an operating entity, ACTA had little choice but to reschedule debt payments when the harbour commissions insisted that they would not meet revenue shortfalls until the economy and technology combined to increase cargo flow.

Assessing the Alameda Corridor Project

Programmatic Assessment

In the US arena of infrastructure construction, the Alameda Corridor has been held up as a model of project success (Callahan et al. 2010). Six features were notable in framing the project as initially successful: One, the on-time and on-budget completion contrasted significantly with the ongoing construction woes of the subway, including cost overruns, and Hollywood Boulevard sinking due to tunnelling. Two, a project definition emerged from an amorphous set of alternatives (Hicks 2013). Three, funding was developed as a public-private partnership, with the bulk of the debt borrowed against future revenue from a per container cost charge paid by the railroads. Four, the operation met revenue projects from the start in 2002 through the onset of the Great Recession in 2008, including repayment of the \$400 million federal loan. Five, the project provided localized improvements with reduction of traffic congestion at thirty-four grade-separated rail crossings, a Job Training and Development Program (ACTA 2000), and the Alameda Corridor Business Outreach Program assisted disadvantaged businesses in competing for contracts. Six, local environmental mitigation addressed the century-long accumulation of long-standing copper contamination of ground-water and leeching chromium.

Process Assessment

The process for success began with an initial broad planning coalition with members from local, county, and state government. The regional, federally designated planning agency, the Southern California Association of Government (SCAG) facilitated an inclusive task force study process. The process identified the problem as a regional challenge in moving freight quickly from the harbours to support regional economic growth into the future. The process also developed consensus on a solution of consolidated rail lines, with benefits to the harbours and to the mid-corridor cities. The resulting governance structure as a Joint Powers Authority evolved from inclusive of all jurisdictions impacted by the construction to a narrow governance structure, including only those paying for the project. The process moved forward through negotiating detailed settlement agreements and memoranda of understanding (MOUs) between the revised governing JPA and each of the six corridor cities. The construction phase appeared successful with the shift from the planning orientation of Gill Hicks with the hiring of a new Executive Director who delivered an on-time and on-budget project. Initially, the operational process appeared successful with repayments of the federal loan and other debts as anticipated from the revenue on containers until the start of the 2008 recession. The design of ACTA also facilitated a process of addressing the loss of revenue after the recession and the shift to new transloading technology change caused failure to meet debt service.

Political Assessment

The political actors' perceptions of the ACTA project hinged on three features: first, effective political oversight to avoid costly construction delays that exhausted available funding; second, careful management of financial risks to limit public spending; third, no political infighting between appointees and public agencies. The first two features characterized the project at the time of the line opening in 2002. However, the removal of the mid-corridor city representatives was a source of political infighting between public agencies and appointees where 'many public officials in the six cities along the corridor route—many with low income, minority populations and high unemployment rates—are concerned about the project's dispersed benefits but concentrated costs' (Erie et al. 1996: 5). The political success derived from deliberate sets of political actions that addressed the above items one and two for avoiding delays and use of private sector funding, as well as the mitigation of the third in the political embarrassment of removing the representatives of the small cities. The following three specific mechanisms facilitated political success:

1. Governing through a Joint Powers Authority (JPA) as the political decision-making board.
2. Authorizing use of the purchasing clause in the Los Angeles City Charter as a legal basis for issuing a combined design/build contract for construction.
3. Funding of approximately one million dollars to each of the city councils for benefits or mitigations along with permit fees.

Endurance Assessment

The challenge for ACTA has been to sustain its initial level of success. The project's construction success endured: increased cargo freight speed through consolidated rail lines, street traffic grade separation reducing congestion and air particulate pollution, and continued private sector operational oversight and payment per cargo container. However, the financial performance of the operations has prompted a reassessment of the success. The June 2018 assessment by S&P Global Ratings (2018) on the debt of ACTA now describes the project as viable with financial concerns for debt service problems. With over thirty years of professional connection to the project, Pisano (2018) concludes that the primary lessons learned for future long-term infrastructure projects are the need to account for both a potential change in the macro-economic environment and the potential for introduction of new technologies. Pisano draws on the concurrent impact on ACTA of the Great Recession of 2008 reducing revenue for debt service repayment and the introduction in logistics of transloading from the cargo container for trains to truck containers that reduced the project rail cargo volume from a projected 70 per cent to an actual 42 per cent of total volume. As a result, in fifteen years of rail operations the initial assessment as a success focused on construction and initial repayment has shifted to a focus on the reduction of rail cargo volume with a less than successful financial performance. However, the project continues with the development of new technologies and changing global economies offering the potential for a future reassessment (see Table 9.1).

Towards Sustained Success in Infrastructure Governance: Learning from ACTA

The Alameda Corridor project combines the political complexity of regional projects with the risks inherent in large-sale construction, and uncertainty in thirty-year revenue projections. Though the rail corridor was an apparently uncomplicated idea, the challenges to governance and construction took over a decade to solve. ACTA's success was that unlike most rail transit projects (Berechman 2018), the construction was on time and on budget, without cost overruns, and initially

Table 9.1 Policy success assessment map applied to the Alameda Corridor

<i>Policy Success Assessment</i>	<i>ACTA Development 1989</i>	<i>ACTA Implementation 2002</i>	<i>ACTA Endurance 2018</i>
<i>Programmatic assessment: Purposeful and valued action</i>	Addressed the contextual constraint of lack of funding through costs charged each cargo container shipped. Grade separation to benefit communities and rail track consolidation to speed goods movement	Built \$2.4 billion, 20-mile rail cargo project with private sector beneficiaries paying for the new project	After Great Recession and technology change caused loss of reputation with failure to meet debt service, unrealized usage estimates, and shift to new transloading technology
<i>Process assessment: Thoughtful and fair policymaking practices</i>	Initially a broad, inclusive planning coalition broad in local, county, and state government. Reflected the inclusive values, non-hierarchical approach and deliberative process of SCAG	Governance coalition narrowed, including only those paying for project. Institutional evolution of appropriators controlling expenditures. Developed a mix of policy instruments—private funding federal loan, local funding for planning, and state funding	Process for addressing change has been problematic—deferred debt payment to avoid charging harbours
<i>Political assessment: Stakeholder and public legitimacy for the policy</i>	Legitimacy seen by full range of participants with benefits through reduced air pollution, reduced traffic congestion in six cities, job programme for training and hiring during construction, cleaned groundwater contamination, increased speed of cargo	In operating phase, enhanced reputation of SCAG, ACTA and ports due to repayment success of federal loan, and on-target usage estimates. Provided funds and jobs to six mid-corridor cities	Governance structure has endured through challenges, viewed as resilient in addressing unforeseeable economic downturn and logistic technology change of transloading

accurate forecasts for demand. And unlike typical rail cargo lines, this public benefit project was design-built by a public sector agency for multiple public purposes. A variety of connected problems impeded the realization of the project. The ACTA governance structure evolved to address performance issues.

Endurance of Success

The sustainability of this project draws on the adaptability and responsiveness to the project demands by the governance board. ACTA's changes in governance structure allowed development of financial resources to mitigate political conflict. The evolution towards increasing political control by the major beneficiaries and funding sources of the project provided resource allocation opportunities. The port city representatives worked to gain control of the governance structure. In excluding the mid-corridor cities, the representatives of the ports sought to gain control of the problem of opportunism. Rather than address various demands of the mid-corridor cities as voting issues before the ACTA Board, the removal of these cities allowed the Board to negotiate more durable agreements with each city. These agreements were adapted to specific local needs of each city and retained the autonomy of the ACTA Board.

The fiscal sustainability of the debt service moving forward remains an ongoing question. The basic equation is the following: Will revenue increase quickly enough to repay debt? The revenue question is contingent on not only continued growth in global trade, but on finding an alternative technology to address transloading. There are potential technologies in development that could increase utilization of the rail lines or movement of goods within the harbour (Pisano 2018). The temporal analysis applied to the first twenty years of the project suggests the potential that subsequent temporal analysis might find changes in the future finances.

Can the ACA Experience Travel?

As a great policy success three features stand out for the ACTA programme, process and politics. First, the programme defined a project, secured public and private sector funding, and completed construction. Second, the process developed an initial consensus across multiple political jurisdictions. Third, the politics between large cities and small cities that threatened to derail the project were addressed through a series of negotiated agreements. But the success was not unmuddled when considered across an extended time frame. ACTA designed the first fifteen years of success in project agreement, on-time construction, and initial operation repaying the debt service. However, the long-term nature of the infrastructure programme extended the time frame for changes in the economics and technology. The introduction of a new logistics technology coupled with the Great Recession shifted the financial ledger for ACTA at this moment in time. Analysis of the programme, process, and politics over an extended period of time shows an adaptive quality to the financial challenges through extending the

debt service time frame. The resiliency in ACTA suggests the potential for new cargo movement technology to emerge that would increase utilization of the rail lines. Increased usage can again turn around the revenue stream. The ACTA case suggests that policy success, once initially achieved, can never be taken for granted. Economic, technological, and other sources of change require constant monitoring, reassessment, and adaptation.

For ACTA as an infrastructure project, the compelling local need coupled with regional benefit suggests a confluence of circumstances that would be particularly specific to geography. The success of ACTA built on SCAG's institutional dynamics in facilitating regional solutions, with the mechanism of approving proposals for federal transportation funding. Similarly, the leadership skills of individuals such as Mark Pisano and Gill Hicks advanced the project over the course of the first decade. However, the institutional design of ACTA, and the institutional context of SCAG are not necessarily constrained to southern California. There are metropolitan planning organizations for each region of the United States. And the evolution of ACTA over time suggests three potential leverage points for transferability.

One, the combination of public funds leveraging private investment offers the most promise as a lesson that can be transferred to future infrastructure programmes. In eras of reduced availability of public funding in the United States for infrastructure projects, coupled with a reluctance to increase taxes, the use of private funding for projects that provide a public benefit is seen as an important way forward. The initial efforts with toll roads built by the private sector has had mixed results. However, the basic formula of investment of limited amounts of public sector dollars as a catalyst for study and design of future infrastructure programmes continues to be explored in public sector legislation.

Two, the most robust feature of the ACTA case with lessons for future projects is how ACTA solved the accountability problem by having the appropriators have total authority over expropriators. This ensured credible commitment. Differing from the other regional agencies—LACTC, RTD, and MTA—for ACTA the consequences of over-expenditure on any one aspect of the project would be the responsibility of the beneficiaries of the project. In projects other than ACTA, over-expenditures or delays on any project did not threaten the completion of the project or the direct beneficiaries of that project. Instead, delays in the MTA construction reduced available funding for other rail transit that would benefit a different set of actors. The evolution of ACTA solved the credible commitment problems that plagued the other rail construction projects.

Three, political control should focus on reducing uncertainty in a project. Bond buyers either flee from uncertainty or charge a higher premium for borrowing. The port representatives on the ACTA Board and senior staff recognized the fiscal costs of uncertainty, and by achieving governance control, they reduced it. Paradoxically, reducing the uncertainty over construction through the

mid-corridor cities took the form of partnerships. Addressing local opposition acknowledged that regional projects are inescapably an aggregation of agreements with local governments. Securing the cooperation of the opposing mid-corridor cities through detailed legal agreements and payments resulted in the local cities and residents achieving improvements in their municipal infrastructure, reduced traffic congestion, environmental improvements, and increased potential for economic development.

Additional version of this case

The case study outlined in this chapter is accompanied by a corresponding case study from the Centre for Public Impact's (CPI) Public Impact Observatory—an international repository of public policies assessed for their impact using CPI's Public Impact Fundamentals framework. CPI's framework provides a way for those who work in or with government to assess public policies, to understand why they were successful, so key lessons can be drawn out for future policy work. The case can be easily located in the CPI repository at www.centreforpublicimpact.org/observatory.

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