



**Russell Goldsmith, Chief Executive Officer
City National Bank
Remarks at Long Beach Chamber of Commerce Business Forecast Conference
Entrepreneur of the Year luncheon
April 7, 2005**

[Introduction by Long Beach Chamber President & CEO Randy Gordon]

Thank you, Randy. City National is proud to sponsor the Chamber's Business Forecast Conference again this year, and we'd like to congratulate Kam Babaoff, this year's award recipient. It's a pleasure for me to be here again to participate in this important event presented by the Chamber each year and to join all of you to celebrate the entrepreneurial spirit that is alive and well here in Long Beach.

At City National Bank, we believe the Long Beach Chamber is doing important work by assisting entrepreneurs and businesses and by addressing the key issues confronting this economy.

Like all of you, we at City National Bank do business, create jobs and help the economy here in Long Beach. What happens here and throughout California matters to us, to our colleagues and to our thousands of California clients.

Over the past 51 years, City National has grown to become the largest bank headquartered in Southern California, and the second largest independent bank headquartered in the state, by staying focused on meeting the financial needs of the people who drive California's economy: California's entrepreneurs, small, mid-size businesses, professionals and investors.

City National's growth enables us to bring to our clients the world-class resources of a bank that today has more than \$14 billion in assets and an extensive array of financial products, services and capabilities to serve our clients well. In addition, we meet our clients' investment needs with our diversified and strong performing proprietary open architecture through City National Asset Management and our 12 other independent asset management affiliates. Together they manage or administer over \$35 billion in client investment assets.

To better serve our clients, City National now has 52 banking offices – including 12 full-service regional banking centers from San Diego to San Francisco, from New York City to Long Beach – and more than 2400 dedicated, talented and effective City National colleagues who everyday deliver our value proposition as California's Premier Private and Business Bank

Here in Long Beach, Dallas Haun, Steve Kwitoski, Dave Kolata and our team deliver outstanding commercial and private banking solutions through our two branches and our full-service regional banking center just down across the street.

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It's always a pleasure for me to be here in Long Beach. It epitomizes why California is a remarkably good place to live and work. Today I would like to talk with you about how best to keep it that way.

- As you may know, California has the sixth largest economy on earth. Our state is the birthplace of modern technology, the agricultural market basket of our nation, the entertainment capital of the world, a leader in the U.S. defense industry and America's gateway to the Pacific Rim through the Ports of Long Beach and Los Angeles ... which together are number one in the nation and number three in the world.

- California's economy is powered by innovation, expertise and creativity. For 15 consecutive years, more patents have been filed from California than any other state. Last year, in fact, Californians accounted for nearly 1/4 of all patents filed in the U.S. As one other indication, about a quarter of the Forbes 400 live here.
- California is a leader in design in everything – from apparel to cars and from toys to laser-guided missiles. California is also a leader in a long list of industries ranging from aerospace to biotechnology, from movies to mountain bikes, and from wine to wet suits.
- Here in Long Beach, as you know, we especially have much to be proud of ... arguably the busiest container port in the nation -- or at least on track to win that title back this year -- a thriving downtown with new restaurants, retail, & residential development; the expanded Convention Center and Aquarium, two highly respected museums, and now – largely because of these very attractive amenities – the new home port for Carnival Cruise Lines. Long Beach has demonstrated the effectiveness and power of a dynamic public and private partnership that focuses on growing its economy for the long term. I congratulate Mayor O'Neil, the Chamber and so many of you who have made this happen here.

While there is much to celebrate, all of us in California – and even here in Long Beach – face some critical challenges and have significant opportunities. Today I want to discuss why all Californians, and particularly those in the private sector, in the non-profit sector, in labor, local government, and the politicians in Sacramento and Washington, need to focus much more on growing California's economy.

The reason is simple. California's economy needs to expand in order to protect the good jobs and tax revenues we have, and to create more jobs for our growing population. That, in turn, creates more tax revenue and lower government expense, of course, – a positive upward spiral for the people in this state and this city – who need good jobs, better education, enhanced public safety, quality health care, cleaner air and improved transportation. A slow-growing or declining economy can't effectively achieve that.

There is no better time than the present, in a healthy, growing economy to look positively toward the future and to step up and make our voices heard on behalf of California and its local economies like those in Long Beach and Los Angeles. The long-term health of California's economy needs to be nurtured, not taken for granted, by every sector in our state.

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I agree with Jack Kyser and Joel Kotkin who said in their recent report on this region that we need to return our attention to our priorities ... sustaining job growth and creating business.

Today I would like to focus on one – among several – critical element in our economy. It is time to put more energy behind solutions that will help improve the critical infrastructure of the Ports of Long Beach and Los Angeles, specifically the ports themselves and the transportation corridors that link them to the rest of the region.

But we cannot adequately fund those kinds of priorities without insisting that government – at all levels – make better use of our tax dollars.

When people, like my family, began to arrive here by the millions in the 1950s and '60s, California built freeways, aqueducts, state-of-the-art schools and a world-class university system that promised a tuition-free education to every student who qualified. California attracted thousands of businesses and created millions of jobs. Long Beach was very much a part of that boom.

Unfortunately, in spite of ever-bigger budgets, state government has not done a good enough job of maintaining, renewing, expanding and modernizing the critical infrastructure of California: transportation, energy, education, healthcare and water supplies. They all need improvement. They are all critical to the long-term health of our economy and the quality of life in California. The strategic plans for the City of Long Beach – both in 1986 and, most recently, in the 2010 Plan – acknowledge this fact.

I'd like to focus for a couple of minutes on just one of these elements.

Transportation and the port are particularly relevant here in Long Beach and for our region. Traffic congestion for the average Southern California driver has doubled since 1982.

The cost to Californians in lost time, lost productivity, extra fuel, car repairs and so forth is estimated at \$12 billion. Yet per capita highway spending here in California ranks dead last among the 50 states. That is a failure of our political leadership we should not accept.

The need to bring our transportation infrastructure up to date is clear to anyone who lives in Long Beach or drives on the 710 freeway; \$200 billion of cargo travels up the 710 or on the Alameda Corridor. One-sixth of America's container traffic moves along the 710 Freeway – Slowly. In fact, near Long Beach, trucks make up more than 20 percent of 710 traffic during the day – twice the average in LA County.

When you also consider the fact that the City of Long Beach is projected to add 33,000 more people to its population by 2010, the need for major improvements on the 710, largely unimproved for 30 years, is obvious.

To maintain the important leadership role of the ports of Long Beach and Los Angeles, we must all push to expand their capacity to intelligently and effectively handle and move their growing cargo volume.

Today, these ports handle more than 40 percent of the entire nation's merchandise trade. They are the linchpin for Southern California's valuable and vital position as the leading trade hub in the nation.

Whatever your thoughts on how best to improve its capacity, the Port-related transportation corridor should be a national and local economic and political priority – a powerful argument for the continuing expansion of transportation capacity, for additional federal support and for greater amounts of federal funding for Homeland Security..

I was pleased to see that the top 2 growth and development agenda items in the 2005 Federal Legislative Agenda adopted by the City of Long Beach are both the 710 Freeway improvements project and the Alameda Corridor enhancement program.

This is excellent and clearly these are priorities where business, residents, labor leaders and environmentalists must find common ground and come together to fight to preserve and enhance the economic opportunity and capabilities of the Ports of Long Beach and Los Angeles, which are responsible for \$1 billion of economic activity each day. Government, at all levels, needs to support and enhance the infrastructure here and we, as the beneficiaries, need to keep the pressure on them to get there.

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However, if we are going to fund investment in California, we shouldn't have to do it alone. You probably don't realize that unfortunately, we as Californians are not getting our fair share of U.S. tax dollars.

In 2002, Californians sent about \$60 billion more to our nation's capital in federal taxes than the state received in federal spending. That may not sound too bad to you, but consider that California ranks 45th among the 50 states in the return on its tax dollars. For every tax dollar that you and I send to Washington, D.C., we're getting back just 76 cents.

By comparison, the citizens of New Mexico got \$2.37 for each \$1 they sent.

And just to pick a random example, Texas receives 92 cents.

If California had collected the same 92 cents as Texas, we'd have received \$40 billion more per year in federal spending than we do.

The fact is California is paying the federal government more than our fair share and is subsidizing the rest of the nation ... and we've been doing so for a long time

Recently I visited Wyoming and learned that the local park service in Jackson, where Vice President Cheney lives officially, just got \$4 million in federal funds for some "badly needed" bike paths! Now, the town of Jackson is home to some 8,500 people. Animals outnumber residents by 2 to 1 and the citizens there pay no state income taxes, yet the United States government is spending about \$500 per person for bike paths – clearly a national priority.

The federal government can somehow pay for bike paths in Wyoming yet doesn't fund support for California's much more important needs. Consider the example of Homeland Security funding:

Here in California we have some of America's most notable and vulnerable landmarks and economic centers – LAX, Disneyland, the Golden Gate Bridge, and the Ports of Long Beach and Los Angeles. Of course, we also have huge and porous borders and major military bases and defense industries.

Yet, according to the American Enterprise Institute, California ranks dead last in per capita funding for homeland security from the U.S. government.

Believe it or not, Wyoming's per-capita share of Homeland Security funds is seven-and-a-half times bigger than ours!

In addition to the loss of human lives, the economic impact of a terrorist attack here would be devastating. The American Association of Port Authorities said that if a major port was forced to close for just one month, it would cost our national economy \$60 billion. The Brookings Institute said that a major weapons related catastrophe at the Port of Long Beach or Los Angeles would create damages to the global economy in the neighborhood of a trillion dollars.

With statistics like this readily available, you would think the Transportation Security Administration funding would reflect the significance and vulnerability of our ports. However, a recent analysis shows that our security allocations for our ports even ranks far behind other U.S. ports. In 2002/03, the New York/New Jersey port complex received \$3 per container; our port complex: \$1.42 per container.

Put simply, we receive less than half of what New York/New Jersey receives per container despite that fact that we handle two and a half times more cargo! Even Seattle/Tacoma received about 80 percent more per container than we did.

It's time for all Californians to demand more from Washington. Our Congressional delegation needs to unite to get more for homeland security for health care, for transportation and other priorities right here in California. The ports of Long Beach and Los Angeles estimate that they need \$500 million simply for protection. So far, they've received just a fraction of that amount from Washington.

Our 53-member House delegation is larger than that of any other state. The harsh truth, however, is that they don't really work together to address important issues like this. In fact, they hardly talk to each other. When it comes to securing federal support for California, we must start to expect our Congress members to behave more like Californians and less as Republicans and Democrats fighting partisan political battles.

It's also worth noting that Californians – including, I'm sure, many of you, last year donated \$153 million to the two major political parties and their candidates across California and the U.S. As voters and donors, we should all be putting pressure on all federal officials – Republican and Democrat -- to do more for California.

The next time you give a political donation to any candidate for the House or the Senate, whether from California or not, I urge you to ask them what they are doing to help California get its fair share of federal support. We should not let the politicians forget California's needs after the election is over.

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California's economy, like its population, is diverse, dynamic and creative. Nowhere is that more apparent than right here in Long Beach.

This city and this state are great places to live and work. But investing in their economies, enhancing their infrastructures and addressing their problems must be priorities for us all.

A strong economy creates jobs, opportunities and prosperity for people and the places they live. A strong economy funds critical services like schools and public safety and strengthens the social fabric of our community at all levels. It's time for government in California and Washington to recognize that California's economy – the largest state economy in the nation – deserves a fairer share of federal support and protection. At the same time, California's leaders need to make more effective and productive use of California's tax revenues to enhance its economy and its quality of life for all Californians.

If you agree with me, I urge you to speak up, as I am doing today, with leaders in government, business, labor and the nonprofit sector. Work with Randy and the Chamber. We all need to join forces constructively. We need to have higher expectations and to hold accountable those who aspire to lead California and our nation. At City National, we believe that's The Way Up for us all.

Thank you very much for this opportunity to speak with you today.