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CALIFORNIA HIGH-SPEED RAIL AUTHORITY

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Business Plan for California High-Speed Train Forecasts Over \$1 Billion Annual Revenue Surplus, Triple Return on Investment

Sacramento – California's new high-speed train system will be an infrastructure project on the scale of the State Water Project, generating more than \$1 billion in surplus revenues a year by 2030, reducing congestion and pollution, and returning nearly three times as much in value as the system will cost over the next 40 years.

Those are among the key findings of a new Business Plan for the state's 800-mile network of trains operating up to 220 miles an hour and linking California's major cities between San Diego in the south and San Francisco and Sacramento in the north.

"This Business Plan calculates high-speed trains will alleviate the need to spend nearly \$100 billion to build about 3,000 miles of new freeway plus five airport runways and 90 departure gates over the next two decades," said Judge Quentin Kopp, chairman of the board of the California High-Speed Rail Authority, which released the plan Friday. "A statewide high-speed train system will meet that same need for about half the cost."

Kopp called the Business Plan a "snapshot in time" taken from thousands of hours of detailed analysis of the economic underpinnings of the high-speed train system.

The scale and the length of time it will take to construct the system demands continuous economic review and adjustment to identify long-term costs, ridership and economic impacts, which are dynamic in nature. Similarly, construction and materials, land acquisition, energy and even the transportation preferences of millions of Californians will evolve over future decades.

"Nevertheless, this Business Plan provides a credible, reasonable and experience-based estimate of the system's current financial and economic outlook," Kopp said.

"The passage of Proposition 1A this past week demonstrates to federal funding authorities and private investors that California will make the political, legislative and financial commitment to developing high speed rail," said Sasha Page, Vice President at Infrastructure Management Group and head of the Authority's financial plan team.

One way financial experts measure the return on the state's investment is to calculate the system's "present value" at a future time and compare it to the cost. ("Present value" is a way to figure value adjusted over time, much like figuring compound interest.) Building the high-speed train system will create more than \$150 billion in measurable "present value" benefits – nearly three times the present value of the train's capital and operational costs over the next 40 years.

In addition to 160,000 construction jobs over the next two decades, high-speed trains will generate 320,000 permanent jobs by 2030, growing to 450,000 jobs in 2035, according to the Business Plan. The system will reduce the state's reliance on fossil fuel by 12.7 million barrels of oil per year and eliminate 12 billion pounds of CO₂ emissions a year. It will expand transportation capacity, provide a new option for intercity travel, and act as a catalyst to strengthen existing city centers by maintaining and improving accessibility.

While the Authority's plan is to complete the entire system by 2030, the Business Plan is focused on the "backbone link" between Los Angeles/Anaheim and San Francisco, consistent with current environmental evaluation and project planning. That is the key segment for which detailed financial calculations have been completed.

The \$33 billion cost of the backbone link through the Central Valley will be shared among the State of California, the federal government, local and regional governments and private sector investors. Under Proposition 1A, approved by California voters last Tuesday, \$9 billion in state bonds to develop the system cannot be spent until matching federal, local and private funding is also secured. Operation and maintenance will be financed by users through paid fares.

The Business Plan calculates that passenger revenues for the backbone link between Los Angeles/Anaheim and San Francisco will exceed operating and maintenance costs. With train fares set at 50 percent of airfares, high-speed trains will carry 55 million traveler trips in 2030 and generate \$2.4 billion in revenues for this portion of the high-speed train system. Annual operation and maintenance costs for this link have been estimated at approximately \$1.3 billion.

Operating surpluses of \$1.1 billion for the backbone link would be used as a return on investment for private sources of major financing, for expanding or improving the system and to repay construction bonds. The new Business Plan also includes a discussion of the potential risks associated with the project and strategies to mitigate those risks.

The 2008 Business Plan is a comprehensive update of the Authority's original Business Plan issued in 2000 as well as dozens of financial and economic studies done since then, the high-speed train's program-level environmental impact report completed last year and newly completed financial studies.

Core calculation for the Ridership and Revenue and Economic Benefits in this Plan was prepared by Cambridge Systematics, a national leader in transportation economics and modeling with extensive experience in California. Financial projections and plan were prepared by Infrastructure Management Group (IMG), a nationally respected advisor to local, state and federal governments on infrastructure financing strategy (with input from Barclays Capital). Parsons Brinckerhoff, a leading international engineering and program management firm with direct experience in high-speed train projects in Asia and Europe, guided development of the construction costs and operational costs. This work was supplemented by SYSTRA, a major international consultant group with worldwide experience in design, construction and operation of similar high-speed trains. Underlying cost assumptions, operations, maintenance and capital costs were also reviewed by European and Japanese government rail agencies.

The full Business Plan and can be viewed on the Authority's Web site at www.cahighspeedrail.ca.gov/. Due to the large size of the source documentation, it will not be available for viewing until next week. Soft-cover and electronic copies of the plan can be obtained by contacting the California High-Speed Rail Authority, 925 L Street, Suite 1425, Sacramento, CA 95814. Telephone 916-324-1541. The FAX is 916-322-0827.