



**BRIEFING: SEPTEMBER 2013, BOARD MEETING AGENDA ITEM # 7**

**TO:** Chairman Richard and Board Members

**FROM:** Frank Vacca, Chief Program Manager

**DATE:** September 10, 2013

**RE:** Approval to Issue a Joint Request for Proposals (RFP) for Trainsets with Amtrak

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**Introduction**

It is the Authority's intent to best serve the public's interest by delivering all aspects of the California High-Speed Rail Program on schedule, at the lowest possible cost, and with quality that meets or exceeds acceptable industry and government standards. Based on the following analysis, staff has determined that it is in the best interest of the State to initiate the procurement for the trainsets through a joint procurement with Amtrak. Staff therefore requests approval of the staff recommendation.

**Background**

In January, 2013, senior staff representatives from the Authority and Amtrak met and, subject to Board approval, agreed that it is in the best interests of both parties to join forces in the search for high-speed trainsets currently being manufactured and in commercial service that are capable of operating at 220 mph.

Both the Authority and Amtrak recognize the value inherent in combining trainset orders, specifically to increase industry interest and competition and to reduce administrative and capital costs associated with procurement. The joint procurement approach would facilitate compliance with the Federal Railroad Administration's Buy America requirements in that a larger initial order of trainsets, and the expectation of future orders of trainsets, will encourage off-shore manufacturers to establish domestic sources of supply. This procurement would be administered jointly by the Authority and Amtrak.

Authority staff and Amtrak have been working to develop common trainset specifications. However, due to differences in the services that the Authority and Amtrak will provide, there will likely be variations in the technical specifications of trainsets that will be procured for the individual entities. These variations will also extend to the type of maintenance support that both entities require. Therefore, under the joint procurement, there would be a single Request for Proposals (RFP) to select a preferred contractor, but the RFP would contain distinct procurement specifications and agreements with the contractor for each. Under this approach, the economies

of scale that both Amtrak and the Authority are seeking can be realized while allowing each agency to procure trainsets specific to their systems. Put simply, a manufacturer would be able to produce rolling stock for both customers using a common platform, with variations handled separately.

An outline of the proposed procurement approach is provided below. It is consistent with U.S. and international industry approaches for rolling stock procurements, including a possible approach of combining the procurement of rolling stock, maintenance services and a maintenance facility.

## **Discussion**

### *Scope of RFP*

The RFP would initiate a “best value” procurement for the design of trainsets appropriate for both the Authority and Amtrak, the construction of those prototypes, and for construction, delivery, and maintenance of trainsets for the Authority. While the Authority and Amtrak would be committed to a common selection of the best value proposer, both entities would enter into separate contracts based on their separate technical and contractual requirements. If the parties deem it beneficial, their respective roles and responsibilities in the joint procurement would be memorialized in a Memorandum of Understanding (MOU).

The RFP would enable the Authority to meet its target of revenue service on the Initial Operating Segment (IOS) which is anticipated to begin in 2022. It is anticipated that approximately 20 trainsets are needed for revenue service on the IOS. The anticipated capital cost of trainsets for the IOS are consistent with the 2012 Business Plan. An option for additional trainsets would be included in the contract with the selected contractor.

The RFP will include an option that would include design, manufacture, financing, and maintenance under one contract with compensation to the contractor in the form of “availability payments.” A portion of these payments are expected to come from operating revenues. Using such a structure, periodic payments are made to the contractor in exchange for the availability of a guaranteed quantity of trainsets delivered on a timeline that would support revenue service targets. The availability payment would cover the capital costs of the trainsets, the capital costs of constructing and outfitting the Heavy Maintenance Facility (HMF), and the associated trainset and facility maintenance costs for the life of the trainset, typically over a period of 30 years.

An availability payment structure is a performance based contracting method whereby the payments to the contractor would be reduced for unavailability events and nonperformance, as specified in the contract. As a result, the contractor is incentivized to make the trainsets available and performing to predefined standards so that the Authority can meet its revenue service targets. In addition, including the HMF in the trainset procurement ensures that it will be designed and built consistent with the requirements of the selected trainsets.

### *Procurement Schedule and Process*

The procurement will be managed jointly with Amtrak, and it is anticipated that Amtrak will take the first trainset order. The Authority will be a full participant in the procurement process designed to obtain the best value for the State of California and Amtrak. Based on investigation and experience, senior Authority staff members believe the benefits of a combined selection process with Amtrak far exceed those of a separate, exclusive procurement.

Subject to Board approval of this action, the RFP is expected to be issued before the end of 2013. The Notice to Proceed (NTP) would be issued to the Contractor as early as the third quarter of 2014. The anticipated schedule for the initial production of the minimum number of trainsets required for testing and demonstration is illustrated below.

<b>Task</b>	<b>Duration (months)</b>	<b>Anticipated Completion date</b>
<b>NTP – Contractor</b>	--	3Q2014
Design Process/Material Procurement	18	July 2016
Production of prototype trainsets	30	December 2018
Trainset testing program	12	December 2019

*Funding/Appropriation*

Funding for the trainsets is anticipated to come from State and Federal funds as well as service revenue when available. Funding for the trainsets will be contingent upon a funding plan for completing the IOS. No capital funds are committed by the Authority by virtue of issuing the RFP.

**Recommendations**

It is recommended that the Board authorize the CEO to enter into a Memorandum of Understanding with Amtrak consistent with this action and direct staff to issue a Request for Proposal jointly with Amtrak for the procurement of trainsets for the Phase 1 of the high-speed rail system.

**Attachments**

– Resolution #HSRA 13-25