

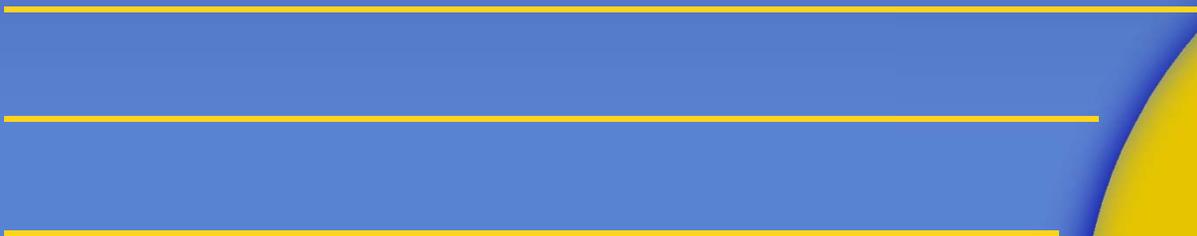
# CALIFORNIA HIGH-SPEED RAIL

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PRESENTED BY

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CHIEF EXECUTIVE OFFICER



# DRAFT 2014 BUSINESS PLAN

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- Required by Assembly Bill 528 and Senate Bill 1029
- Foundational document for implementing program
- Maintains core elements of the 2012 Business Plan
- Includes:
  - Summary of progress
  - Updated ridership forecasts and cost estimates
  - Describes next major milestones
- February 7, 2014 release starts 60-day public comment period

# EXTERNAL INPUT

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- United States Government Accountability Office (GAO)
- Peer Review Group (PRG)
- International Union of Railways (UIC)
- Academia
- Stakeholders

# SECTION 1: CONNECTING CALIFORNIA

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- Significant progress since 2012
- Full Board of Directors and Management Team
- Funding secured for initial investments in statewide rail modernization program
- Work on all areas is underway
- Extensive reviews of cost estimates, ridership and farebox revenue forecasting methodologies and economic analysis

# SECTION 2: BUSINESS MODEL

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## Consistent with 2012 Business Plan

- Will be a partnership between the public and private sector
- Assigns responsibility and risk to party best able to manage

## We are already implementing our business model

- Delivering first IOS construction with design-build
- Engaging with global infrastructure investors and developers
- Identifying new strategies to generate revenue
- Seeking innovation through unsolicited proposal policy

# SECTION 3: CAPITAL AND LIFECYCLE COSTS

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## Capital Cost Estimates

- GAO: met all applicable FRA and USDOT guidance
- Updated base year to 2013\$
- Updated year of expenditure (YOE\$)
- Estimates are essentially unchanged

## Lifecycle Cost Estimates

- Developed new, more robust model
- Followed method established by European Union
- Applied Monte Carlo analysis
- Predicts that 13% of original capital investment to be replaced by 2060

# SECTION 4: RIDERSHIP & FAREBOX REVENUE FORECASTS

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## Enhanced Model and New Data Since 2012

- Applied Monte Carlo analysis
- Scrutinized by international experts and academics

## Updated Forecasts (Medium Scenario) show:

- More trips than forecast in 2012
    - Over 10 million trips in 2025, 35 million in 2040
  - Shorter average trip lengths
  - Lower fare revenues
    - From 5% lower in 2025 to 10% lower in 2040
    - Not optimized
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# SECTION 5: OPERATIONS AND MAINTENANCE (O&M)

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Developed new, more robust O&M cost model

Based on:

- Reviews by UIC, PRG and the GAO
- Guidance from USDOT Office of the Inspector General

Applied Monte Carlo analysis – a GAO recommendation

Updated Estimates

- Reflect higher ridership forecasts and related service plans
- Estimates increased by 14%
- Not optimized

# SECTION 6: FINANCIAL ANALYSIS AND FUNDING

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## Updated Analysis Confirms Operational Viability

- System will be operationally self-sustaining and not require an operating subsidy
- Monte Carlo analysis provides confidence in results

## Funding Capital Costs

- Funds required to complete IOS remain ~ \$21B (YOE\$)

## Private Sector Financing

- After IOS operations are proven, \$6.2B to \$12.4B in financing from private sector could be accessed

## SECTION 7: ECONOMIC IMPACT

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GAO reviewed 2012 economic impact analysis and found:

*“The Authority did a comprehensive job in identifying the potential economic impacts of the high-speed rail project.”*

### Updated Benefit-Cost Analysis (BCA)

- Incorporated GAO recommendation to include disbenefits (negative impacts)
- Refined methodology based on latest USDOT guidance
- Included new inputs - ridership forecasts, cost estimates, etc.

Revised BCA ratio is over 2.0 for all phases

# SECTION 8: SYSTEMS ASSURANCE/RISK MANAGEMENT

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Formal, systematic approach to identify, assess, evaluate, document and manage risk

Organizational and process changes

- Risk Program Manager
- Program Management Information System
- Quantitative tools (Monte Carlo) applied to:
  - Estimates and forecasts
  - Design-build construction packages

Greater transparency regarding project challenges

# SUBMITTING A COMMENT

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- Online via our [web comment form](#)
- Via email at [2014businessplancomments@hsr.ca.gov](mailto:2014businessplancomments@hsr.ca.gov)
- Mail your comment to:

Attn: Draft 2014 Business Plan  
California High-Speed Rail Authority  
770 L Street, Suite 800  
Sacramento, CA 95814

- Leave a verbal voicemail at (916) 384-9516
- Board of Director's Meetings:

February 11, March 11 or April 10

# BOARD ACTIONS

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- Take Comments
- April 10 Board Meeting
  - Direct Staff to Make Any Necessary Changes
  - Adopt
- May 1: Submit to Legislature