Comments on the 2008 California High-Speed Rail Authority Business Plan

The California High Speed Rail Authority ("CHSRA") has made a number of commitments to the California State legislature and the public.

1) No additional public funding on the state level beyond the $9 billion bond that taxpayers recently approved.
2) Sufficient operating profits to finance the construction of phase 2 extensions up to Sacramento and down to San Diego as soon as phase 1 segments (the San Francisco to Los Angeles/Anaheim portion) are complete in 2020.
3) A one-way ticket from San Francisco to Los Angeles will cost $55.

The success of this project hinges critically on the continued support from the public and the legislature. The gap that currently exists between the expectations and the 2008 Business Plan needs to be addressed.

Issues identified:

- **Plan implicitly assumed that California will be able to increase the notional amount of bonds for inflation, but the bond authorization has no inflation protection.** Based on the proposed construction schedule, the $9 billion in bonds authorized should be discounted for inflation. The bond monies can only be counted as $6.9 billion in 2008 dollars for items like figure 20 and 27.
- **Construction estimates are not construction estimates.** The costs are derived from an analysis done for the Program level EIR/EIS whose purpose was different than generating numbers appropriate for a financing plan. Many known elements were excluded. New cost estimates using most recent project descriptions must be done.
- **There is no cashflow analysis available for the years 2020-2030.** The operational plan acknowledges that only 2/3 of the trainsets will be required for the first year of full operation so clearly the operational profits will be lower in initial years of service. There needs to be a year- by – year cashflow analysis.
- **Costs of servicing revenue bonds are not included in any calculation.** Each $1 billion financed would cost $70 - $120 million a year to service.
- **The actual fare used in the Business Plan for a San Francisco to Los Angeles one-way ticket is $68.** The $55 fare was a 2005 number.
- **The Business Plan itself demonstrates that a fare of $104 results in higher net revenues and lower capital costs.** If the state is committed to a lower fare structure, that will place significant limitations on the types of private investment the project will attract. Even if the fares are set by a public entity, there will be tremendous pressure to maximize operational revenues by setting fares at the higher level.

Prepared by Elizabeth Alexis (ealexis@gmail.com)
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