

California bullet train project is attracting interest — but not funding

Ralph Vartabedian, Los Angeles Times, 10-9-15

Since its earliest days of planning, California's \$68-billion bullet train project has counted on a massive infusion of private capital to fill any gaps in state and federal funding.

A new sounding of international interest in such investments indicates the money may not arrive any time soon.

A solicitation issued to potential partners this year drew 36 responses from rail, construction and engineering firms around the world, offering what California High-Speed Rail Authority officials say are encouraging ideas and feedback that will aid future planning.

But the companies didn't signal a readiness to invest their money, according to the rail authority staff and board members.

"They are not bringing their checkbook yet, but they are bringing their ideas, their interest, their commitment to work with us," said rail authority Chief Executive Jeff Morales.

With slim near-term prospects for additional state or federal funding, the project needs billions of dollars in private investment to supplement government funding as it tries to complete its first passenger-carrying segment.

The companies that responded to the state solicitation left the door open to forming partnerships and making investments, but under terms that could be problematic for high-speed rail officials.

Rail authority Chairman Dan Richard said the companies generally want either a revenue guarantee or a record of financially successful operations. A state-backed operating revenue guarantee would be a "nonstarter" under voter-approved financial protections placed on the project, said Michael Rossi, a retired Bank of America vice chairman and a rail board financial expert.

"There is no proposal, there is no commitment to do anything" in the responses, Rossi said at a board meeting this week. "We need to be very, very careful."

Nonetheless, the rail authority said the process will help formulate a plan to finish the project, which ultimately would connect Los Angeles and San Francisco. The agency did not immediately release the 36 responses.

Rail board member Tom Richards said he was surprised by the expressions of interest in joining the project, saying the number of responses showed it is being taken seriously.

Lisa Marie Alley, a spokeswoman for the rail authority, said the responses are "a clear signal from the private sector that they want to participate." Board members saw the responses as a "positive step forward," she said.

The rail authority is continuing to move ahead with available money, announcing Thursday that it had awarded a roughly \$30-million oversight contract to Kansas City, Mo.-based HNTB for 22 miles of construction in the Central Valley.

The state has about \$15 billion in funding: \$9 billion in bond proceeds approved by voters in 2008 and \$3.2 billion in federal grants. Another \$2.5 billion is expected to come from fees paid by businesses for generating greenhouse gases. But the cost of the initial 300-mile operating system from Burbank to Merced is an estimated \$31 billion.

"We still have a funding gap," Richard acknowledged. "We need that other piece that is new money."

Hope had risen that the project would more quickly attract major private investment, after state legislators agreed to allocate an estimated \$500 million annually to high-speed rail design and construction.

As part of the solicitation process, the authority told companies they "would also need to provide financing to support a portion of the capital cost."

Richard said the responses had a "tremendous amount of thinking." But in terms of financial commitments, he added, "I just don't want to get ahead of ourselves in terms of what we are telling the public or ourselves."

Elizabeth Alexis, a co-founder of a Bay Area group critical of the rail authority's planning, said the results of the solicitation are a setback.

She predicted there will be "some serious soul searching on the next step."