

Private Sector Letters of Interest

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June 11, 2014

The Honorable Edmund G. (Jerry) Brown Jr.
Governor of the State of California
Office of the Governor
State Capitol, Suite 1173
Sacramento, CA 95814

Dear Governor Brown:

We at ACS Infrastructure Development, Inc., the U.S. infrastructure investment-arm of ACS Group, have been closely following the high speed rail project in California for many years. The high speed rail program envisioned by the State of California will be a transformative project not just for the State but also for the Nation. In order to best achieve the goals of this important program, we believe that long-term funding by the State is needed, and this commitment by the State will in turn motivate private sector involvement in the financing and development of the program.

The ACS Group is a global leader of construction and infrastructure services, and is recognized by both Engineering-News Record as the # 1 International Contractor in 2013 and Public Works Financing as the World's Largest Transportation Developer of Public-Private Partnerships Worldwide. We have substantial experience designing, building, maintaining, and financing major infrastructure projects throughout the world, including high speed rail projects, and have built more than 600-miles of high speed rail internationally. In the last ten years alone, we have designed and constructed twelve major high speed rail projects valued at over \$6 billion.

We believe that if the California legislature approves this substantial, multi-year funding for high-speed rail, we at ACS, as well as many of our competitors around the world, will actively compete for this work. Our company, as well as those of our partners and competitors, brings the expertise and technology needed to design, construct, integrate, commission and maintain these complex projects and systems, as well as the ability to invest and finance the projects in a way that best ensures their timely and cost-effective delivery.

Enabling the California High Speed Rail Project to move forward now will serve the needs of the people and businesses of California, and clean the air future generations will breathe. We are also confident that by building from Los Angeles the project will bring increased public interest that will help promote the rest of the program throughout the Central Valley to the north and Anaheim and San Diego to the south.

ACS welcomes the opportunity to demonstrate how we can contribute to financing this effort and to deliver new high speed transportation alternatives that will connect the communities of California.

Sincerely,

A handwritten signature in blue ink, appearing to read "Nuria Haltiwanger".

Nuria Haltiwanger
Chief Executive Officer
ACS Infrastructure Development, Inc.

12 June 2014

The Honorable Edmund G. Brown
The Honorable Darrell Steinberg
The Honorable Toni G. Atkins
The State House
1400 Tenth St.
Sacramento, California 95814

Honorable Sirs and Madam,

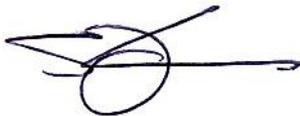
Our firm has been watching, and participating in, the development of the high speed rail in California with great interest. We understand there are discussions under way to provide additional funding for the high speed rail project.

We want to let you know that our firm has experience in these kinds of projects worldwide. We would be very interested in participating in the competition for the construction and financing of California high-speed rail projects.

In particular, if there were sufficient funding in statute that provided a multi-year source of repayment, we would be interested in competing for construction projects where private financing, investment or equity were needed . This funding should be sufficient to complete the project, in combination with funds from the state.

In summary, we welcome a chance to compete for, and hopefully help build, this important project for the state of California. We think that providing multi-year funding this year, sufficient to move the project forward on a more aggressive timeline, would attract our firm and private sector competitors from around the world.

Sincerely,



AECOM
Stephen J. Polechronis
Sr. Vice President

High Speed Rail STATEMENT

SENER has been following the high speed rail developments in California for many years and we have also been involved in one of the teams on the Express West proposal, so we understand the difficulties incurred.

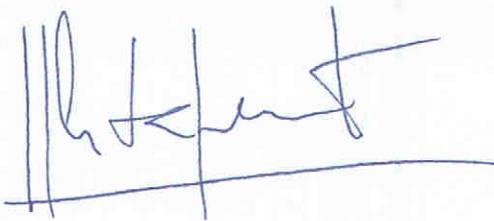
That is why, we consider any announcement regarding long term funding as a turning point for the Project and an important factor to be considered by the private sector willingness to be engaged in the Project.

SENER is highly experienced internationally in HSR. We believe that if a multi-year funding source is available, this will add credibility to the Project, and we, as well as many of our competitors around the world will actively participate in competing for the HSR projects. I think we all would be willing to help invest, finance and add equity if the project is bid as a P3 or Life Cycle Procurement using the availability payment model.

SENER will bring the technology, the experience in complex design and construction systems integration, as well as to participate in the investment and financing necessary to move this project forward quickly, and optimizing the cost.

Under these conditions we are quite confident that the CHSR Project will attract private interest and expertise and we look forward to continuing to look at ways we can help build and finance this important infrastructure.

Sincerely,

A handwritten signature in blue ink, appearing to read "Francisco Fernandez-Lafuente", written over a horizontal line.

Francisco Fernandez-Lafuente
CEO of Sener Engineering and Systems, Inc.

VINCI CONCESSIONS

From: **FLOREY Sidney** <sidney.florey@vinci-concessions.com>

Dear Mr. Liikala,

VINCI CONCESSIONS is a world leader in developing highly technical P3 projects around the world. These projects (among others) include our HSR project between Tour and Bordeaux in France (See attached). With the Governor's plan to launch a HSR program in California, VINCI Concessions can play an important role in helping develop the project based on performance design leading to optimized lifecycle cost and system reliance. Our Concession model is one of a long term investor in an asset that is constructed with special detail to quality and design largely lead by VINCI CONCESSIONS and other VINCI resources. Our in house design and construction capabilities provide a value for money that we feel California and all stakeholders can benefit from. VINCI CONCESSIONS looks forward to the Governors announcement and commitment to funding the program and will bring significant experience in listening and working with the stakeholders in constructing this legacy project with a focus on optimization in reducing costs and time of construction.

Best Regards
Sid Florey

VINCI CONCESSIONS

Sidney R. Florey
Director Business Development
North America

370 Lexington Ave - Suite 1208
New York, NY 10017-6584
T/ [315-207-3905](tel:315-207-3905)
C/ [407-470-6639](tel:407-470-6639)
E/ sidney.florey@vinci-concessions.com

6/4/2014

Office of the Governor
State Capitol, Room 1173
Sacramento, CA 95814

Dear Governor Brown,

Siemens Rail Systems supports your proposal to use some of the revenue generated by the market-based system established under A.B. 32 to develop high-speed rail service in California. By combining incentives for environmentally friendly industry practices with clean air transportation projects, your proposal offers a win-win solution.

Ever since establishing our Rolling Stock business in Northern California more than 30 years ago, Siemens Rail Systems has strived to maintain or grow our business, employing more than 800 men and women in highly skilled manufacturing jobs. This highly motivated team takes great pride not only in the products we design and produce, but also in using sustainable manufacturing techniques, such as utilizing solar energy to power up to 80% of our power needs.

We thank you and your staff for the tireless efforts to create a reliable framework to ensure a long-term solution for the High Speed Rail project. We are convinced that this will provide a true transportation backbone of the state for decades to come, providing improvements to passengers of all transportation modes, reducing time wasted and generating new opportunities both in commercial and in leisure activities, while simultaneously improving our air quality and our responsible use of natural resources. As a technology leader in High Speed Rail activities throughout the world, we would be very excited to share our experiences with you and your staff and would be very proud to welcome you to tour our factory in Sacramento, whenever your schedule permits

Sincerely,



Michael Cahill
President, Rail Systems Division
Siemens Industry, Inc.

RAILGRUP

De: Ignasi Gómez-Belinchón <gerencia@railgrup.net>

Dear Sirs,

As the manager of one of the most important rail clusters in Europe, helping many leading companies specialized in Rail, we want to let you know that our firms have experience in these kinds of projects worldwide. We would be very interested in participating in the competition for the construction and financing of California high-speed rail projects.

In particular, if there were sufficient funding in statute that provided a multi-year source of repayment, some of our members would consider (after the proper analysis and studies) competing for construction projects where private financing, investment or equity were needed.

In summary, we welcome a chance to compete for, and hopefully help build, this important project for the state of California. We think that providing multi-year funding this year, sufficient to move the project forward on a more aggressive timeline, would attract our firms and private sector competitors from around the world.

Looking forward to being able to see this important project become a reality,

Kind regards

RAILGRUP

Ignasi Gómez-Belinchón

Cluster Manager

C/ Còrsega 270, àtic - 08008 Barcelona

T. [+34 93 415 98 65](tel:+34934159865)

M. [+34 619 386 310](tel:+34619386310)

www.railgrup.net

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SACYR

From: **Raul Romero** <rrromero@alliance-consultants.com>

Michael.

We have been following the high speed rail project in California for many years. However today's announcement regarding long term funding is the signal the private sector has been waiting for as it shows the state is committed to getting this project done and moving it forward now. We see today's announcement as a major step forward.

Our firm has had experience with these kinds of projects internationally. We believe that if the legislature does approve multi-year funding for high-speed rail, we, as well as many of our competitors around the world, will actively participate in competing for this project. Firms like ours bring the technology, experience in complex design and engineering, construction and maintenance as well as the investment and financing necessary to move this project forward quickly and we believe at and more manageable cost. Allowing the project to move forward now will better serve the needs of California, the traveling public and clean the air future generations will breathe. We welcome the opportunity to demonstrate how we can contribute to this effort and to deliver new high speed transportation alternatives for the people of California. We are also confident that by building from Los Angeles the project will bring the public interest and the ridership that will ensure that it will connect to the Central Valley to the north, and to Anaheim and San Diego in the south. All these efforts will attract private interest and expertise and we look forward to continuing to look at ways we can help build and finance this important infrastructure

Best regards,

Raul R. Romero

DIRECTOR, SACYR USA

1701 Pennsylvania Ave. NW, suite 300

Washington DC 20006

DC [202-974-1365](tel:202-974-1365) / fax [202-974-1369](tel:202-974-1369)

California [949-376-4849](tel:949-376-4849)

June 3, 2014

California High Speed Rail Authority

Dear Sir or Madam,

We have been following the high speed rail project in California for many years. However last week's announcement regarding long term funding is the signal the private sector has been waiting for as it shows the state is committed to getting this project done and moving it forward now. We see last week's announcement as a major step forward.

Our firm has had experience with these kinds of projects internationally. We believe that if the legislature does approve multi-year funding for high-speed rail, we, as well as many of our competitors around the world, will be actively interested in studying our participation in this project. Firms like ours bring the technology, experience in complex design and engineering, construction and maintenance as well as the investment and financing necessary to move this project forward quickly and we believe at and more manageable cost. Allowing the project to move forward now will better serve the needs of California, the traveling public and clean the air future generations will breathe. We welcome the opportunity to demonstrate how we can contribute to this effort and to deliver new high speed transportation alternatives for the people of California. We are also confident that by building from Los Angeles the project will bring the public interest and the ridership that will ensure that it will connect to the Central Valley to the north, and to Anaheim and San Diego in the south. All these efforts will attract private interest and expertise and we look forward to continuing to look at ways we can help build and finance this important infrastructure.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Juan José Clavería", enclosed within a blue oval scribble.

Juan José Clavería
Managing Director
Acciona Concesiones S.L.

ASTALDI**CALIFORNIA HSR PROJECT****INITIAL CONSTRUCTION SECTION**

ASTALDI Team is fully aware about the California HSR Authority plans.

Such a large scale project will be obviously exposed to a wide range and typology of risks: Design, Construction Schedule and Cost, Right-Of-Way, Permits, Utilities Relocation, Shortage of Materials are only some of the main risks that a selected team will likely face during the project execution. Typically a Design-Build team will be in charge for Design and Construction risks while other risks mentioned above, more related to the actual conditions and local legislation, would be better and quicker handled by the Authority itself.

However ASTALDI is also familiar in managing and assessing risks of different nature with respect to the typical ones for construction, this is due to its proven experience in Concession and P3 Projects where the Concessionaire or SPV itself acts in lieu and on behalf of the Owner to manage and expedite the whole process.

ASTALDI Team, due to its 20+ years experience in Florida of its team member Astaldi Construction Corporation, has matured wide experience in leading construction contracts with medium-high DBE/SBE share so it will not be an issue in having a 25% participation in this initiative, provided the availability of several good quality DBE/SBE contractors in the area. On the other side a higher percentage, if still agreeable for the whole Community, would likely ends up in a lower quality of work, longer construction schedule, chance of default of one or more subcontractors and an overall increased risk for the Authority.

PHASE 1 PROGRAM

The program includes approximately 528 miles (over 800 km) of HSR sections to connect the Bay Area to the Greater Los Angeles basin; the total extension of the line and the fact that HSR will link high-density populated areas could make it potentially very interesting to the Private Investors due to the foreseen high ridership revenues and its convenience (particularly for the San Francisco – Los Angeles section) in terms of both time and money with respect to the plane or the car.

A full Life-Cycle Contract (like a DBFM, with or without Operations involved) in our opinion would be the best option for such a large-scale initiative and we feel the Authority and the

Public will have great advantages by this contract scheme; main advantages might be pointed out as follows:

- The DBFM Contractor (the Concessionaire) will have in its team all the needed expertise by any point of view (Design, Construction, Technology, Financing) serving the Authority itself with a high-level of competence.
- Transfer of technological and planning risks from Public to the Private Sector.
- Natural incentive for Contractors to build in time with good quality.
- Life Cycle Cost Analysis to reduce Maintenance Costs naturally encourages innovation.
- Private capital attracted, especially in such kind of economy.
- Eases the pressure on the Public budget.
- For the first time the state moves from a cost-based economy to purchasing services.

Based on Astaldi's PPP past experience, ASTALDI Team is potentially interested in participating to either stage of the long-term DBFM Contract assuming that:

- Initiative gives ASTALDI Team the possibility of having a role in the EPC Contract for the Civil Works. ASTALDI core business is construction, not pure investment, so construction activity is a must for us to be part of the picture.
- Part of the investment is covered by Public Funds (no matter if either State or Federal Funds). In our experience Public contribution should vary from a 30% minimum share up to 60-70% when Public Authority is heavily involved or has its own business interest in the Project. In alternative the Public Authority should cover part of the Ridership Revenues Risk providing a Minimum Guaranteed to the Concessionaire with an Availability Payment.
- Debt/Equity share in the Concessionaire SPV may vary case by case, but typically should be around 70/30 or higher.
- The object of the Concession should cover at least the Operation of a whole Functional Section (for Functional Section we intend a Railway Section that could generate revenues and be operated even without the other Sections).
- Concession term would be around 20-30 years (not including the construction period)
- Possibility of collecting ancillary revenues from collateral business (HSR Stations, Development Areas and others)

Reviewing similar experiences of HSR lines operated under a PPP scheme in Europe we suggest to the Authority to have in place a similar scheme:

- **Different Contracts for the design, build, financing and maintenance (DBFM) of the rail substructure and superstructure, excluding the signaling and telecommunications systems, with a criteria of geographical segregation of the segments.**

The split of the project in several PPP will result in contracts with a size suitable to the market – between 0.5 and 2 billion \$ – which ensures the capacity and attractiveness of the private sector and therefore the existence of strong competitiveness. But still, each PPP remains sufficient big to in order to guarantee efficiency and to minimize the number of transitions between PPPs and consequently mitigate the interface risk.

In fact, the minimization of interface risk should be one of the biggest goals of the California Model with the traditional procurement that could result in an indefinite number of projects with equivalent number of interfaces. Besides the risk involved, such number and type of contracts would be much more demanding in human resources.

The interfaces should be located where they are easier to manage and therefore have less risk. The horizontal interfaces do not represent major concerns. There are few and clearly located in convenient spots. The vertical interface between superstructure and signaling and telecommunications, on the other side, is still where the main risk occurs and is the interface that needs much attention.

- **A unique Contract for the design, supply, installation and maintenance of the signaling and telecommunications systems and a unique Contract for the design, supply, installation and maintenance of Rolling Stock, both for the entire length of the project.**

The development of signaling and telecommunications in a separate PPP would be justified by the technical characteristics of equipment, the perceived risk associated with technology and the fact that there are few suppliers of such equipment in the marketplace. The combination of these factors would result in the loss of competitiveness in PPP for the remaining infrastructure.

In a typical HSR project, signaling, telecommunications and rolling stock represent less than 30% of total investment, but the private sector sees higher perceived risk. So if joined in the same contract with the rest of infrastructure it would amplify the risk premium on the other 70%. With this option, it is possible to choose the signaling and telecommunications partners later than the substructure and superstructure partners, allowing for further stabilization of technology.

Finally, signaling and telecommunications also have a shorter life cycle when compared to the rest of infrastructure and so it is easier to establish a term contract.

- **A unique Contract for Operations with a HSR Operator of proven experience.**

Such contract could either live by itself or be part of the DBFM Contracts already in place, it all depends of the confidence and capacity of the DBFM Contractors to deal with the long-term Ridership Risk.

CONCLUSIONS

It is unquestionable that financial and management issues play a crucial role on the success of a HSR project. From the ASTALDI previous experience the following main conclusions may be drawn:

- There is an international trend towards the increased involvement of the private sector, namely through the usage of PPP.
- Experience says that PPP can generate value for money but also requires expertise and needs to be tailored to each situation.
- A complex project like HSR requires, in most cases, to be sliced into several contracts, which may represent a delicate task with “interface” risk being introduced.
- The vertical splitting of the project is particularly risky and has to be carried out taking in account the risk, the competition and the specificity of the different components.
- First and taking in consideration the credit crunch that occurred after the 2008 financial crisis, the crowding out effects in public sponsored megaprojects and particularly in PPP’s have become an important issue. By evaluating the possibility of the occurrence of crowding out effects, it will be possible to evaluate the existence of unintended negative impacts derived from the HSR project to the transport sector and to the California economy as a whole.

ASTALDI Team is thankful to the CHSRA for having the opportunity of participating with his contribution of experience and is looking forward to working with the Authority to ensure the success of the overall California HSR System,

Respectfully,

MARIO LANCIANI

Astaldi S.p.A.

FABRIZIO DE ROSSI

Astaldi Construction Corporation

CONTACTS

ASTALDI S.p.A.

MARIO LANCIANI

*General Director of North America
Operations*

Via G.V. Bona, 65

00156 – ROMA - ITALY

Tel. +39-06-417661

Mail: m.lanciani@astaldi.com

ASTALDI CONSTRUCTION CORPORATION

FABRIZIO DE ROSSI

Chief Executive Officer

8220 State Road 84 – Suite 300

33324 – Davie, FL

Tel. +1-954-423-8766

Fax. +1-954-423-2597

Mail: f.derossi@astaldi.com

RICCARDO M. ROCCI

515 S. Flower Street, Suite 3600

90071 – Los Angeles, CA

Tel. +1-954-214-7037

Mail: r.rocci@astaldi.com