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To:

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Toronto, 28th September 2015

Dear Ms. Harnagel,

TRANSMITTAL LETTER: RFEI No.: HSR15-02

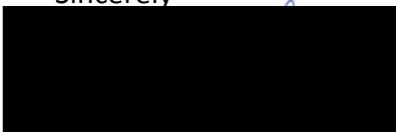
I am writing to you in accordance with section 11 of the Request for Expressions of Interest for the Delivery of an Initial Operating Segment RFEI HSR#15-02.

Acciona Infrastructure ("the Respondent") is pleased to submit this high level response to the EO to the California High-Speed Rail Authority and confirms that no other entity is part of the Respondent.

We look forward to providing further feedback in the one on one meetings that the California High-Speed Rail Authority is planning to conduct in October.

I remain at your disposal for any further clarification.

Sincerely



José Enrique Montero

Director of US projects



**REQUEST FOR EXPRESSIONS OF INTEREST FOR THE DELIVERY OF AN
INITIAL OPERATING SEGMENT**

RFEI HSR#15-02

28th September 2015

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1. FIRM EXPERIENCE

Acciona Infrastructure (“ACCIONA”) has been a key player in the development of High Speed Rail systems in Spain since its inception more than 25 years ago.

The company has accomplished more than 300 km of High speed Design and Construction in more than 30 projects, including some of the most relevant civil works in bridges and tunneling built in Spain.

ACCIONA’s extensive experience in High Speed systems include the introduction of the most innovative systems of construction to accommodate the demanding safety and performance requirements.

The Railway Special Business Unit (Railway SBU) is the specialized part of the group specifically established for railway activity. It comprises a total of over 250 people with ample experience in the construction of rail projects including High Speed railways.

ACCIONA’s in-house railways design team is a highly recognized team of over 100 specialists with broad experience in the most complex challenges, from projects in extreme conditions to complex structures engineering.

ACCIONA is able to provide the client with total rail solutions including:

- Track Works
- New Alignments, route Selection and alignment studies
- Geometrical Design
- Geotechnical studies
- Workshops and Track yards
- Track Doubling
- Bridges and Viaducts
- Tunnels and special structures
- Stations
- Associated Roads and Highways
- Hydrological Studies
- Electrification

The following is a summary of some of the most relevant high speed experience gained by ACCIONA:

PROJECTS	SCOPE SUMMARY
Madrid-Seville-Cadiz <i>High Speed Line</i>	<ul style="list-style-type: none"> First HSR Line built in Spain 1987-1991. More than 150km.
Madrid-Galicia <i>High Speed Line</i>	<ul style="list-style-type: none"> 64 km track design/ construction 4 tunnels (52 km)
Madrid-Barcelona-French Border <i>High Speed Line</i>	<ul style="list-style-type: none"> 97 km track design/ construction 8 Tunnels (15.2 km) 20 viaducts (7.2 km)
Madrid-Valencia-Mediterranean Corridor <i>High Speed Line</i>	<ul style="list-style-type: none"> 120 km track design/ construction 7 viaducts (7 km)

ACCIONA’s scope experience in High Speed Rails is also summarized in the table below:

DOUBLE TRACK CIVIL WORKS	TUNNELS	DOUBLE TRACK VIADUCTS	TRACKWORK CONSTRUCTION
1,210Km	160Km	48Km	1,401Km

2. TEAM STRUCTURE

ACCIONA is currently undertaking market research to identify most suitable partners for the delivery of the project.

In addition, if the final procurement methodology was under a P3 scheme, ACCIONA confirms its interest in taking a comprehensive approach including design, construction, financing and maintenance of the project alongside other suitable partners for the financing and operations and maintenance of the asset.

3. PROJECT APPROACH

ACCIONA confirms its interest in both the IOS-South and IOS-North scopes with the current delivery methodology the Authority elects.

ACCIONA has previous experience in the delivery whole of life high speed rail projects in Spain and the approach that the firm would take for the delivery of the DBFM contract would include:

- **Design:** ACCIONA would engage with qualified engineering companies with experience in the design of High Speed Rail as well as local experience in the design of rail projects. That experience would combine with the internal capability of the group through ACCIONA Engineering and / or the technical departments of ACCIONA Infrastructure.
- **Construction:** Once again, the approach would include teaming up with local and global construction companies of similar characteristics to take full the risk of delivery. ACCIONA has a broad experience in self performing the civil works but would require specialist partners or subcontractors for the provision of the systems. This approach has been taken successfully in previous projects. Subcontracting to the local industry for smaller packages would be instrumental for the company, however, self-performance would be considered for very specific areas in which ACCIONA has direct experience (i.e. tunneling construction)
- **Finance:** As a major developer of infrastructure, ACCIONA has the capacity to raise, arrange and invest capital for the project. ACCIONA Concessions is the infrastructure investment arm of the group having invested capital for a number of rail projects. The size of the contracts would require partnering with other infrastructure investors such as funds or other developers. ACCIONA has a good relationship with such investors. In parallel, ACCIONA has access to a wide range of commercial banks that would be interested in investing in rail assets. Additionally, capital markets can also be considered through specialist financial advisors
- **Maintenance:** ACCIONA has the capacity to undertake the maintenance scope. However, a deeper analysis would the done to asses cost efficiency by engaging with local maintainers.

Although ACCIONA is supportive and familiar with the DBFM model at all four levels (with a portfolio of more than 35 projects developed), **ACCIONA is concerned about the financial market capacity to raise the required capital** (in excess of US\$15 billion) for the delivery of the two scopes (IOS South and IOS North).

ACCIONA would recommend further splitting the civil works components of the asset in order to enable more manageable consortia as well as reducing the need of private sector funding.

ACCIONA does not consider the combination of rolling stock and/or train operations with the Developer would provide the Authority with a big advantage.

ACCIONA has extensive experience and relationship with market leaders in rolling stock manufacturing as well as rail operators and considers the standardization of these rail systems is sufficient to deliver, integrate and commission the systems without the need to wrap it under a single contract.

ACCIONA therefore believes the four step process i) IOS South & IOS North (civil works and systems); ii) Station; iii) Rolling stock provision and iv) Operations would satisfy the Authorities objectives (see note above regarding the concern to raise the required funding).

4. RESPONSES TO QUESTIONS

4.1. COMMERCIAL QUESTIONS

- ***Is the delivery strategy (i.e., combining civil works, track, traction power, and infrastructure) likely to yield innovation that will minimize whole-life costs and accelerate schedule? If so, please describe how. If not, please recommend changes to the delivery strategy and describe how those changes will better maximize innovation and minimize whole-life costs and schedule.***

In our opinion, the current approach would help to minimize whole-life costs. However, further innovation would be yielded if the Developer was allowed to receive input from the rolling stock provider and operator during the design phase.

- ***Does the delivery strategy adequately transfer the integration and interface risks associated with delivering and operating a high-speed rail system? What are the key risks that will be borne by the State if such risk transfer is not affected? What are the key risks that are most appropriate to transfer to the private sector?***

The integration of the systems can be delivered without difficulty by the Developer. However, the Authority would need to share (or transfer to the other providers) the risk of commissioning the project (i.e providing a safe and reliable service for the customers)

- ***Are there any other components of a high-speed rail system that should be included in the scope of work for each project (e.g., rolling stock, train operations, stations)? If so, how will this help meet the Authority's objectives as stated in this RFEI?***

The inclusion of rolling stock and operations would assist the Authority to transfer additional risk (commissioning of the system). However, financing would prove difficult giving the large amounts of private funding required.

- ***What is the appropriate contract term for the potential DBFM contract? Will extending or reducing the contract term allow for more appropriate sharing of risk with the private sector? If the Respondent recommends a different delivery model, what would be the appropriate term for that/those contract(s)?***

In accordance with previous experience, in order to strike the balance between risk transferring and adequate pay back, the contracts should not be shorter than 20 years. Shorter contracts lead to extremely demanding amortization schedules that

tend to have the Developer adding a lot of contingency for delays. Having access to the capital markets would allow long term financing thus avoiding refinancing risks.

- ***What is the appropriate contract size for this type of contract? What are the advantages and disadvantages of procuring a contract of this size and magnitude? Do you think that both project scopes should be combined into a single DBFM contract?***

ACCIONA is currently undertaking further due diligence on this area. The preliminary conclusion that has been reached is that the current size of the contracts is already large enough which would imply: limited number of companies capable of bidding (given the greater exposure), or high complex consortia (which implies risk of partners withdrawing) as well as the above mentioned risk to raise the necessary private financing.

- ***Does the scope of work for each project expand or limit the teaming capabilities? Does it increase or reduce competition?***

The current scope for the IOS South and North contracts does not cause any challenge in relation to technical capability. However, increasing scope can, for many companies, result in not sufficient financial strength to undertake the project. Increasing scope would therefore, in ACCIONA's opinion, reduce competition.

4.2. FUNDING AND FINANCING QUESTIONS

- ***Given the delivery approach and available funding sources, do you foresee any issues with raising the necessary financing to fund the IOS-South project scope? IOS-North project scope? Both? What are the limiting factors to the amount of financing that could be raised?***

As mentioned above, ACCIONA is currently doing further research in this area by meeting with financiers and advisers. In principle, ACCIONA does not believe that combining both contracts could be manageable in order to raise funding.

- ***What changes, if any, would you recommend be made to the existing funding sources? What impact would these changes have on raising financing?***

Stretching the local, State and /or Federal contributions (in whatever form they are provided) are going to help bridging the potential gap in private sector funding. This, entails however, a greater risk borne by the Authority for the delivery of the scope.

- ***Given the delivery approach and available funding sources, is an availability payment mechanism appropriate? Could financing be raised based on future***

revenue and ridership (i.e., a revenue concession)? Would a revenue concession delivery strategy better achieve the Authority's objectives?

ACCIONA is also doing further research in this respect. In principle, ACCIONA does not believe that financing can be raised based on future revenue solely. Availability payments are the most secured way to raise the funding. Hybrid models can be considered for the Authority to limit the exposure to the project and de consolidate liabilities from the balance sheet such as selling the asset (or part of it) when the revenue stream has been proven.

4.3. TECHNICAL QUESTIONS

- ***Based on the Authority's capital, operating, and lifecycle costs from its 2014 Business Plan, describe how the preferred delivery model could reduce costs, schedule, or both. Please provide examples, where possible, of analogous projects and their cost and/or schedule savings from such delivery models.***

ACCIONA is further assessing this question and will be pleased to revert in future interactions with the Authority.

- ***How does this compare to separately procuring each high-speed rail component (i.e., separate contracts for civil works, rail, systems, power separately)? Please discuss design/construction costs, operating/maintenance/lifecycle costs, and schedule implications.***

ACCIONA is further assessing this question and will be pleased to revert in future interactions with the Authority.

- ***For each project, are there any technical changes to the respective scope of work that would yield cost savings and/or schedule acceleration while still achieving the Authority's objectives? If so, please describe.***

ACCIONA is further assessing this question and will be pleased to revert in future interactions with the Authority.