

**Florida High Speed Rail Authority
Strategic Planning Meeting Summary
September 5 & 6, 2002
Mission Inn Golf and Tennis Resort
Howey-in-the-Hills, Florida**

Thursday, September 5, 2002

A two-day Strategic Planning Retreat was organized for the members of Florida High Speed Rail Authority (FHSRA). The purpose of the meeting was not to set policy or make decisions regarding the proposed HSR system, but rather to facilitate the exchange of ideas and information. The meeting was open to all interested parties. Authority members in attendance were: Frederick P. Dudley, Chairman; John P. Browning, Jr., Vice Chairman; Norm Mansour, Secretary; Lee Chira, Treasurer; Heidi Eddins; C.C. "Doc" Dockery; William Dunn, P.E.; Skip Fowler, Esq.; Leila Nodarse, P.E.

The information presented below represents the key element presented during the retreat.

Welcome and Introductions:

Chairman Dudley welcomed all participants and provided a brief background about the role of the FHSRA. He explained the purpose of the planning retreat as a forum to gather information and share ideas regarding high speed rail within the State. Chairman Dudley then recognized Florida Senator Denis Ross. Senator Ross welcomed participants and reinforced his commitment to High Speed Rail (HSR) and to the efforts of the Authority.

Mr. Steve Liggett, the meeting facilitator was then introduced. Mr. Liggett defined his role as a facilitator and explained that the purpose of the retreat was to: 1) learn; 2) apply the knowledge; and 3) choose. He provided an overview of the agenda and outlined the format of the Panel Presentations that were scheduled.

1) Rail Operators Panel Presentation

A. Jean-Pierre Arduin, French National Railroad

Mr. Arduin presented a European perspective of rail operations based on his experiences with SNCF. His presentation included:

- Year 2001 Operating Statistics for the French National Railway. These included revenues, investments, ridership, freight and infrastructure measures. Mr. Arduin explained that in France, passenger rail is very profitable while freight is not.
- A review of pertinent Law. The discussion primarily focused on the implementation of access fees for rail operators to use the existing track.
- The methods for evaluating a system that is under consideration or development. He explained that this includes:

1. Developing a traffic and revenue forecast;
2. Providing simulations and operational expenditures;
3. Determining investment costs for the infrastructure as well as the super structure; and
4. Assessing the profitability and finding the economic balance.

Mr. Arduin also described the three phases of development for a high speed rail system:

1. Development – Among other tasks, this phase includes determining the organization of the company, developing the operations and marketing plans, investigating the human resource considerations and training.
2. Construction – This phase includes considerations such as required equipment and interfaces, addressing security and safety issues, identifying and establishing supply channels, completing the commission and testing.
3. Operations – A few of the issues mentioned included determining managerial responsibilities, developing and executing contracts, establishing business policies.

B. Dr. Eberhard Jansch, German National Railroad

Dr. Jansch presented a European perspective of rail operations based on his experiences with DBB. He began by showing several overhead slides depicting the Intercity Express technology (ICE) used in Germany. He went on to discuss the factors influencing their decision making for HSR as well as some of the characteristics of the German system including:

- Population Densities – He explained that the density and location of potential users influences the complexity of an HSR network.
- Types of Service – Dr. Jansch discussed the provision of passenger service and freight traffic on HSR tracks. He noted that freight traffic is only permitted at night and due to the operating characteristics, freight is limited to certain routes as well on the German system.
- Ridership Growth – Ridership has continued to increase over time and he provided some mode-split information. Dr. Jansch noted that the most important item to understand is that *passenger's respond to travel times*, not speed or technology.
- He stated that additional factors of importance for a successful system include connectivity, consideration for the needs of the passengers, station design and location.

Dr. Jansch showed several additional graphics that showed a co-location of rail corridors and roadways. He stated that this is advantageous in terms of cost and environmental considerations and indicated that he sees this type of design as being the most advantageous for Florida.

C. Adrian Corry, Designer

Mr. Corry has participated in the design and development of HSR systems including Acela, AVE and the Korean TGV. He provided the FHSRA with a discussion regarding his experiences with the Acela project with a focus on the users of the system. Mr. Corry began by reviewing the basics of system development including the selection of a technology, the infrastructure design and development, determining the involved partners, etc. He stressed however, that among all of the decisions, consideration for the system user must be the focus. With regards to this point, he made three observations:

1. Passengers care deeply about travel time and traveling experience;
2. Passengers are not, however, willing to trade comfort for convenience;
3. They do not care about the technology offered.

He went on to state that these issues could best be addressed by:

1. Defining the “needs” of system users;
2. Developing a clear “offering” that addresses these needs;
3. Delivering a “powerful” and positive experience for the user.

Mr. Cory further explained the importance of developing a clearly identifiable brand for the HSR service that can be aggressively marketed to the public.

D. Donald Knapik, Amtrak

Mr. Knapik is the Vice President of the Acela Product Line and has extensive experience in the rail industry. He provided the FHSRA with a review of his experiences with the Acela rail system and lessons learned by Amtrak during the history of this project.

Mr. Knapik reiterated the importance of trip time over other factors in determining passenger use and satisfaction. He stated that even small improvements in travel time allowed their market share to increase significantly (he also acknowledged that some of this increase could be attributed to a general move away from air travel due to September 11th). Mr. Knapik shared his experiences with the development of a “brand” for Acela service claiming that they focused on selling the overall experience rather than any particular element such as time or price.

Mr. Knapik provided the group with a graphical presentation that included print advertisements developed for Acela service, train amenities, and stations. He stated that, in addition to trip times, several factors that have influenced the success of HSR include:

1. A well developed planning and marketing strategy;
2. Creating a clear and consistent “identity” (including a logo or theme that is carried throughout the signing and advertising), even the infrastructure.
3. Addressing operational considerations such as ticketing and boarding options (different users prefer different options i.e. E-tickets versus paper tickets – providers must know their users).

He continued to say that efforts should be made to provide seamless travel opportunities in order to promote the use of HSR. This requires the development of unique and innovative strategies for ticketing packages and luggage transfer for example as well as good connectivity with other travel modes. Mr. Knapik reviewed many of the amenity considerations made by Amtrak such as aisle width and seating and he emphasized the importance of ADA compliance. He stated that this is an extension of the consideration for the needs of passengers and ultimately helps to create a better end product.

E. Mr. Charlie Lynch, Florida East Coast Railway Company

Mr. Lynch is the Vice President of Transportation for FEC and he provided the FHSRA with an overview of FEC rail operations in Florida. He began by explaining that his discussion would have a different focus than previous presenters since passenger service is not a function of FEC. Mr. Lynch stated that safety is the paramount consideration for FEC and should ultimately be in the forefront of everyone's mind when developing each phase of an HSR passenger service as well.

Mr. Lynch discussed existing rail lines, connections with their customers as well as with other providers, and current infrastructure including grade crossings. He commented that at the present time, 100% of the public access crossings are fully protected with gates and flashers. He went on to review FEC's business metrics including:

- Revenues – He explained the sources of revenue including information relating to the types of loads carried (primarily aggregates) and their customer base (top client is CSR Rinker);
- Operating Expenses – He provided an overview of the categories that comprise their operating expenditures such as equipment maintenance and fuel.

Mr. Lynch went on to review the other attributes of the existing FEC rail system including two notable points:

1. The existing track spans the east coast and, as such, operates through the most densely populated portions of the State;
2. Current right-of-way (ROW) includes the ability to support system expansion, including the construction of a parallel facility.

He completed his presentation with a review of current innovations in rail operations including remote control trains (being operated in maintenance facilities) and the implementation of "meet me" trains along with the importance of scheduling of each train. "Meet me" trains is a scheduling consideration that allows crews operating a train in one direction to meet another train and crew operating in the opposite direction midway in their trip. The crews then swap assignments, thus permitting the crew to return to their home base the same day. This allows crews to know their schedule ahead of time and allows for a more rested crew.

Question & Answer Session

After a short break, the FHSRA began a question and answer discussion with the rail operator's panel. A highlight of the questions and responses follows:

FHSRA: Does the FEC actually have adequate space within their existing ROW to allow for the provision of an HSR system?

Mr. Lynch: Possibly, however the specific operating requirements of a proposed system would ultimately have to be considered to make this clear.

FHSRA: In Europe, does HSR share track space with any of the regional systems?

Mr. Arduin: No, not at present.

Dr. Jansch: No, however some lines converge at the stations. This presents tremendous challenges due to the operational differences of the systems.

FHSRA: In our scenario, the segment distance is less than 100 miles and includes multiple stops. What type of system would you recommend for this situation?

Dr. Jansch: The key for success will be to teach drivers how to use transit and integrate it into their commuting habits. This means simply learning how to plan their trips and getting to a station. With regards to this project, it appears to be more of a regional system rather than a HSR system and will only make the transition after expansion.

Mr. Arduin: Ultimately, the provider should be allowed to determine this based on their assessment of profitability with regards to stops and operating speeds. In some cases, a subsidy may be required, however it is not recommended for operations.

FHSRA: Can you comment on the separation of infrastructure and operations with regards to the success of the French experience and the unsuccessful British experience?

Mr. Arduin: This is really a European experience rather than just a French experience. Although it is difficult to comment on the specifics of the U.K. system, the setting of access fees appears to be the key. In the U.K., access fees were based on the ability to pay while in Europe they are based on maximizing overall market operations and profitability.

FHSRA: Mr. Arduin presented figures for an internal rate of return (ROR) between 12% and 15%. Is this for the entire project or for operations only?

Mr. Arduin: This was an estimate for the entire project including all investment. Passenger rail operations are very profitable in Europe and expansion is supported by the government. For example:

1. In one case, a government loan was provided for development of a rail line and it was repaid within 10 years;
2. In another instance, the government provided a capital contribution covering 1/3 the cost of the track (repayment was not required).

The ROR calculations do not include the subsidy. Furthermore, the access fees are paid to the owner of the track (maintainers) and the government owns the stations.

FHSRA: If the ROW were provided, would it be possible to build and operate a HSR system?

Mr. Arduin: Yes, this would be possible.

Dr. Jansch: Ultimately, the operations of the system must be considered. A system with a negative operating return would not be built unless an additional subsidy was provided.

FHSRA: Please comment on the impact of freight operations on HSR track and whether you have constructed HSR in the median of a highway.

Dr. Jansch: In cases where freight service is permitted, the track was designed with consideration to these operations. However, it should be noted that the stresses associated with freight are not necessarily more damaging than those associated with HSR. In addition to weight, other considerations such as vibration contribute to the deterioration of track. Regarding co-location, the German systems are likely to utilize this option more frequently in the future, however they have established parameters that dictate track separation, especially at the curves. These alignments are not located within the medians, but rather along side the road.

Mr. Arduin: Co-locating HSR and roads can be beneficial, however the operating requirements on the curves do not typically accommodate the needs of HSR. Some additional separation should be considered in these areas.

FHSRA: The costs of driving in Europe are significantly higher than they are in the U.S.; therefore the model is considerably different in terms of making choices between modes.

Mr. Arduin: The costs of fuel for example are approximately \$4 per gallon, however the real cost benefit for rail is measured by the value of time saved by passengers.

FHSRA: Can you quantify the competition to Acela service from the airlines on a scale from 1 to 10?

Mr. Knapik: This is tough to estimate and has changed slightly over the past year, but I would estimate a 6.

FHSRA: Please provide general comments regarding this project.

Mr. Arduin: The project does not currently appear profitable based on the traffic projections, therefore some type of subsidy will be required. It will be critical to keep construction costs to a minimum and recognize that operating subsidies should *not* be offered.

Dr. Jansch: This corridor seems to be better suited for a medium speed rail service with a minimum investment in infrastructure. The service should be aggressively marketed to educate the public about rail services and you should expect a need for a substantial subsidy at the start of the program.

Panel #1 Presentation Summary

Mr. Liggett led the group in a review of the panel discussion and highlighted the following issues (a more complete listing is available upon request):

- Profitability concerns exist;
- Construction costs are prone to escalate;
- Branding is important;
- Time savings is the most important benefit to passengers;
- Access fees should be considered;
- Buy America clause should be researched.

2) Partners & Competitors Panel Presentation

Mr. Adrian Share began the session by reading a letter from Mr. Randy Isaacs from the Greyhound State Government Affairs office. In the letter, Mr. Isaacs thanked the FHSRA for their invitation to participate in the retreat and expressed Greyhounds participation and support for intermodalism. He further stated that he would be interested in attending an upcoming FHSRA board meeting to discuss their mutual interest in coordinating services and joint use facilities.

A. Joe Guilietti, Tri-County Commuter Rail Authority

Mr. Guilietti is the Executive Director of the Tri-County Commuter Rail Authority presented an overview of opportunities for coordinated operations between Tri-Rail and HSR. He presented a system map for the Tri-Rail system and commented that the biggest challenge that they are currently facing is how to consider and/or accommodate the requests for service expansion. He went on to discuss funding sources at the Federal, state, and local levels and provided general information about Tri-Rail services. Mr. Guilietti stressed the importance of intermodal transfers and stated that approximately 30% of current passengers transfer to another transit system (i.e. Metrorail, county buses, etc.).

Mr. Guilietti stated that there are several issues that must be considered with the development of a rail system. These include:

- Developing an operating and maintenance agreement;
- Labor relations/union considerations;
- Potential cost sharing with system upgrades;
- Outlining clearly defined roles for participants; and
- Determining an effective set of incentives and disincentives.

He continued on to explain that the Tri-Rail name will be changing to the South Florida Regional Transit Authority. He then reviewed some of the considerations for HSR with respect to Tri-Rail. These include:

- FHSRA support in Tri-Rail becoming a regional authority;
- Understanding that new infrastructure in South Florida does not support the HSR concept;
- Recognizing that existing mass transit providers are skeptical about the impacts of HSR funding on existing funding sources for mass transit systems; and
- Consider integrating Phase 2 of HSR with existing Tri-Rail operations.

He commented on “seamless” riding – all one ticket.

B. Tom Ackert, Orange County Convention Center

Mr. Ackert, Executive Director of the Convention Center provided a brief overview of the potential role they would have as a contributor to HSR ridership. He discussed the growth and success of the Convention Center and its contribution to the economy of Central Florida. Mr. Ackert reviewed the current size of the center in terms of operations and events as well as physical capacity and he went on to describe the plans for future expansion.

Mr. Ackert also read from a letter written by Ken McAvoy, the Senior Vice-President of Reed Exhibition Companies, the largest owner operator of trade shows worldwide. In this letter, Mr. McAvoy explained the importance of a rail system to expand the population base, which is key to future success for a Convention Center.

C. Jody Goldman, Virgin Atlantic Airlines

Jody Goldman was unable to attend the retreat as scheduled.

Question and Answer

FHSRA: How many conventioners arrive by plane?

Mr. Ackert: I don't have the exact figure, however it is more than 75% of the attendees.

FHSRA: What's the ridership on Tri-Rail?

Mr. Giulietti: Approximately 10,000 passengers per day with current service, however this is estimated to increase to 17,000 per day when the headways are increased to 20 minutes.

FHSRA: If Tri-Rail is successful in establishing a “sealed” corridor, how does that relate to HSR in terms of operating speeds and what is the fare box return for Tri-Rail?

Mr. Giulietti: With a “sealed” corridor higher speeds can be attained, however there are also other issues that affect operating speeds such as cap-signals. Regarding the fare box return. We are mandated to have at least 25% returns.

FHSRA: The 1st phase of HSR is from Tampa to Orlando Airport, but not to the airport in Tampa. Can you please comment?

Mr. Giulietti: It’s difficult to comment on the issues surrounding this project given the sparse amount of information we’ve seen. However, intermodal connectivity is essential to the success of mass transit systems and Tri-Rail realized a significant increase to ridership after connecting to the Miami airport.

FHSRA: Are there any industry studies that show that convention visitors would extend their stay if there travel opportunities included a coastal destination?

Mr. Ackert: I’m not familiar with any specific studies, however it has been my experience that many visitors intend to visit the Florida’s beaches and I believe this would encourage others to extend their stays to do so.

FHSRA: Can you please comment on the notion of “seamless” transfers?

Mr. Giulietti: In the Miami area, there are often bottlenecks occurring at transfer points. For example getting from the cruise terminals to a bus to the airport. By making the transfer process easier through seamless ticketing and luggage transfer, the passengers have more free time to visit local area sites while waiting for their departure. This has been complicated recently with the increase emphasis on security.

Panel #2 Presentation Summary

Mr. Liggett led the group in a review of the panel discussion and highlighted the following issues (a more complete listing is available upon request):

- Seamless transfer opportunities should be explored.
- Issues regarding trip time vs. operating speed must be considered.
- A method should be developed to quantify ancillary benefits.
- HSR won’t solve traffic problems, but may prevent them from getting worse.
- Develop a method to determine the value of existing infrastructure.
- Socio-economic benefits should be identified.

3) **Organizational Structure Panel Presentation**

A. Dr. Harold Worrall, Orlando Orange County Expressway Authority

Dr. Worrall, Executive Director of the OOCEA, discussed the key aspects of operating a successful transportation agency in the state of Florida. He started by presenting an overview of the evolution of the OOCEA beginning in 1963 with a 5-member board, hiring an Executive director in 1968 and the eventual addition of operating staff. He then discussed the current organizational chart and staff, explaining that the trend going forward will include downsizing, streamlining and utilizing consultants to complete much of the required work. In this environment, he explained, the OOCEA staff coordinates and manages the work while outside vendors actually perform the tasks. He also described the increasing importance of information technology staff in the current environment.

Dr. Worrall described the benefits of his organization including:

- Flexibility to increase or decrease staffing to accommodate the work load; and
- Ability to focus on effective project management rather than operational issues.

He also outlined the challenges that exist in organizations such as the OOCEA including:

- Small staff creates the potential for a single point failure, thus each staff member becomes very important and hiring key staff is critical;
- The RFP and bid process is ongoing, so a great deal of time is spent on contract issues;
- Institutional knowledge often resides outside the organization;
- Organizational cultures of consultants must be altered to conform to OOCEA culture;
- Hiring from the private sector is cost effective in the big picture, but appears costly in terms of wages and mark-ups.

In closing, Dr. Worrall recommended that the FHSRA be very aware of how to manage staff growth and to realize that labor relations and human resource issues can be consuming for an organization.

B. James Ely, Florida's Turnpike Enterprise

Mr. James Ely, Executive Director of Florida's Turnpike Enterprise, provided a discussion regarding the organizational aspects of the Turnpike Enterprise, a successful transportation agency operating in Florida. Mr. Ely presented a brief history of the evolution of the Turnpike system, including the expansion of the roadways and the transition of the organization into an enterprise under Florida House Bill 261. He reviewed the current organizational structure and then presented a list of ideas and lessons learned over time. These included:

- One size does not fit all – develop an organization that fits the task at hand;
- A statewide organization must be centrally located;
- Utilize the private sector as much as possible in order to reduce permanent staff;

- Compensate permanent staff well to avoid turnover;
- Avoid bureaucracy;
- Identify your mission, vision and standards.

C. Patrick McCue, Tampa Hillsborough County Expressway Authority

Mr. Pat McCue, Executive Director of the Tampa Hillsborough County Expressway Authority, discussed his perspective on the key aspects of operating a successful transportation agency in Florida. He started by concurring with the one size doesn't fit all statement made by Mr. Ely. He also agreed with the importance of identifying a clear mission and vision. Mr. McCue added that his organization has adopted an idea to keep asking themselves "Why do something ordinary?" In doing this he continued, the organization is more likely to do things that are extraordinary and as such they attract extraordinary employees.

Mr. McCue went on to explain that staff selection is key to their success, especially since his organization only consists of 15 people. He stated that this works because they are inspired, have strong values and are enthusiastic about working on projects that will help them make a name for themselves. He added that if you hire responsible, self-motivated individuals, you don't have to manage them.

He closed his discussion with two final recommendations:

1. Plan to design and build an exceptional project. If you commit to doing this and resist the temptation and/or pressure to compromise your vision just to lower project costs, you will have overwhelming support in the end.
2. Regarding system design: they recently constructed an elevated, reversible bridge, which might sound very expensive. However, there are little to no ROW costs associated with a project like this, therefore the trade off of construction versus ROW may balance out.

Question and Answer

FHSRA: Do the panelists see HSR as a competitor to their systems and ultimately their revenue?

Mr. Ely: He anticipated that they would lose some system users, but admitted they hadn't analyzed it yet. He went on to say that they don't feel threatened by HSR.

Dr. Worrall: He predicted that HSR would encourage higher development densities, which in turn, will create a greater number of trips. Thus neither system will lose.

FHSRA: Can you comment on whether your legal counsel is a permanent staff member or not?

Mr. McCue: They have a firm on retainer, but they have a legal counselor on staff as well to provide in-house management.

Dr. Worrall: He recommended that the FHSRA consider hiring an Executive Director sometime soon to begin making these types of decisions.

Panel #3 Presentation Summary

Mr. Liggett led the group in a review of the panel discussion and highlighted the following issues (a more complete listing is available upon request):

- Keep organization small.
- Develop a clear vision and mission.

Note: The planning session was adjourned until the following morning.

4) Federal Funding Panel Presentation

A. Sharon Pinkerton, U.S Representative Mica's Office

Ms. Pinkerton began by commenting that Congressman Mica is a strong supporter of HSR. She then reminded the Board that TEA 21 reauthorization was coming up and she encouraged the FHSRA to actively participate in any discussions regarding this legislation, noting that this is the time to get in text if wanted. With regards to the budget, Ms. Pinkerton explained that deficits are being projected and that homeland security is in the national spotlight. She added that the FHSRA should also be aware of the trend towards requiring a greater local funding match for programs. Ms. Pinkerton went on to recommend that the FHSRA stay abreast of the political sentiment regarding Amtrak. She commented that this debate may provide an indication of your potential success. Finally, she urged the FHSRA to act quickly in their decision-making and to convey these decisions in a clear, strong and unified voice.

B. Susan McGinn, U.S. Senator Bob Graham's Office

Ms. McGinn echoed previous comments regarding a tight budget and homeland security. She added that highway funding levels decreased due to a "glitch" in the funding formula, which is likely to have a big impact on the success of new projects. She also reiterated earlier statements that the debate on Amtrak will have an impact on other HSR systems. Ms. McGinn further stated that their office will be monitoring the debate and will provide assistance where they can. She also concurred with Ms. Pinkerton's comments regarding the benefits of taking quick action and in actively participating in discussion regarding TEA 21 reauthorization.

C. John Scheib, US House Transportation and Infrastructure Committee

Mr. Scheib stated that while they support the long-term efforts of HSR, they cannot actively support funding during the short term, due to many of the reasons stated by the

first two speakers of this panel. He also stated that the FHSRA should be aware of the labor relation's issues that exist in this industry due to the conflicts between various unions representing workers from various trades.

Mr. Scheib provided some information to the FHSRA on potential funding sources including SWIFT and RRIF as well as current legislation being considered under HB 2329 (SB 250), HR 2950 and SB 1991. He explained that the funds are primarily in the form of tax credits or repayable loan programs and commented that current federal law defines HSR at three different levels, creating some controversy over applicable systems.

Mr. Scheib presented a prediction about where the political atmosphere may be headed.

This included the following:

- Little progress will be made this year as funding is tight and attentions are focused on matters pertaining to homeland security.
- Opportunities exist under the TEA 21 reauthorization.
- Some optimism should exist for making legislative headway next year.
- Uncertainties exist due to unpredictable election result and shifting political dynamics.

C. Mark Yachmetz, Federal Railroad Administration (FRA)

Mr. Yachmetz began by explaining that the current focus of the FRA is on the future of intercity rail systems. He also discussed the Next Generation HSR Program (SWIFT), RRIF and TIFIA. Mr. Yachmetz emphasized that these are existing programs that support capital investment through repayable loans rather than non-repayable grants. Mr. Yachmetz also commented that the chances of having any additional federal funding legislation in place by 2003 is remote and explained that is due, in part, to the fact that USDOT is not particularly supportive, government is slow to enact such legislation and these programs are typically very complex.

Mr. Yachmetz reiterated the trend towards increasing state matches for federal funding and concluded his remarks by stating that a HSR project dependent upon significant federal funding in the short term will face a high degree of uncertainty. He continued to say that that does not mean it is impossible, but there must be a strong commitment by the state.

Question and Answer

FHSRA: To implement our program, the FHSRA will need an \$800 million commitment next year. Is that realistic?

Mr. Yachmetz: A commitment of that size is not likely, however an allocation of a commitment or a special earmark may be possible, but it is unlikely that funding would be available through the existing programs.

FHSRA: During the first few years, the design work will actually require only a relatively limited financial commitment. Will this help the chances for success?

Mr. Yachmetz: In his experience, this has helped technologies such as MagLev and would likely help the FHSRA.

Mr. Scheib: He added that it buys you additional time, which is always helpful.

FHSRA: For this project, the FHSRA is faced with debt based funding options that currently exist. How does this impact the program, given the time deadline of November 2003 and the fact that a Record of Decision (ROD) will not be issued by then?

Mr. Yachmetz: All existing programs will require a ROD. They will accept an application before the ROD is actually issued, but will not process it without a ROD.

Panel #4 Presentation Summary

Mr. Liggett led the group in a review of the panel discussion and highlighted the following issues (a more complete listing is available upon request):

- Determine strategy for working with DOT to include HSR in Tea 21;
- Continue to keep HSR in the Strategic Intermodal Systems (SIS) Plan (perhaps by appointing a spokesperson to promote this);
- Define operational capabilities with regards to speed and investigate the legal definitions that currently exist;
- Work more closely with Florida DOT;
- Investigate strategies to elevate or promote the Florida HSR project on a national level.

5) Right-of Way, Insurance and Bonding Panel Presentation

A. Ken Towcimak, Director, FDOT Office of ROW

Mr. Towcimak led a discussion regarding ROW issues and began by recognizing the FHSRA's attempt to minimize ROW acquisition for this project. He commented that this process is going to be tremendous for HSR and can often lead to catastrophe for a project. To this end, he outlined three primary issues for the FHSRA to consider:

1. Compliance with the Uniform Relocation Assistance and Real Property Acquisition Policy Act is required for all federalized projects. Therefore all proposals should address this and clearly state the firms experience with this policy.
2. Coordination for ROW needs should begin as soon as possible.
3. ROW acquisition in Florida is the most progressive and equitable process in the nation. As a result, it is also the most complex.

B. David Miller, Public Financial Management

Mr. Miller began his discussion on bond financing and duration factors with a review of the basics for leveraging bonding capability. For the various sources, leveraging options include:

- Federal, State & Local sources – grants, tax exempt debt and taxable debt;
- Project Revenues – tax-exempt debt, public or private taxable debt, private equity.

He explained to FHSRA members that the way to meet their goal of minimizing the state obligation is to maximize the leveraging of other available revenues. He went on to provide an overview of the cost of capital and explained that this would depend upon factors such as the reliability of ridership forecasts, credit risk, the cost of capital in the market, the time value of money. Mr. Miller also expressed his preference utilizing the rolling stock lease option that has been presented previously.

Mr. Miller then outlined the three possible approaches that could be taken during Part 1, Phase 1 of the project including:

1. 100% public ownership and financing;
2. Public ownership of the infrastructure and private ownership of rolling stock;
3. Maximum private participation.

He went on to recommend that the FHSRA consider each option with a long-term systems approach for determining the most appropriate mix.

C. Daniel G. Bancroft, Senior Vice President, Practice Leader – Passenger Railroad Industry, MARSH

Mr. Bancroft presented an overview of the risk management considerations, insurance and bonding issues for HSR. He began by outlining the major risk categories including strategic risk, operational risk, hazard risk, and financial risk. He then stated that his discussion today would focus on the strategic risk. Mr. Bancroft explained that failure in this area is typically led by a shortfall in demand and further commented that the key is to identify this risk and then find a way to manage it.

Mr. Bancroft presented a comparison of the conventional approach to insurance versus an Owner Controlled Insurance Policy (OCIP). He explained that an OCIP typically presents a cost savings opportunity and he recommends this approach for HSR. He also commented on the primary areas of loss including loss of property (capital) and casualty. He added that operations in major cities or potential target areas cannot currently insure against acts of terror and explained the swings that affect the insurance market.

Questions and Answers

FHSRA: We suggest Mr. Bancroft meet with the ridership group to share his thoughts and expertise in these areas.

Staff: This is being arranged.

FHSRA: Regarding ROW, can you comment of the advantages of using a highway median versus a “green” route?

Mr. Towcimak: It is difficult to comment on this specific project given the limited information available to me at the present, however either choice will present tremendous challenges for the FHSRA. The “green” route is not necessarily impossibility; it will just be very difficult.

FHSRA: One early response to the ITP included the private sector providing a fixed price for construction, assumption of ridership risk and provision of rolling stock. In that scenario, what would the finance plan look like in terms of a bond rating?

Mr. Miller: Depending upon the firm, it would likely include an AA rated tax exempt security offered through the state.

FHSRA: Obtaining financing through the bond market is probably not a good option. The risk is likely to lead to heavy discounts, thus it will not be worthwhile to pursue this route. Furthermore, it doesn’t seem likely that the FHSRA will meet the deadlines outlined in the Constitutional Amendment. As this becomes more evident, it will be important for the FHSRA to make this clear to the public.

FHSRA: Is it likely that a private firm will be able to handle issues of condemnation rather than having this activity under control of the state?

Mr. Towcimak: There are great differences between ROW acquisition, condemnation and imminent domain activities. A sub consultant should handle these and there are plenty of qualified firms capable of completing these functions.

Panel #5 Presentation Summary

Mr. Liggett led the group in a review of the panel discussion and highlighted the following issues (a more complete listing is available upon request):

- Consider federal government acquisition of ROW;
- Develop system as a tax exempt facility;
- Investigate ways to achieve 100% bonding;
- Determine how (or whether) the FHSRA can meet the constitutional deadlines;
- Investigate the possibility of federal refunding for advanced state funding.