



cutting through complexity™

Funding and Financing High Speed Rail

November 3, 2011



Agenda

KPMG Infrastructure Advisory

Lessons learned from around the globe

Funding for HSR

Financing for HSR

Overview of KPMG Infrastructure Advisory

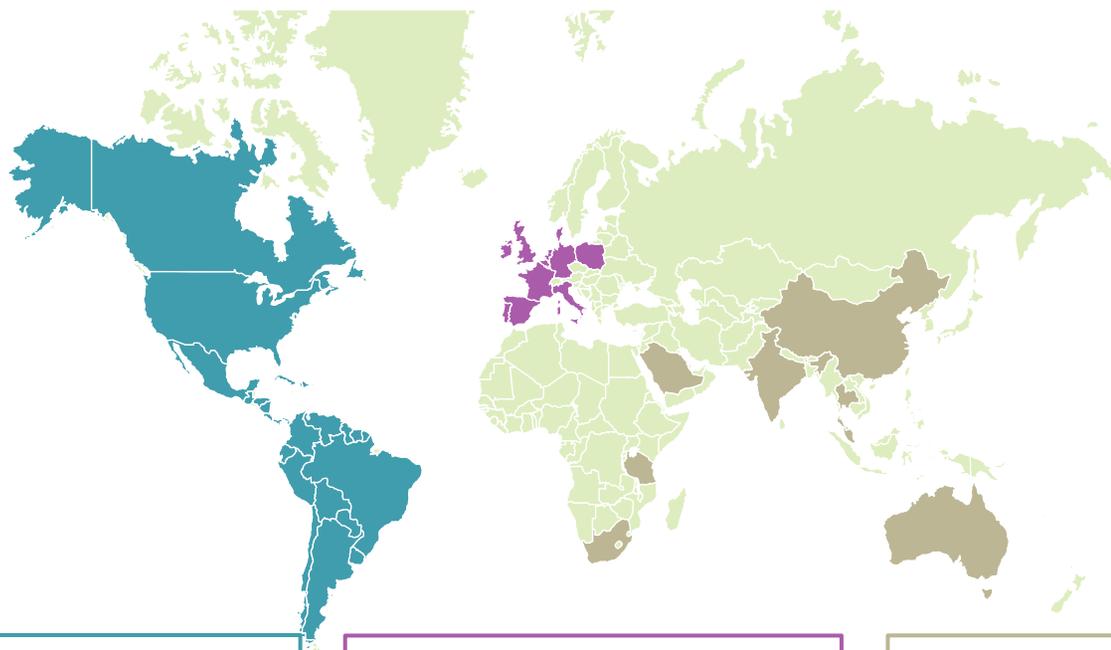
- KPMG is a **market leader** in providing objective strategic and financial advisory services
- KPMG has served both public and private clients globally and within the U.S.
- Our team offers **experience and insights on traditional tax-exempt public finance as well as Public-Private Partnerships**
- KPMG is a **leader in advising State Departments of Transportation**: we are currently serving 11 state DOT's on their P3 programs, including
 - California DOT
 - Nevada DOT.
- 500 people servicing infrastructure globally, including 50 in the US
- KPMG has assisted in closing more than \$9 billion of financing in North America and over \$20 billion globally since 2008

KPMG – #1 Financial Advisor for P3 projects in North America by number of deals and transaction value for 2010, Infrastructure Journal

 infrastructure JOURNAL #1 Financial Advisor PPP (North America) 2010	 infrastructure JOURNAL #1 Financial Advisor Mandates Won (North America) 2010	 infrastructure JOURNAL #1 Financial Advisor Transport Sector (Global) 2010	 infrastructure JOURNAL #1 Financial Advisor All Infrastructure (North America) 2010
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 California High-Speed Rail Authority California High-Speed Rail project	 Amtrak North East Corridor High Speed Rail project	 Florida Department of Transportation Tampa-Orlando High Speed Rail project
 Rede Ferroviária de Alta Velocidade, S.A. RAVE High-Speed Rail project (Portugal)	 California Department of Transportation P3 Program Ongoing	 Nevada Department of Transportation P3 Program (Pioneer Program)
 LA Metro Financial Advisor Ongoing	 State of Michigan Department of Treasury State-wide P3 Program Ongoing	 Texas Department of Transportation CDA Program Ongoing

Our global rail experience



USA

- California HSR
- Amtrak HSR
- LA Metro
- Florida HSR
- Chicago RTA

Canada

- Metrolinx
- Quebec-Windsor Corridor HSR

South America

- Brazil

Europe

- **UK** - Manchester – Metrolink Phase 3A
- **UK** - Franchise Review
- **UK** - Greengauge 21
- **Portugal** - RAVE
- **France** –TGV HSR
- **Ireland** - Dublin Metro
- **Greece** - Athens Metro
- **Austria** – Brenner Base Rail Tunnel

Asia Pacific and Africa

- **Australia** – Australia HSR
- **Australia** – Melbourne Rail Franchise
- **Russia** – Moscow, St. Petersburg
- **Saudi Arabia** - Haramain HSR Project
- **Singapore** - Rail Franchise
- **South Africa** – Gautrain high-speed rail link

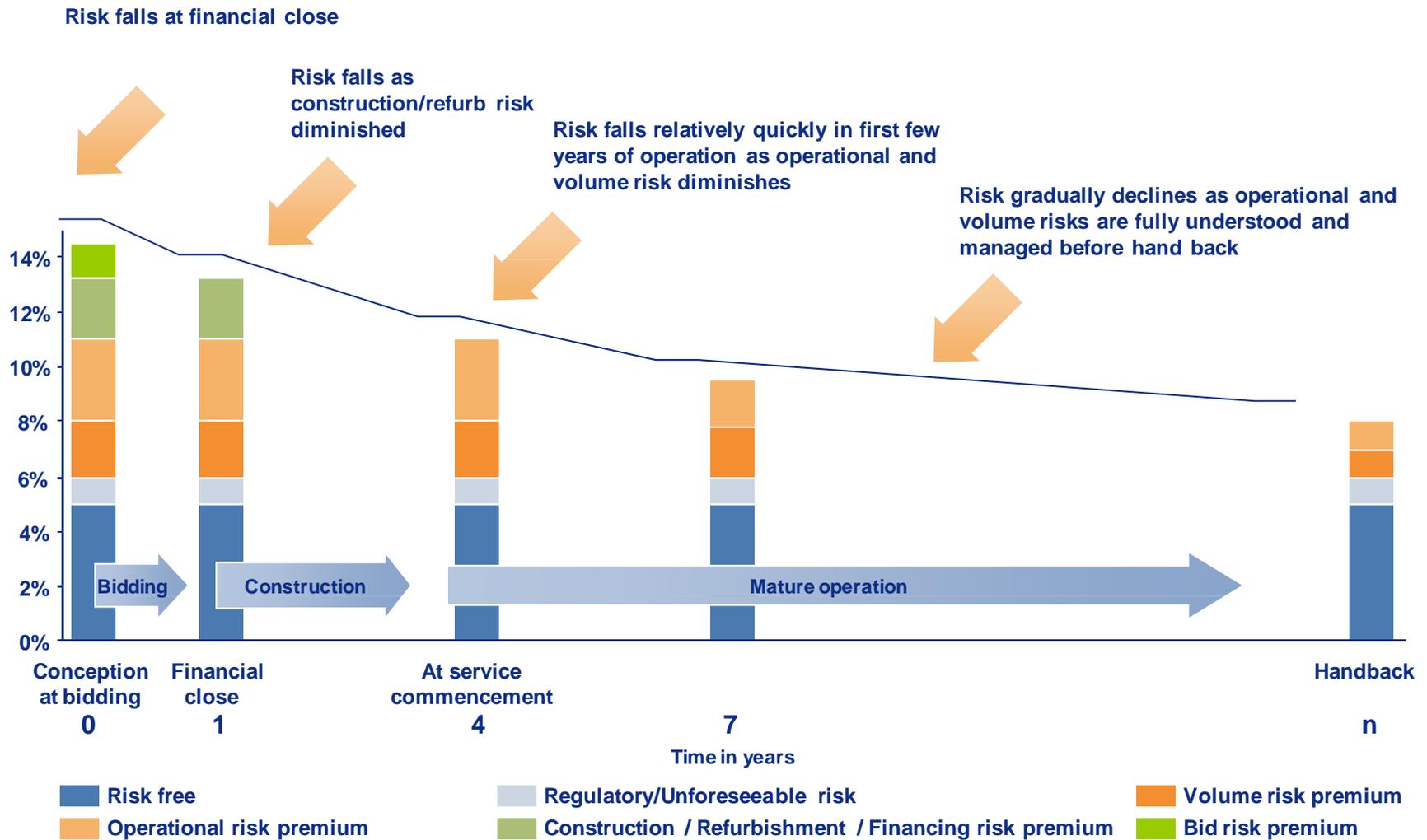
Lessons from around the globe

- Strong and reliable project sponsor to lead the project
- Funding and financing will come from multiple sources
- Phasing/structuring, life-cycle service, and risk transfer
- Consider business models which separate infrastructure from operations
- Balance trade-offs between risk transfer, commercial terms, and benefit:cost
- Appreciation of private sector capacities and limitations
- Do not go to the market too soon

Attracting Private Capital

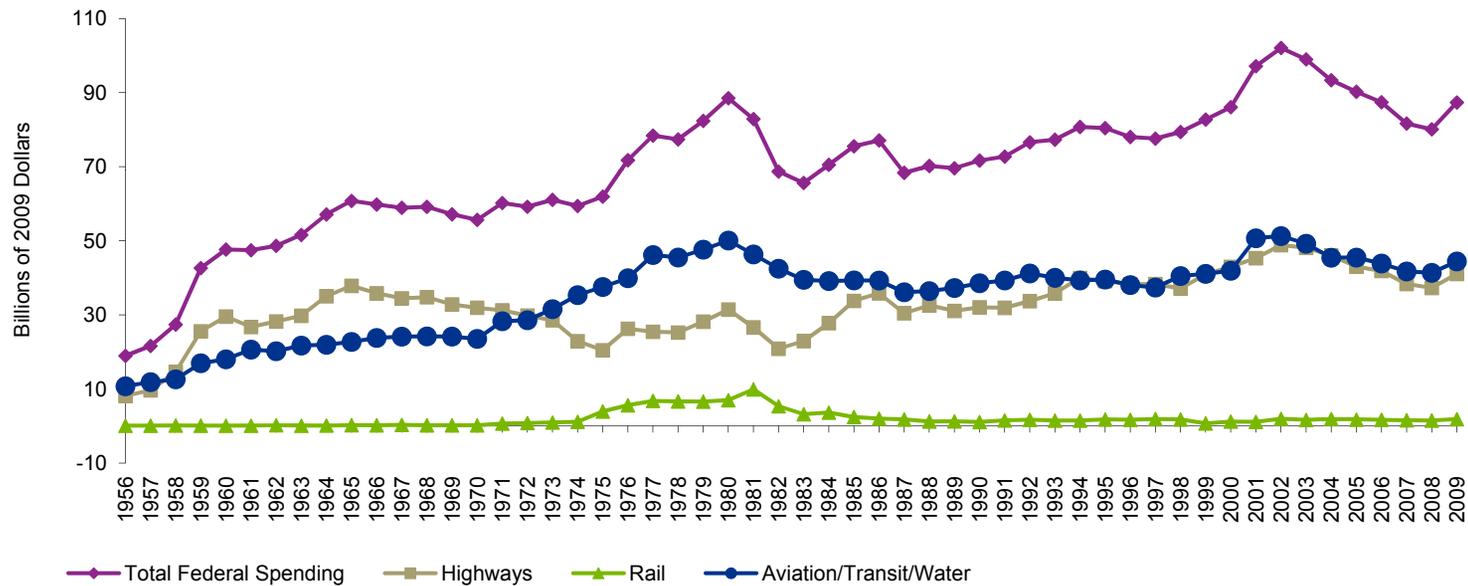
- Realistic structuring and knowledge of the private sector market risk appetite leads to:
 - market interest
 - competition
 - attractive financing
- Key Project Risks
 - Permits and approvals
 - Construction
 - Operations
 - Demand
 - Interface
- Private participation in funding and financing will be limited by :
 - Market capacity
 - Available recurring revenues
- Recognize that financial value of the project will increase once operational

Sample Project Risk Profile



Federal Funding for Infrastructure

Total Federal Spending by Type of Infrastructure, 1956 to 2009

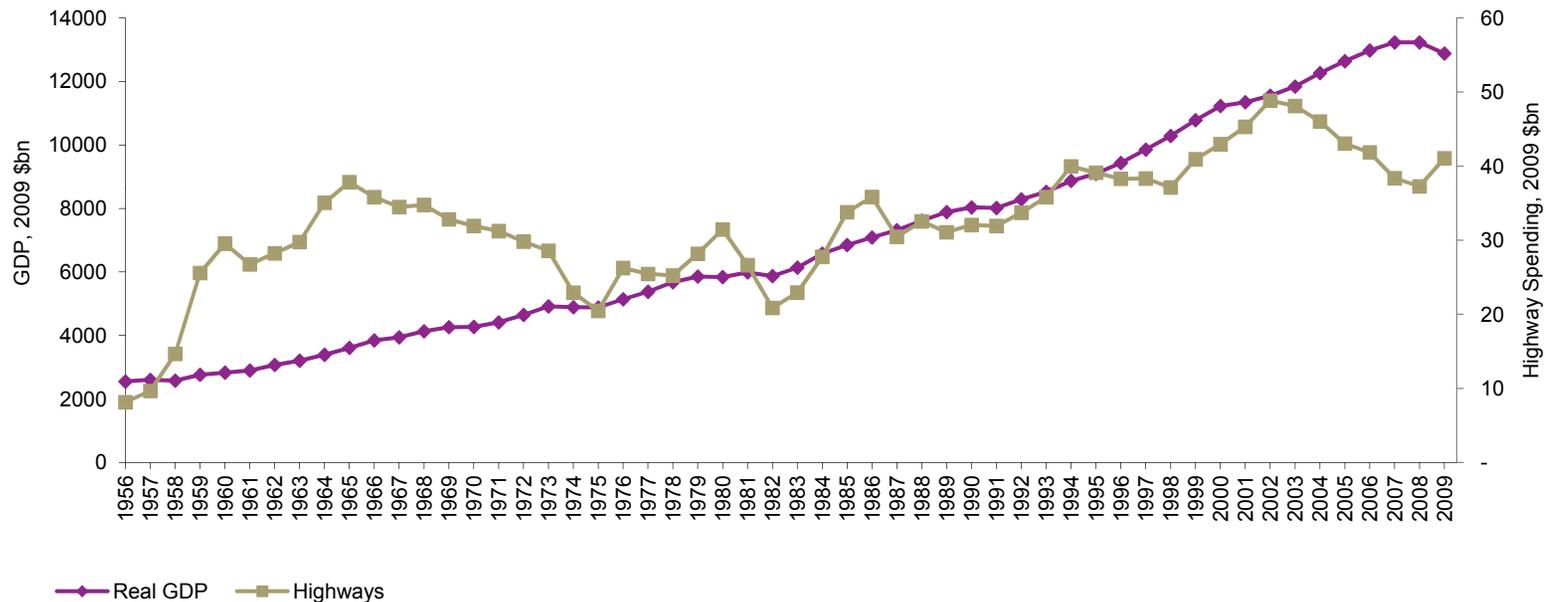


Source:

- November 2010, CBO Study on Public Spending on Transportation and Water Infrastructure
- CBO, Budget and Economic Outlook

Federal Highway Funding vs Economic Growth

Total Federal Spending for Highway Infrastructure vs. GDP, 1956 to 2009



Sources:

- November 2010, CBO Study on Public Spending on Transportation and Water Infrastructure
- CBO, Budget and Economic Outlook: Fiscal Years 2011 to 2021

Public and private funding and financing mechanisms

Funding		Opportunities	Considerations
Project	Farebox Revenues	Operating cost recovery	Variability
Project	Ancillary Revenues (Track Charges, TOD, Parking)	Recurring cash flow	Need large population centers
Local	Local Resources (Special Assessments, Tax Allocation, PILOTs)	Coordinate with locals to fund stations	Unique challenges at each site
State	State Bond Proceeds (GO, Gas Tax, VLF)	Seed capital / non-federal match	Affordability constraints
Federal	Federal Railroad Administration (FRA) Grants	Dedicated funds	Congressional actions
Federal	Federal Transit Administration (FTA) Funds	Innovations being pursued elsewhere	Commuter facility classification

Public and private funding and financing mechanisms

Financing		Opportunities	Considerations
Federal	Railroad Rehabilitation & Improvement Financing (RRIF)	\$35 billion in untapped capacity	Lengthy approval process
Federal	Transportation Infrastructure Finance and Innovation Act (TIFIA)	Project eligibility	Intense competition
Federal	Private Activity Bonds	Reduced financing costs	Rating agency acceptance
State	State Infrastructure Banks	Local knowledge	Unproven eligibility/availability
Private	Project Finance (Banks, Bonds, Vendor financing, ECAs)	Non-recourse financing	Higher cost
Private	Sovereign Wealth Funds/Corporate finance	No reliance on project finance	Uncertainty of commitment

Use of Public-Private Partnerships will require sustainable, recurring sources of funding

Conclusion

- Funding and financing will come from multiple sources
- Phasing/structuring will enhance project delivery
- Consider business models which separate infrastructure from operations
- Sustainable cash flows and proper risk allocation will attract private investment
- Appreciation of private sector capacities and limitations

With you today



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- Over 19 years of U.S. capital markets experience
- Currently Amtrak on Northeast Corridor High Speed Rail project
- Currently advising on California High Speed Rail
- Previously advised Florida Department of Transportation on the Tampa-Orlando High Speed Rail project
- Previously advised Nevada Department of Transportation



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