



# High Speed Rail Alternative Delivery Methods

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# Alternative Delivery Methods

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- **The impetus for alternative delivery**
- **The options available**
- **Key project risks**
- **Implementation approach**
- **RAVE project – an example**
- **Success factors**

# Alternative Delivery Methods

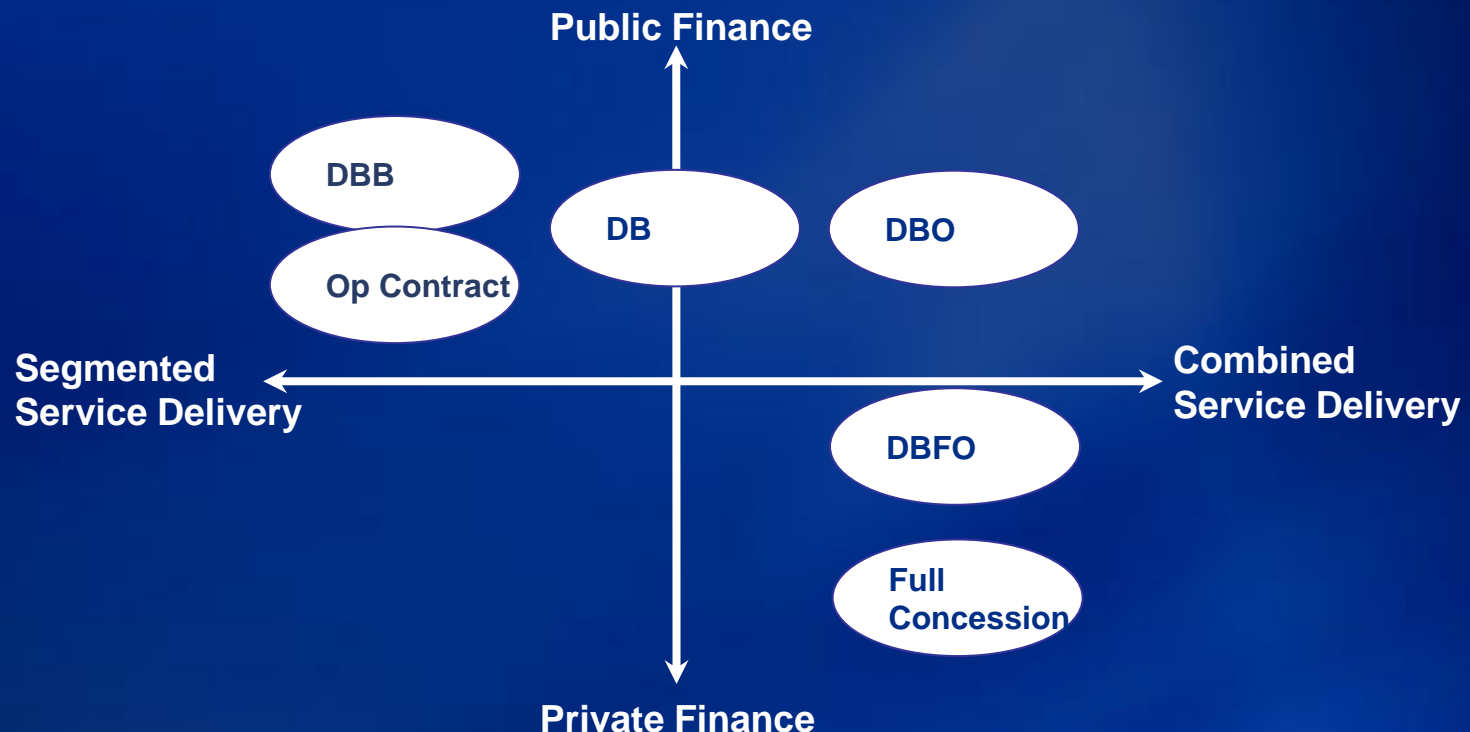
## A government investigates alternative delivery methods when....

- It wants to introduce accountability for performance
- It wants to turn public service into a business
- It is constrained from achieving its objectives
- It wants to share the risks of a project
- It is subject to excessive political interference

# Contrasting Alternative Delivery Models

## Two key dimensions

- Delivery method – degree of service delivery segmentation
- Financing method – degree of public vs. private sector funding



# Types of projects suitable for innovative financing arrangements

Large and complex projects

Long term in nature requiring Government role and commitment

Private sector management and technical skills

Requirements stated in an output-based manner

Need O&M / replacement during project lifecycle

# Alternative Delivery methods

## HSR key risks

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### Key project issues

- **Political – federal / state / local**
- **Planning and conception**
- **Federal permitting**
- **Construction**
- **Operations and maintenance**
- **Funding**
- **Demand**
- **Interoperability**

# Risk Transfer

Type of risk	Public owner	Concessionaire	Shared
Design		✓	✓
Construction		✓	
Availability/ performance		✓	
Operating costs		✓	
Macro economic factors			✓
Demand	?	?	
Federal permitting			✓
Residual Value		✓	
Legislative change			✓

# Alternative Delivery Methods

## Implementation approach

**Define the service to be delivered as an output specification**

**Define the service specifications**

**Understand all the risks involved in delivery of the service over its life**

**Define a deal which allocates the risks to those best able to manage & control them**

**Create a payment mechanism tailored to those services**

**Create a contract which embodies all this**

**... and build a new business to deliver the services**



# Potential public sector benefits are:

- May complete projects sooner and quicker
- Focuses on outcomes and accountability
- May reduce life cycle costs
- Helps identify and allocate risks (e.g., usage, cost, schedule)
- Taps private sector financial, engineering, and operating capabilities
- Leverages value in existing assets to generate revenues for other uses
- Promotes competition

# The RAVE project

## Scope:

Connecting Portugal to the European high speed network

## Structure:

5xPPP infrastructure contracts, with separate contracts for signaling and telecommunications, rolling stock and passenger operation

## Size:

Total capital expenditure  
>7bn Euro on 650km infrastructure



# The RAVE project

## Key lessons learned:

**The client** – consistency and credibility matter

**The project** – getting the risk allocation right

**The market** – keeping an ear to the ground



# Keys to successful project development

**Understandable/achievable project scope, goals, and outcomes**

**Strong project justification and “business” plan**

**Stakeholder consultation and communications**

**Public sector “champion”**

**Transparent, defined procurement process and schedule (“no surprises”)**

**Private sector interest/competition**

**Well structured risk allocation and accountability**

**Build on “lessons learned” – don’t “reinvent the wheel”**

**“Win-win” outcome needed**

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