

# Full speed ahead?

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Feuds played out in public can be fun to watch... from a safe distance. Whether it is Taylor Swift and Katy Perry bickering on Instagram about backing dancers, boxers goading each other before a prize fight, or President Trump demonstrating his unique methods of diplomacy on Twitter, high profile clashes draw a crowd.

If the dispute concerns multinational companies and billions of dollars, plenty of ears are going to prick up.

And so *IJGlobal's* attention was drawn to the proposed Texas Central high-speed rail project in the US, where the private developers of the new rail route have been trading blows with rail company SNCF.

French state-owned SNCF claims project company Texas Central will use the wrong route, will not generate enough revenues to cover debt service, and prevents competition.

Texas Central responds that SNCF's complaints are motivated by "their own self-interest alone", ignore "Texas law and public sentiment", and disregard "their own principles for high-speed trains".

As with most shouting matches, there is a little bit of truth in what each side says.

## Funding concerns

Texas Central is a proposed high-speed rail line which will connect Dallas and Houston, with one stop near the Texas A&M University campus in Brazos County. The 240-mile route will be covered in 90 minutes – reaching speeds of 200mph – with departures every 30 minutes at peak periods.

Texas is the second most populous US state after California, and a high speed link between the state's first and third biggest cities by population is likely to be popular. But the project faces challenges.

Central to SNCF's criticism – other than it is effectively shut out from competing to operate the service – is that it will not generate enough money to repay construction costs.

The project has an estimated cost of roughly \$12 billion, and Texas Central – which consists of a group of local investors – intends to finance the development entirely with private funds. It has made very clear that it will not take any public funding for the project.

As a spokesperson for Texas Central told *IJGlobal*: "The company will not seek grants from the US government or the state of Texas, nor any operational subsidy once operation begins. The project will be financed with a blend of debt and equity."

While a noble ambition – particularly from the point of view of the tax-payer – it is also... well, ambitious. Rail projects – both light and heavy – are notoriously bad at making money. It takes a huge amount of upfront investment (and struggle) to break-even each year once operational, making the repayment of initial capital expenditure a fanciful dream.

And as SNCF made clear in its objection to the project plans, published in March (2018), “no country in the world operates a fully privately-funded high-speed rail infrastructure.” It cited Tokyo-to-Osaka and Paris-to-Lyon as the only two examples of existing high-speed rail systems which generate enough revenues to cover infrastructure amortization.

Texas Central accepts what is being attempted is unique, but insists that profitability is at the heart of its plans. It acknowledges that existing high-speed systems run by governments may not be profitable, but points out that some individual lines within these systems are. It cites the north east corridor in the US as a good example of this.

### **This land is my land, this land is your land**

A major benefit of developing high-speed rail in Texas is the abundance of flat, undeveloped land. But acquiring the rights to develop along the entire route is not straightforward.

Texas Central says that it has “been working with landowners in a personalized manner.” To date the company has acquired land options on over 30% of the required parcels. In some counties along the route that figure rises to 50% of land parcels.

Its efforts are made easier by its ability to force through land sales. Under Texas law, railway companies have eminent domain authority to acquire private property needed for projects which serve the public.

These efforts are not without controversy, however. Cody Harris, a Republican candidate for a seat in the Texas House of Representatives, has called Texas Central’s land acquisitions a “dishonest and deceitful scheme”.

Harris has said he will “defend the rights of rural landowners” if elected. He will have to defeat Thomas McNutt, who has been endorsed by former Governor of Texas Rick Perry, in primary run-off on 22 May (2018).

Though Harris may represent a very minor risk to the project, that a local politician is willing to use opposition to Texas Central as part of his campaign suggests there is local opposition to the plans which needs to be overcome.

### **Full speed ahead**

Texas Central has not been short of detractors since its formation in 2010 – so much so that it has a “rumours vs reality” section on its website. But the company continues to push ahead with its plans.

The latest milestone for the project developers was an agreement signed on 4 May (2018) with Amtrak, which will allow Texas Central customers to buy tickets for the service via the Amtrak reservation system. Just a few days beforehand, it was announced that Bechtel would provide project management services.

Among other service contract signed for the project was one for construction planning and design and engineering work, which was signed with Fluor Enterprises and Lane Construction Corporation in August 2017.

JR Central – operator of Tokaido Shinkansen bullet train line in Japan – has been acting as technology adviser for the project since 2015. Japan is set to provide both the technology for the project and much of its funding. Japan Overseas Infrastructure Investment Corporation for Transport & Urban has pledged between \$40 million and \$146 million for early stage funding.

SNCF complains that by “marrying” itself to Japanese technology, the developers have eliminated the potential benefits of a competitive bidding process. In response, Texas Central points to the safety record of the Shinkansen system, which has “resulted in zero accidents or fatalities in over 53 years of operation.”

Much hinges on the Federal Railroad Administration (FRA) completing its final environmental assessment, without which the project cannot proceed. Texas Central told *IJGlobal* that it expects this in Q1 2019. The developers expect to publish a full detailed budget for the project once a record of decision for the environmental assessment has been made.

The project’s draft environmental impact statement was published by the FRA in December 2017, after roughly four

years of analysis. This identified the preferred route for the rail line which would minimise its environmental impact.

Locations for the three new train stations have been identified, with plans for one them already drawn up. The market will be keen to see a full funding plan for the project but the developers for now are full speed ahead. They are determined that neither local politicians nor French rail companies will derail their bullet train.

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