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Subject: MTC Executive Committee Item 5.a Strategic Update & Look ahead

Dear Chair Noack and Commissioners,

Further to VTA and Caltrain having both rejected Executive Director Fremier's offer to establish a Regional Megaproject Delivery Authority, please find attached an alternate proposal for MTC to partner with the private sector to deliver \$20B of megaprojects in 10 years under a 50-year concession framework between Gilroy and Emeryville.

Please consider directing staff to review this proposal and report back to the Board at the next Commission workshop.

Thank you in advance for your consideration

Roland Lebrun

Problem Statement

Gilroy-San Francisco partner agencies have a systemic track record of poor coordination, weak governance and/or lack of financial oversight of large capital projects.

- VTA

- Bart Silicon Valley Phase I **\$1.1B over \$2.4B budget** (subject to audit)
- Bart Silicon Valley Phase II cost **escalation from \$4.7B to over \$14B**
- Eastridge to BART Regional Connector (EBRC) **escalation from \$316M to \$530M**
- **Failure to double-track to Gilroy as approved by the voters (2000 Measure A)**

- Caltrain

- Broadway Grade Separation **escalation from \$316M to \$889M**
- Guadalupe River Bridge **escalation from \$92.6M to \$236M**
- **\$2.7B Caltrain electrification (\$1.1B over \$1.6B budget)**
- **\$75M annual operating deficit**
- Lack of single-seat rides between Gilroy and SF results in **145K vehicles going through Morgan Hill every day**

- TJPA

- **\$6.35B/mile** Downtown Extension (“The most expensive tunnel in the World”)
- **No plausible connection to East Bay**
- Truncated platforms cripple HSR operating profit viability (**Prop1A violation**)
- Truncated platforms cripple Caltrain storage capacity
- **No plausible transfers to MUNI light rail**
- Decade-long DTX construction impacts on SOMA infrastructure.
- **\$52M (\$28M+\$24M) annual operating deficit**

- California High Speed Rail Authority (CHSRA)

- 2026 “Business Plan” quadrupled initial (French) \$33B cost estimate
- 2026 “Business Plan” Ends in Gilroy
- Cannot possibly be operated without subsidy (**Prop1A violation**)

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Proposed solution for MTC staff and Commissioner consideration

A partnership between MTC and a private sector partner with a proven track record of :

- Delivering capital projects in excess of \$10B on time and on budget
- Operating the finished product as a concession without operating subsidies.
- **Financial capacity to invest \$5B (25%) in a \$20B project**

Proposed Project

\$20B “higher speed” (110 MPH) line between Gilroy and Emeryville delivered in 10 years and consisting of the following elements:

- 50-year operating concession (necessary to recover \$5B private capital investment)
- \$250M Gilroy maintenance facility
- \$500M Gilroy Caltrain/HSR station
- \$4B San Jose Diridon
- \$500M Dumbarton/North Fair Oaks (**Mid-Peninsula overtake**) station
- \$2B Millbrae/SFO station
- **\$2B Pennsylvania Avenue (PAX)/Portal (DTX)**
- **\$8B Transbay tunnel** (including Yerba Buena Island crossover shaft)
- \$250M Emeryville maintenance facility
- \$2.5B track/systems
- **Fixed price**
- Concessionaire is accountable to private investors for cost overruns, not taxpayers
- **Concessionaire returns all assets back to MTC/Caltrain after 50 years**

Regional Benefits

- \$2B annual economic activity during construction (first 10 years)
- \$500M annual economic activity for the next 40 years

\$20B Funding framework (including 10% contingency)

- \$5B Private capital
- \$5B Federal Expedited Project Delivery grant (EPD)
- \$5B Local
- \$5B State

Annual Revenues

- \$200M track O&M (former TASI contract)
- \$100M PAX+DTX+LINK21 O&M
- \$100M Maintenance (Gilroy and Emeryville Facilities)
- \$TBD (leases etc.)

MTC Responsibilities

- Concession enabling legislation
- Lobby for extension of Surface Transportation Bill funding
- Inventory assets to be turned over to the concession
- Environmental clearance
- FFGA
- Cash flow management
 - o \$2B annually for 10 years
 - o All parties deposit \$500M each before signing the concession agreement
 - o All parties deposit \$500M each before the start of construction
 - o All parties commit to \$500M each annually for the next 8 years.
 - o \$4B in cash at start of construction

Concessionaire responsibilities

- **100% of core delivery and operational risks** including:
 - o **Project Financing:** Secure \$5B private capital investment
 - o **Design and Civil Engineering Supervision**
 - o Manage study, design, and regulatory approval stages
 - o **Land and Survey Management:** Oversee geotechnical surveys, preventive archaeology, land acquisitions, and required property diversions ahead of infrastructure work.
 - o **Environmental Mitigation:** Carry out strict socio-environmental mandate [Biodiversity and Carbon Foundations](#).
 - o **Operational Handover:** Coordinate the successful installation and testing of tracks, power, signaling, and telecommunications to deliver the infrastructure on time and on budget
- **Post-Delivery Lifecycle Responsibilities**
 - o **Commercial Traffic Risk:**
 - Collect track-access toll fees from Caltrain, Capitol Corridor, etc.
 - **Bear all commercial traffic risks if rail ridership changes.**
 - o **Maintenance Delegation:** Ensuring the long-term safety, predictive maintenance, and real-time monitoring of the line.

Potential Future extensions

- **Emeryville to Sacramento**
- **Gilroy to Hollister**
- **Hollister to Fresno** ([via Panoche Pass](#))

Private Railroad Concession Case Studies

- **Peking–Hankow Railway (Jinghan Railway):** This massive 754-mile line was Imperial China's first major north-south trunk line. Financed by French and Belgian banks through the [Société Belge de Chemins de Fer en Chine](#), its construction required groundbreaking engineering feats for the era, notably the original 2-mile steel-girder bridge across the unpredictable Yellow River.
- **High Speed 1 (CTRL):** This project represents the UK's first completely new railway line built in over a century. Running 68 miles from London St Pancras to the Channel Tunnel portal, its construction was highly complex because it required boring **12 miles of twin-bore tunnels right under dense urban areas of London.**



- **LGV Sud Europe Atlantique (LGV SEA):** Spanning 210 miles between Tours and Bordeaux, this line holds the record as **one of the largest European railway civil engineering undertakings of its decade.** It was delivered under a massive **50-year private concession contract** to the [LISEA Consortium](#), reducing the travel time from Paris to Bordeaux down to just 2 hours and 4 minutes.

CAPEX Adjusted Cost per Mile Comparison (2026 USD)

Railway Line Construction timeline	Length in Miles	Total Cost (2026 USD)	Cost Per Mile (2026 USD)
Peking–Hankow 1897-1906	754.3 miles	\$979.96 Million	\$1.30 Million / mile
LGV SEA 2012 – 2017	211.3 miles	\$12.20 Billion	\$57.75 Million / mile
High Speed 1 (CTRL) 1998 – 2007	68.3 miles	\$22.03 Billion	\$322.60 Million / mile

The lengths and cost efficiencies converted to miles show that **High Speed 1 is the most expensive line to build per mile**, while the historical Peking–Hankow line remains the least expensive by a wide margin.

Why the Cost Per Mile Varies So Massively

The extreme differences in cost per mile across these three projects are driven by three main factors:

1. Extreme Subsurface Engineering (HS1 vs. LGV SEA)

- **Urban Tunneling:** High Speed 1 required drilling **over 12 miles of twin-bore tunnels** directly underneath dense, urban London. Tunneling through a megacity requires complex utility diversions, ground stabilization, and massive ventilation shafts, exponentially driving up the price.
- **Rural Surface Alignment:** By contrast, the LGV SEA in France was built almost entirely above ground across open, flat rural terrain, requiring very minimal tunneling and drastically lowering the baseline construction costs.

2. Land Acquisition and Property Rights

- **Modern Real Estate:** HS1 passes through prime London and South East England real estate, where buying property rights and compensating landowners costs billions. LGV SEA faced fewer property barriers, but still required modern European environmental offsets and sound barriers.

- **Imperial Right-of-Way:** During the late 1890s construction of the Peking–Hankow line, land acquisition costs in rural Imperial China were mathematically negligible compared to modern statutory property valuations.

3. Technological and Safety Eras

- **Basic Earthworks:** The Peking–Hankow line was built entirely with manual labor, simple tools, and basic earthworks designed for light steam trains traveling under 50 mph.
- **Precision High-Speed Systems:** Modern lines like HS1 and LGV SEA require heavy concrete viaducts, sub-millimeter ballastless track precision, massive power grids, advanced digital signaling systems, and extensive safety perimeter fencing to handle commercial trains safely pushing 200 mph.

Financial Structures Comparison

The financial structures and ridership profiles of these three networks reflect the stark evolution of railway economics, moving from 19th-century colonial banking to highly sophisticated modern Public-Private Partnerships (PPPs).

Railway Line	Core Financial Structure	Main Revenue Source	Risk Allocation
Peking–Hankow	Foreign Colonial Debt Funding	Passenger fares & freight tariffs	Borne by the Qing Dynasty via guaranteed sovereign bond yields.
High Speed 1 (CTRL)	State-to-Private Modern Concession	Track access charges & retail leases	Shifted to the private sector (HS1 Ltd) under a long-term lease.
LGV SEA	Pure Public-Private Partnership (PPP)	Access tolls paid per train-set	Borne heavily by the private concessionaire (LISEA Consortium).

1. Peking–Hankow Railway: Sovereign Debt Concession

The line was funded via a **112.5 million franc foreign loan** brokered by the [Société Belge de Chemins de Fer en Chine](#). The Qing Dynasty retained formal ownership but yielded significant operational oversight and profit shares to Belgian and French financiers as collateral. The financial structure was designed to protect foreign banks, ensuring a guaranteed 5% interest return backed directly by Chinese imperial tax revenues.

2. High Speed 1 (CTRL): Regulated Infrastructure Lease

Originally funded through a mix of government grants and state-backed loans, the UK government restructured the line's finances post-completion. In 2010, the infrastructure was concessioned out on a **30-year lease to a private consortium** (re-sold later to infrastructure funds). The financial model is heavily regulated by the [Office of Rail and Road \(ORR\)](#). Revenue is derived from charging fixed track-access fees to train operators like Eurostar and Southeastern, alongside commercial real estate leases inside [London St Pancras International](#).

3. LGV Sud Europe Atlantique: Pure High-Risk PPP Concession

As the largest railway public-private partnership ever signed in France, the line was built under a **50-year concession awarded to LISEA** (a consortium led by [VINCI Concessions](#) and Meridiam). **LISEA provided over half of the construction capital upfront**. In return, LISEA manages the line and collects direct track tolls from the state rail operator (SNCF). If train traffic drops, the private investors bear the direct financial loss, though market liberalization allows independent operators to start booking track time

Current Passenger Volumes

The current annual passenger utilization numbers reveal how traffic density dictates the ongoing commercial viability of these corridors:

1) Peking–Hankow Railway (Now part of the Beijing–Guangzhou corridor):

~100+ million passengers annually

While the original 1906 line has been completely absorbed into China's modern conventional and high-speed rail grids, **it remains one of the absolute busiest economic transport arteries on Earth**. It serves as a vital trunk line connecting the megacities of Beijing and Wuhan.

2) [LGV Sud Europe Atlantique](#): **23 million passengers annually**

The line has turned out to be an exceptional commercial success since its 2017 opening, carrying **more than 23 million people in 2025 alone**. The massive ridership boom was driven primarily by cutting the travel time between Paris and Bordeaux down to just over 2 hours.

3) High Speed 1 (CTRL): **~11–12 million passengers annually** (*International only*).

International Eurostar traffic hovering around 11 million yearly riders, paired with several million domestic commuters utilizing Southeastern high-speed trains, brings total track usage closer to **15–16 million total passengers**. While international demand is projected to scale up significantly over the next decade, capacity at St Pancras remains tightly bounded by post-Brexit border checkpoint space restrictions