

## California approves \$3.2B bond for Virgin's \$4.8B bullet train to Las Vegas

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### Dive Brief:

- The California Infrastructure and Economic Development Bank (IBank) has authorized a \$3.2 billion tax-exempt, fixed-rate revenue bond issuance to help DesertXpress Enterprises LLC, an affiliate of Virgin Trains USA, build a high-speed train from Victorville, California, to Las Vegas. The new XpressWest service, at speeds of up to 180 miles per hour, will take about 90 minutes one way.
- DesertXpress will be able to use the money to pay for the 135 miles of the project located within the state of California. This includes the costs of design, development, construction, operation and maintenance of the rail system itself; a passenger station; a maintenance facility; train cars; and electrification infrastructure. DesertXpress will also be able to use the bonds, which are sponsored by the California county of San Bernardino, to establish a debt service reserve fund, as well as pay for interest and other bond-related expenses. While total spending is listed at around \$4.8 billion, "hard construction costs" are \$3.6 billion.
- Construction, which is expected to begin in the second half of 2020 and wrap up in 2023, according to an IBank staff report, will generate more than 15,800 temporary construction jobs.

### Dive Insight:

The XpressWest between California and Las Vegas, according to the IBank staff report, will take about half the time of a car trip, but Randal O'Toole, a senior fellow at the Cato Institute, isn't convinced that this is enough to draw potential passengers — at least enough to make the new bullet train a success.

"If you're driving from Los Angeles to Victorville, by the time you get there, you're pretty much halfway to Vegas," O'Toole said, "so why would you stop and leave your car somewhere and take a train and then have to walk to wherever your destination is — or take a cab or an Uber or Lyft — when you can just drive your car there?"

The distance between Los Angeles and Victorville is about 90 miles and about 190 miles from Victorville to Las Vegas.

"Driving from Los Angeles to Victorville," O'Toole said, "you're driving through all the traffic — you're driving over the mountains ... and you get to Victorville and it's just a straight shot to Las Vegas. It's more miles, but there's very little traffic.

"If they were going to go from Los Angeles to Las Vegas, they might have a chance of attracting some customers, but going through the mountain would be extremely expensive," he said.

"They're building the easy part of the rail line but not the part that they need to build to actually attract customers."

Virgin Trains USA is a majority owner of Virgin Trains USA Florida, formerly known as Brightline, and currently owns and operates an express rail passenger rail system that runs from Miami to West Palm Beach. The company is building a \$4 billion extension to Orlando International Airport. The estimated completion date is sometime in 2022.

Meanwhile, construction of another California bullet train is still chugging along, albeit on a reduced scale. California Gov. Gavin Newsom shelved the California High-Speed Rail Authority's plans for a \$77 billion rail line between San Francisco and Los Angeles after amid concerns over escalating costs and schedule delays. The governor limited work to the \$20 billion Central Valley portion of the project that will take passengers between Bakersfield and Merced.

The authority is trying to beat a Dec. 31, 2022 deadline in order to not lose a \$929 million Federal Railroad Administration grant for that particular segment.

According to O'Toole, though, investment in rail infrastructure is an investment in outdated technology when compared to the cost and speed of airplanes. And then there is the passenger cost. The Amtrak fare from Washington to Boston, he said, averages about ninety cents a mile, while air travel averages approximately 13 cents per mile.