

2015 Report on Rail Passenger Agreements, Service Performance and Finance

Chapter 112, 2013 Oregon Laws (Enrolled House Bill 2918) authorized the Oregon Department of Transportation (ODOT) to enter into agreements with the Washington State Department of Transportation (WSDOT) and the British Columbia Ministry of Transportation and Infrastructure (BCMOTI) to effectively manage the development and operation of passenger rail services within the Cascades Rail Corridor (Corridor) which is between Eugene, Oregon and Vancouver, British Columbia. Under the measure, the agreements may be to:

- Develop a plan to document the shared vision, goals, and objectives for passenger rail service within the Corridor.
- Develop a plan to achieve performance goals, manage fleet assets, share costs, prioritize investments and resolve interagency disputes.
- Propose funding options to the respective legislative bodies to support the operation of passenger trains within the Corridor.
- Develop a stakeholder outreach program.
- Oversee operations and marketing of daily passenger rail service in the Corridor.
- Coordinate state rail plans.

HB 2918 requires ODOT to provide a status report to the Legislative Assembly before January 1 of each odd-numbered year on the following:

1. The status of agreements with WSDOT and BCMOTI regarding the Corridor.
2. The performance of passenger rail service within the Corridor
3. The financial status of the Corridor and financial needs for passenger rail service within the Corridor.

1. The status of agreements with WSDOT and BCMOTI regarding the Corridor

Prior to HB 2918, ODOT and WSDOT signed a Memorandum of Understanding (MOU) on March 7, 2012, agreeing to manage the Corridor collaboratively. This agreement has expired. ODOT and WSDOT agreed to stop negotiations on the MOU while ODOT and WSDOT negotiated the FFY 2015-2016 Operating Agreements with Amtrak. Now that the Operating Agreements are executed, the two agencies have begun renegotiating the MOU and plan to finalize in January 2015.

ODOT and WSDOT met with a BCMOTI representative on several occasions. The representative indicated that no funding is available to help pay for the Amtrak Cascades service in British Columbia. In an effort to control rising costs, Wi-Fi service on the Amtrak Cascades in British Columbia was terminated on Oct.1, 2014. ODOT and WSDOT have engaged the Amtrak Government Affairs office to aid cost sharing negotiations with British

Columbia. Meetings have been held with the Office of the Premier, BCMoTI, and the City of Vancouver. ODOT and WSDOT will attend future meetings with these entities.

ODOT and WSDOT will begin working on a joint business plan for the Amtrak Cascades service in January 2015.

ODOT and WSDOT together negotiated the 2014 and the 2015-2016 passenger rail operating agreements with Amtrak. While the agencies have separate agreements, they are nearly identical. The 2015-2016 Operating Agreement has a dispute resolution process agreed upon by both states and Amtrak. The agencies plan to negotiate a tri-party operating agreement with Amtrak for 2017.

ODOT and WSDOT passenger rail operations teams have been meeting on a monthly basis since November 2013. The teams strive to manage the corridor collaboratively and work toward cost savings and efficiencies. This requires constant contact with the states' Corridor oversight staff. They are working collaboratively on a Fleet Management Plan and Service Development Plans for both Oregon and Washington. The teams are working on issues concerning schedule changes, marketing the Amtrak Cascades service, negotiating the operating agreements with Amtrak, identification of cost savings in food and beverage sold in the Bistro cars, allocation of cost and revenue, host railroad costs, new equipment purchases and other topics as they arise. The teams also meet monthly with Talgo and Amtrak to reach resolution on equipment maintenance and upgrades, on-time performance and operational issues and meet quarterly with Amtrak in a partnering meeting.

The Federal Railroad Administration (FRA) approved the Washington State Rail Plan on February 25, 2014. The plan was signed by the WSDOT Secretary of Transportation on March 18, 2014. ODOT reviewed and provided comments on this plan.

The Oregon Transportation Commission (OTC) adopted the 2014 Oregon State Rail Plan at their September 18, 2014 meeting. WSDOT was provided an opportunity to comment and coordination occurred with the Washington State Rail Plan to ensure consistency.

Recently, ODOT and WSDOT jointly applied to a Federal Railroad Administration (FRA) solicitation to develop a Regional Rail Plan. If awarded, the states will be key partners in development of a Regional Rail Plan led by FRA.

2. The performance of passenger rail service within the Corridor

Amtrak Cascades is one of the nation's best patronized passenger rail services, with more than 200,000 people using the Amtrak Cascades train and supplemental buses between

Eugene and Portland each year. Ridership had steadily increased since the service began in 1994, topping 215,000 riders in 2013. However, after a July 2013 federal court decision invalidated the part of the Passenger Rail Investment and Improvement Act (PRIIA) leading to development of standard performance metrics for passenger train timeliness,¹ Amtrak on-time performance (OTP) began to deteriorate in Oregon and throughout the U.S. The on-going economic recovery has increased freight train traffic during the same period, adding to the circumstances that cause freight train interference.

For Oregon, freight train interference continues to be the principal source of delay attributable to the host railroad, Union Pacific. In January 2014, Oregon implemented a schedule change on the Amtrak Cascades between Portland and Eugene to allow passengers to depart in the morning from both Portland and Eugene and take a roundtrip within a day on the train. Prior to the schedule change passengers would either need to spend the night or take a bus to return on the same day. The change required passenger trains heading in opposite directions to pass one another three times daily between Portland and Eugene. Although where these passings were anticipated to occur was designed into the new schedules, the actual location of each interface is determined daily by the host railroad's dispatchers and any resulting delay is recorded as passenger train interference (PTI). The amount of PTI being incurred far exceeds that contemplated when establishing the new schedules and has been a contributor to host railroad delay.

Delayed passenger trains cost the service through loss of revenue (fewer passengers resulting from discouragement from unreliable timeliness) and increased costs due to overtime and other expenses. Oregon has seen a 9.1 percent drop in ridership since January 2014. A drop in ridership was anticipated initially because of the schedule change, with the ridership rebounding over the course of several months. This has not proven to be the case. While no data are available to show OTP is the cause, ODOT has heard from many passengers that the Amtrak Cascades are no longer a viable transportation alternative due to the poor OTP.²

Through the 2014 and 2015-2016 operating agreements with Amtrak, ODOT and Amtrak have jointly developed and are implementing a large-scale regional advertising and marketing campaign with the goal of increasing ridership and revenue on the Portland to Eugene segment of the Corridor.

ODOT has taken a number of steps to promote ridership. ODOT has partnered with 1859 Media, the publisher of *1859 Oregon's Magazine* and the *Central Oregon Guide*, to publish a new quarterly magazine to promote the Amtrak Cascades service. The new magazine will be the only publication placed in all seatbacks on the trains and will use content marketing to

¹ *Ass'n of Am. R.R. v. Dep't of Transp.*, 721 F. 3d 666, 671 (D.C. Circuit 2013).

² Cascades Commuters. Cascades Commuters Feedback for ODOT on Amtrak and Cascades POINT. Nov. 18, 2014.

attract customers similar to airplane magazines. The goals are to strengthen the Amtrak Cascades brand awareness, expand customer demographics to reach new audiences, retain customer loyalty, and increase ticket sales and revenue. The magazine will feature artists, food and beverages, sights, activities, music and events along the Amtrak Cascades route. A magazine web page will support the content. The web page is currently being designed with the goal of having a booking widget to arrange travel or at least direct inquirers to the Amtrak Cascades web page. The magazine and digital support are being provided at no cost to the state. The first issue will appear in early January 2015.

ODOT, WSDOT, and Amtrak are entering into new partnerships with rewards programs, visitor and travel bureaus, universities, museums and others. Amtrak Cascades and Clipper Vacations have entered into a partnership for a pilot program to test whether special pricing discounts for travel partners can increase ridership and revenue on Amtrak Cascades trains.

The Amtrak Cascades website has been redesigned using responsive web design and incorporating booking widgets to make the site accessible to mobile devices such as tablets and phones. Sixty percent of travel bookings are now made using mobile devices industry-wide.

3. The financial status and financial needs for passenger rail service within the Corridor.

Costs to operate the service have increased significantly over the last few years. Under provisions of PRIIA Section 209, all Amtrak corridor services less than 750 miles long became state-supported routes with states paying the fully-allocated proportional costs associated with the corridor service (i.e., no federal subsidy) beginning October 1, 2013. The increased operating cost to ODOT from FFY13 (pre-PRIIA) to FFY14 (post-PRIIA) was an additional \$1.46 million.

Amtrak operating costs continue to increase annually from \$745,384 for the first full year of service (1995) to around \$8.2 million in 2014. Additionally, costs for Oregon increased over the past three years as a result of Amtrak's implementation of a new accounting system that better isolates and identifies Cascades service costs. In addition, a recent change in methodology changed how Oregon and Washington divide ticket revenue and shifted more of it to Washington. While fair, this change increased ODOT's out-of-pocket costs.

In addition, ODOT purchased two new Talgo passenger trainsets. From the beginning of service in 1994 until 2013, service in Oregon was provided using trains owned by Washington and Amtrak—meaning Washington was subsidizing Oregon. However, Washington will soon increase the number of daily trains between Portland and Seattle and will need its trains to serve this portion of the Corridor. In order to avoid having to cancel

service in Oregon, ODOT used federal American Recovery and Reinvestment Act (ARRA) funds to purchase two new trainsets that went into service in 2013. Owning these trains – while allowing ODOT to continue passenger service in Oregon – also requires ODOT to pay an additional \$2.4 million for annual train maintenance costs.

ODOT has paid for the service through the revenues generated by custom license plate fees, which the Oregon Legislature dedicated toward train service. In addition, ODOT uses money from the Transportation Operations Fund (TOF), which consists of fuels taxes generated from non-motor vehicle use, such as lawnmowers. However, these sources are no longer sufficient to pay the full cost of the trains due to a number of factors that have combined to increase the gap between revenue and costs.

In 2009 the Oregon Legislature doubled the custom license plate fee, which had been dedicated to passenger rail by the 2007 Legislature, expecting that this would double the revenue ODOT received. However, demand for license plates has proved elastic, so revenue has come in lower than projected. In order to continue providing passenger service, ODOT has requested \$10,408,710 in the 2015-2017 biennium from the General Fund. The previous resources available to ODOT for funding the service are no longer adequate to cover the full costs due to the factors discussed above that have combined to increase the gap between revenue and costs. Funding beyond 2017 is uncertain as the one-time funding sources from the Federal Transit Administration (FTA) 5307 and the Federal Highway Administration (FHWA) Congestion Mitigation and Air Quality (CMAQ) Improvement Program funds will no longer be available. Additionally, the TOF may not be available.

ODOT and WSDOT have taken efforts to control the rising costs of the Amtrak Cascades service. Several of these efforts are outlined below.

ODOT and WSDOT, with assistance from the states' consultant, Interfleet, are pioneering efforts to build a passenger rail operating model from the perspective of a start-up service. By developing modeling that incorporates cost averages drawn from other rail passenger services, the states will better position themselves to understand, validate and negotiate future agreements with Amtrak or other prospective providers. This modeling will include feedback, development and testing from Amtrak, other states and eventually the FRA.

As part of cost-saving efforts, ODOT and WSDOT issued a Request for Information (RFI) to gather information from providers of rail services about service delivery options to provide more convenient, rapid, and reliable intercity passenger rail service. The purpose of the RFI was to solicit ideas about strategies to manage costs and revenues for the Amtrak Cascades service.

The RFI process has allowed the states to hear directly from rail industry professionals on how to make the Amtrak Cascades service even more successful. The findings from this process will guide the development of updated action plans for both ODOT and WSDOT, as both agencies work to maximize the public utility of the service and prepare for a future that controls costs, increases revenues, and enhances the value of rail transportation in the Pacific Northwest.

Summary

Since the passage of Chapter 112, 2013 Oregon Laws (enrolled House Bill 2918) HB 2918, ODOT has diligently worked to meet the mandate and requirements. ODOT is actively working with WSDOT to engage British Columbia to share in the costs to operate the Amtrak Cascades service. ODOT and WSDOT meet on a regular basis in a variety of different venues to manage the Corridor collaboratively to increase ridership and revenue and reduce operations and maintenance costs. The two agencies have been and continue to negotiate agreements to clarify and document the partnership. Previous resources available to ODOT for funding passenger rail service are no longer adequate to cover the costs of operating the service.