

Amtrak Contract Analysis and Cost Reduction

ESSB 5024. SL, Section 222 (1):

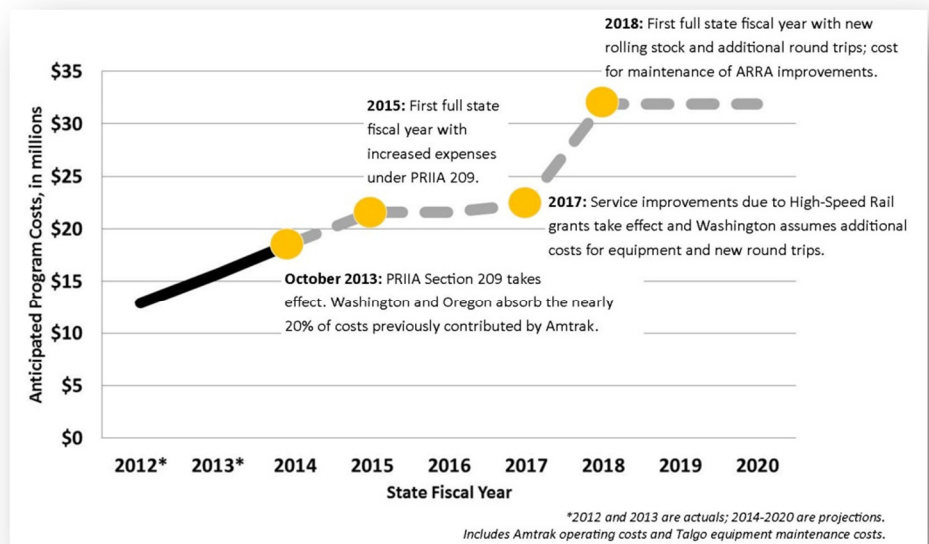
\$27,319,000 of the multimodal transportation account—state appropriation is provided solely for the Amtrak service contract and Talgo maintenance contract associated with providing and maintaining state-supported passenger rail service. In recognition of the increased costs the state is expected to absorb due to changes in federal law, the department is directed to analyze the Amtrak contract proposal and find cost saving alternatives. The department shall report to the transportation committees of the legislature before the 2014 regular legislative session on its revisions to the Amtrak contract, including a review of the appropriate costs within the contract for concession services, policing, host railroad incentives, and station services and staffing needs. Within thirty days of each annual cost/revenue reconciliation under the Amtrak service contract, the department shall report any changes that would affect the state subsidy amount appropriated in this subsection.

Intercity passenger rail plays an important role in Washington’s transportation system by providing connectivity to urban centers along the Interstate 5 corridor. As a sponsor of Amtrak Cascades, WSDOT works strategically to improve passenger rail service on the Pacific Northwest Rail Corridor, which stretches from Eugene and Portland, Oregon north through Tacoma and Seattle, Washington, to Vancouver, British Columbia.



Daily operation of the Amtrak Cascades service is funded by ticket sales and funding from the states of Washington and Oregon. While Amtrak has contributed to the subsidy cost since the beginning of the service, recent changes in federal law shifted responsibility for funding intercity passenger rail entirely to states. Washington and Oregon are now responsible for the full operating cost of Amtrak Cascades service. This means the states incur additional costs, but it also allows the states to take a stronger, more active role in management of the service to control costs. Some strategies are already underway or can be implemented in the coming year; others will be addressed in future agreements with Amtrak.

WSDOT works with ODOT, Amtrak and our other service partners to provide a quality service that entices travelers to use the train as an alternative to travel on the highways: clean, safe equipment; reliable service; and comfort and convenience, including amenities such as Wi-Fi and food and beverage service. At the same time, rising costs and increasing budget constraints require us to minimize the financial impact to the state while continuing to achieve our



transportation goals. We're identifying opportunities for cost reduction and developing action priorities based on what will generate the best value relative to the resources required. Strategies and anticipated outcomes are described below.

Strategies to reduce costs and maintain revenue:

- **Engaging in PRIIA 209 implementation at the national level:** WSDOT is one of a small group of state rail agencies leading the charge in implementation of PRIIA 209. These groups are engaged in efforts working with Amtrak and FRA to examine Amtrak costs. WSDOT, in partnership with other states, will develop zero-based budget estimates to strengthen states' positions when negotiating with Amtrak on cost elements, such as concessions, policing, host railroad incentives and station services and staffing needs. The WSDOT Rail Director is chair of a nationwide committee to explore and manage costs associated with maintenance and overhaul of rolling stock, including locomotives and passenger cars. Rail Division staff will attend a meeting of state rail agencies in February to continue these efforts.
- **Reducing station costs:** Reduce costs through negotiation of leases with station owners; explore options to reduce staffing and some station services. For example, WSDOT worked directly with city of Seattle to determine an equitable lease rate that is fair to all parties and significantly less than the amount initially proposed by Amtrak.
- **Offering event trains to increase ridership and revenue:** Amtrak Cascades provides additional trains each year to provide travel options during the busy Thanksgiving holiday. In 2013 WSDOT provided extra service only for the highest-demand days and times to avoid new subsidies, reducing the number of trains from 11 in 2012 to four in 2013. The service goal was achieved: the trains were sold out and yielded revenues sufficient to cover costs and offset ongoing subsidies. The department will take a similar targeted approach in 2014 and consider adding other special trains during peak travel periods and special events.
- **Leveraging marketing and advertising partnerships:** WSDOT removed these costs from the Amtrak Service Fee and has increased its in-house efforts to manage costs and provide greater benefit. For example, WSDOT is redesigning the Amtrak Cascades website to improve accessibility to mobile devices, and pursuing new partnerships with rewards programs, AAA (Triple-A), visitor bureaus, sporting events and museums, representing a new marketing business model where Amtrak Cascades is a major travel partner receiving significant exposure at reduced cost. The *Portland Express* campaign provides an illustration of this approach: funded by Travel Portland, the campaign will run for four months featuring Amtrak Cascades.



- **Applying LEAN process to food and beverage:** We are working with Amtrak to apply Lean processes to evaluate opportunities to reduce costs within existing contracts. We are also exploring options to contract with other vendors.



- **Working closely with Oregon:** As part of our efforts to manage costs and increase ridership, WSDOT and ODOT entered into a Memorandum of Understanding in spring 2012 to establish expectations for joint funding and oversight responsibilities. The agencies adopted a *Corridor Management Workplan* in January 2013 to establish a framework for joint management and improvement of Amtrak Cascades service. Benefits of the partnership include:

- Strengthening the team's position in negotiating with contractors and coordinating with federal agencies.
- Reducing duplication of effort and maximizing staff effectiveness.
- Communicating corridor priorities in order to improve competitiveness for limited grant funds.

- **Encouraging implementation of preclearance:** Encourage U.S. and Canada to implement pre-clearance to reduce travel times and increase demand for service from Vancouver, British Columbia to Seattle in order to maintain and improve ridership and ticket revenues.



- **Formalizing policy on station stops to increase ridership and manage costs:** WSDOT will work Oregon, British Columbia and local communities to set criteria for evaluating station stops to avoid changes that would add costs or reduce ridership. Explore the potential for implementing alternative stopping patterns, such as skip-stops, to optimize system-wide farebox recovery. This may provide additional opportunities to increase ridership and reduce station costs.

- **Promoting and improving multimodal connectivity:** Extend the RailPlus program contract with Amtrak and Sound Transit for two additional years; increase bike storage space on baggage cars to accommodate customers in order to increase ridership and revenue.



Improving customer service: In addition to these near- and long-term strategies to manage costs, WSDOT continues its philosophy of continually improving quality and customer service. Providing quality service is an essential part of providing a viable travel option for customers. WSDOT's efforts include the On-Time Performance Task Force, Cascades Equipment team, cleaning inspections and Wi-Fi system performance reporting.

Proviso:

In ESSB 5024. SL, Section 222 (1): for the Department of Transportation – Rail – Program Y – Operating Multimodal Transportation Account. The appropriations in this section are subject to the following conditions and limitations:

(1) *\$27,319,000 of the multimodal transportation account—state appropriation is provided solely for the Amtrak service contract and Talgo maintenance contract associated with providing and maintaining state-supported passenger rail service. In recognition of the increased costs the state is expected to absorb due to changes in federal law, the department is directed to analyze the Amtrak contract proposal and find cost saving alternatives. The department shall report to the transportation committees of the legislature before the 2014 regular legislative session on its revisions to the Amtrak contract, including a review of the appropriate costs within the contract for concession services, policing, host railroad incentives, and station services and staffing needs. **Within thirty days of each annual cost/revenue reconciliation under the Amtrak service contract, the department shall report any changes that would affect the state subsidy amount appropriated in this subsection.***

Status:

The final reconciliation of the Amtrak contract for September 2011 through September 2013 was completed at the end of December. Due to decrease in riders and revenues (resulting in large part from landslides in winter 2012-2013) all available funds provided by this proviso were utilized. There were no changes required to this appropriation for the 2011-2013 biennium. The subsidy incurred in the 2011-2013 biennium was covered by the 2011-2013 appropriation authority.

A new agreement, which includes PRIIA 209 charges, took effect on October 1, 2013 (Federal Fiscal Year 2014). The annual reconciliation for that contract will occur in late fall 2014.