



U.S. House of Representatives
Committee on Transportation and Infrastructure

Washington, DC 20515

John L. Mica
Chairman

Nick J. Rahall, III
Ranking Member

James W. Coon II, Chief of Staff

September 7, 2012

James H. Zoia, Democrat Chief of Staff

MEMORANDUM

TO: Members, Committee on Transportation and Infrastructure

FROM: Staff, Committee on Transportation and Infrastructure

SUBJECT: Oversight Hearing on "A Review of Amtrak Operations Part 2: The High Cost of Amtrak's Monopoly Mentality in Commuter Rail Competitions"

PURPOSE

The Committee on Transportation and Infrastructure will meet on Tuesday, September 11th, 2012, at 10 a.m. to receive testimony on Amtrak's involvement in commuter rail operations. Specifically, the hearing will investigate competitive procurements for commuter rail operations. It will also review Amtrak's role in the commuter rail industry as well as its recent failures to successfully compete for commuter rail contracts.

BACKGROUND

Current Status of the Nation's Commuter Rail Industry

Commuter rail service is primarily designed to address a high volume of passengers requiring daily travel to and from work in city centers, operating in metropolitan and suburban areas and usually having morning and evening peak period operations. Commuter rail service has become an important element of local transportation systems.

Commuter rail agencies provide transportation to millions of people nationwide. There are currently 26 commuter rail agencies across the country providing service for nearly 460 million riders in 2010. Commuter rail service is typically operated directly by a public transit agency or is contracted to a private rail operator. Amtrak is one of the operators that provide contract commuter rail service.

The National Railroad Passenger Corporation (Amtrak)

The Rail Passenger Service Act of 1970 (P.L. 91-518) created the National Railroad Passenger Corporation (Amtrak) and charged it with the responsibility for providing intercity passenger rail transportation on a basic national route system designated by the Department of Transportation. Before Amtrak's creation, freight rail companies were required by federal law to operate passenger rail services.

Amtrak was designed to serve long-distance passenger travel needs, however, over time it has expanded its operations to include State-supported routes, where States cover the cost of Amtrak operations, and commuter rail operations, under contract to a public transit agency. In 2010, Amtrak was responsible for the following commuter service operations:

- California Caltrain - Operations;
- California Metrolink - Operations;
- Washington Sounder – Equipment Maintenance;
- Connecticut Shore Line East- Operations;
- Maryland MARC – Penn Line Operations;
- Virginia Railway Express – Operations and Maintenance; and
- South Florida Tri-Rail - Dispatching

Today, Amtrak is no longer responsible for the operations of the California Caltrain and the Virginia Railway Express, having lost to private sector rail companies in recent competitive procurements for operating contracts.

Growth in Commuter Service Operations

Since 2005, seven new commuter rail agencies have initiated service. During the same period, commuter rail ridership has grown from approximately 417 million in 2005 to nearly 460 million in 2010, an increase of 10 percent or approximately 42 million passenger trips. The following chart illustrates the commuter rail systems that have initiated service since 2005.

Listing of U.S. Commuter Railroads Operating Entities Opened Since 2005			
Commuter Rail System	Operating Entity	Year Opened	2010 Ridership*
New Mexico: Rail Runner Express (Albuquerque)	Contract operations by Herzog	2006	1,240.5
Tennessee: Music City Star (Nashville)	Contract operations by Nashville and Eastern Railroad	2006	204.7
Utah: FrontRunner (Salt Lake City)	Direct operations by Utah Transit Authority	2008	1,389.9
Minnesota: Northstar (Minneapolis)	Contract operations by BNSF	2009	710.4

Listing of U.S. Commuter Railroads Operating Entities Opened Since 2005 - Continued			
Oregon: Tri-Met (Portland suburbs, Beaverton to Wilsonville)	Contract operations by Portland and Western Railroad	2009	306.2
Texas: Austin Capital Metro Rail (Austin)	Contract operations by Herzog	2010	120.8
Texas: Denton County Transportation Authority A-Train (Dallas to Denton)	Contract operations by Herzog	2011	0.0**

**Ridership in Thousands, Source: National Transit Database*

***Due to the recent opening of the service, no ridership numbers are available yet.*

Competitive Procurement for Commuter Rail Operations

Currently there are 26 commuter railroads nationwide and 19 of these contract out some elements of their services. The remaining seven have chosen to directly operate their own service. Eleven commuter railroads that have contracted out services have competitively bid for operations contracts. (Some commuter railroads have agreed, as a condition of access, to have the host freight railroad provide their operations.)

The Federal Transit Administration (FTA) requires that transit agencies that receive federal assistance “must conduct all procurements in a manner that provides full and open competition,” including contracts for commuter rail operations (49 U.S.C. 5325(a)). This mandate for competition ensures increased efficiencies and improved service levels, which result in reduced costs and a reduction in the amount of taxpayer subsidy required. Procurement for commuter rail services provides opportunities for qualified private rail operators to compete for contracts offered by state and local agencies.

The past ten years has seen a significant increase in the level of competition between the major private rail operators. However, Amtrak has not fared well as the frequency of competitions and the level of competitiveness with private operators has increased. Amtrak’s inability to adapt its nationwide model for intercity passenger rail to regional commuter rail markets has led to its failure to secure a single commuter rail operations contract over the past ten years.

WITNESSES

Joseph Boardman

President and Chief Executive Officer
Amtrak

Joe Giuliatti

Executive Director
South Florida Regional Transportation Authority (Tri-Rail)

Chuck Harvey

Deputy CEO, Operations Administration
Peninsula Corridor Joint Powers Board

Ray Chambers

Executive Director
Association of Independent Passenger Rail Operators

Ed Wytkind

President, Transportation Trades Department
AFL-CIO