



A REVIEW OF AMTRAK OPERATIONS PART 2 – COMMUTER RAIL COMPETITIONS

Hearing Before the House Transportation and Infrastructure Committee

2167 Rayburn House Office Building

Testimony of Ray B. Chambers, Executive Director (AIPRO)

Association of Independent Passenger Rail Operators

September 11, 2012

Executive Summary of Testimony

I appreciate this invitation to testify on behalf of AIPRO. AIPRO is an organization of 5 independent railroad operators who compete against each other and Amtrak to provide passenger rail operations under contract to public commuter authorities. AIPRO was established to actively encourage the expansion of passenger rail service in the United States. Our mission is to promote the public benefits of our current passenger rail system while working with our partners in industry to increase passenger rail opportunities through a competitive marketplace. We believe there should be a bipartisan national commitment to establish a viable intercity and urban high performance passenger rail network in America over the coming years. This network should build on the existing framework of commuter and intercity passenger service and should be implemented through public-private partnerships and competitive processes.

An expanded passenger rail network in the US, made possible by additional quality operators offering competitive pricing and innovation will expand America's mobility options, reduce urban congestion, and most importantly, create jobs that would not otherwise be available.

Today Amtrak maintains a de facto monopoly in intercity passenger rail service. However, there is vigorous competition in the commuter passenger arena, which is the focus of this hearing.

There seems to be a widely held opinion that Amtrak is the only realistic option as a provider of passenger rail service. This myth holds that independent operators are "fly by night," relatively small and anti-union. That is patently not true. Our members have wide global reach as well as vast American experience operating thousands of trains and carrying in excess of a billion passengers every year. In fact, many of our members, by themselves, are significantly larger

than Amtrak. In the United States, three independent AIPRO carriers are operating more than 252,000 trains per year carrying more than 72 million passengers. In 2011 Amtrak claimed about 110,000 annual trains with 30.2 million passengers. While Amtrak is tasked with operating long distance trains with some different requirements, the point is that AIPRO members are a major competitive force in American passenger rail operations today. Further, every AIPRO member works with the railroad operating unions. Coast to coast, operations from the MBTA in Massachusetts to Virginia Railway Express to CalTrain are fully unionized.

The commuter agencies of this country are increasingly turning to competition. Of the 25 commuter railroads reporting to the National Transit Database, 17 agencies purchase transportation service under contract and 8 directly operate their service. Of the 17 commuter systems that contract for various services, 11 have gone to competitive bid for operations and several have gone to bid for maintenance. Amtrak has been involved in 9 properties that have gone to competitive bidding. Amtrak did not win any of these bids losing on both price and quality of service. It is clear a growing number of commuter agencies recognize that competition between operators for service provides the best operation at the lowest cost.

Looking to the future, we can assure you the AIPRO members are interested in expanding beyond commuter to intercity operations. We submit the commuter model points the way to the states for introducing competition into our national intercity passenger rail network. Section 209 of the Passenger Rail Investment & Improvement Act of 2008 (PRIIA) requires states to pay nearly the full subsidy costs of all corridor passenger service under 750 miles. There are some 27 corridors that will be nearly fully subsidized by 15 states. As PRIIA is reauthorized, a good reform would be to incentivize the states to apply the commuter model to the intercity corridor service. I can assure you our members will be active participants in that process.

Thank you.

Full Testimony

Thank you for this invitation to testify on behalf of the Association of Independent Passenger Rail Operators (AIPRO). We are an organization of 5 independent railroad operators who compete against each other and Amtrak to provide passenger rail operations under contract to public commuter authorities.

Time for a New Bipartisan Rail Plan

AIPRO was established to actively support the expansion of passenger rail service in the United States. Our mission is to promote the public benefits of our current passenger rail system while working with our partners in industry to increase passenger rail opportunities through a competitive marketplace.

Our population is growing. Highways are increasingly congested. Fuel prices continue to rise. There is a need for a functional premium passenger rail network. To reach that goal there should be a new bipartisan national commitment to establish a viable intercity and urban high performance passenger rail system in America that will provide travelers with a third option to highways and aviation. We should get back to bipartisanship. AIPRO is committed to working with the Congress, states, freight railroads, labor and all of those with an interest in expanding passenger rail service to craft a plan that will best promote this goal.

This emerging passenger rail network should build on the existing framework of commuter and intercity passenger service and be implemented through public-private partnerships and competitive procurement processes.

An expanded passenger rail network in the US, made possible by additional quality operators offering competitive pricing and innovation will expand America's mobility options, reduce urban congestion, and most importantly, create jobs that would not otherwise be available.

Today Amtrak maintains a de facto monopoly in intercity passenger rail service. However, there is vigorous competition in the commuter passenger arena, which is the focus of this hearing. We suggest the American commuter experience should be the cornerstone for American intercity passenger reform.

Independent Passenger Operators in Competition

There seems to be a widely held opinion that Amtrak is the only realistic option as a provider of passenger rail service. This myth holds that independent operators are "fly by night" in the "Ma and Pa" or "railfan" category and are relatively small and anti-union. That is patently not true.

The five members of AIPRO are all substantial companies. They are: First Transit & First Services America; Herzog Transit Services; Keolis Rail Services of America; and RATP-Dev USA. (See Attachment #1) These are substantial companies with vast knowledge in moving people with efficiency and quality service. The depth of our experience is comprehensive. Our members have wide global reach as well as American experience operating thousands of trains and carrying more than a billion rail passengers every year. All of our companies are committed to substantial growth in the American commuter and intercity passenger rail arena.

The existing American rail passenger footprint of this group of competitors is large. In the United States, three independent carriers are operating in excess of 252,000 trains per year carrying more than 72 million passengers. According to a recent AIPRO survey, our members operate this train service with just under 3000 employees. In 2011 Amtrak claimed about 110,000 annual trains with 30.2 million passengers. Amtrak has about 20,000 employees. We acknowledge this is not an apples to apples comparison; Amtrak mostly operates long distance trains that have some different requirements. The point is that AIPRO members are a major

competitive force in American rail operations today. Our companies operate efficiently and are prepared to take on challenges of any size or complexity.

Further, all of our members work with the railroad operating unions. While we have the normal management-union issues we strive to maintain good relationships. Operations from coast to coast including the MBTA in Massachusetts, Virginia Railway Express and CalTrain are fully unionized. In these commuter competitions Amtrak offers no special advantage to organized labor. We believe the unions as well as freight railroads must be our key partners in a new public private partnering program to expand passenger rail service in America.

Commuter Agencies and Competition

The commuter agencies of this country are increasingly turning to competition. Of the 25 commuter railroads reporting to the National Transit Database, 17 agencies purchase transportation service under competitive contract and 8 directly operate their service. Of the 17 commuter systems that contract for various services, 11 have gone to competitive bid for operations and several have gone to bid for maintenance. Amtrak has been involved in 9 properties that have gone to competitive bidding over the last decade. Amtrak did not win any of these bids and as nearly as we can determine lost on both price and service.

The following are the commuter routes that have engaged in competitive bidding for Operations:

- San Diego Sprinter – 2.5 million riders - Veolia
- Miami Tri-Rail – 5.8 million riders – Veolia (Amtrak bid and lost)
- Boston MBTA – 51.1 million riders – Veolia (Amtrak incumbent for 17 years, but didn't bid)
- North County - San Diego Coaster – 1.6 million riders – Herzog (Amtrak was the incumbent for 10 years – bid and lost)
- Dallas Dart-TRE – 20.3 million riders – Herzog (Amtrak bid and lost)
- Austin Metro – Herzog (Amtrak bid and lost)
- Albuquerque Railrunner – 1.4 million riders – Herzog (Amtrak bid and lost)
- San Francisco – San Jose CalTrain – 12 million riders – Herzog (bid newly won replacing Amtrak who had also bid)
- San Jose ACE – 1.4 million riders – Herzog
- Virginia Railway Express – 4.7 million riders Keolis (Amtrak incumbent for 18 years, bid & lost)
- Maryland MARC – Out for competitive bid – Currently CSX operated (declined to bid)

5 examples where Amtrak was involved in a bid that went to an independent operator are Boston MBTA; CalTrain; North County Coaster; Tri-Rail and Virginia Railway Express.

It is clear a growing number of commuter agencies recognize that competition between operators for service provides the best deal at the lowest cost. The competitive model works and it should be encouraged by federal policy.

The Commuter Model for Intercity Passenger Service

We submit the Commuter Model points the way to the states for introducing competition into our national intercity passenger rail network. The bipartisan Passenger Rail Investment & Improvement Act of 2008 (PRIIA) expires in 2013 and provides a good platform for further intercity passenger reform.

Because of population growth and demographics AIPRO calls for establishing a high performance urban/ intercity passenger rail network in America. That system should be built on the following two principles:

1. Based on the successful highway and aviation programs, the federal role should be restricted to essential oversight necessary to safety and interoperability with financial support for capital as was provided in PRIIA.
2. Maximum state-centric governance and competitive private sector involvement in the financing, design, operation and maintenance of the corridor rail passenger network.

Amtrak has a de facto intercity rail passenger monopoly. Their network is clearly defined in 3 categories: 1) Northeast Corridor (NEC); 2) Long Distance Routes; 3) State-supported routes (all routes under 750 miles). The NEC is a major national asset that must be handled carefully. Currently some 2200 trains carry three quarters of a million people each day. Amtrak has announced ambitious plans for the corridor, but admit the source of finance is unknown. As Chairmen Mica and Shuster have suggested, there is no reason that private participation cannot be introduced in a manner that will lead to a true high speed rail corridor.

The long distance routes are difficult as they lose a great deal of money, although there are options to introduce public-private partnering in order to provide the best service at the lowest possible subsidy. At a future point, AIPRO will be pleased to advance proposals for competition and maximum privatization on the NEC and Long Distance Routes

We suggest for the near term, the commuter competitive model, can be introduced to advance the state supported routes. Currently, 15 states are providing Amtrak with substantial subsidies on 27 routes. The states have made serious capital contributions and are providing operating subsidies to Amtrak. Under PRIIA Section 209 the states will soon have responsibility to nearly fully subsidize all of these intercity passenger routes. Starting October 2013, it is estimated this will add approximately \$200 million in operating subsidy costs to already stressed state budgets plus additional amounts in capital costs.

An excellent intercity passenger reform would be to incentivize the states to apply the commuter model to intercity corridor service. This will result in efficient and expanded quality rail passenger service. I can assure you AIPRO companies will be more than pleased to work with Congress and key stakeholders, such as labor and freight railroads, to bring about true reform.

Thank you.

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
Truth in Testimony Disclosure

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

(1) Name:

Ray B. Chambers

(2) Other than yourself, name of entity you are representing:

Association of Independent Passenger Rail Operators

(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?

YES If yes, please provide the information requested below and attach your curriculum vitae.

NO

(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:

None

Signature:

Ray B Chambers

Date: 9/5/12



Biography of Ray B. Chambers

Ray Chambers has more than 40 years in development and implementation of transportation programs. He began his career as chief of staff to members of congress and then was an appointee in two presidential administrations where he served as a Deputy Assistant Secretary and Director of Legislative Affairs at Executive Branch Agencies.

At the US Department of Transportation he directed legislative efforts that reorganized the bankrupt Penn Central and Northeast railroads into a profitable system. In 1974 he opened a government affairs consulting firm that became Chambers, Conlon & Hartwell, LLC (CCH) and later established a subsidiary, Seneca International. In the 1980s he was instrumental in legislation that broke the Burlington Northern monopoly in the Powder River Basin of Wyoming and introduced his principal client Chicago Northwestern (now part of the Union Pacific system) as a competitor. Working with the shortline association in the 1990s, Mr. Chambers drafted an innovative railroad loan program that was enacted into law by Congress as the Rail Rehabilitation and Improvement Financing (RRIF) Act. In 2005, the Congress expanded the \$3.5 billion loan program to \$35 billion with eligibility for all freight and passenger rail projects. For Seneca, he led an effort to commercialize the Romanian Railway system. During that time he served as president of the National Railroad Construction and Maintenance Association (NRC) for 12 years. For 25 years he chaired a rail policy forum called the Cooperstown Conference.

After he retired as a partner of CCH-Seneca, he launched a second career where he became transportation policy advisor to several companies and Executive Director of the newly formed Association of Independent Passenger Rail Operators (AIPRO). On behalf of AIPRO, Chambers is deeply involved in policy proposals to engage public-private partnerships and deploy competition in developing a national high performance intercity and urban passenger rail network. He is also working on a legislative proposal to create a national initiative on transportation-oriented development to capture increased value around railroad stations to finance capital construction and ongoing passenger rail operations and maintenance.

Mr. Chambers holds a BA magna cum laude from the University of Redlands in California and masters in Government from Rutgers.