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Peninsula Corridor Joint Powers Board – Caltrain

Thank you Mister Chairman and members of the Committee. My remarks this morning will cover the recent procurement process followed by Caltrain to secure an operating contractor for our rail service.

To place this recent procurement into context, the Peninsula Corridor Joint Powers Board, known as Caltrain, assumed operation of the system in 1992, when it was acquired from the Southern Pacific Transportation Corporation. The Joint Powers Board consists of three public partners from San Francisco, San Mateo, and Santa Clara Counties who share the ownership of Caltrain including the entire 50-mile right-of-way which runs from San Jose to San Francisco, all rolling stock, stations and an equipment maintenance facility. Since 1992 the system has grown significantly with ridership recently surpassing 50,000 per day. Amtrak was selected as Caltrain's operator in 1992 and was again selected in 2001 after a competitive solicitation. Caltrain's partnership with Amtrak over the past 20 years has contributed to the growth and success of the system.

The decision to solicit competitive proposals for this contract was based on good procurement practice, the expiration of the current contract and the presence of potential new proposers in the marketplace that enhanced the competitive environment.

The specific objectives of Caltrain included improving operating performance and customer service, realizing efficiencies, and ensuring the continuity and enhancement of a robust safety culture. In order to achieve these objectives, Caltrain adopted a unique new compensation methodology that would have the effect of providing the contractor's profit for performance in areas that were identified as important to Caltrain. This "performance fee" program provides for no minimum or guaranteed level of profit and establishes amounts that will be paid for meeting or exceeding certain performance targets. In this manner, alignment with the Caltrain's objectives would be ensured. This is in contrast to the guaranteed fixed fee that has been paid as part of previous contracts.

The procurement process took over two years to complete. The requirements for the new contract were identified including the scope of services, evaluation criteria and scoring methodology, compensation methodology, and commercial terms and conditions. The request for proposals was then issued, which generated a great amount of interest among qualified firms both inside and outside the United States.

Caltrain received proposals from five firms: Keolis; PCRS, a joint venture of Amtrak and Bombardier; PRS, a joint venture of RailAmerica and Ratp Dev; TASI, a subsidiary of Herzog Transit Services, Inc.; and Veolia.

A committee was formed for evaluating the proposals, which included more than 30 individuals from Caltrain and our partners who offered expertise in all key technical areas, with a scoring team comprised of five senior team members.

In order to ensure that a fair and objective mechanism was used to evaluate the proposals, weighted criteria were established in order to score the proposals. Qualifications and Experience of the Firm and Key Personnel was worth up to 20 points, Management, Operations and Maintenance Plans was worth up to 55 points, and the Cost Proposal was worth up to 25 points for a total of 100 points.

After initial scoring of proposals, Caltrain determined that four firms were in the competitive range and invited them for interviews. These interviews were rigorous, all day sessions, which were followed by committee representatives making site visits to rail properties to solicit feedback on each firm's performance. The next step in the process was to request "Best and Final Offers" from the firms. These final offers were evaluated and scored and a consensus ranking was established. The highest ranked proposer was TASI with the Amtrak joint venture ranked second. While the TASI cost proposal was not the lowest, it was a realistic proposal that provides cost efficiencies over the term of the contract. It was also 5 to 10 percent lower on an annualized basis than the second ranked proposal from the Amtrak joint venture.

In the end TASI's overall proposal clearly stood out above the others and a contract award was recommended. It is important to note that none of the firms participating in this process filed a formal protest of the award as allowed in the solicitation process and the contract was awarded to TASI.

The transition from Amtrak to TASI operation was complex and took many months to complete. At the onset of this transition it was important for Caltrain and TASI to work closely with organized labor to ensure their questions and concerns were addressed. Federal labor law required all existing employees be protected in various aspects of their jobs requiring TASI to negotiate 11 different implementing agreements with the unions. Approximately 90 percent of the existing workforce agreed to become TASI employees and continue to provide Caltrain service. A close collaboration with the regulatory agencies including the Federal Railroad Administration also ensured that those charged with the safety oversight of Caltrain understood and supported our transition plans. Finally, the close out of the Amtrak contract and a nearly 20 year relationship has required a lot of due diligence. Amtrak has been fully cooperative throughout this process with a lesson learned to ensure that all future contracts cover the provisions needed to demobilize an existing contractor. TASI assumed operation of the Caltrain service on May 26, 2012 and the service is operating normally and as expected.

Mister Chairman, I have included for the committee an Appendix to my testimony that provides many more details of the procurement process followed by Caltrain that I could not cover in the time allotted. I thank you again for the opportunity to appear today and look forward to answering your questions.