



Memorandum

To: Eric Curtit
Chair, PRIA Section 305 NGEC Executive Board

CC: Steven J. Hewitt
NGEC Support Services Manager

From: Ron Pate
Chair, 514 Subcommittee

Jeremy Jewkes
Co-Chair, 514 Subcommittee

RE: Capital Investment Plan for Amtrak Equipment Deployed in
State Corridor Service

DATE: October 28, 2015

Action Requested:

The Next Generation Equipment Committee (NGEC) accepts the Capital Investment Plan (CIP) prepared by Amtrak, in cooperation with the 514 Subcommittee, as a best practices document meeting the intent of the Section 209 policy and the approved charge statement, and concurs with the 5-year investment plan contained therein. The board also recognizes that the CIP is a living document and there will be annual updates and continued efforts required to complete the next steps included in the document.

Summary Overview:

With approval by consensus, the 514 Subcommittee (Subcommittee) respectfully submits the draft of the *Capital Investment Plan for Amtrak Equipment Deployed in State Corridor Services*,

FFY2016-FFY2020 (CIP) to the NGEN Executive Board with a “do pass” recommendation. Releasing this document will enable the states to use the CIP as a budget planning tool for forecasting equipment capital overhaul needs for the next five years.

This second edition CIP documents the work completed by the Subcommittee and updates from the previous edition. As a living document, there are areas to be revisited through additional work. Known future work is identified in the Next Steps Section of the CIP document. Changes may also arise from revision to the PRIIA Section 209 Cost Methodology Policy (Agreed PRIIA 209 Methodology) through the State-Amtrak Intercity Passenger Rail Committee (SAIPRC).

Background and Process:

Relationship to Agreed PRIIA 209 Methodology

Implementation of PRIIA 209 continues to be an ongoing process.

In 2012, the Surface Transportation Board adopted the PRIIA Section 209 Cost Methodology Policy. A subsequent technical correction resulted in the PRIIA Section 209 Cost Methodology Policy, November 20, 2012 Corrected Version (Agreed PRIIA 209 Methodology). The Agreed PRIIA 209 Methodology called for development of a “defined five-year investment program in cooperation with each state that describes the capital investments to be made over the period and the payments expected from the states throughout the period to support the five-year capital program.”

First CIP Edition

In the first quarter of federal fiscal year 2014, the NGEN chartered a *305 NGEN 209 Work Group for Equipment Capital Charge Investment Plan and Cost Justification* (Work Group) to build a workplan which will be used to develop a defined 5-year capital investment program acceptable to Amtrak and the states. This arrangement combined the equipment expertise from the NGEN with the application of PRIIA 209 policy.

In establishing the Work Group, the NGEN charged it in the draft charter:

...to build a straightforward work plan that will then be used to develop a defined 5-year capital investment program acceptable to Amtrak and the states. The program must be sufficiently comprehensive, detailed and justified by objectively verifying costs to allow states to:

- *understand and agree to the capital equipment work to be performed;*
- *identify all work elements and associated costs included within the approved work;*

- *identify the state of repair of equipment before and after it is overhauled;*
- *identify quality control procedures, associated costs and warranty processes for rework, if needed;*
- *assure budgeted work is performed and establish a reconciliation process for budgeted work not performed but funded;*
- *understand cost allocation and develop reconciliation processes for the capital plan and capital charges for equipment shared among states or states and national/long distance or Northeast Corridor fleets;*
- *identify and track costs of each element pursuant to standard accounting principles.*

During development, nondisclosure agreements (NDAs) were signed between Amtrak and several states to protect sensitive information from disclosure. Materials shared with the Federal Railroad Administration (FRA) and the states under the NDAs are contained in a Compendium. Amtrak considers these materials to be confidential, proprietary, and to contain trade secret information. They are available to any of Amtrak’s state funding partners upon execution of a non-disclosure agreement or available to view only at an Amtrak-designated facility.

On October 17, 2014, the first edition of the CIP was accepted by the NGEN. The 514 Subcommittee was subsequently formed to address “next steps” identified within the CIP.

Current CIP Edition and Accomplishments

Throughout development of the CIP, state officials, Amtrak, the Federal Railroad Administration (FRA) and the American Association of State Highway and Transportation Officials (AASHTO) — collectively the Subcommittee — have advised Amtrak in creation of the CIP.

This edition of the CIP documents work completed through the Subcommittee, and outlines areas of future work on the capital equipment use charge — either in this Subcommittee, or in conjunction with other committees/work groups. Much like a Statewide Transportation Improvement Program (STIP) document, it is to be viewed as a *Living Document* subject to future changes and revisions on a year-to-year basis.

Progress over the past year includes:

- Coordination with SAIPRC – As the PRIIA 209 policy body, the newly formed SAIPRC informs work in the 514 Subcommittee. Changes to policy affecting the equipment capital use charge will be reflected in future editions of the CIP.
- Definitions – Key definitions used throughout the plan are identified near the beginning.
- Updated Process – An updated process for Minor Updates that accommodates more interaction between Amtrak and the states.
- Updated Five-Year Forecasts – Forecasts of units used and equipment capital overhaul schedules have been updated based on information gathered through the process.
- Quantified Equipment Released from State Service – The CIP identifies Amtrak equipment planned to be displaced from state corridor service with new state-owned equipment by units used and the pro rata share of equipment overhaul capital. A new corridor, titled Released for Redistribution/Undetermined, quantifies this impact by the units used and pro rata share of equipment capital for each plan year.
- SOGR Plan – The CIP includes Amtrak’s plan to bring all non-State of Good Repair equipment into a SOGR.
- Budget Contingencies – Based on year-of-plan, baseline suggestions for contingency levels for budget planning purposes are new to the CIP.

Topics found within the CIP were discussed with the Subcommittee in meetings throughout the process. On October 5, 2015, the Subcommittee achieved consensus to approve the draft document for submittal to the NGEN executive board with a “do pass” recommendation.

Diverging Opinions on Policy Are Outside the Work Group Scope:

Several policy-related questions were introduced during the development of the CIP. Given the task of the Subcommittee to develop a CIP based on current policies, those questions were determined to be outside the scope of work for the Subcommittee. Policy topics will be addressed by SAIPRC, and future updates of the CIP will incorporate agreed-upon changes in policy as appropriate.

Common themes from policy discussions:

- Use, application, and meaning of terms and definitions in the Agreed PRIIA 209 Methodology (such as “look forward investment strategies” or “units used”).
- Budget accountability, responsibility and state limitations.
- Actual costs versus fixed fee/rental methodologies.
- States’ request for increased state of good repair credits.

Equipment User Groups:

All states using Amtrak equipment are encouraged to participate in quarterly user group meetings. User groups are intended to serve as forums to discuss equipment-specific issues.

Amtrak will improve upon its user groups relating to the major equipment types. These user groups support the reconciliation process outlined in the CIP.

Future Editions of the CIP:

As documented in Section 5 of the CIP, there are known topic areas for further work within the Agreed 209 Methodology. For the complete list that includes explanations, please refer to the text of the CIP. Representative topic areas include:

- Spare equipment
- Capital equipment procurement
- Differing levels of capital overhaul needs
- Funding adjustments
- Custom branding
- Custom overhauls
- Equipment supply and demand
- Quality assurance and quality control procedures
- Work on out-of-service equipment
- Alternatives
- Equipment end-of-life
- Upcoming introduction of new state-owned equipment

The next edition is anticipated to be the 2017-2021 edition, which is scheduled as a “Minor” update. Implementation of PRIIA 209 continues to be an ongoing process. Strong participation by the states will be a key success factor in continuing this important work.

FRA’s Comments on Potential Enhancements:

FRA has actively participated in the development of the current CIP and consistently provided feedback intended to strengthen the resulting CIP and protect the interest of all stakeholders. We appreciate the fact that, in the current CIP, the 514 Committee addressed our comments on potential enhancements to the previous version of the CIP. These and several other edits in the current CIP have improved the clarity and overall quality of the document. FRA recommends the items below for incorporation during the next CIP update.

- Cost Transparency
Cost transparency continues to be an important issue. Amtrak and the states will continue to work to identify means to provide clarity on how costs are built up and document assumptions and risks that will ensure the stakeholders understand the strengths and weaknesses of the estimates while taking necessary actions to protect Amtrak confidential and trade secret information. Addressing this issue will be beneficial to all as it impacts budget planning, risk management, and justification of the expenses to the respective stakeholders.
- Reconciliation Process
Amtrak, with assistance from the 514 Subcommittee, will continue to improve the reconciliation process and state reporting to meet the quarterly expectations established in Section 4 of this CIP. Amtrak requires further investment in its information reporting

resources to best meet the states' expectations in this area. Amtrak and 514 Committee will work to complete the reconciliation within forty-five (45) days after the end of the fiscal quarter. If there are resource constraints, Amtrak should bring up those issues to the 514 Committee. FRA will work with Amtrak to address the resource issues.

- **Scope Specificity** – Address the presentation of the description of overhauls across equipment types that appear to be similar and redundant. To the extent feasible and applicable, specific nuances associated with each equipment type should be emphasized and articulated.

Recommendation:

The Next Generation Equipment Committee (NGEC) accepts the Capital Investment Plan (CIP) prepared by Amtrak, in cooperation with the 514 Subcommittee, as a best practices document meeting the intent of the Section 209 policy and the approved charge statement, and concurs with the 5-year investment plan contained therein. The board also recognizes that the CIP is a living document and there will be annual updates and continued efforts required to complete the next steps included in the document.

Attachments:

- Capital Investment Plan for Amtrak Equipment Deployed in State Corridor Service, FFY2016-FFY2020
- Compendium of Amtrak Non-Disclosure Materials Reviewed by the Next Generation Equipment Committee / PRIIA Section 209 Equipment Capital Work Group
- Summary of Comments for Draft CIP, September 28, 2015