

PRIIA Section 209
Cost Methodology Policy
August 31, 2011
Final Version

Prepared for PRIIA 209 States and Other Interested States by
The States Working Group (SWG) and Amtrak:

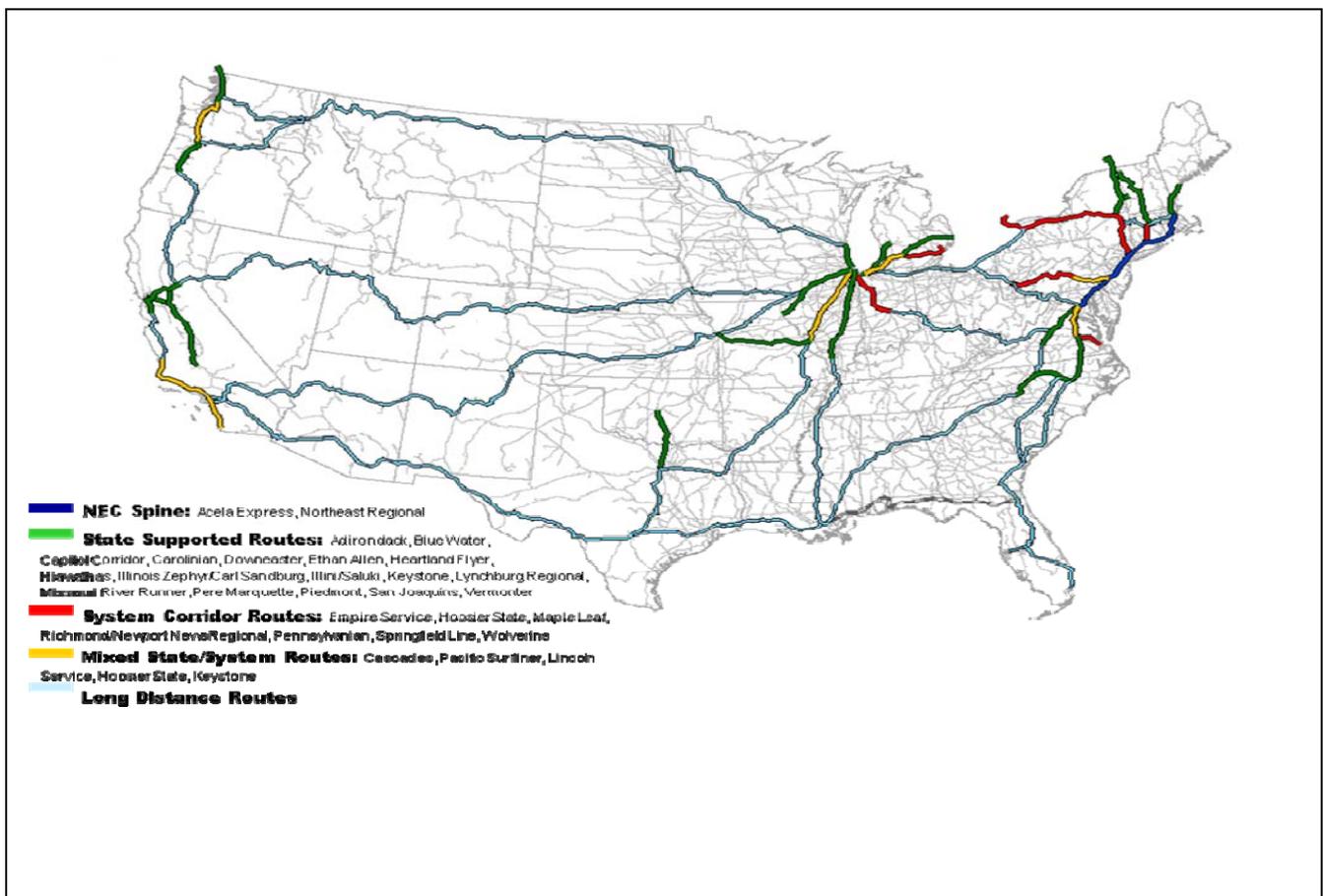
Passenger Rail Investment and Improvement Act (PRIIA) of 2008 Section 209 Cost Methodology Policy

Recommended by the State Working Group (SWG) and Amtrak Staff¹

FINAL VERSION 8/31/11

Overview

Under the provisions of PRIIA Section 209, all short-distance Amtrak corridor services must become state-supported routes and states must pay the proportional costs associated with their respective corridor route. This document describes the “single, nationwide standardized methodology for establishing and allocating the operating and capital costs among the States and Amtrak.” This methodology applies to services provided by Amtrak over routes “of no more than 750 miles between endpoints,” as described in section 24102(5)(B).



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Appendix A provides a list of affected routes; **Appendix B** provides the text of Section 209 and related statutes. Currently, approximately 36 of the total 110 corridor routes are either partially or completely supported by Amtrak. Once Section 209 is implemented, all such corridors routes will be priced in a transparent, fair and equitable manner. Amtrak and states were charged with collaboratively creating a cost methodology to establish a basis for sharing operating costs plus an annual capital charge for Amtrak-owned equipment and facilities used for intercity passenger rail service.

This policy statement outlines the methodology Amtrak will use to compute:

- operating expenses for routes using a formulation that defines direct route costs and associated additives, and
- capital charges for the use of Amtrak-owned assets.

The Amtrak Performance Tracking (APT) system – Amtrak’s recently-implemented cost accounting system, that is linked to Amtrak’s financial and operating systems -- provides the cost basis that the SWG and Amtrak used to evaluate options for assigning service area route costs.

The Federal Railroad Administration (FRA) met with the SWG and Amtrak to address the issue of transition assistance to the states during the phase in of the new methodologies for route and capital costs. This policy outlines clearly that states are responsible for the costs associated with the new capital charge. However, the FRA recognizes that states will face a financial burden as they implement the new cost-sharing approach. While the details of transition assistance have not been fully developed, the FRA has committed to working with the states and Amtrak on transition assistance.

Basis for Allocating Costs

Many railroad costs—both costs directly related to the services provided and those shared among services—are by their nature provided through jointly used crews, crew bases (locations where train crews report for work), support teams/facilities, maintenance facilities, and stations. As such, cost allocation methods and procedures are needed to fairly apportion these costs. The Amtrak Performance Tracking (APT) system will provide the basis for allocating “to each route the costs incurred only for the benefit of that route and a proportionate share, based upon factors that reasonably reflect relative use, of costs incurred for the common benefit of more than one route”.

In some cases, Amtrak and states may agree to use supplemental financial data to adjust the results of APT, including, but not limited to, local systems for measuring fuel consumption that are not available nationally. Pursuant to part (b) of Section 209, if changes to Amtrak’s financial systems result in a material change to the results of APT, Amtrak will work with its state partners to update this policy in a manner consistent with the intent of Section 209.

Operating Scenarios

State-supported routes are classified into three operating scenarios:

Single State Corridor Trains. These corridor trains do not cross state lines and do not use the NEC “spine” (Boston-Washington).

Multi-State Corridor Trains. For corridor trains that cross state lines but do not use the NEC “spine” (Boston-Washington), the states on the train route shall develop an equitable method for sharing the costs

and revenues from the trains. Amtrak will provide the affected states with information to assist in reaching agreement.

Base-Increment NEC Corridor Trains (Single- and Multi-State). In Section 209, the Northeast Corridor (NEC) is defined as “the continuous Northeast Corridor railroad line between Boston, Massachusetts and Washington, District of Columbia” in section 24102(5)(B). Trains having some part of their route both on the NEC and on a state-supported corridor are considered Base-Increment trains. In the case of base-Increment NEC corridor trains, APT allocates costs between the state leg and the NEC leg for accounting purposes in various ways. The allocation explanations for specific expenses are described in the APT documentation available on the FRA website, both in summary in the Main report and in detail in Appendix A.

The following general conditions apply to Base-Increment trains:

- Route Costs (defined below) common to both legs are prorated based on whether costs are incurred on the state leg or on the NEC. For instance, turnaround servicing is allocated by train miles on the NEC and state leg. Non-turnaround maintenance is allocated by both time and mileage-based statistics prorated for the amount of time a train spends on either the NEC or the state leg.
- Trains that travel through multiple states off the NEC shall develop a mutually agreeable method for sharing the costs and revenues of the trains.
- “Through revenue” is revenue from trips with one endpoint on the NEC and one endpoint on the state-supported leg. Through revenue will be credited to the state in one of two ways, to be determined by the state and established in the agreement:
 - Passenger Mile Split. Through revenue will be split between the state and Amtrak proportionate to miles traveled off and on the NEC. Under this method, Amtrak is responsible for all operating and capital costs when the train is on the NEC leg. Capital charges for equipment will be split between the state and Amtrak reflecting service both on and off the NEC, allocated based on the time-based Units Used statistic. Capital charges for fixed assets will be for the state leg only.
 - Through Revenue Plus Passenger Mile Charge. States will continue to be charged costs for the state leg as described above. Through revenue will be credited to the state, along with a charge per passenger mile for the costs of through riders traveling on the NEC. This per passenger mile charge will represent the state’s share of Amtrak’s:
 - Fully allocated NEC operating costs, as pro rated by all available Amtrak Northeast Regional seat miles;
 - Equipment capital overhaul costs, as pro rated by all available Amtrak Northeast Regional seat miles
 - Fully allocated fixed asset Normalized Replacement capital costs as defined in **Appendix C**, pro rated by all available Amtrak NEC seat miles; and
 - 20% of any fixed asset State of Good Repair Backlog capital costs as defined in **Appendix C**, pro rated by all available Amtrak NEC seat miles.

These charges will be fixed for the term of the contract between the state and Amtrak and applied against actual passenger miles. However, this through revenue policy may be amended by Amtrak and the affected states if the outcome of the PRIIA Section 212 cost allocation process requires changes to this policy.

In addition to the operating scenarios described above, some state-supported routes travel for part or all of the entire route on right-of-way owned by Amtrak outside the NEC; these routes are described in **Appendix D**. In these situations, Amtrak will remove the maintenance of way expenses for these segments as allocated in APT, and replace them with a synthetic host railroad charge. This charge is consistent with the costs that are typically charged to Amtrak by host railroads for incremental operating and maintenance. For right of way that Amtrak purchases or assumes maintenance responsibility for not listed in **Appendix D**, Amtrak and the state will negotiate such maintenance and related charges on a case-by-case basis.

Methodology for Determining Operating Costs

Under the proposed S209 Methodology, the Service Fee will include:

- 100 percent of the “Third Party Costs” associated with its corridor service;
- 100 percent of the verifiable Route Costs associated with its corridor service;
- Support Fees proportional to its corridor service; and,
- Credit for passenger and other allocated revenue, resulting in the Net State Cost.

Third Party Costs:

Actual Third Party Costs will be charged to the state corridors. Third Party Costs are comprised of:

- Host railroad maintenance of way;
- Host railroad performance payments; and
- Fuel and power charges.

Route Costs:

Route Costs are operating costs closely associated with the operation of a route. Route Costs can clearly be evaluated and tracked by Amtrak and the states in the direct provision of service on a corridor train. Route operating costs include the following categories as allocated by the APT system:

- Train and engine crew labor
- Car and locomotive maintenance and turnaround service
- On Board Service Labor and provisions (Food Service)
- Route Advertising,
- Sales & Distribution
- Reservations and Call Centers
- Route Stations
- Shared Stations
- Commissions
- Customer Concession
- Connecting Motor Coach
- Local & Regional Police
- Block & Tower operations
- Terminal Maintenance of Way
- Insurance

Support Fees:

Some cost categories have an additional level of regional and national support not included in the Route Costs, and therefore also include Support Fees that are proportional to the service provided. Support Fees are determined by applying category-specific additives to an associated route cost or other aspect of service, (i.e. revenue or passenger miles). These additives were developed by converting support cost data from the APT system into rates that would be consistent across all trains in a region, or in some cases, all state-supported trains.

For example, Amtrak provides mechanical support, facilities and services that can reasonably be apportioned between Amtrak's business lines – the Northeast Corridor (NEC) trains, long-distance trains and state-supported trains. The Maintenance of Equipment (MoE) support fee represents the portion of those costs allocated to state-supported trains and is determined by applying an additive rate to the Car & Locomotive Maintenance and Turnaround route cost.

There are six categories of Support Fees are determined as follows:

- Train & Engine Crew Support (T&E): A combination of system and division additives applied to Train & Engine Crew Labor route costs. All corridors will be charged a system additive which is fixed (12.9 percent) and a division additive which is variable (13.5-24.3 percent). The division additive is based on the Amtrak region in which the corridor operates and is linked to the management structure within Amtrak that is responsible for service delivery by train crews. The T&E system additive rate excludes costs from Amtrak's Consolidated National Operations Center (CNOC), which are considered a "backbone" cost.
- Maintenance of Equipment (MoE): A fixed system additive (27 percent) applied to the Car & Locomotive Maintenance and Turnaround Route Cost. The MoE additive rate excludes backshops and fleet engineering costs, which are considered a "backbone" cost.
- On Board Services (OBS): A fixed system additive (10 percent) applied to the OBS Crew & Provisions Route Cost.
- Marketing: A variable regional additive (1.9 - 2.8 percent) applied to total revenue. The marketing additive is based on the degree to which a state corridor is connected to the NEC or to a major Amtrak hub station. Corridors that fall into those categories will have a higher additive associated with Amtrak's higher level of shared marketing in those regions.
- Police: A fixed system additive (\$.005) applied to passenger miles.
- General & Administrative: A fixed system additive (2 percent) applied to Total Route Costs.

The additive rate will remain the same for three years beginning October 2012, unless there is a significant unforeseen event, such as a significant decrease in Amtrak's Federal funding or a significant change to the size of Amtrak's network. A change in the additive rate during the three-year term must be approved by Amtrak and the states. At the end of the three year period, Amtrak will propose adjustments to the additive rates if they are necessary. States and Amtrak must mutually agree on additive rate adjustments.

The table below illustrates the S209 Operating Cost Pricing Methodology. The definitions of cost categories and additives are described in more depth in **Appendix E**.

S209 Operating Cost Pricing Methodology

ROUTE COSTS	+	SUPPORT FEE	=	OPERATING COSTS
Train & Engine Crew Labor		<i>T&E Route x (Division Additive* + System Additive (12.9%))</i>	=	Total Train & Engine Crew Labor
Car & Locomotive Maintenance & Turnaround	+	<i>Car & Loco Route Cost X System Additive (27%)</i>	=	Total Maintenance of Equipment
On Board Service (OBS) Crew & Provisions	+	<i>OBS Route Cost x 10% OBS Additive</i>	=	Total On Board Services
Route Advertising			=	Total Route Advertising
Sales & Distribution	+	<i>Marketing Additive* x Passenger and Allocated Revenue*</i>	=	Total Sales & Marketing
Reservations & Call Centers			=	Total Res & Call Center
Stations – Route			=	Total Route Stations
Station – Shared			=	Total Shared Stations
Commissions			=	Total Commissions
Customer Concessions			=	Total Concessions
Connecting Motor Coach			=	Total Motor Coach
Regional/Local Police	+	<i>Passenger Miles x Police Additive (\$0.005)</i>	=	Total Police & Security
Terminal Yard Operations			=	Total Terminal Yard Ops
Terminal Maintenance of Way			=	Total Terminal MoW
Insurance			=	Total Insurance
Total Route Costs <i>(Sum of Above)</i>	+	<i>Total Route Costs x General & Administration Additive (2%)</i>	=	General & Administrative
				Route Service Fee <i>(Sum of Above)</i>
		<u>Host RR Maintenance of Way + Host RR Performance + Fuel & Power</u>	+	3 rd Party Costs
			=	Total Operating Costs <i>Service Fee + 3rd Party Costs</i>
			-	Less Passenger and Other Allocated Revenue
			=	NET STATE COST

*Denotes variable additive. Reference Appendix E

Passenger and Other Allocated Revenue

Passenger revenues include ticket revenue and food and beverage revenue attributable to a particular route. Other Allocated Revenue includes miscellaneous revenue related to a route’s passenger train operations, such as ticket by mail fees, loyalty marketing revenue, commissions from sales of third-party services during the reservations process (call/Internet “tipping”), package express where applicable, and other.

Optional Services and Pricing

States may wish to independently contract with alternative service providers for some services rather than Amtrak. For example, states may contract directly with vendors for food service, equipment maintenance, and other components of their services. Working with independent service providers may have an impact on the

level of service that Amtrak can provide for a state. In these cases, costs that are not incurred by Amtrak would not be included in cost estimates or service reimbursements.

Operating Surplus

In the case where a route achieves an operating surplus, that route's surplus funds will be applied as follows: first, to operating payments for other routes supported by that state; second, to equipment capital charges for that state; third, for agreed upon fixed asset capital charges for that state; fourth, for future operating and capital payments by that state.

Methodology for Determining Capital Costs

Amtrak makes substantial capital investments in equipment (rolling stock) and other fixed assets needed to deliver passenger rail services. Under this policy, Amtrak will charge states for a share of these investments proportional to their use in state-supported services. Based on Section 209 requirements, the capital charge, or capital use charge², will be allocated to each route; each sponsoring state is responsible for funding its capital charge. Amtrak will work with states to find federal and other sources of funds to assist with the capital charge.

The capital charge will be forward looking and investment-based. Amtrak will assess an annual capital charge to each state for the following asset types:

- Equipment – existing and new Amtrak-owned;
 - For existing rolling stock, states will be charged a pro rata share, based on Units Used, of capital overhauls performed on the equipment classes they use to assure the assets remain FRA compliant and in a state of good repair
 - For rolling stock procured in the future by Amtrak, states will be charged a pro rata share of the purchase price, financing cost, and capital overhauls reflecting costs paid by Amtrak
 - Capital equipment charges will vary from year to year based on the life cycle maintenance plan associated with the equipment type.
- Other Amtrak fixed assets, including joint stations and Amtrak-owned rights of way;
 - This policy contains no formula-based fixed asset capital charge for Amtrak's other fixed assets such as stations and other facilities. Because of the unique nature of the fixed assets on each route, Amtrak and the states will develop an investment plan to maintain fixed assets in a state of good repair on a case-by-case basis during contract negotiation. States and Amtrak, as necessary, will be responsible for their pro rata share of any capital investments required on these Amtrak owned assets based on usage of these assets by state-supported and other users such as Amtrak long distance and/or commuter.
 - Amtrak will work with states to jointly identify and prioritize route-specific capital projects
- Other investments in assets not owned by Amtrak but required to maintain or enhance service.
 - Some routes make use of assets owned by third parties such as host railroads or state and local governments. States and Amtrak, as necessary, will be responsible for their pro rata share of any capital investments required on these non-Amtrak owned assets based on usage of these assets by state-supported and other users such as Amtrak long distance and/or commuter.

² Depending on specific state needs, the charge for capital investment on a state corridor can be characterized as a capital charge, or a capital use charge. For purposes of this document, the term "capital charge" encompasses both characterizations.

A complete description of capital cost categories is included in **Appendix E**.

Amtrak will develop 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. The program will be adjusted as needed in each annual contract update.

The five-year program would include detailed, verifiable program work elements to be accomplished by Amtrak in support of state services annually. In the case of investments/overhauls for equipment used in multiple routes, a sharing relationship will be negotiated at the beginning of each fiscal year based on the route's actual use of equipment as recorded by the APT system and adjusted for any changes in service expected in the upcoming year.

Amtrak will use the best available data to provide the state with an estimate for its capital charge prior to signing an agreement for state supported service. At the end of the contract period, Amtrak will reconcile that estimate to the actual capital investment by that equipment type and a state's use of equipment, as previously determined in each state's annual contract.

In cases where Amtrak spent less on capital programs than planned, Amtrak will apply a credit balance to future years' capital charges. In cases where Amtrak spent more on capital programs than planned, there will be no adjustment to the current year's charge but an adjustment will be made on the subsequent year's charge based on look forward investment strategies.

Amtrak will include the capital charge as a component of each state's Annual Operating Support Agreement. This capital charge will equal each state's pro rata share of the overhaul work described above. States may pay this amount from operating or capital funds, depending on a state's individual financial policies and/or grant sources.

The timing of the billing for capital charges will depend on the timing of the planned capital expenditures. The monthly cash flow for the equipment charge would be determined as part of the development of the Annual Operating Support Agreement.

Attribution of Previous State Capital Investments on the Amtrak Network

Some states have made capital contributions to Amtrak assets in association with their services. For Amtrak-owned equipment, states will be credited for the net present value of past capital investments in Amtrak equipment at the time of Section 209 implementation. This will compensate States for investments they have made in pooled assets used by multiple routes. These past equipment investments by States will allow all routes using that equipment type to schedule future capital replacements at a later date than would have been the case without the prior state investment. Amtrak will work with states to calculate the value of past capital investments in a mutually agreeable way.

For fixed assets, whether owned by Amtrak or other third parties, the capital charge is based on planned investments, not past depreciation, and represents the funding needed to make the agreed-upon investments to sustain existing service levels. As a result, any credit that reduces the capital charge would reduce the funds available for investment, create a funding gap, and prevent the needed investment. Therefore, credit towards future fixed asset capital charges cannot be given within the framework of the Section 209 policy for prior investments made by a state in Amtrak or third party assets. Notwithstanding the inability to fund a fixed asset credit, past State investments in Amtrak or other fixed assets should result in a longer service life for the asset,

and a resulting reduction and/or deferral in the amount of future capital investments, as well as maintaining and/or improving a route's operating performance.

Forecasts of Funding Requirements for State Supported Contracts

Amtrak develops five-year revenue and cost forecasts as part of its annual business planning process. For each state-supported route, Amtrak will estimate projected costs for the contract period and share them with states. For existing services that are not changing in the forecast period, Amtrak will rely on historical APT data together with out-year cost forecasts provided by Amtrak to predict the results. In cases where service levels (frequencies, schedule changes, etc.) are changing, Amtrak will forecast revenue and expense changes using ridership, revenue, and cost estimation models which are directly related to the expected changes in service levels.

State Corridor-Amtrak Contract Template

Amtrak and the SWG developed a contract template for states and Amtrak to use as they work together to develop their contract for services. The contract template addresses the key issues that states and Amtrak must discuss and address in some fashion to develop their agreements for the contract period. The contract template can be customized to reflect state differences. **Appendix F** outlines the proposed contract template

Transition from Prior Costing Methodologies

Section 209 of PRIIA requires that the new methodology be fully implemented by October 16, 2013 – that date closely aligns with the beginning of Federal Fiscal Year (FFY) 2014 on October 1, 2013. States may transition to the Section 209 methodology at a mutually agreed upon time prior to October 1, 2013 provided this transition does not result in a reduction in net forecasted state payments to Amtrak compared to that State's prior methodology. Otherwise, all states will transition to the Section 209 methodology effective October 1, 2013.

FRA staff met with the Amtrak and the SWG several times during the course of Section 209 methodology development. The FRA recognizes that the implementation of the new methodology will require increased financial support from states. FRA staff have committed to continuing their work with Amtrak and the states to develop a possible transition assistance plan to ease the impact of Section 209 on the affected states. The states, Amtrak and FRA recognize that any transition plan will need to ultimately be addressed by Congress.

Appendix A: Routes Affected by PRIIA Section 209

	Route Miles ³	State-Supported FY10 ⁴	System Trains	State-Supported per PRIIA Sec 209
Single-State⁵				
Empire Service	461	-	Yes	Yes
Lincoln Service (Chi-St. Louis)	284	Yes	Partial	Yes
Illini/Saluki	310	Yes	-	Yes
Illinois Zephyr/Carl Sandburg	258	Yes	-	Yes
Pacific Surfliner	350	Yes	Partial	Yes
Capitols	168	Yes	-	Yes
San Joaquins	315	Yes	-	Yes
River Runner (KC-St. Louis)	283	Yes	-	Yes
Piedmont	173	Yes	-	Yes
Multi-State (Non-NEC)				
Ethan Allen Express	241	Yes	-	Yes
Maple Leaf	545	-	Yes	Yes
Downeaster	116	Yes	-	Yes
Hiawatha	86	Yes	-	Yes
Wolverines	304	-	Yes	Yes
Heartland Flyer	206	Yes	-	Yes
Cascades	467	Yes	Partial	Yes
Adirondack	381	Yes	-	Yes
Blue Water	319	Yes	-	Yes
Hoosier State	196	-	Yes	Yes
Pere Marquette	176	Yes	-	Yes
NEC Base-increment (Single and Multi-State)⁶				
Vermont	611	Yes	-	Yes
New Haven – Springfield	63	-	Yes	Yes
Keystone Service	195	Yes	Partial	Yes
Boston/New Haven-Lynchburg	173	Yes	-	Yes
Washington-Richmond	187	Yes	Partial	Yes
Pennsylvanian	353	-	Yes	Yes
Carolinian	479	Yes	-	Yes

³ For routes with multiple frequencies having different origins and destinations, represents the longest rail trip possible on multiple trains.

⁴ FY10 State support does not include capital payment, or in some cases, all trains on a route.

⁵ Routes with 95% or more route miles in one state are considered single state.

⁶ Excludes route miles on NEC.

Appendix B: Relevant Legislation

SEC. 209. STATE-SUPPORTED ROUTES.

(a) IN GENERAL.—Within 2 years after the date of enactment of this Act, the Amtrak Board of Directors, in consultation with the Secretary, the governors of each relevant State, and the Mayor of the District of Columbia, or entities representing those officials, shall develop and implement a single, nationwide standardized methodology for establishing and allocating the operating and capital costs among the States and Amtrak associated with trains operated on each of the routes described in section 24102(5)(B) and (D) and section 24702 that—

- (1) ensures, within 5 years after the date of enactment of this Act, equal treatment in the provision of like services of all States and groups of States (including the District of Columbia); and
- (2) allocates to each route the costs incurred only for the benefit of that route and a proportionate share, based upon factors that reasonably reflect relative use, of costs incurred for the common benefit of more than 1 route.

(b) REVISIONS.—The Amtrak Board of Directors, in consultation with the Secretary, the governors of each relevant State, and the Mayor of the District of Columbia, or entities representing those officials, may revise or amend the methodology established under subsection (a) as necessary, consistent with the intent of this section, including revisions or modifications based on Amtrak’s financial accounting system developed pursuant to section 203 of this division.

(c) REVIEW.—If Amtrak and the States (including the District of Columbia) in which Amtrak operates such routes do not voluntarily adopt and implement the methodology developed under subsection (a) in allocating costs and determining compensation for the provision of service in accordance with the date established therein, the Surface Transportation Board shall determine the appropriate methodology required under subsection (a) for such services in accordance with the procedures and procedural schedule applicable to a proceeding under section 24904(c) of title 49, United States Code, and require the full implementation of this methodology with regards to the provision of such service within 1 year after the Board’s determination of the appropriate methodology.

(d) USE OF CHAPTER 244 FUNDS.—Funds provided to a State under chapter 244 of title 49, United States Code, may be used, as provided in that chapter, to pay capital costs determined in accordance with this section.

49 USC § 24102. Definitions

(5) “national rail passenger transportation system” means -

- (A) the segment of the continuous Northeast Corridor railroad line between Boston, Massachusetts, and Washington, District of Columbia;
- (B) rail corridors that have been designated by the Secretary of Transportation as high-speed rail corridors (other than corridors described in subparagraph (A)), but only after regularly scheduled intercity service over a corridor has been established;
- (C) long-distance routes of more than 750 miles between endpoints operated by Amtrak as of the date of enactment of the PRIIA [October 16, 2008]; and
- (D) short-distance corridors, or routes of not more than 750 miles between endpoints, operated by--(i) Amtrak; or (ii) another rail carrier that receives funds under chapter 244.

49 USC §24702. Transportation requested by States, authorities, and other persons provides:

(a) **CONTRACTS FOR TRANSPORTATION.** Amtrak may enter into a contract with a State, a regional or local authority, or another person for Amtrak to operate an intercity rail service or route not included in the national rail passenger transportation system upon such terms as the parties thereto may agree.

49 USC § 24904. General authority

(c) **Compensation for Transportation Over Certain Rights of Way and Facilities.** – (1) An agreement under subsection (a)(6) of this section shall provide for reasonable reimbursement of costs but may not cross-subsidize intercity rail passenger, commuter rail passenger, and rail freight transportation.

(2) If the parties do not agree, the Interstate Commerce Commission shall order that the transportation continue over facilities acquired under the Regional Rail Reorganization Act of 1973 (45 U.S.C. 701 et seq.) and the Railroad Revitalization and Regulatory Reform Act of 1976 (45 U.S.C. 801 et seq.) and shall determine compensation (without allowing cross-subsidization between commuter rail passenger and intercity rail passenger and rail freight transportation) for the transportation not later than 120 days after the dispute is submitted. The Commission shall assign to a rail carrier obtaining transportation under this subsection the costs Amtrak incurs only for the benefit of the carrier, plus a proportionate share of all other costs of providing transportation under this paragraph incurred for the common benefit of Amtrak and the carrier. The proportionate share shall be based on relative measures of volume of car operations, tonnage, or other factors that reasonably reflect the relative use of rail property covered by this subsection.

Appendix C: Definition of NEC Capital Charges, Where Applicable

Normalized Replacement Capital Charge— Replacement of assets on a regular schedule designed to mitigate cyclical imbalances in renewal needs. Normalized replacement is the estimated annual capital investment requirements to maintain infrastructure in a state of good repair once it is in that condition.

State of Good Repair (SOGR) Backlog Capital Charge—An asset or group of assets that have received inadequate maintenance over a long period of time, or have not been replaced within standard life cycle. It may still be functioning as designed but face imminent heavy repair or replacement to overcome a “backlog” of regular maintenance which was not performed on schedule. For the Section 209 policy, SOGR Capital Charge will be calculated as incremental to the Normalized Replacement Capital Charge.

Appendix D: Amtrak-Owned Right of Way Eligible for Synthetic Host Railroad Charge

Amtrak-Owned Track Segment	Miles (Timetable)	Routes Affected
New Haven, CT – Springfield, MA	62	Springfield Shuttle
Philadelphia, PA – Harrisburg, PA	104	Keystones, Pennsylvanian
Porter, IN – Kalamazoo, MI	100	Blue Water, Wolverine
New York Penn Station – Spuyten Duyvil, NY	10.7	Empire Service

Appendix E: Definition of Cost Categories Used in State-Supported Service

version 2011-06-01						
Major Cost Category	Cost Category	Definition	Formula			
Third Party Costs	Host Railroad Maintenance of Way	Payments to host railroads for incremental costs, primarily maintenance of way associated with passenger operations	FM_307(Host RR) less incentives, less Host RR fuel, less Host RR MoE			
	Host Railroad Performance Incentives	Incentive payments to host railroads for meeting on-time and other performance targets	FM_307(Host RR) Schedule Adherence account			
	Fuel and Power	Diesel fuel and electric power used in train operations	FM_304(Fuel) + FM_307(Host RR) fuel account +			
Route Costs	Train & Engine (T&E) Crew Labor	Salaries, wages, benefits, and FELA for employees providing services for train operations. Includes engineers, conductors, assistant conductors, and related extra boards	FM_302_1(T&E Crew)			
	Car & Locomotive Maintenance and Turnaround	Turnaround service consists of cleaning, inspection, and minor repairs before or after revenue service. Also contains scheduled running maintenance and bad order repairs. Excludes capitalized maintenance and overhaul	FM_201(MoE Turnaround) + FM_202(MoE Loco Maint) + FM_203(MoE Car Maint) + FM_205(MoE Multiple, direct functions only) _ FM_307(Host RR, MoE account only)			
	OBS Crew & Provisions	Salaries, wages, and benefits for employees providing On Board Services in Café, Lounge, and Dining Cars, including related extra boards. Also includes provisions loaded on train for sale	FM_301_1(OBS Crew) + FM_301_2(OBS Supplies)			
	Route Advertising	Sales & marketing expenses in support of a specific route, budgeted and recorded separate from other sales & marketing expense	Specific cost centers in FM_403(Marketing)			
	Sales Distribution	Sales and distribution operations, including development of new ticketing and on-board systems	FM_401(Sales (and Distribution) less Commission accounts			
	Reservations & Call Centers	Reservation sales call centers for general public and travel agencies, and supporting information systems	FM_402(Information & Reservations)			
	Stations - Route	Stations serving a single route. Depending on location, may include ticketing, baggage and express, stationmaster and ushers, station cleaning and maintenance, training and supervision	FM_501(Stations - Route)			
	Stations - Shared	Stations serving multiple routes. In addition to route station services, shared stations may include Red Cap and porter services	FM_502(Stations - Shared)			
	Commissions	Commission expense from credit cards, travel agencies, airline system access fees, and sales by other carriers as applicable	Commission accounts in multiple families for credit card sales, travel agents, and interline commission expense			
	Customer Concession (Psg'r Inconv)	Payments to passengers for food & lodging as a result of delays. Generally includes unscheduled/ emergency motor coaches	Passenger inconvenience account in FM_G_A(General & Administrative)			
	Connecting Motor Coach	Scheduled connecting motor coach services	FM_306(Train Movement) Connecting Motor Coach account			
	Regional/Local Police	Local and regional police patrolling duties in support of Amtrak trains, facilities, and rights of way	FM_901_2(Police - Regional/Local)			
	Block & Tower Operations	Crews who operate staffed towers along specific rights of way	Specific cost centers in FM_306(Train Movement)			
	Terminal Yard Operations	Crews who move train equipment at larger terminals before and after revenue service	FM_303_2(Yard - Train & Equipment Moves) + FM_303_4(Yard - Terminal Rent/Yard Services)			
	Terminal MoW	MoW expense at large Amtrak terminals, as applicable	Specific cost centers in FM_MOW(Maintenance of Way)			
Insurance	Self and purchased insurance for passenger train operations	Allocated insurance expense in FM_G_A(General & Administrative)				
Additives	T&E	Division-specific and system overhead rates for T&E supervision and management. Includes road foremen, superintendents, crew bases, crew dispatching, local and national operating rule compliance, and other support. Excludes national train dispatching	Division	Division Rate	System Rate	Total
			Central	13.50%	12.90%	26.40%
			Mid-Atlantic	18.40%	12.90%	31.30%
			Mid-Atlantic/Southern	20.20%	12.90%	33.10%
			New England	16.50%	12.90%	29.40%
			New York	24.30%	12.90%	37.20%
			Pacific	19.50%	12.90%	32.40%
			Southern	20.60%	12.90%	33.50%
			Southwest	16.30%	12.90%	29.20%
			Total rate to be applied to T&E Crew Labor			
	MoE	Maintenance of shops and equipment to support direct Mechanical activities. Excludes Backshops and Fleet Engineering	27.10% of Route Cost Car & Locomotive Maintenance and Turnaround			
	OBS	OBS and commissary management and supervision	10.00% of OBS Crew & Provisions			
	Police	National police operations and support	\$0.0050 per passenger mile			
	Marketing	National marketing programs, including national advertising; loyalty marketing; timetables; personnel in support of Route Advertising; shows, exhibits & special events; and other	Region			Rate
			Base-increment routes on NEC			2.80%
			Routes with one terminal in Chicago			2.80%
			All other routes			1.90%
	Rate to be applied to Total Revenue					
	General & Administrative	Charge for General & Administrative support including Computer Systems, Finance, Legal, and other	2.00% of Route Costs			
Revenue Credit	Ticket revenue, net	Ticket revenue from passengers. Where applicable, includes through revenue adjustments described elsewhere in policy	As reported by APT, with adjustments for through revenue described elsewhere in policy			
	Food & Beverage Revenue	On-board food & beverage sales. Where applicable, pro-rated with supply expense across multiple legs	As reported by APT, pro-rated with supply expense across multiple legs			
	Other Revenue	Miscellaneous revenue as allocated by APT	As reported by APT			

Appendix E: Definition of Cost Categories Used in State-Supported Service - Capital

version 2011-06-01			
Major Cost			
Category	Cost Category	Definition	Formula
Equipment	Passenger service equipment	Capital overhauls for Amtrak-owned equipment in service on state-supported routes, including locomotives, cab cars, coaches, and food service cars. States will be charged for the periodic capital overhauls of equipment in a period based on their proportionate use of that equipment in that period	Capital overhaul expense: by equipment type, from Amtrak's capital accounting systems. Equipment usage statistics: from the Amtrak Performance Tracking system. Amtrak will provide States with an estimate of planned overhaul work at the beginning of a contract period and will reconcile the planned usage to actual work performed and actual equipment used in a State's service
	Other mechanical expense	Wreck repair, facility improvements, equipment engineering and design, general safety & reliability, mechanical IT projects	Not charged to States
Other Amtrak Fixed Assets	Amtrak-owned fixed Assets used in State Services	Includes assets such as Amtrak-owned rights of way, large terminals, stations, and other	To be handled on a case-by-case basis between Amtrak and State partners
Other non-Amtrak Fixed Assets	Non-Amtrak-owned fixed assets used in State services	Includes assets used in State services owned by third parties such as host railroads or state and local governments, such as rights of way, stations, and other	To be handled on a case-by-case basis between Amtrak and State partners

Appendix F: State-Amtrak Contract Template

Contract Outline

Effective Date: Contracts aligned to match each Agency's fiscal year

Parties: State Intercity Passenger Rail (IPR) Agency and Amtrak

Recitals/Boilerplate:

Section 1: Services to be Provided (multiple state funded services can be co-mingled under one agreement):

- Description of Amtrak Services and Service Standards {unique to each State}
- Train Schedule and Route Description {Train Service Schedules (including Connecting Bus Service, if applicable) detailed in appendix}
- Service Standards (see appendices) [Optional and specific to each State IPR Agency]
- Monitor the fiscal performance of the service/quarterly meetings (budget vs. actual)

Section 2: Decisions Affecting Service:

- Include Agency in discussions with railroads or appropriate regional rail authorities regarding schedule changes which impact service.
- Apprise Agency of any bargaining provisions that may impact service

Section 3: Amount of Reimbursement by the State IPR Agency:

- Agency's total financial obligation to Amtrak for the stated contract term shall be defined in terms of the following elements as part of the Section 209 Policy:
 - Service Fee—including Route Costs and Additives (including General & Administrative costs)
 - Third Party Costs—including fuel, host railroad access fees and incentive performance payments.
 - Other Special Cost Items as agreed upon between Amtrak and the Agency
 - Passenger Related Revenue—including ticket revenues, food and beverage revenues and other allocated revenues. These revenues are offsets from the above cost categories
 - Agency payment is the sum of the Service Fee, Third Party Costs, Other Special Costs Items with a credit for Passenger Related Revenue
- Forecasting financial elements always entails some risk as costs and/or revenues may vary from the forecasts. Amtrak and the Agency will determine the procedure for handling variances from forecasts during contract negotiations and, in particular, which party takes the risk for variances for each cost category. Options for managing and assigning variance risk are noted below:
 - Service Fee. Amtrak will make forecasts for the Service Fee. The assignment of variance risk will be subject to negotiation among the parties.
 - Third Party Costs. By definition, these costs are passed through Amtrak directly to the Agency. While Amtrak will make forecasts for these costs, the Agency will reimburse Amtrak for the actual amount of these costs whether they are lower than or higher than the Amtrak estimates

- Other Special Cost Items. These cost items will be negotiated between Amtrak and the Agency with the management of the variance between forecast and actual expenses governed in accordance with the particular arrangement between the parties
- Passenger Related Revenue. Amtrak will make forecasts for these items and the assignment of variance risk will be subject to negotiation among the parties.

Section 4: Manner of Reimbursement:

- Agency will pay Amtrak in accordance with the monthly payment schedule provided service operates at a deficit (see appendices)
- Invoices shall be rendered not less than forty-five (45) days prior to the due date.
- Force majeure
- Monthly Reconciliation Statements to State IPR Agency
- Remedies in the event that Amtrak fails to perform the services as required by this Agreement or Amtrak fails to provide revenue credits or carryover excess contract revenues
- Remedies in the event the State IPR fails to provide payment to Amtrak

Section 5: Defense of Claims {may vary due to scope of work}

Section 6: Inspection and Audit:

- Agency has the right to inspect the rail passenger and bus feeder services, facilities and equipment provided for service subject to adequate notice
- Amtrak shall provide the number of passengers carried and passenger miles operated for each train as well as other service-related reports as agreed-to by Amtrak and the Agency. Such data shall be computed and furnished on a monthly basis as described in the appendices (varies by State).

Section 7: Dispute Resolution {May vary}

Section 8: Force Majeure

- The obligations of Amtrak hereunder shall be subject to force majeure.

Section 9: Termination

Section 10: Notices

Section 11: Agreement Content

Section 12: Construction {May vary by State}

Section 13: Severability

Section 14: Compliance with Collective Bargaining Agreements

- The State acknowledges the existence of collective bargaining agreements between Amtrak and certain labor organizations representing certain of Amtrak's employees, and agrees that Amtrak will provide the

Service in a manner consistent with its obligations and rights under such agreements, as they may exist from time to time.

Section 15: State-Required Provisions (unique to each State):

- Appropriation of Funds
- Non-Discrimination
- Fair Employment Practices
- Contractor Integrity

Signature Blocks

Appendices: (contents and number of appendices will vary by State):

- National Section 209 Policy
- Train Service Schedules (and Connecting Bus Service, if applicable)
- Budget
- Payment Schedule
- Examples of Services and Performance Standards {OPTIONAL}
 - Provision of Equipment—Availability and Condition
 - Equipment Maintenance Standards
 - Reliability of Service—On Time Performance
 - Maintenance of Stations
 - Crew Performance, Supervision and Standards
 - Food Service
 - Reservations/Call Center
 - Marketing Support
 - Other Services