
PRIIA Sec 209
Questions from States

Section 209 National Meeting, August 17
Chicago, IL

PRIIA Interpretation

- Question (Comment)
 - We disagree with your interpretation of which routes will be affected by PRIIA Section 209.
- Response
 - We have reviewed PRIIA Section 209 with Amtrak's Law Department and believe the routes specified in Appendix B of the draft policies are affected.

- Questions

- Is the national meeting premature, as the detailed questions about APT miscoding and allocation rules raised in regional meetings have not yet been resolved? Is the next step more appropriately another set of regional meetings to present the cleaned-up APT and financial estimates of proposed policies?
- Given that questions about allocation rules have not yet been resolved, and we don't have a "clean" financial system to work from, how will Amtrak be able to provide the states with the financial impact for each policy option? If Amtrak can give the States financials based on sound APT info, we might not need to do another set of regional meetings to resolve APT.
- Given that a methodology is approved, the challenge remains to be the correct and transparent allocation of costs to the states. More progress needs to be made on this front in order for me to concur with the draft pricing policy.

- Response

- We believe a national conversation will be helpful at this stage
- We commit to continuing regional meetings (in-person, telecon, and/or webinar) until APT questions have been resolved
- Policy recommendation: Introduce a review process for selected APT cost allocation rules based on alternate proposals

- Questions (Comments)

- In my discussions with Amtrak staff, they are developing options to the fully allocated APT costs for consideration by States. These options and any background info and reasoning need be provided ahead of time.

- Response

- We appreciate the benefits of reviewing information in advance and will make our best efforts to provide it as soon as possible
- Board of Directors recommended policy e-mailed shortly after July meeting, but financial information is taking time to prepare
- Capital charge information is currently under review within Amtrak

Capital Charge

- Question (Comment)

- Amtrak needs to provide cleaned-up version(s) of APT costs for each of the corridor services. These costs should include the infamous "Capital" costs, which I am not sure if Amtrak has been able to completely address at this moment. I am not sure but I do not think ALL impacted states have received these initial APT costs for their Amtrak corridor services.
- I am not comfortable agreeing to one part of the methodology without some baseline understanding of the capital charge.

- Response

- Some routes still have outstanding APT adjustments that are in process
- Capital costs released by Finance/Volpe in early August, are in an internal review process, and will be shared and discussed with States in coming weeks
- Affected States have received an initial APT workbook describing Policy "A"

Changes to Shared Costs

- Question

- Will there be a formal notification process to the states when changes occur in some of the indirect more subjective costs as a result of service changes that are not in the state's control? (Example: Elimination of a particular service through CUS would not necessarily eliminate some fixed costs at CUS and those fixed costs would be shared with the remaining states)

- Response

- Regional Policy & Development staff regularly review APT reports and investigate anomalies, variances, and exceptions
- P&D will communicate changes to Shared Costs as part of regular contact with State partners

- Question

- Since the FRA Report on APT was issued in 2009, has Amtrak made any changes to the costing methodologies?

- Response

- Theory of APT as described in report has not materially changed
- Individual rules are constantly being reviewed and updated based on changes to and reviews of operations
- Amtrak is developing a process where rules and proposed changes are reviewed at multiple levels
 - Policy recommendation: Rules can be reviewed within Amtrak and referred to FRA if necessary, at the request of States

Allocations Between Long Distance, Corridor Services

- Question (Comment)
 - Ensure that there is proper allocation between shared equipment, crews, facilities between State-Supported Routes and the Long Distance Routes
- Response
 - We are currently reviewing the allocation of shared facilities across routes – both for Long Distance and State-Supported
 - Debatable rules in current allocation methodology is one reason we are proposing a reduction of Shared Costs as a pricing principle

Customer Concession

- Question (Comment)

- We are concerned with the allocation of Customer Concession (the passenger inconvenience charge). We don't want to be paying more for bad service on another route, or to be paying for passenger inconvenience that results from actions out of our control

- Response

- Future adjustments to cost recording hopefully will support train-based coding of Customer Concession charges
 - Shifting burdens of Customer Concession charges is one reason we are proposing a reduction of Shared Costs as a pricing principle

- Question (Comment)

- We are concerned with the allocation of Police, Environmental and Safety to the route.

- Response

- Today, increased nationwide Amtrak police programs are a cost of doing business in transportation

- As in prior discussions, we are proposing a reduction of Shared Costs as a pricing principle

Division of Shared Costs Between States and Amtrak

- Question

- Is there an assumption that States should take on the full subsidy of a route? Is there any statute language to point to on this issue? Are any States attempting to negotiate cost sharing? In addition, please provide official correspondence or e-mails from Amtrak regarding process and cost estimates.

- Response

- Current Board policy proposal calls for only 75% of Shared Costs to be supported by States
 - Sec 209 calls for States to pay “costs incurred only for the benefit of that route” and “a proportionate share” of “costs incurred for the common benefit of more than 1 route” – not full subsidy
 - Some States have made policy recommendations; Amtrak must negotiate with all States
 - Amtrak will communicate policy updates and financial impacts via e-mail, similar to recent Board policy proposal

Adjustments to APT & Policy Options

- Question

- Are there options on the table that would impact these cost estimates or the distribution of costs among the States?

- Response

- State support estimates will change for the following reasons:
 - Changes in route level of service & revenue will affect a route's APT costs, both Direct and Shared
 - Refinements of APT allocations will affect routes' fully-allocated costs
 - Expansion of service may reallocate and lower individual routes' share of Shared Costs
 - Cuts to service may reallocate and increase individual routes' share of Shared Costs
 - We are looking for further policy suggestions from the States

Network Benefits

- Question

- Is there an effort to cost share operating/capital costs of State-Supported Routes with Amtrak's other routes – State Supported Routes benefit Amtrak's overall Long Distance trains and NEC Corridor Service. Is asking for an 80-20 split of the real cost negotiable?

- Response

- Amtrak interprets statute to call for full State responsibility of Direct Costs, some portion of Shared Costs
- Amtrak Board proposing a 75-25 split of Shared Costs, to encourage system growth
- Through network effects, NEC, Long Distance, and State-Supported Corridor trains benefit each other

Long Distance Trains

- Question

- Can Amtrak take into consideration in applying this new costing methodology states which do not benefit from any of Amtrak's Long Distance train service and would be forced to pay all intercity passenger service in our state? Are there any plans to rethink how Amtrak delivers their existing long distance service?

- Response

- PRIIA Section 209 does not call for consideration of long distance service relative to corridor service
- PRIIA Section 210 requires continual review of Long Distance trains – difficult to predict outcomes at this point
- Past decisions about Long Distance trains made prior to creation of PRIIA

- Question
 - Amtrak indicates that for corridor trains that cross state lines but do not use the NEC “spine”, 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. What information is Amtrak referring to and has any of this information been shared with the other states in multi state-corridors?
- Response – Information available/provided includes:
 - Division of route miles by State
 - Boards/deboards and gross revenue by station and city pair
 - Share of ridership, revenue originating/terminating by State
 - This information has periodically been calculated for existing multi-state routes

Transitioning to New Policy, Service Changes

- Question

- One of the difficulties with this exercise is separating the process to agree on a new costing methodology from the individual impact on a particular state... we will need to work very closely with Amtrak to redefine the existing intercity passenger rail services... as a result of the impact of the new costing methodology.

- Response

- Amtrak will work with partners to develop and explore alternate scenarios for passenger rail services under the new methodology.
 - Example: Service planning for new Virginia services to Richmond, Lynchburg

- Question

- Previously Amtrak was experimenting with lighter maintenance/cleaning activities for a route. Is this still the case and if so has this been reflected in a reduction of cost for this service?

- Response

- With assistance from State partners, Amtrak will evaluate options for the most cost-effective service

- Question
 - How is the issue of State investments in current infrastructure handled and credited?
- Response
 - Components of capital charge are still being developed
 - In general, past State investments in asset classes will be credited against any capital charges for that asset class, to the extent that the asset retains a positive net book value

- Question

- If one line has seen total disinvestment and another is in top shape, is the obligation for capital improvements the same?

- Response

- Capital charge is based on existing infrastructure
 - Assets with higher value will generate a higher capital charge
 - Extent of capital charge recovery from States still to be determined
- For potential future capital improvements:
 - If a line is owned by a Host Railroad, capital improvement options to be discussed between State, Host Railroad, and Amtrak
 - If a line is owned by Amtrak, capital improvement options to be discussed between State and Amtrak - Amtrak's ability to contribute capital spending is likely to be limited

- Question

- When the Capital Charge assessment is collected how do we know it will be spent on the specific assets in the state?

- Response

- Capital Charges under Section 209 are payments to Amtrak for use of Amtrak's assets

- Rolling stock is typically used across multiple states; capital charge will reflect a State's proportionate usage of specific equipment types

- Fixed assets are identified by a location code

Host Railroad Issues

- Question

- We believe that there should be more transparency of the Host Railroad charges (Maintenance of Way and Performance incentives). This is especially critical where the state is putting up funds through HSIPR grants, etc.

- Response

- MOW costs are developed as avoidable costs for a route through negotiations with Host Railroads
 - Confidentiality agreements control what information can be released publicly
 - We will explore increased transparency within the limits of confidentiality agreements
- Performance incentives are billed by Host Railroads with a train number, and are reviewed and reconciled by Transportation dept.
- Under Section 207, Host Railroad payments will be adjusted to provide more specific detail

- Question

- What is status of discussion of routes that have international destinations?

- Response

- International routes currently have widely different operating scenarios
 - VIA crews assume train operation, costs at Canadian border
 - Amtrak crews operate train in Canada, and are charged accordingly by Canadian host railroads and terminals
- Border Patrol issues
- Amtrak Policy & Development is here to partner with States & Federal government to improve issues associated with international passenger rail
- In summary, costs generated from international operations are applied to routes

Agreements - Cost Forecasting

- Question (Comment)

- As with our other vendors and service partners, we require back-up and documentation of expenses and subsequent fees prior to approving payment or agreeing to contracted amount for goods/services. Please add the following language to the policy: “Amtrak will provide to States, no later than 90 days prior to the beginning of the next contract period, appropriate documentation to verify the costs for the prior 12 month period, and then work collaboratively to determine the appropriate costs for the following contract period.”

- Response

- Amtrak will continue existing practice of working with State partners throughout a contract period to regularly share, review, and analyze APT financial results in preparation for the next contract period
- A typical State-supported route’s costs will be made up of thousands of accounting entries – this can be an extensive process

Agreements – Risk Sharing

- Questions (Comments)

- Assessing an additional charge to a fixed price is not “Risk Sharing”, it’s providing a financial pad for Amtrak.
- What happens if the cost of something DECREASES? Is there a proposed mechanism for a refund to the States?

- Response

- Amtrak is prepared to quote a fixed price without an additional charge for cost items it has a high ability to manage and control (Service Fee items)
- Host railroad incentives, fuel, and revenue have experienced high variability in recent years – both favorable and unfavorable
 - Any party absorbing risk for these high-variability items must budget conservatively – therefore, additional charge
- If cost decreases, party absorbing the risk receives benefit and the reverse is true – if costs increase the party accepting the risk takes the cost overrun

Inflation, annualization

- Question
 - Can Amtrak now show FY 10 numbers (or good estimates for FY 10) for these routes?
- Response
 - APT workbooks discussed in regional meetings are 6 months of actual FY10 data
 - 9 months of APT data (annualized) will be available soon, pending resolution of allocation issues
- Question
 - How does Amtrak decide on an inflation rate? Is it already included in the numbers on the table or does it need to be added to that amount?
- Response
 - Inflation developed by Amtrak Finance based on analysis of American Association of Railroads (AAR) projections
 - Numbers presented are FY10 actuals, annualized based on YTD actuals

Implementation, Budgeting

- Question

- To help States with their development of future year budgets, each option presented should present the total costs, revenues, and expected state contract/budget over the three-year implementation of the Sec 209 (FY12-FY13-FY14).

- Response

- Amtrak will provide a schedule combining the proposed implementation phase-in and estimated inflation adjustments to the FY10 data