



A Case Study: Building a Partnership with a Freight Railroad for Passenger Service

Eugene K. Skoropowski, former Managing Director
Capitol Corridor Joint Powers Authority Oakland, California

Rail Passenger Association
Miami, Florida October 20, 2018

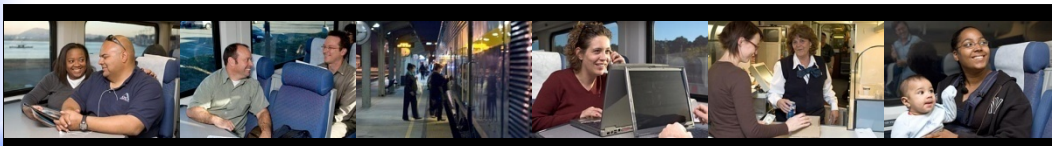


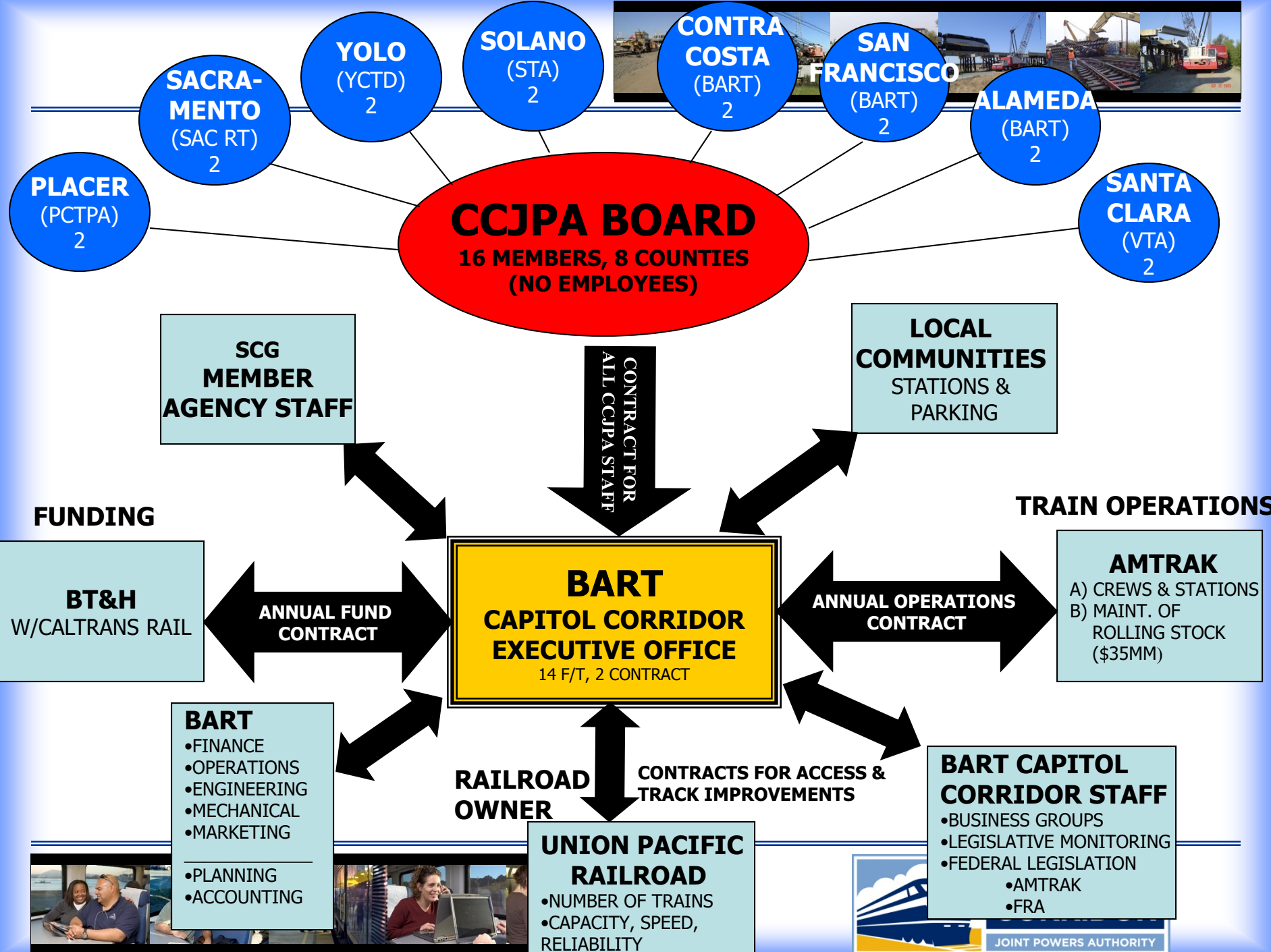
The Capitol Corridor was given a single Mission:

“provide intercity passenger train service” on one rail route.....

...it sounded so simple....

...then, government went to work creating the organizational structure to carry out the Mission.....



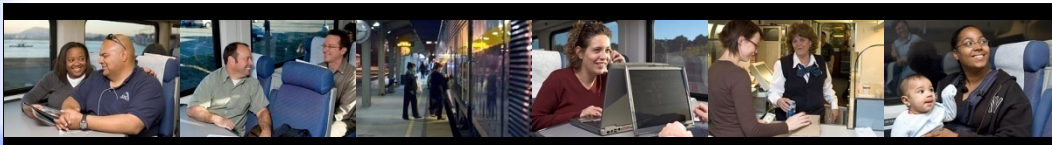


So what was most critical...?



Building a business relationship with the Union Pacific Railroad

1. Understanding what was important to UP
2. Providing UP with the resources for them to deliver frequent & reliable passenger service
3. Protecting the performance of UP freight business & allowing it to grow
4. Rewarding UP for superior delivery of the passenger service





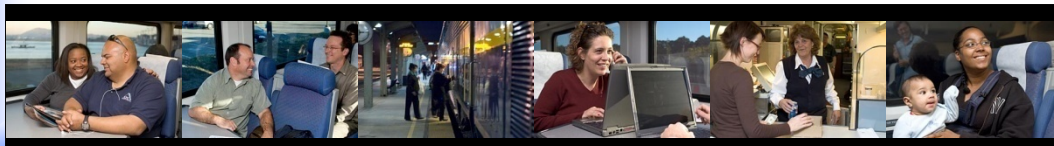
Passengers- Intercity Corridor



- Frequency of trains: 32-36 trains per weekday
22-24 trains per weekend day
- Service is there at times people want to travel
(40-60 min headways @ peak demand, 60-90 min headways most other times)
- Riders can reasonably expect on-time arrival
(performance of 95% or better)
- Schedule is reasonably 'time-competitive'



(Most important factor is having a travel choice other than driving, at an equal or shorter travel time: 79 to 90 mph will accomplish this in most places)



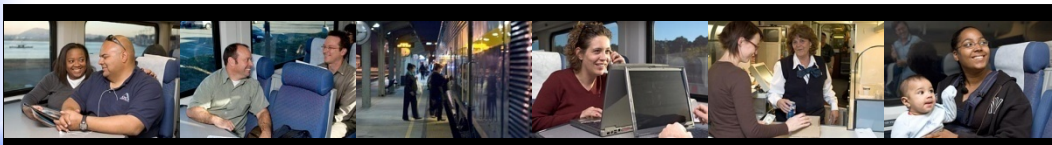


The key ingredient in the recipe for success.....

....It's about the **MONEY**, honey....



- Reasonable compensation for use of facilities
- Multi-year joint capital investment program
- Passenger sponsor pays share of capacity expansion (more than only for the passenger increment)
- Passenger sponsor pays share for on-going maintenance (more than minimum Amtrak access fees)





Let's talk dollars into railroad.....

Capitol Corridor operates 1,200,000 train miles annually on 170 UPRR route-miles and about 280 track miles, so

Track use (Amtrak fees paid to UPRR): \$2,225,000/yr (CC cost)

Plus Direct CCJPA-UPRR payments

Dedicated MOW gang (CC direct): \$ 600,000/yr (FRA Class V)

Capitalized maintenance (CC direct): \$ 1,000,000/yr

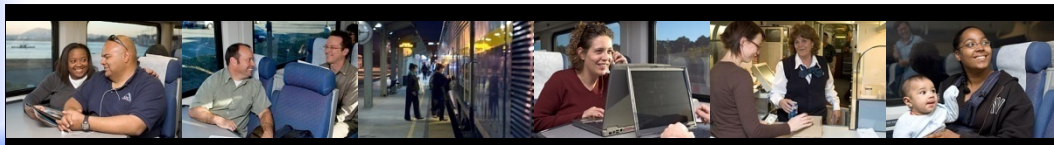
Approx annual paid to UPRR for MOW: **\$ 13,660 per track mile**

Plus Direct Capital Funding for Capacity Expansion

Approx. \$100 million over 10 yrs \$10,000,000/yr (average)

Approx. annual capital **\$ 35,714 per track mile**

or an average of **\$49,374 per track mile per year**





....and that's not all, folks.....

PLUS

The Capitol Corridor pays UPRR a 'stand alone' incentive for superior on-time performance:

UPRR potential annual incentive earnings: approx.

\$2,400,000 or \$8,570 per track mile

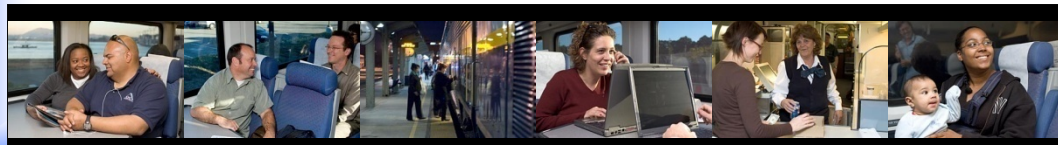
(nearly 100% of that incentive has been paid since 2008)

Capitol Corridor incentive 'bar' is set higher than Amtrak's minimums.

UPRR starts earning incentives at 92% on time (50%-75% of max), and earns its maximum incentive payments at sustained 96% or above 'on-time'.

Add up the annual average payments from CCJPA to UPRR:

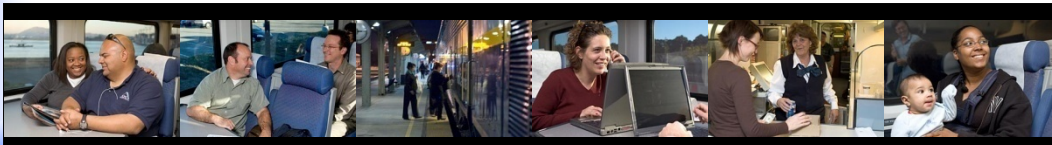
\$22,230/ track mile (w/o capital) to \$57,900/ track mile (w/ capital)





This isn't rocket science...it's a Business Deal

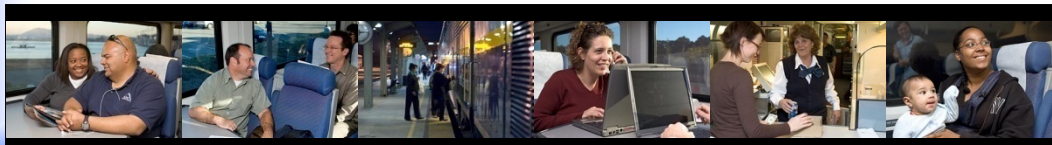
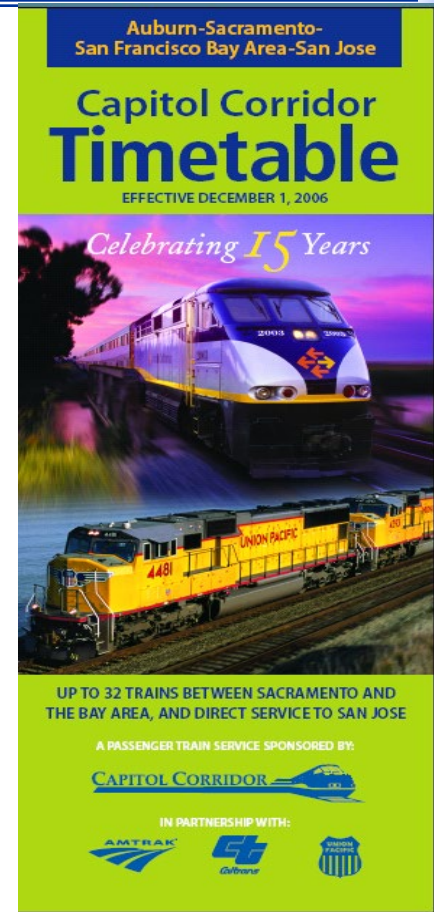
- The deal has to work for both sides
- The deal has to be firm enough to protect the public benefit and public investment
- The deal has to be flexible enough to allow for changing freight and passenger conditions
- But mostly the deal is about adequate compensation for public use of the privately owned assets of a private business enterprise AND it has to be a big enough financial benefit to them that 'they care'





Taking a “one industry” approach to passenger and freight operations.....

- Freight carrier cuts the best deal for its shareholders (stockholders)
- Public entity cuts the best deal for its shareholders (taxpayers)
- Railroads, shippers, passengers and taxpayers all benefit when the ‘deal is right’
- **The Capitol Corridor IS.....
.....a true “Public-Private Partnership”**





The **Capitol Corridor** and **Union Pacific's** working relationship has become a 'national model'

.....demonstrating that passenger trains and freight trains can operate compatibly under the right conditions.

