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Northeast Corridor Action Plan

*A Call for a New Federal-State
Partnership*

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Northeast Corridor Action Plan: Origin

Northeast businesses and states, recognizing the current and potential economic importance of Northeast Corridor rail services, became concerned by unstable and unpredictable Federal policy:

- Historic and continuing pattern of appropriations well below budget requests/resort to debt
- Zero FY 06 appropriation proposal for Amtrak intercity rail service; uncertain plan for “directed service”
- Unworkable Administration proposal to turn over Northeast Corridor to interstate compact – no action by Congress
- Futile Congressional action to give USDOT power, unilaterally, to impose cost allocations between commuter users and Amtrak

Northeast Corridor Action Plan: Background

Newark Regional Business Partnership and other business organizations commissioned Rutgers / VTC to develop an Action Plan for the Northeast Corridor; guided by a Steering Group composed of senior transportation professionals

GOALS:

- Long-term solution
- Optimization of asset for regional economic development and competitiveness
- Public Accountability
 - Address Amtrak's monopoly power in governance in some areas
 - Find ways for public financiers / users to gain a policy say
 - Establish sustained partnership with federal government
 - Assure continuing and sufficient funding
 - Assure reliability and stability in services
 - Design for flexibility for growth and adaptation

NEC is a Unique, National Asset

Ownership of most of NEC transferred to Amtrak management in 1976; paid for by federal government; NY, CT and MA owned portions; episodic history of federal funding; emergent strength, operations growth and investments by commuter rail service agencies

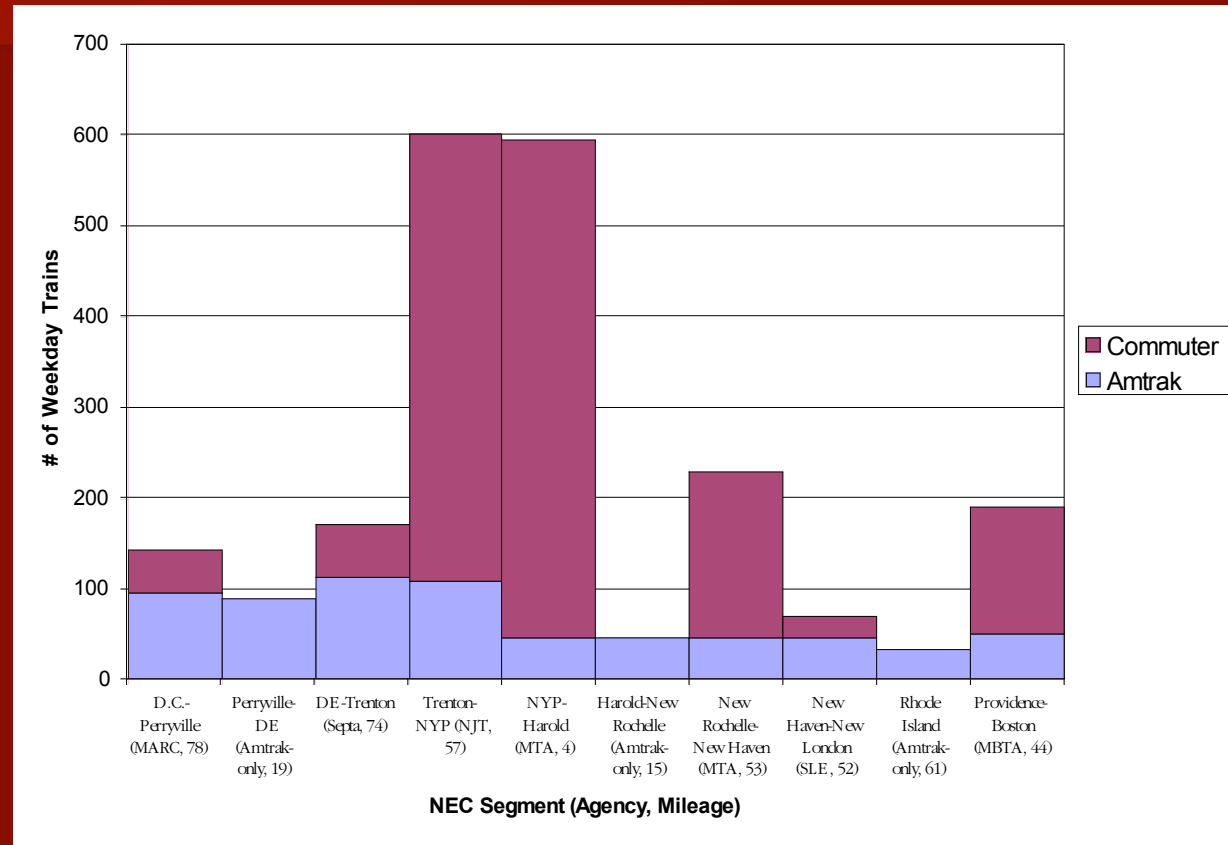


Source: GAO, "Commuter Rail Issues Should Be Considered in Debate over Amtrak"

Northeast Corridor is a Unique National and Regional Transportation Asset: Critical to the Northeast Economy

- NEC intercity rail services are vital to Northeast mobility and economic competitiveness
 - Significant market share with air for key city pairs
 - Limited capacity for expanding airports and highways
 - Armature for sound growth (environmental/energy benefits)
- Northeast commuter rail serves more than 300 million trips per year (20x greater than intercity rail) and is the dominant use in terms of trips and trains on the Amtrak-owned NEC
- Northeastern states have made significant investments in infrastructure and service that support **both** commuter and intercity passenger rail service

Weekday Trains Operated by NEC Segment (2004)



Source: Amtrak, NJ TRANSIT data for FY 2004; *segment mileage is approximate*

The Need for Change

The current model for Corridor governance suffers from four principal weaknesses:

 **Lack of Public Accountability**

 **Stifling of Change by Amtrak Monopoly**

 **Financial Instability**

 **Need for State Say in Governance**

Current Legislative Context

- Proposal should be treated as a supplement to Lott-Lautenberg bill, just introduced in Senate
- Proposal should build on Lott-Lautenberg elements:
 - Sufficient funding for NEC SOGR and other short-haul corridors
 - Measured approach to continuation of long distance trains
 - Federal assumption of Amtrak indebtedness

Northeast Corridor Action Plan: VTC's Proposed Approach (1)

- **Create a public benefit corporation** (NEC Corporation) that shares governance of NEC asset management and operations: 50% by Federal Government; 50% by Governors of NEC states and Mayor of D.C.*
- Through the public benefit corporation, **contract with Amtrak for management of NEC** infrastructure and operations; labor relations framework remains intact; duration of contract term equivalent to authorization period; renewable; in event of change of management, labor force to be protected

* *Corporation governance model could be based on the Appalachian Regional Commission or similar federal-state regional development authorities; concept explored in GAO November 2006 report*

Northeast Corridor Action Plan: VTC's Proposed Approach (1)

Policy Consequences:

- Amtrak's revised role as vendor will focus its attention in Northeast on railroad business
- NEC policy stewardship no longer responsibility of unaccountable Amtrak Board; NEC Corporation now accountable for governance of NEC asset management and operations (gives states a say)
- NEC Corporation finances and appropriation requests to be separated from rest of Amtrak (weakens argument that Amtrak favors Northeast)

Northeast Corridor Action Plan: VTC's Proposed Approach (1)

- Provides, through public benefit corporation, neutral stewardship for Corridor (ending Amtrak's policy monopoly), including:
 - Managing Amtrak's performance pursuant to a contract
 - Establishing protocols for schedules and dispatching with *Acela* priority
 - Setting policy for Corridor access (new services)
 - Planning, coordinating and implementing major capital investment among NEC users
 - Defining State of Good Repair and Life-Safety/Security needs
 - Promoting innovative joint management arrangements
 - Commissioning resolution of issues regarding cost allocation
 - Encouraging customer service integration
 - Managing NEC station area development in concert with local agencies

Northeast Corridor Action Plan: VTC's Proposed Approach (2)

- **Transfer** ownership of current Amtrak-owned NEC infrastructure to **USDOT**, which paid for original purchase, or **NEC Corp.**; in return:
 - **Amtrak is relieved of NEC related debt;**
 - **Federal Government commits to full funding of State of Good repair needs of NEC**

Northeast Corridor Action Plan: VTC's Proposed Approach (3)

- **Establish federal – state funding program, similar to Lott-Lautenberg bill:**
 - 100% federal funding for State of Good Repair needs
 - New supplemental 80/20 federal-state funding partnership for additional capital investment for renewal, replacement, modernization and expansion
 - NEC operations and revenue exceed expenses
- Create framework for **12-18 month transition** that ensures continuity of services; also provides a voice for all NEC carriers, labor and Federal Government

Northeast Corridor Action Plan: VTC's Proposed Approach (4)

Off-Corridor Issues

- NEC is only one of the elements of the national passenger railroad system
- Other elements
 - State-supported single- or multi-state short-haul Corridor services
 - Long distance trains
- Lott-Lautenberg bill provisions would govern

Northeast Corridor Action Plan: VTC's Proposed Approach (4)

Suggested Supplement to Senate Bill

- Adapt NEC Action Plan governance model as an option for other multi-state passenger short-haul rail corridors, especially new ones
 - Sustained federal-state-private railroad partnership
 - Role in governance by public financiers
 - Shared funding among partners
 - Transfer of Amtrak operating rights to partnership
 - Contractual accountability by Amtrak as operator