Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: September 24-25, 2003

Reference No.: 3.10
Information Item

From: ROBERT L. GARCIA
Chief Financial Officer

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Ref: **INTERCITY RAIL – 4TH QUARTER OPERATIONS REPORT FOR FY 2002-03**

SUMMARY

This is the Intercity Rail Operations Report requested by the California Transportation Commission (Commission) for the 4th Quarter and year-end of Fiscal Year (FY) 2002-03. The report provides ridership, farebox ratio, passenger miles per train mile, and on-time performance measures, with descriptive text for each route.

California provides financial and administrative support for expanded Amtrak intercity rail passenger service on three corridors within the state: the *Pacific Surfliner Route* between San Diego, Los Angeles and San Luis Obispo, the *Capitol Corridor* between the Sacramento region, Oakland and San Jose, and the *San Joaquin Route* to Bakersfield from both Oakland and Sacramento. These routes are, respectively, the second, third, and fifth busiest routes in the entire national Amtrak system. State support for the *Pacific Surfliner* and *San Joaquin* routes is administered by the Department of Transportation (Department), while support for the third corridor is administered by a separate agency, the *Capitol Corridor* Joint Powers Authority, using funding provided through the Department.

In spite of a slowing State economy, all three of California's State-supported Amtrak intercity rail passenger services established record ridership and revenue records in the 2002-03 State fiscal year. Total ridership during FY 2002-03 on the three routes increased 10.2 percent over FY 2001-02 and revenues increased 3.6 percent for the year. Combined farebox ratios for FY 2002-03 dropped slightly from FY 2001-02, from 47 percent to 45 percent, due in large part to the increased costs for the addition of three new *Capitol Corridor* round trip trains and one new *San Joaquin Route* train.

Comparing the fourth quarter of FY 2002-03 with the same quarter in FY 2001-02, ridership increased 14.3 percent, led in large part by a 26 percent jump in *Pacific Surfliner* ridership. In the fourth quarter, total revenue on the three routes increased 8.7 percent, compared to the same quarter in FY 2001-02. Total expenses, on the other hand, jumped by 19 percent, driving down fourth quarter farebox ratio from 49 to 45 percent. The primary reason for the increase in costs were accounting adjustments which artificially deflated fourth quarter costs in the prior year.

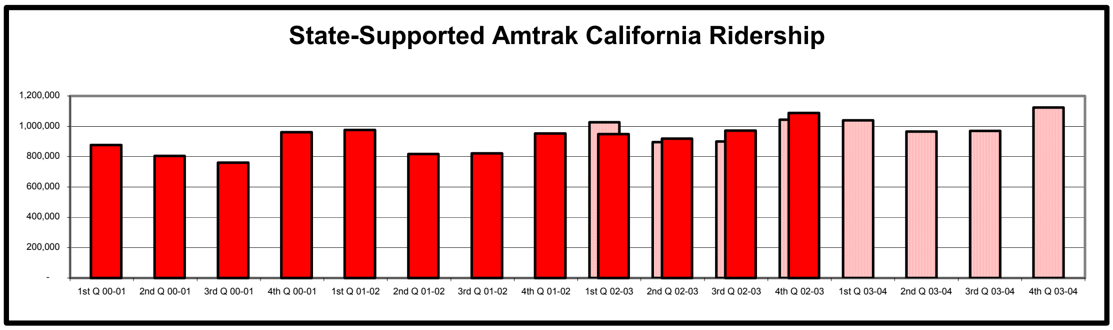
Intercity Rail
4th Quarter Operations Report for FY 2002-03

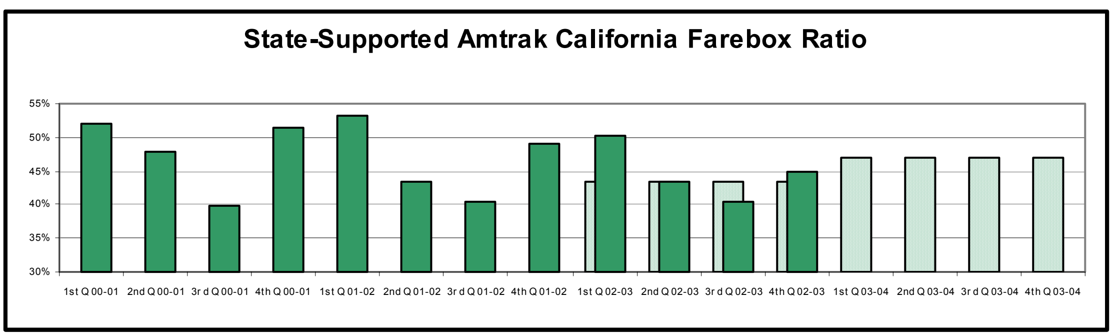
It was discovered that the State was incorrectly charged certain equipment maintenance costs. When the accounting correction was made, the total credit of approximately $3 million was applied to the fourth quarter of FY 2001-02, artificially reducing actual costs for that quarter. In addition to the impact of the accounting adjustments, Amtrak (and other transit operators) have experienced significant increases in fuel and insurance costs that will impact financial performance in upcoming quarters.

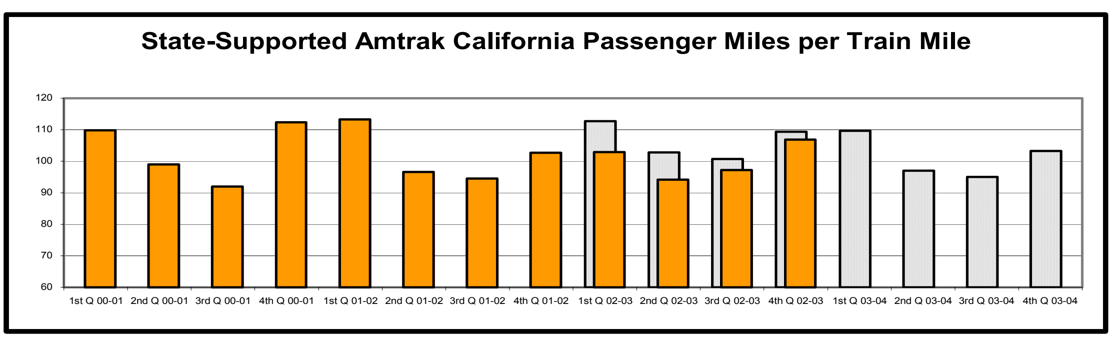
Passenger Miles per Train Mile (PM/TM), a measure of the average number of passengers on board an individual train at any one time, were 106.8, slightly higher than the prior year. The increases in PM/TM on the *Pacific Surfliner* (because of the highly successful "Rail 2 Rail" program) were offset by the reduction in PM/TM on the *Capitol Corridor* with the addition of its three new round-trip trains.

The following graphs depict the combined results of the three State-supported rail corridors in California. Route specific charts are in the sections for each route that follow.

BACKGROUND





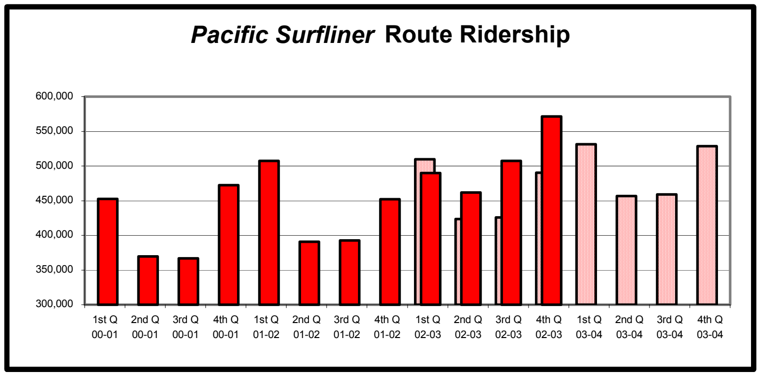


Note: Solid Bars reflect actual data; Shaded Bars reflect Business Plan Projection

Pacific Surfliner Route

There are currently eleven weekday round trips between Los Angeles and San Diego, four of which are through trains between San Diego and Goleta (Santa Barbara). One of the four Santa Barbara round trips continues north to and from San Luis Obispo. On weekends there is a twelfth round trip between San Diego and Los Angeles and a fifth round trip between Los Angeles and Goleta.

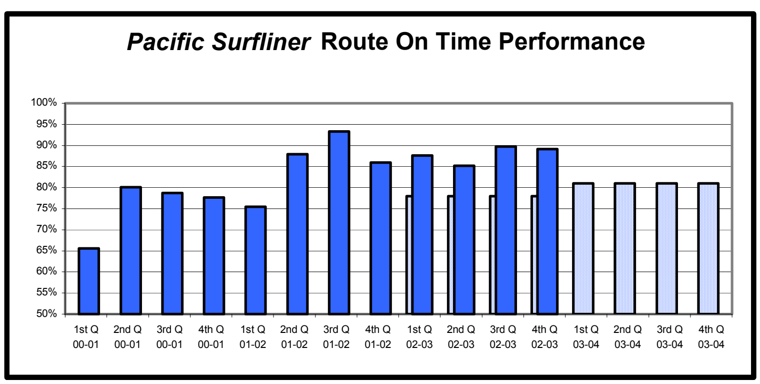
Pacific Surfliner ridership soared again in the fourth quarter of FY 2002-03 (April through June 2003) and closed out the State fiscal year with more than 2 million riders for the first time ever. Total ridership for the fourth quarter was 26.4 percent higher than the previous year and exceeded the Business Plan projection for the quarter by sixteen percent. For the entire fiscal year ridership was 8.5 percent above projections.



Much of the growth in the fourth quarter and for the entire fiscal year is attributable to the "Rail 2 Rail" program, which provides the mutual honoring of Amtrak and Metrolink tickets for travel on trains of either system. Nearly 71,000 passengers took advantage of this Program during the April through June period and more than 195,000 passengers have utilized the Program since its inception in September 2002. The afternoon and early evening departures south from Los Angeles experienced the largest increases over the same months last year, demonstrating that the increased convenience of being able to treat the two systems as a single service has made rail travel much more attractive throughout the Los Angeles basin.

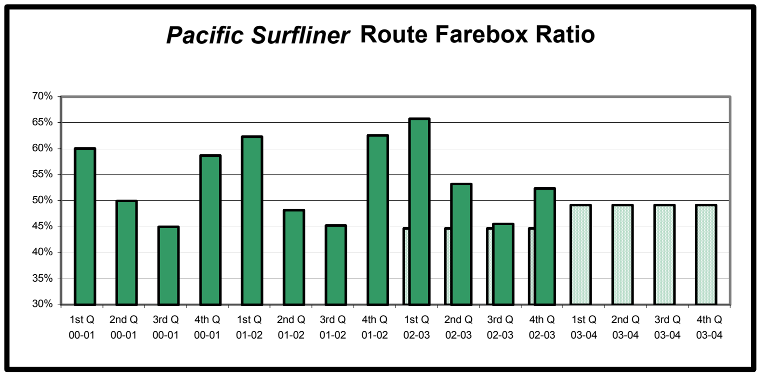
Pacific Surfliner "Kids N' Trains" Program ended its second full season and third season overall with a total of 15,700 bookings. Fourth quarter boardings of 6,783 were up nearly 4 percent from the previous year. Since the program began in October 2000, 33,235 students have taken trips on the *Pacific Surfliner* service.

On-time performance for the fourth quarter hovered just above 85 percent. At nearly 88 percent for the fiscal year, on-time performance for both the fiscal year and the fourth quarter were significantly better than the Business Plan projection of 81 percent.

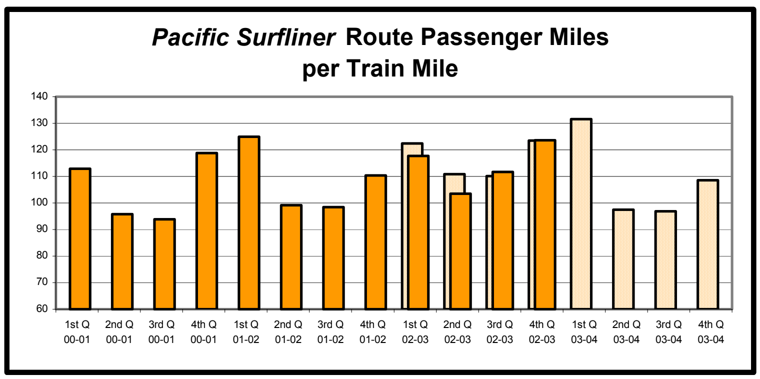


***Pacific Surfliner Route* (continued)**

Fourth quarter revenues (April through June 2003) for FY 2002-03 *Pacific Surfliner* increased 11.8 percent compared to the same quarter the previous year. Although revenues climbed, expenses did as well jumping 33.6 percent. A significant portion of the apparent cost increase results from an accounting correction that artificially lowered costs during the fourth quarter of FY 2001-02. As a result, the farebox ratio for the fourth quarter of FY 2002-03 dropped from 63 percent to 52 percent. Overall, farebox recovery for all of FY 2002-03 was 54 percent, the same as the prior fiscal year



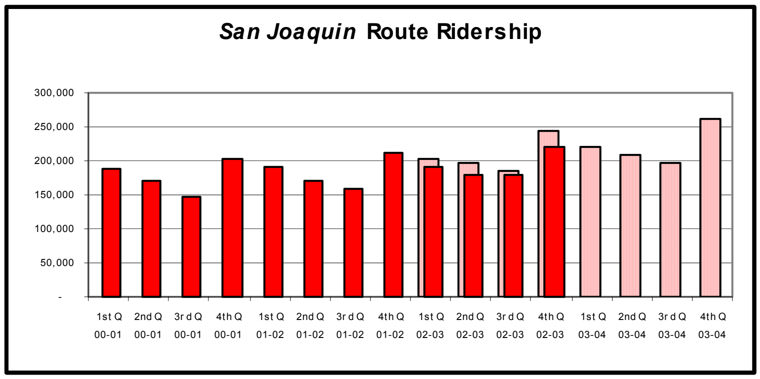
Overall, PM/TM increased at a rate less than the overall ridership growth rate. This demonstrates that these new additional passengers, on average, are taking shorter distance trips. This is, at least in part, an effect of the "Rail-2-Rail" program that brings short-distance Metrolink riders onto the Amtrak trains.



San Joaquin Route

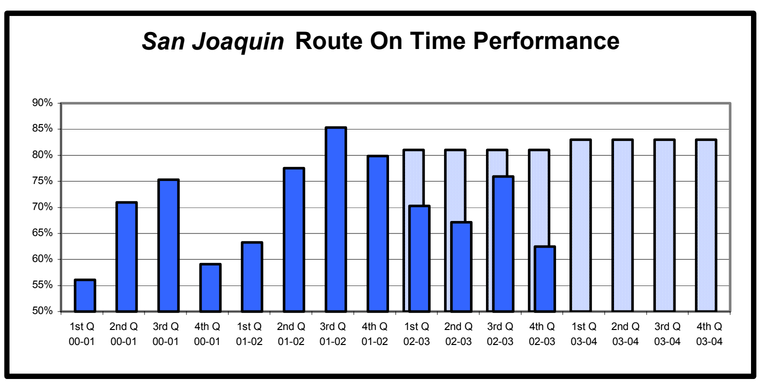
There are currently six daily train round trips serving the *San Joaquin Route*, four operating between Bakersfield and Oakland/San Francisco and two operating between Bakersfield and Sacramento. All six round trips have dedicated bus connections to stations throughout Southern California. On the north end, similar buses connect Sacramento with the Oakland trains and San Francisco/Oakland with the Sacramento trains, thus providing six daily arrivals and departures for both northern terminals. Additional connecting buses provide feeder service to communities throughout the north end of the State.

The *San Joaquins* posted ridership records in two of the three months of the fourth quarter. Total ridership for the fourth quarter (April through June 2003) of FY 2002-03 increased 3.7 percent compared to the same quarter the year before. For FY 2002-03, *San Joaquin* ridership set an all-time record, 5.0 percent higher than last year's results. It was, however, 9.2 percent below the projection in the Business Plan.



Participation in the "Kids 'N Trains" school group program developed by the Department continues to be successful. The San Joaquin "Kids 'N Trains" ended its third season with a total of 20,385 boardings. School group ridership in the fourth quarter of FY 2002-03 was 12,246, down from previous years due in large part to concerns about school funding and the unsettled situation in the Middle East. This program continues to serve as an introduction for children, and their teachers and chaperones, to the experience of train travel. Other states that support train service in partnership with Amtrak have used California's program as a pattern for programs of their own.

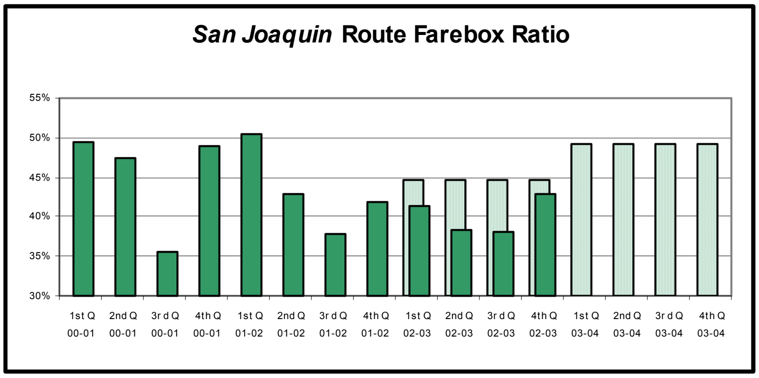
On time performance (OTP) can only be characterized as disappointing, falling to 62.5 percent for the fourth quarter continuing a trend that started in the Spring of 2002. The performance is far below the Department's OTP goal of 81 percent. The performance has deteriorated to such an extent (including 40 percent OTP in July) that Amtrak and the Department have initiated discussions with senior management of the Burlington Northern Santa Fe (BNSF).



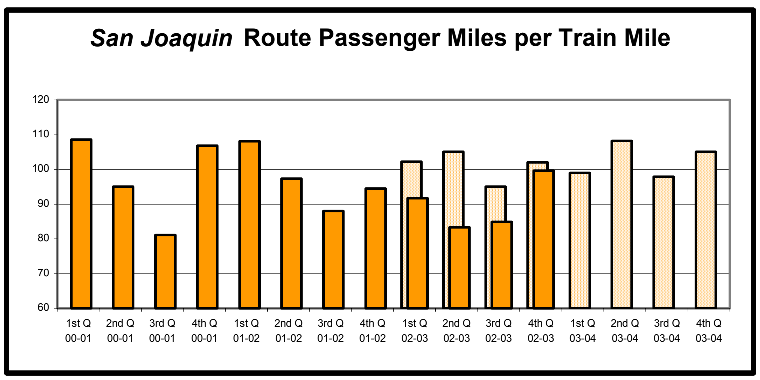
San Joaquin Route (continued)

Several factors have played into the poor OTP performance: maintenance work by the Union Pacific between Richmond and Martinez (which also impacted *Capitol Corridor* service), and increased number of freights operating over what is essentially a single track railroad, the loss of a number of experienced railroad dispatchers from the San Bernardino Dispatch Center, and several derailments. The Department and Amtrak are scheduled to meet with the BNSF the week of September 8th to hear the railroad's plans to improve the on-time performance both immediately and over the longer term to achieve the goal of 85 percent on time performance.

The *San Joaquin's* farebox ratio finished FY 2002-03 at 40 percent, down slightly from the prior fiscal year's 43 percent. This decline reflects the impact of the introduction of the sixth round trip in March 2002. A new service or frequency causes costs to rise immediately in direct proportion to the service increase (in this case twenty percent), while revenues and ridership build up gradually. PM/TM can also be expected to decline following a service increase for essentially the same reason.



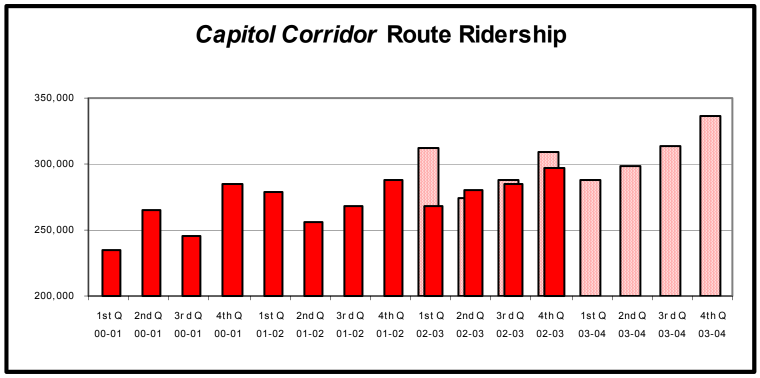
The farebox recovery ratio for FY 2001-2002 reflects 8 months of the cost of only five round trips while FY 2002-2003 reflects the costs of six round trips for the entire year. PM/TM similarly reflects the differences between the five and six round trip schedules.



Capitol Corridor

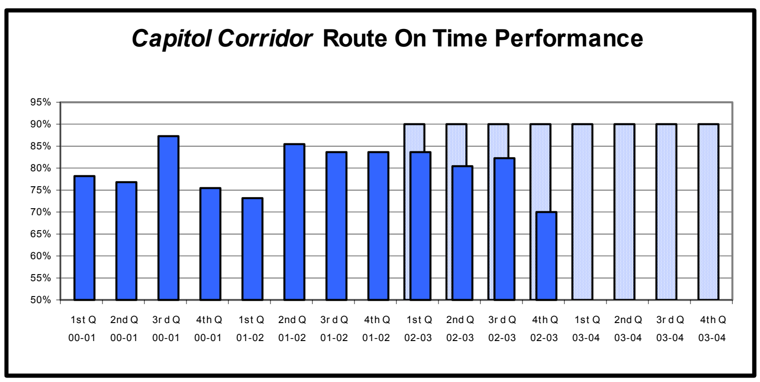
There are currently twelve weekday round trips between Oakland and Sacramento, with the twelfth added in April 2003. One round trip each day continues to Auburn, and four round trips extend beyond Oakland to San Jose. On weekends there are nine Oakland-Sacramento round trips, with six round trips extending to San Jose and one to Auburn.

The *Capitol Corridor* posted ridership records in all three months of the fourth quarter. Total ridership for the fourth quarter (April through June 2003) of FY 2002-03 increased 3.0 percent compared to the same quarter the year before, and it was 4.0 percent below the projection in the Business Plan. Total ridership for FY 2002-03 was 3.6 percent above the previous fiscal year's total.



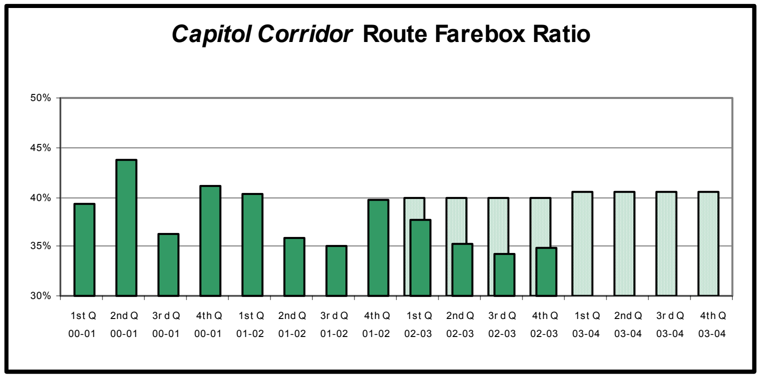
Regular riders, using multi-ride tickets, continue to increase and now account for over half the total ridership on the *Capitol Corridor*. Ridership between Sacramento/Davis and the Bay Area increased significantly, and local travel between Sacramento and Placer County continues to grow.

On time performance dropped to 70 percent and was as low as 66 percent in June, significantly below the *Capitol Corridor's* goal of 90 percent. The poor on-time performance was the result of increased track work, particularly between Richmond and Martinez, and freight train interference. Working together, the *Capitol Corridor* Joint Powers Authority and Union Pacific Railroad have adopted a number of measures to address the on-time performance issues. These efforts coupled with the completion of current and scheduled track improvements should reduce interference problems and bring on time performance up to the goal of 90 percent.



***Capitol Corridor* (continued)**

Revenues for the fourth quarter were up 4.5 percent above the same quarter in the prior fiscal year. Expenses for the fourth quarter were up 19.3 percent reflecting the addition of three new round trips. As a result, farebox recovery declined during the quarter from 40 to 35 percent. The decline in the farebox ratio was not unanticipated, as new services require some time to build up ridership.



For FY 2002-03 in total, *Capitol Corridor* revenues increased by 1.9 percent compared to the prior year, while expenses increased by 8.3 percent. As a result, the farebox ratio slipped from 38 percent to 36 percent.

Reflecting the addition of three new round trip trains compared to FY 2001-02, PM/TM decreased during FY 2002-03 by 5.1 percent.