

Memorandum

To: CHAIR AND COMMISSIONERS

CTC Meeting: August 27-28, 2008

Reference No.: 3.6
Information Item

From: CINDY McKIM
Chief Financial Officer

Prepared by: Lam Nguyen
Acting Chief
Division of Rail

Subject: **FY 2007-08 FOURTH QUARTER RAIL OPERATIONS REPORT**

SUMMARY:

This is the Fourth Quarter Intercity Rail Operations Report for Fiscal Year (FY) 2007-08 (April through June 2008) as requested by the California Transportation Commission (Commission). The report contains information for each route on ridership, on-time performance, revenue, expense, and farebox ratio measures. These results are also compared to the same period for the prior year and to the Business Plan projections. This data allows the performance of the routes to be easily compared. Financial results for June 2008 are estimated by Amtrak, as actual data is not yet available.

California provides financial and administrative support for 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 San Jose, Oakland, and the Sacramento region; and the *San Joaquin Route* between Bakersfield and both Oakland and Sacramento. These routes are, respectively, the second, third, and fifth busiest routes in the entire national Amtrak system. The Pacific Surfliner and San Joaquin routes are administered by the California Department of Transportation (Department), while the third corridor is administered by a separate agency, the Capitol Corridor Joint Powers Authority (CCJPA), using funding provided by the Department.

Fourth Quarter Results

Total ridership during the fourth quarter (April-June 2008) on the three routes was 10.2 percent over the comparable quarter in FY 2006-07, and 6.6 percent above the projections for the quarter in the Business Plans. Ridership on all three routes grew at impressive rates, especially for the months of May and June, primarily as a result of the skyrocketing cost of automotive fuel, which positioned passenger train transportation as a cost effective alternative. The 17.7 percent increase in the San Joaquins was particularly impressive.

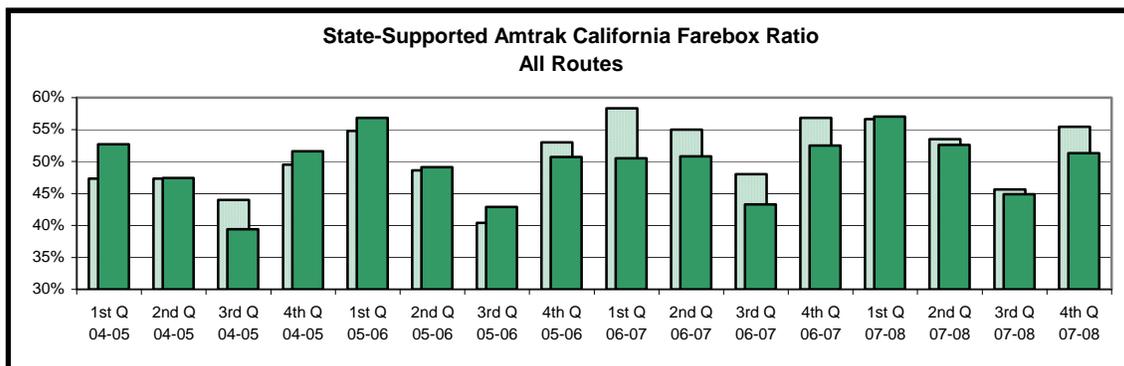
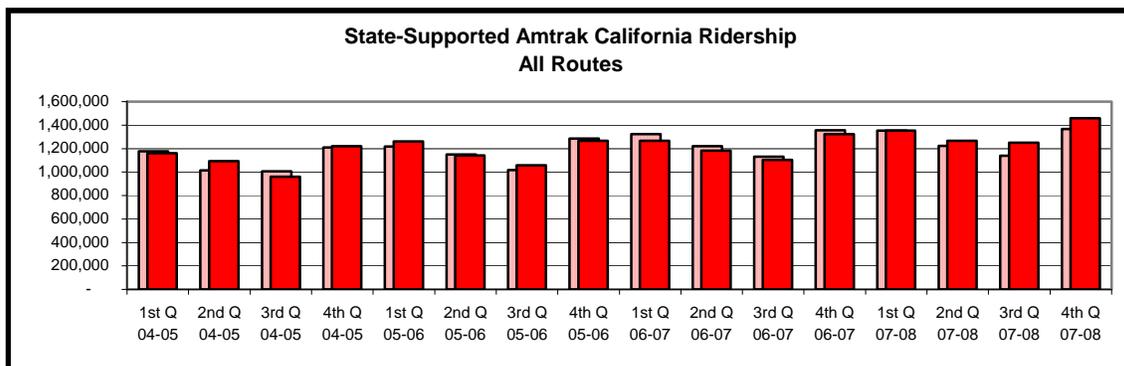
Individually, all three routes set ridership records of this period, with the Capitol Corridor setting its all-time ridership record month of 157,351 riders in May. Both the Pacific Surfliners and San Joaquins set their all time record in June, with the Pacific Surfliners carrying 277,760 passengers and the San Joaquins carrying 96,476 riders. These records were short lived, however, as all three routes set all time ridership records in July 2008.

The combined farebox ratio (revenues divided by expenses) for the three routes was 51.3 percent in the fourth quarter, a decrease of 1.2 percentage points from the comparable quarter in FY 2006-07 and 4.1 percentage points below the Business Plans projections. Overall revenue in the fourth quarter increased 8.0 percent, compared with the same quarter the previous year, and was 1.6 percent higher than the Business Plans projections for the quarter. Overall expenses increased 10.7 percent, compared with the same quarter the previous year, and were 9.7 percent higher than projections for the quarter in the Business Plan.

State Fiscal Year Results

Summarizing the results of FY 2007-08, combined ridership increased 9.3 percent, compared to the previous year, and was 4.8 percent above the Business Plans projections. Combined revenues increased 10.0 percent and exceeded the Business Plan projection by 2.8 percent, while expenses increased by 5.9 percent and were 6.0 percent above the Business Plan projections. The result was that the farebox ratio improved by 1.9 percentage points to 51.3 percent, but was 1.6 percentage points below the Business Plan projection.

The following two graphs depict the combined ridership and farebox ratio results of the three State-supported rail corridors in California.



Notes: Solid Bars reflect actual data; Shaded Bars reflect Business Plan Projection. June financial data is estimated by Amtrak as the final billings are not yet available.

Also, the following two tables provide further detail on the combined ridership, revenue, expense, farebox ratio, and on-time performance for the three State-supported routes for the fourth quarter and for the entire 2007-08 fiscal year.

State-Supported Amtrak California Services - 4th Quarter 2007-08							
All Routes							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	4th Qtr 07-08	4th Qtr 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	1,458,208	1,323,537	134,671	10.2%	1,367,804	90,404	6.6%
Revenue	\$ 26,951,939	\$ 24,948,354	\$ 2,003,585	8.0%	\$ 26,531,646	\$ 420,293	1.6%
Expense	\$ 52,543,620	\$ 47,479,943	\$ 5,063,677	10.7%	\$ 47,903,790	\$ 4,639,830	9.7%
Farebox Ratio	51.3%	52.5%	-1.2 PP		55.4%	-4.1 PP	
On-Time Performance	79.7%	77.2%	2.5 PP		86.0%	-6.3 PP	

PP - Percentage Points

State-Supported Amtrak California Services - State Fiscal Year 2007-08							
All Routes							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	SFY 07-08	SFY 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	5,326,868	4,875,342	451,526	9.3%	5,083,694	243,174	4.8%
Revenue	\$ 103,071,334	\$ 93,698,289	\$ 9,373,045	10.0%	\$ 100,231,421	\$ 2,839,913	2.8%
Expense	\$ 201,037,197	\$ 189,795,338	\$ 11,241,859	5.9%	\$ 189,635,691	\$ 11,401,506	6.0%
Farebox Ratio	51.3%	49.4%	1.9 PP		52.9%	-1.6 PP	
On-Time Performance	79.8%	72.8%	7.0 PP		86.0%	-6.2 PP	

PP - Percentage Points

Route-specific graphs and tables are in the sections for each route that follow.

BACKGROUND:

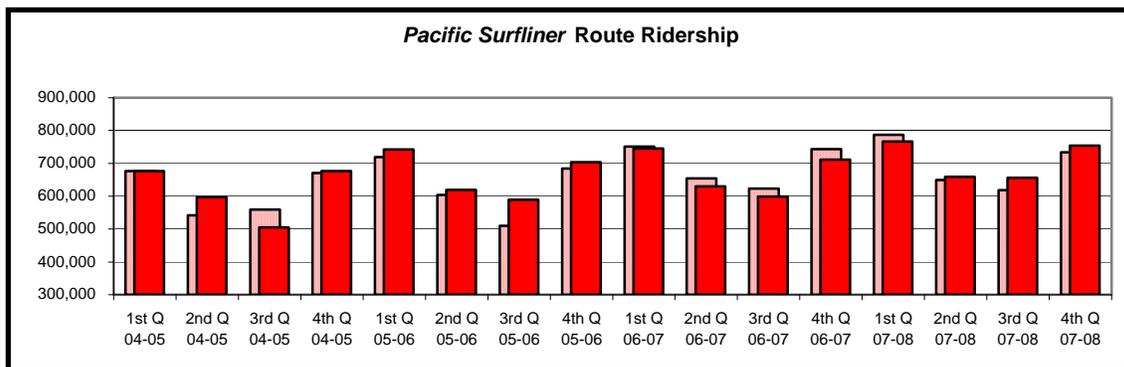
Pacific Surfliner Route

There are currently 11 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. A second San Luis Obispo train, which operates only between Los Angeles and San Luis Obispo, brings the total level of service north of Los Angeles to five round-trips daily.

Tables at the end of this section provide data on ridership, revenue, expenses, farebox ratio and on-time performance.

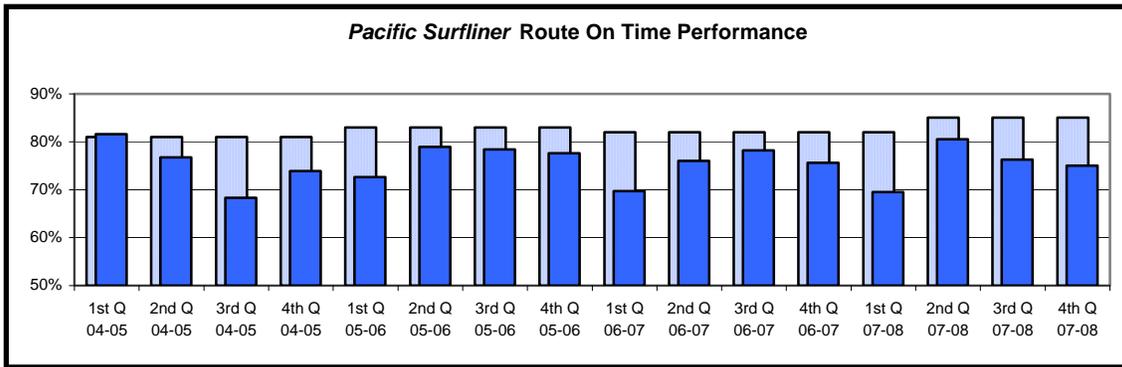
Ridership on the *Pacific Surfliner* route continues to be strong. Ridership in April was down slightly because a major track and bridge project was undertaken each weekend between April 11 and May 4 and resulted in all *Pacific Surfliners* train trips terminating at Irvine, with a bus bridge instituted between Irvine and San Diego. However, May and June 2008 set ridership records for their respective months, and the route has now set new monthly records in ten of the 12 months of the fiscal year. During this quarter, an all-time ridership record was set on the route in June with 277,760 passengers. However, this record was topped in July, with 300,374 riders. Ridership on the route in June and July 2008 outpaced the east coast *Acela* service. Total *Pacific Surfliner* ridership for the fourth quarter was 5.9 percent higher than the same quarter the previous year and was 2.7 percent above the Business Plan projection.

For the period covered by FY 2007-08, ridership was up 5.6 percent compared to the prior year and 1.7 percent above the Business Plan Projection. This is a very strong showing for a mature route where many trains are already at capacity. The ridership increase on the route can be mostly attributed to the increase in gasoline prices, which is encouraging drivers to use rail service. The route is now experiencing standing room only on many trains.



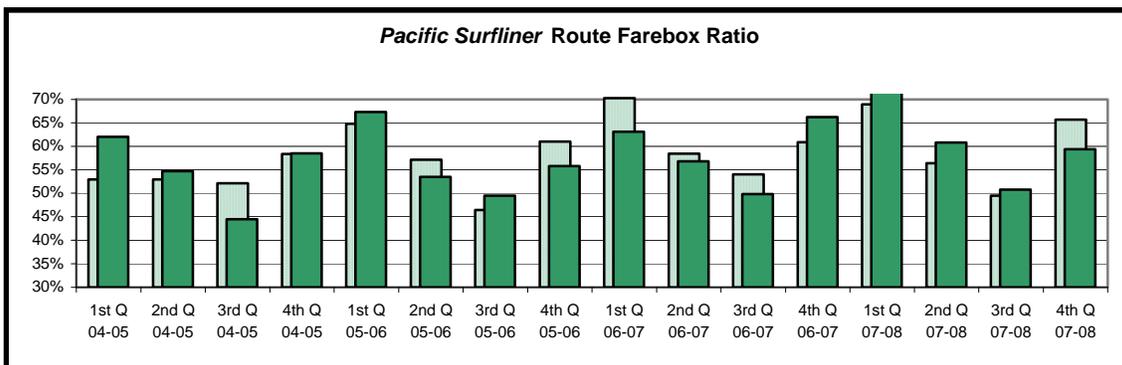
On-time performance (OTP) in the fourth quarter was 75.0 percent, 0.6 percentage points below the fourth quarter of the previous year and 10.0 percentage points below the Business Plan projection of 85 percent. Traffic congestion (freight and passenger) continues to be the leading cause of delays. In addition, considerable track work was performed south of Los Angeles, with the accompanying slow orders that impacted the service. OTP will improve as the 15 mile Los Angeles to Fullerton triple-track and six grade crossings project progresses. Four of the eight phases of the triple track work have been completed and work on two of the grade crossings has started.

OTP for the period covered by FY 2007-08 was 75.3 percent, 0.5 percentage points above the prior year and 9.7 percentage points below the Business Plan projection of 85 percent.



Farebox ratio in the fourth quarter decreased by 6.8 percentage points to 59.4 percent and was 6.3 percentage points below the Business Plan projection of 65.7 percent. Revenue for the fourth quarter increased 2.5 percent compared to the same quarter the previous year and was 1.6 percent below the Business Plan projection. Revenue did not increase at as fast a rate as ridership, partly because revenues in April were particularly low. Expenses over the same quarter increased 14.1 percent, compared with the previous year, and were 8.7 percent above the Business Plan projection. The increase in expense was partly the result of increased locomotive fuel costs.

For the period covering FY 2007-08, revenues increased by 7.2 percent and expenses by 3.6 percent over the prior year. The fare box ratio improved 2.1 percentage points to 61.1 percent and was 1.0 percentage points above the Business Plan projection. The farebox ratio has not been at this high a level since 1994-95.



State-Supported Amtrak California Services - 4th Quarter 2007-08							
Pacific Surfliner Route							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	4th Qtr 07-08	4th Qtr 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	753,408	711,319	42,089	5.9%	733,341	20,067	2.7%
Revenue	\$ 13,146,038	\$ 12,822,033	\$ 324,005	2.5%	\$ 13,358,234	\$ (212,196)	-1.6%
Expense	\$ 22,113,972	\$ 19,372,974	\$ 2,740,998	14.1%	\$ 20,335,254	\$ 1,778,718	8.7%
Farebox Ratio	59.4%	66.2%	-6.8 PP		65.7%	-6.3 PP	
OTP-Route	75.0%	75.6%	-0.6 PP		85.0%	-10.0 PP	
OTP-North	77.8%	76.5%	1.3 PP				
OTP-South	75.9%	81.7%	-5.9 PP				

PP - Percentage Points

State-Supported Amtrak California Services - State Fiscal Year 2007-08							
Pacific Surfliner Route							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	SFY 07-08	SFY 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	2,835,132	2,685,194	149,938	5.6%	2,787,083	48,049	1.7%
Revenue	\$ 51,927,493	\$ 48,429,115	\$ 3,498,378	7.2%	\$ 50,806,081	\$ 1,121,412	2.2%
Expense	\$ 84,953,272	\$ 82,022,733	\$ 2,930,539	3.6%	\$ 84,481,093	\$ 472,179	0.6%
Farebox Ratio	61.1%	59.0%	2.1 PP		60.1%	1.0 PP	
OTP-Route	75.3%	74.8%	0.5 PP		85.0%	-9.7 PP	
OTP-North	78.2%	76.0%	2.2 PP				
OTP-South	74.4%	76.3%	-1.9 PP				

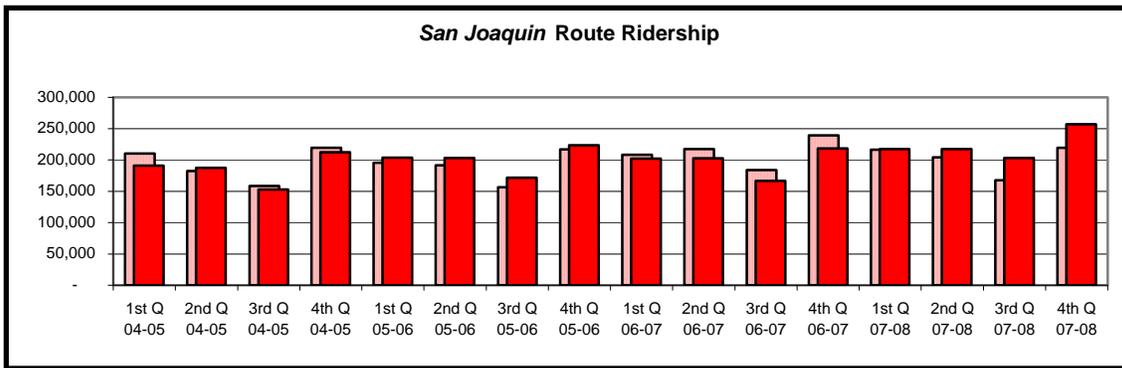
PP - Percentage Points

San Joaquin Route

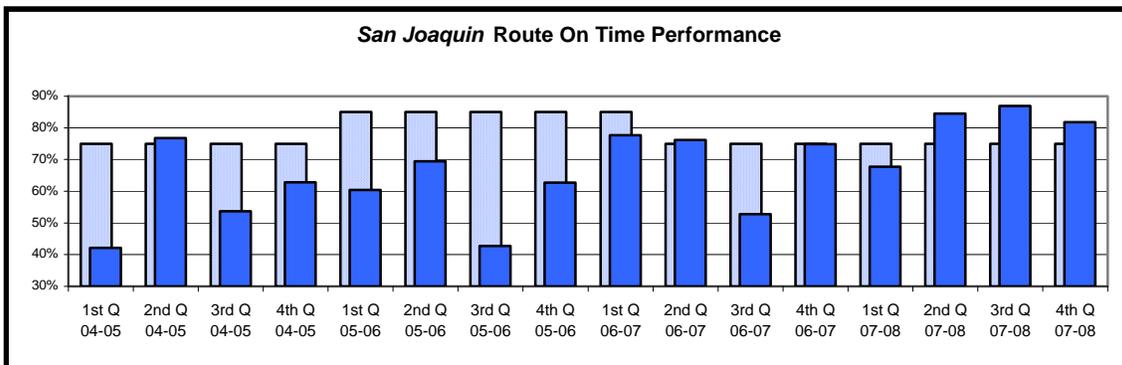
Currently, six daily train round-trips serve the *San Joaquin* route, four operating between Bakersfield and Oakland/San Francisco and two between Bakersfield and Sacramento. All six round-trips have dedicated bus connections between Bakersfield and Los Angeles and other points throughout Southern California. On the north end, buses at Stockton connect Sacramento with Oakland trains and connect San Francisco/Oakland with 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. Tables at the end of this section provide data on ridership, revenue, expenses, farebox ratio and on-time performance.

Ridership on the *San Joaquin* route showed a dramatic increase in the fourth quarter and the entire fiscal year. May and June 2008 set ridership records for their respective months, and the route has now set new monthly records in nine of the 12 months of the fiscal year. During this quarter, an all-time ridership record was set on the route in June with 96,476 passengers. However, as was the case with the *Pacific Surfliners*, this record was topped in July, with 100,564 riders.

For the fourth quarter, the ridership on the *San Joaquins* was 17.7 percent above the same period the prior year and was 17.1 percent above the Business Plan projection. Ridership on these trains is generally discretionary in nature, the passengers are quite price sensitive, and the average trip length for this route is by far the longest of the three routes at almost 150 miles. As a result of these factors, the escalating rise in the price of auto fuel likely resulted in the significant increase in ridership on the *San Joaquins*. In addition, the 25 percent fare roll-back in April 2008 along with the improvement in OTP has also had a positive impact on ridership. For the entire 2007-08 fiscal year, ridership was up 13.3 percent compared to the prior year and was 10.8 percent above the Business Plan projection.

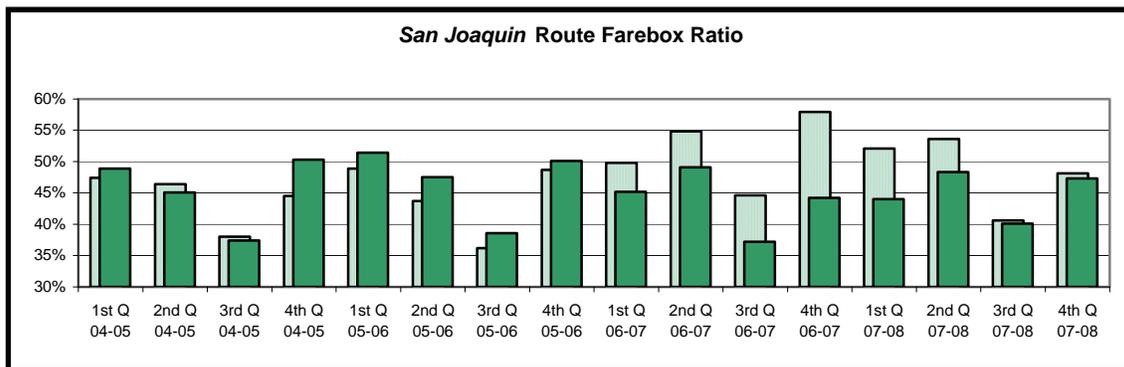


On-time performance (OTP) in the fourth quarter was 81.8 percent, a 7.0 percentage point improvement over the same quarter in FY 2006-07 and surpassed the Business Plan projection of 75 percent. Improved OTP was due to BNSF altering its freight train scheduling and operation, and a reduction in freight traffic due to the slowdown in the economy. In addition, two major track projects were completed last year, the Calwa-Bowles double track project (7.7 miles) and the Escalon siding extension (2.0 miles). Both of these projects have positively affected OTP. OTP for the entire 2007-08 fiscal year was 80.2 percent, 9.7 percentage points above the prior year and 5.2 percentage points above the Business Plan projection of 75 percent. OTP has not been at this high a level since FY 2001-02.



Farebox ratio in the fourth quarter improved to 47.3 percent, 3.1 percentage points better than the same period of the previous year but 0.8 percentage points below the Business Plan projection of 48.1 percent. Revenue for the fourth quarter increased 11.0 percent compared to the previous year and was 1.1 percentage points above the Business Plan projection. Expenses increased 3.6 percent compared with the previous year and were 2.9 percent above the Business Plan projection.

For the period covering FY 2007-08, revenues increased by 7.7 percent and expenses by 5.4 percent over the prior year. The fare box ratio of 44.9 percent improved by 1.0 percentage points, but was 3.8 percentage points below the Business Plan projection.



State-Supported Amtrak California Services - 4th Quarter 2007-08							
San Joaquin Route							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	4th Qtr 07-08	4th Qtr 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	256,733	218,044	38,689	17.7%	219,186	37,547	17.1%
Revenue	\$ 7,750,145	\$ 6,982,457	\$ 767,688	11.0%	\$ 7,665,623	\$ 84,522	1.1%
Expense	\$ 16,384,266	\$ 15,813,361	\$ 570,905	3.6%	\$ 15,922,576	\$ 461,690	2.9%
Farebox Ratio	47.3%	44.2%	3.1 PP		48.1%	-0.8 PP	
On-Time Performance	81.8%	74.8%	7.0 PP		75.0%	6.8 PP	

PP - Percentage Points

State-Supported Amtrak California Services - State Fiscal Year 2007-08							
San Joaquin Route							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	SFY 07-08	SFY 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	894,346	789,641	104,705	13.3%	806,908	87,438	10.8%
Revenue	\$ 28,932,810	\$ 26,862,994	\$ 2,069,816	7.7%	\$ 29,922,551	\$ (989,741)	-3.3%
Expense	\$ 64,477,584	\$ 61,188,078	\$ 3,289,506	5.4%	\$ 61,534,965	\$ 2,942,619	4.8%
Farebox Ratio	44.9%	43.9%	1.0 PP		48.6%	-3.8 PP	
On-Time Performance	80.2%	70.5%	9.7 PP		75.0%	5.2 PP	

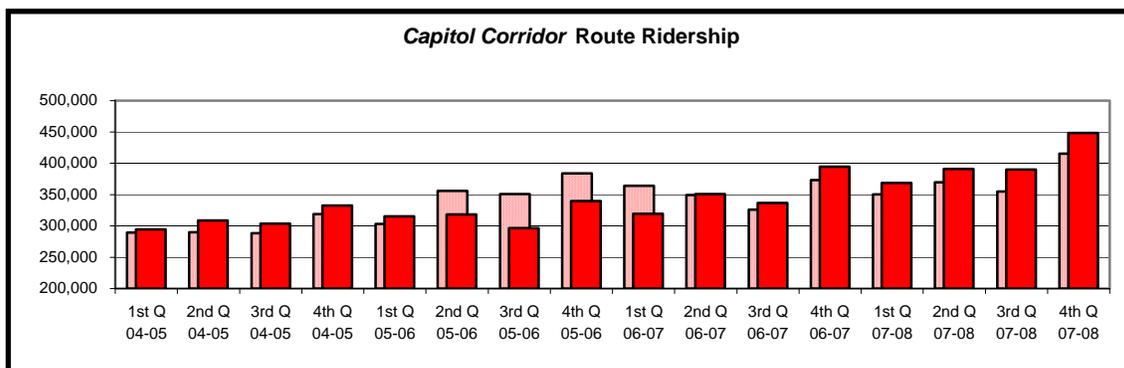
PP - Percentage Points

Capitol Corridor

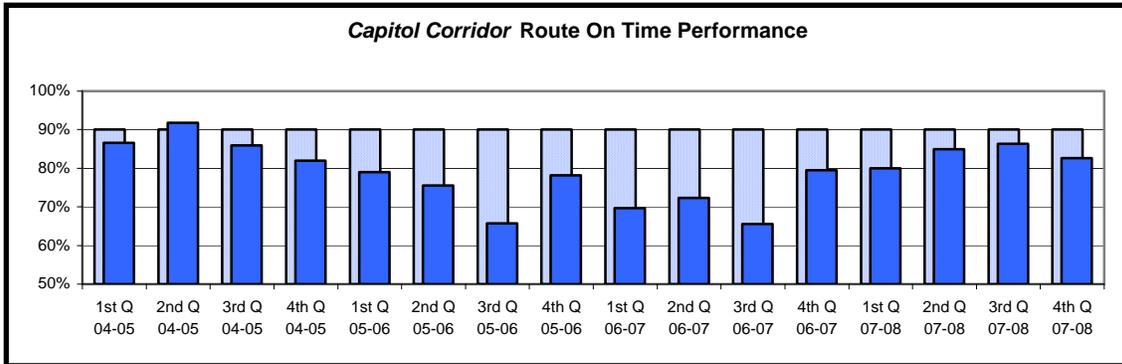
On August 28, 2006, the Capital Corridor Joint Powers Authority added four weekday round trips between Sacramento and Oakland and extended three additional round trips south from Oakland to San Jose, bringing the total level of service to 16 weekday round-trips between Oakland and Sacramento with seven extending through to/from San Jose. Weekend service was increased from nine Sacramento-Oakland round-trips to 11, with an additional (seventh) round-trip extending to San Jose. One round-trip each day continues to and from Auburn. Tables at the end of this section provide data on ridership, revenue, expenses, farebox ratio and on-time performance.

Ridership on the *Capitol Corridor* continued the impressive growth shown over the past two years, with 21 consecutive months of record ridership. During this quarter, an all-time ridership record was set on the route in May with 157,351 passengers. However, as was the case with both of the other State-supported routes, this record was topped in July 2008, when 161,731 passengers rode the *Capitol Corridor* trains.

Total ridership in the fourth quarter increased 13.7 percent compared to the same period the year before and was 7.9 percent above the quarter’s projection in the Business Plan. For the period covered by FY 2007-08, ridership was up 14.1 percent compared to the prior year and was 7.2 percent above the Business Plan projection. Strong ridership is likely the result of higher gasoline prices, improved OTP, and increased trip options resulting from frequencies added in August 2006.

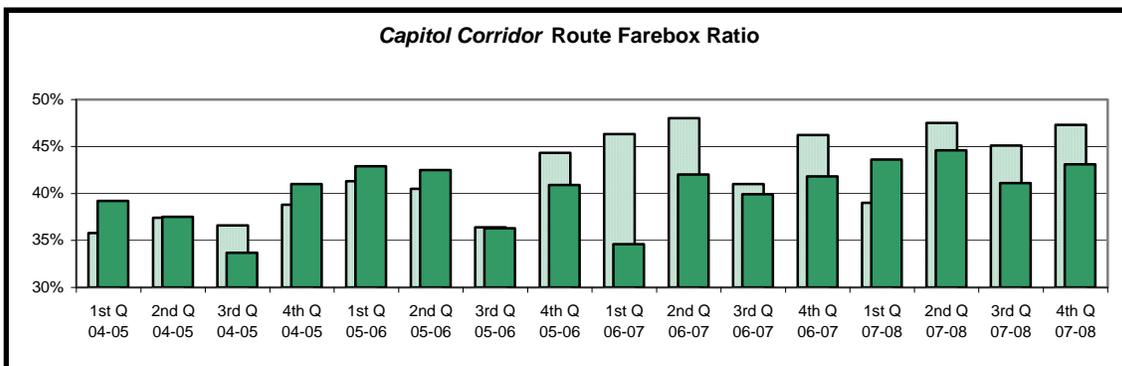


On-time performance (OTP) improved to 82.6 percent, 3.1 percentage points above the comparable quarter the previous. It was, however, 7.4 percentage points below the Capitol Corridor Business Plan goal of 90 percent. OTP for the period covered by FY 2007-08 was 83.4 percent, 11.4 percentage points above the prior year but 6.6 percentage points below the Business Plan goal. The strong OTP is the result of the Union Pacific modifying their dispatching to limit freight train interference with the passenger trains, including operating some freight trains at night.



Farebox ratio in the fourth quarter increased 1.3 percentage points to 43.1 percent but was 4.2 percentage points below the Business Plan projection. Revenue for the fourth quarter increased 17.7 percent compared to the same quarter the previous year and was 9.9 percent higher than the Business Plan projection. The corresponding increase in expenses was 14.2 percent compared with the same quarter the previous year and was 20.6 percent higher than the Business Plan projection.

For the period covering the entire 2007-08 fiscal year, revenues increased by 20.7 percent and expenses by 10.8 percent over the prior year. The farebox ratio improved by 3.5 percentage points to 43.0 percent, but was 1.7 percentage points below the Business Plan projection. Since the start of *Capitol Corridor* service, the farebox ration has only been higher in FY 1995-96 at 43.4 percent.



State-Supported Amtrak California Services - 4th Quarter 2007-08							
Capitol Corridor							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	4th Qtr 07-08	4th Qtr 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	448,067	394,174	53,893	13.7%	415,277	32,790	7.9%
Revenue	\$ 6,055,756	\$ 5,143,864	\$ 911,892	17.7%	\$ 5,507,789	\$ 547,967	9.9%
Expense	\$ 14,045,382	\$ 12,293,608	\$ 1,751,774	14.2%	\$ 11,645,961	\$ 2,399,421	20.6%
Farebox Ratio	43.1%	41.8%	1.3 PP		47.3%	-4.2 PP	
On-Time Performance	82.6%	79.5%	3.1 PP		90.0%	-7.4 PP	

PP - Percentage Points

State-Supported Amtrak California Services - State Fiscal Year 2007-08							
Capitol Corridor							
	ACTUAL RESULTS				BUSINESS PLAN PROJECTIONS		
	SFY 07-08	SFY 06-07	Difference	Percent Change	4th Qtr 07-08	Difference From Actual	Percent Difference
Ridership	1,597,390	1,400,507	196,883	14.1%	1,489,702	107,688	7.2%
Revenue	\$ 22,211,031	\$ 18,406,180	\$ 3,804,851	20.7%	\$ 19,502,788	\$ 2,708,243	13.9%
Expense	\$ 51,606,341	\$ 46,584,527	\$ 5,021,814	10.8%	\$ 43,619,633	\$ 7,986,708	18.3%
Farebox Ratio	43.0%	39.5%	3.5 PP		44.7%	-1.7 PP	
On-Time Performance	83.4%	72.0%	11.4 PP		90.0%	-6.6 PP	

PP - Percentage Points

Progress Report on Implementation of State Rail Plan Goals

The Commission, at its January 2008 meeting, provided advice and consent on the Draft 2007-08 to 2017-18 California State Rail Plan. The consent resolution states that the Department will report to the Commission on its progress in meeting a number of goals in the State Rail Plan:

WHEREAS, the Department has also agreed to report on its progress in implementing its State Rail Plan:

- By May 31, 2008 regarding limited express service between San Diego and Los Angeles;
- Semi-annually on investigating the provision of internet access on intercity rail trains;
- Semi-annually on working with SANDAG to identify a suitable place for a layover facility;
- Quarterly on meeting its short-term, intermediate-term, intermediate-to long-term, and long-term goals for its passenger rail element and freight rail element.

The Department prepared a letter to the Commission in June 2008 on the subject of limited express service between San Diego and Los Angeles. The Department is now examining in more detail a variety of scenarios for express service, including using existing train slots or new slots. Each option is being evaluated, including: ridership, revenue and expense projections, estimated running times, necessary capital projects,

equipment availability, and necessary operating funds. The Department plans to brief the Commission on these options prior to the next quarterly report.

The Department also prepared a letter in June 2008 to the Commission reporting on its investigations into the provision of wireless internet service on intercity trains.

The Department will commence reporting on a quarterly basis on progress in meeting the State Rail Plan goals in its first quarterly report for 2008-09 (July-September 2008). Fiscal Year 2008-09 is the first year of the ten-year planning period of the State Rail Plan.