

Memorandum

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Information Item

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Subject: **ANNUAL REVIEW OF STRATEGIC BUSINESS PLAN FOR PACIFIC SURFLINER
INTERCITY RAIL ROUTE**

SUMMARY:

At the request of the California Transportation Commission (Commission), the California Department of Transportation (Department) is presenting a draft of the Pacific Surfliner Route Business Plan for Federal Fiscal Year (FFY) 2008-09 (Plan) to the Commission for review. The Plan, which reflects the Governor's Fiscal Year (FY) 2008-09 Proposed Budget, includes operating, marketing, and capital action plans, with key actions planned for FFY 2008-09.

BACKGROUND:

The Plan outlines one-year actions designed to meet the FFY 2008-09 performance standards proposed in the Plan. Ridership is projected to be 3,050,000, 9.3 percent above the FFY 2007-08 standard and 7.5 percent above actual State FY 2007-08 ridership of 2,835,132.

The farebox ratio is projected to be 62.7 percent, the result of a 15.9 percent projected increase in revenues and a 13.6 percent projected increase in expenses. The farebox standard is 1.2 percentage points above the FFY 2007-08 standard of 61.5 percent. Actual State FY 2007-08 farebox ratio was 61.1 percent. The on-time performance (OTP) standard is 80 percent, the same as the FFY 2007-08 standard, and 4.7 percentage points above actual State FY OTP of 75.3 percent.

Ridership during the first nine months of FFY 2007-08 has been very positive. It is up 6.6 percent compared to the same period the prior year. In June 2008, the all-time ridership record for the route was set with 277,760 passengers, and for the first time ever, ridership on the route exceeded the east coast *Acela* service.

All policies in the Plan are consistent with the Draft 2007-08 – 2017-18 California State Rail Plan that was reviewed and approved by the Commission in January 2008 and is currently under review by the Governor. All of the actions for FFY 2008-09 outlined in the Plan have the goal or goals of increasing ridership and customer satisfaction, increasing revenue or decreasing expenses, and increasing safety. Key operation actions include: implement express service from Los Angeles to

San Diego by June 30, 2010, evaluate and test potential for on-board wireless service, initiate new Thruway bus service between Bakersfield and Los Angeles International Airport, consider fare increases, continue Rail 2 Rail program with Metrolink, expand “Caltrans in Transit” web based travel planner for Caltrans employees, and continue to install Quik-Trak ticket machines.

Key capital actions include: continue work on the Los Angeles – Fullerton third main track and grade separations project, begin construction of the Santa Margarita double track bridge, continue Del Mar Bluffs stabilization project, complete construction of the Oceanside double track project, complete construction of the Oxnard parking lot, begin construction of the Fullerton parking structure, begin to secure a site for the San Diego layover facility, and initiate safety and security projects using Homeland Security grant funding.

Key marketing actions include: continue partnerships with various theme parks and festivals, enhance the on-line timetable, continue California Operation Lifesaver educational and media campaigns, and continue advertising campaigns.

The Governor’s proposed FY 2008-09 Budget includes \$24.9 million in operating support for the route. There are no new route frequencies or expansions planned for FFY 2008-09.

Pacific Surfliner Route

FFY 2008-09 Business Plan



State of California
Department of
Transportation
June 2008

DRAFT



Arnold Schwarzenegger, Governor
Dale E. Bonner, Secretary, Business, Transportation & Housing Agency
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Chapter 1

Pacific Surfliner Service Overview

The Pacific Surfliner Route FFY 2008-09 Business Plan (Plan) presents a one-year plan of actions and describes recent accomplishments. It is based on the Federal Fiscal Year (FFY) 2008-09 which extends from October 1, 2008 to September 30, 2009. The Plan has been undertaken by the Division of Rail (Division) of the California Department of Transportation (Department).

The Service Overview includes an outline of work plans for 2008-09, particularly those of Operations, Marketing, and Capital Plan. It also outlines the Intercity Passenger Rail Mission and Vision and the environmental benefits of passenger rail service. It also gives a brief overview of the Route characteristics and current service levels as well as the corridor business structure.

The Department's approved long-range plan, titled "California State Rail Plan 2005-06 to 2015-16", dated December 2005, is a ten-year plan for State-supported rail passenger services in California. It includes a passenger and freight element, as well as long-range capital and operating plans for the Pacific Surfliner Route. The Draft 2007-08 to 2017-18 California State Rail Plan is currently under review by the Governor's Office.

Work Plans for 2008-09

Operations

Los Angeles – San Diego Express Service

- The Department is working to implement express service from Los Angeles to San Diego by June 30, 2010.

Intercity Rail Connectivity

- Continue Transit Transfer Pass with other transit agencies.
- Continue Rail 2 Rail program with Metrolink, and transfer programs with other rail agencies.

Amtrak Bus Operations

- In Fall 2008, a new Amtrak Thruway route will be introduced from Bakersfield to Los Angeles International Airport.
- Continual evaluation of Thruway bus routes for cost-effective expansions, restructuring, or discontinuance if warranted.

Food Service

- Continue use and evaluation of menu items in conjunction with Amtrak; add new menu items as appropriate.

Passenger Amenities

- Evaluate and test potential for on-board wireless services.

Ticketing and Fares

- The Department is evaluating fare increases to offset increased operating expense from higher diesel locomotive fuel costs.
- Continue expansion of Quik-Trak ticketing machine program.
- Update and expand "Caltrans in Transit" web based travel planner.

Marketing

Advertising, Public Relations and Partnerships

- The Department, Amtrak and California Operation Lifesaver will provide bilingual staff to operate their respective information booths at the annual 2008 National Council of La Raza.
- Continue contract with Glass McClure for advertising services.
- Continue partnerships with various theme parks and festivals.

Passenger Information

- In 2008-09, the Amtrak California website will be revised to be easier and quicker to navigate.
- The Fall/Winter On-Line Timetable in 2008-09 will include an enhanced Amtrak California System Map which will allow users to "point and click" the icons for specific trains, stations or bus routes as well as view all relevant timetables and amenities.

Rail Safety

- California Operation Lifesaver will continue to actively promote rail safety educational and media campaigns.

Capital Projects

Track and Signal Projects

- Continue work on Los Angeles-Fullerton Third Main Track and grade separations project.
- Begin construction of Santa Margarita double track bridge.
- Continue Del Mar Bluffs Stabilization project.
- Complete construction of Oceanside Double Track project.

Station Projects

- Complete construction of Oxnard parking lot and landscaping project.
- Begin construction of 700 space Fullerton parking structure.

Maintenance Facility

- Begin work to secure a site for the San Diego Layover facility.

Homeland Security

- Utilize Homeland Security funding for the development of security projects in the corridor.

Intercity Passenger Rail Mission

The Intercity Passenger Rail Mission for California is to:

Provide and promote Intercity Passenger Rail services while improving, expanding, and integrating all rail service into California's transportation system.

Intercity Passenger Rail Vision

The Intercity Passenger Rail Vision for California is to:

- Provide a rail transportation alternative to other travel modes.
- Provide relief to highway and air transportation congestion.
- Improve air quality, conserve fuel, and contribute to efficient and environmentally superior land use.

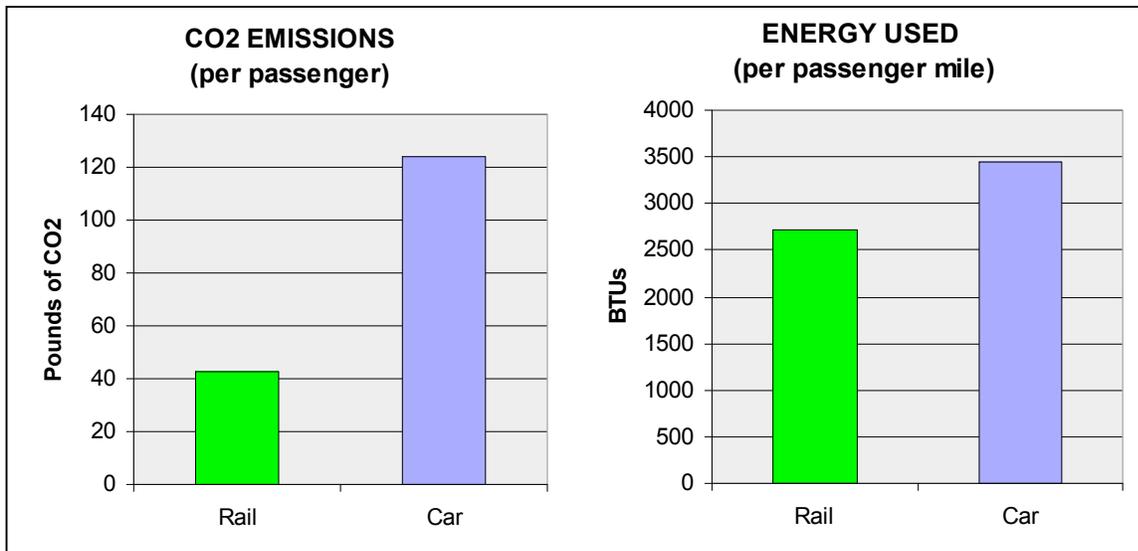
Intercity Passenger Rail Service Supports the Environment

Intercity Rail Supports AB 32

Intercity Passenger Rail supports the Administrations "Global Warming Solutions Act" (AB 32, 2006). This landmark bill requires global warming emissions in California to be reduced to 1990 levels by 2020. Intercity rail becomes more efficient as the number of passengers increase per train. The Department is also working to reduce emissions and improve the fuel efficiency of its locomotives.

Both carbon dioxide (CO₂) emissions and energy use are less for rail travel compared to automobile travel. Recent data illustrate that on a per passenger basis, trains emit 43 pounds of CO₂ compared with automobiles which emit 124 pounds. Trains on a per passenger mile basis, use 2,709 British Thermal Units (BTUs) compared with automobiles which use 3,445 BTUs (see Figure 1.1).

Figure 1.1 – Rail vs. Auto - CO2 Emissions and Energy Use



Intercity Rail Locomotives Are Environmentally Friendly

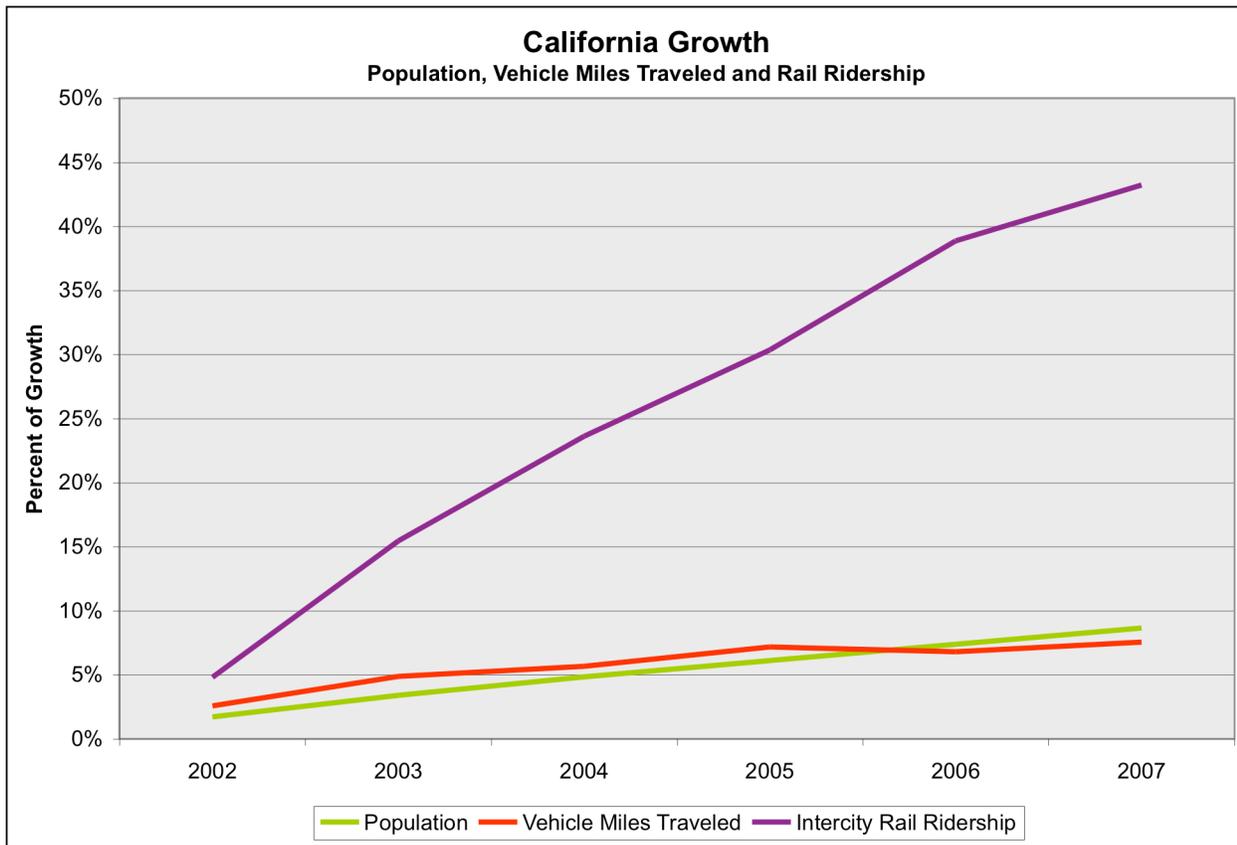
Over the past decade, the Department has improved the fuel efficiency and reduced the emissions of State-owned locomotives to meet and exceed the Environmental Protection Agency's (EPA) emission requirements for diesel locomotives.

The State owns 17 locomotives (15 EMD F59 units and two General Electric [GE] units) all purchased before 2001. Although purchased before 2001, when federal requirements were mandated, the F59 locomotives have been upgraded to 2001 standards, and will meet the most recent requirements after their next overhaul, scheduled to begin during the summer of 2009. The two GE locomotives will be overhauled in late 2008 when they will meet requisite standards. In addition, locomotive power units which generate electricity for lighting and utilities within the passenger cars are being updated. Finally, all F59 locomotives will be equipped with Automatic Start Stop (AESS) systems within the next two years to reduce excessive engine idling.

Intercity Rail Reduces Highway Traffic Congestion

In many intercity corridors highway demand is near or has already exceeded capacity, and in many instances, it is not financially or environmentally feasible to add capacity to the highway. On the other hand, intercity rail provides congestion relief and adding more trains provides additional congestion relief. Intercity rail thus provides an alternative to building new highway capacity. Intercity rail service reduces vehicle miles traveled, vehicle emissions, and fuel consumption, thereby helping to reduce dependence on scarce petroleum resources (see Figure 1.2).

Figure 1.2 – California Growth 2001-2007



Intercity Rail Supports Smart Land Use

The Department supports efforts by cities, counties and the private sector to develop and maintain transit-oriented development projects near rail stations that enhance community livability by providing housing options, jobs, retail, and services within easy walking distance of the stations.

Route Description

The Pacific Surfliner Route presently extends 351 rail miles between San Luis Obispo and San Diego (222 miles north of Los Angeles and 129 miles south of Los Angeles) with 26 train stations. The scheduled train-running time between Los Angeles and San Diego averages two hours-

44 minutes at an average speed of 47 mph. This segment includes more than 70 miles between Santa Ana and Sorrento where the maximum track speed is 90 mph, the only location on the State-supported routes where trains operate above 79 mph. The scheduled train-running time between Los Angeles and Santa Barbara averages two hours 42 minutes at an average speed of 39 mph. Scheduled running time between Santa Barbara and San Luis Obispo averages two hours 40 minutes at an average speed of 44 mph.

Predominant right-of-way ownership north of Los Angeles is Union Pacific (UP), which owns the 175 miles between San Luis Obispo and Moorpark. Regional and local agencies in Ventura, Los Angeles, Orange, and San Diego counties own most segments of the rail line between Moorpark and San Diego. BNSF Railway (BNSF) owns the 22 miles between Redondo Junction (in Los Angeles) and Fullerton.

Current Service Level

The Pacific Surfliner Route now has 11 daily round-trips between San Diego and Los Angeles, with five round-trips extending north to Goleta and two of these trips extending further north to San Luis Obispo. A twelfth Friday through Sunday round-trip operates between San Diego and Los Angeles; this roundtrip addresses peak weekend demand for intercity service. The three round-trips that terminate in Goleta have dedicated Amtrak Thruway bus connections to and from San Luis Obispo. Thruway buses provide service to off-line cities throughout California as well as connecting to the other California rail corridors (see Figure 1.3).

Figure 1.3 – Pacific Surfliner Train and Bus Service



The Los Angeles to San Luis Obispo train that started in November 2004 is an Amtrak/Metrolink shared service train (Rail 2 Rail), combining intercity and commuter services. The round-trip stops at all Metrolink stations between Los Angeles and Oxnard and accepts all Metrolink and Amtrak tickets. This round-trip provides operating efficiencies for both railroads, efficient use of capacity in the corridor, and increased travel options for rail passengers in Southern California as well as a much-needed alternative for drivers using often congested US Highway 101.

Business Structure

The State and Amtrak share responsibilities for operating the Pacific Surfliner Route. Through its operating contract with Amtrak, the State pays all variable costs and Amtrak pays fixed costs.

The Department and Amtrak coordinate marketing, scheduling, and on-board services. Amtrak owns all of the locomotives and 40 cars, while the State owns 10 cars. Amtrak maintains and operates the trains.

The Pacific Surfliner Route is unique because it is partially a "basic system" and partially a State supported service. Basic system trains are fully funded by Amtrak and considered part of the Amtrak national system. Amtrak pays for 30 percent of the entire Pacific Surfliner Route service as part of Amtrak's basic system, while the State pays for the remaining 70 percent of the service.

The Department works closely with the Los Angeles-San Diego-San Luis Obispo Rail Corridor Agency (LOSSAN), which acts as a planning and an advisory group for intercity rail in Southern California. LOSSAN includes board members representing: San Diego Metropolitan Transit System, San Diego Association of Governments, North County Transit District, Orange County Transportation Authority, Los Angeles County Metropolitan Transportation Authority, Ventura County Transportation Commission, Santa Barbara County Association of Governments, San Luis Obispo Council of Governments, and the Department of Transportation (Caltrans) - Division of Rail. The members of the LOSSAN Technical Advisory Committee (TAC) are: the organizations mentioned above, BNSF, California Public Utilities Commission, Amtrak, Southern California Regional Rail Authority, and UP.

Operations Overview

On the operations side, FFY 2006-07 was a positive year for the Pacific Surfliners. Ridership of 2,707,188 was the highest ever for the route, and 1.9 percent above 2005-06 ridership. Year-to-date 2007-08 (October 2007 – June 2008) ridership has shown impressive growth for a mature corridor. Ridership is up 6.6 percent over the same period in 2006-07 and records were set in all months during this period except one. Ridership in June was up an impressive 19.2 percent, and revenue was up 18.9 percent. For the first time ever, ridership outpaced Amtrak's premier east coast Acela service.

The Route is poised for continued positive ridership and financial results in the near-term. However, ridership increases are constrained, because during peak periods, some trains are

currently at capacity. Train capacity will not likely increase until 2011-12, when the State is able to procure more passenger cars and other equipment.

Chapter 2

Operating Plan

2007-08 Accomplishments

Connectivity

With Local Transit – The Department started the “Transit Transfer Pass” Program in 2003-04, wherein conductors on the train offer free transfers to passengers to participating, connecting, local transit services. The Department currently has agreements with San Luis Obispo’s local bus service as well as Santa Barbara Metro Transit District.

Passenger Amenities

Passenger access to Wireless Internet underwent field testing that was completed in March 2008. Feasibility of implementing such as service will be evaluated and recommendations presented.

Ticketing

Quik-Trak Ticketing Machine Installation – Quik-Trak ticketing machines allow passengers to pick up tickets at rail stations. Passengers may create a trip and receive a ticket at the machine. Alternately, passenger may make reservations on-line or by calling Amtrak and may then quickly pick up tickets at the machine by inserting their credit card. This avoids the need to wait in line to get a ticket from an agent. It also allows passengers to get tickets before boarding at some unstaffed stations. Stations that received the machines from 2007 to early 2008 are San Luis Obispo, Oxnard, Los Angeles, Anaheim, Irvine, San Juan Capistrano, Oceanside, Solana Beach and San Diego.

Rail 2 Rail – The Rail 2 Rail program was expanded to the Coaster service in April of 2004. With the May 2008 timetable change, Coaster has withdrawn from the program to focus on their own internal financial challenges.

Caltrans in Transit – The Department launched “Caltrans in Transit,” a web-based travel planner for Caltrans employees in early Summer, 2007. This tool provides employees with the “best bets” for using public transportation when traveling on State business between Headquarters and District offices. The “Caltrans in Transit” web-based travel planner presents employees with transportation options, trip costs, and detailed travel instructions. In addition, the Department’s Internet Travel Reservation service was enhanced in 2007 to allow making Amtrak reservations with the same ease as making airline and car rental reservations. Finally, Amtrak installed a Quik-Trak ticket machine at the Department’s Headquarters location in Summer 2007 that will be available to the public to purchase Amtrak tickets. The Department will monitor the success of the program and possibly expand it to Caltrans Districts.

Work Plan 2008-09: Ongoing Activities

Train Inspections

Department staff conduct unannounced inspections of Pacific Surfliner trains to examine equipment and monitor customer service. Staff observes and reports on the condition and appearance of safety equipment, restroom facilities, luggage and bicycle storage areas, food service equipment, and the exterior and interior of train cars and locomotives. Staff also monitors the level of service provided by the Amtrak train crew and reviews passenger comment cards. The findings are used to correct deficiencies and to evaluate potential service improvements.

Bus Route Cost-Effectiveness

Under Government Code Section 14035.2, the Department is required to do cost-recovery analysis on bus routes, and restructure or discontinue routes if they do not meet standards. The Department developed written standards to implement the law. This includes twice-yearly route and segment evaluations and a time window to restructure, re-market or discontinue routes that do not meet cost-recovery goals. Cost-recovery is defined under the law by subtracting bus route operations costs from bus route revenue plus the train revenue contributed from bus route passengers. Under this analysis, the bus system as a whole provides a net incremental monetary gain to the trains.

Passenger Information

Passenger information serves both a marketing and operational function. The Department continues to inform customers and potential customers about: Pacific Surfliner service; transit, air, and auto connections to Pacific Surfliner trains and buses; and locations served by Pacific Surfliner trains and buses. Passenger information devices include printed materials; signage and displays at stations, bus stops and on streets and highways; an internet website; and telephone information. In the last few years, additional emphasis has been placed on providing information on the “total trip” including extensive information on destinations.

Passenger information is also provided at train stations and bus stops. The timetable is displayed on “Info Posts” at all train stations (on the platform) and bus stops (at the stop). Info Posts are updated with every schedule change. Staffed stations have informational displays with brochures on local attractions and transit services. To improve passenger information at stations, electronic Passenger Information Systems were installed in 2007-08 at Amtrak and Metrolink stations along the Route. They provide real-time audio and visual information on train arrivals and departures. This system is especially helpful at unstaffed stations.

LOSSAN Technical Advisory Committee

The Department works with the Los Angeles-San Diego (LOSSAN) which acts as a planning and an advisory group for intercity rail in Southern California. The LOSSAN Technical Advisory Committee (TAC) acts as technical advisors to the full Agency. The composition of the Agency and TAC are listed in Chapter 1.

Work Plan 2008-09: New Activities

Los Angeles – San Diego Express Service

The Department is working to implement express service from Los Angeles to San Diego by June 30, 2010 at the latest. Currently the Department is evaluating the feasibility and cost effectiveness of different service options, and reviewing these options with other stakeholders. The Pacific Surfliner route between Los Angeles and San Diego is owned by a number of parties, including transit agencies and the BNSF Railway. Implementation steps in 2008-09 include: continued negotiations with local agencies, BNSF and Amtrak on a feasible service option; development of specific components necessary for project implementation, including operating funding, necessary equipment, and specific schedule and operating scenario; and continued work on the Los Angeles to Fullerton triple track project, and other track projects that would allow increased capacity and improved on-time performance.

Schedules

There is widespread agreement that better coordination of schedules between agencies is necessary for improvements to the service. However, there are massive capital track-work projects taking place on the line which make schedule coordination and reliable performance difficult. These goals should remain in the forefront for future business plans.

Schedule Performance Reviews

As part of a corridor-specific performance improvement program, the Surfliners are scheduled to begin scheduled performance reviews similar to those currently held for the San Joaquin. Regular conference calls will be held with Metrolink, BNSF, Amtrak, Coaster and the Department to identify issues with the prior week's on-time performance (OTP) and review OTP projections for the upcoming weeks. OTP financial incentives are contained in the Amtrak operating agreement with the railroads, thus incentive payments are made based on OTP. The Department has ongoing discussions with the railroads and Amtrak in developing schedules to minimize freight and passenger train operation conflicts, and longer-term discussions with the railroads to identify and fund capital projects that will improve OTP.

Connectivity

Connectivity with Local Transit – The Pacific Surfliner team will further expand the “Transit Transfer Pass” Program to additional transit agencies that have not yet joined.

Coordination with Other Rail Systems – Better coordination of services with Metrolink and Coaster is important for the future of the LOSSAN corridor. Implementation plans will involve completion of major capital projects, coordination between multiple agencies and require cooperation both in planning and funding.

Thruway Bus Service – In Fall 2008, a new route will be added from Bakersfield to Los Angeles International Airport via Van Nuys and UCLA. This is the reimplementing of a similar route that was discontinued a decade ago. Changes in connectivity and improved public transit along the West Side of the Los Angeles basin make this a strong candidate for success. Between two and four round-trips per day will run in this corridor connecting to the San

Joaquins in Bakersfield, and some connectivity may be available with the Pacific Surfliners at Van Nuys.

Parking Facilities – Although the Department wishes to encourage public transit to access its trains as much as possible, most passengers will drive to the station and require parking. A station which fails to meet its parking capacity needs may have ridership constrained. Parking lots are usually paid for by the city in which they are located, with planning cooperation from the Division. The Fullerton station is currently hindered by a lack of parking. Capacity will be increased greatly by an additional parking structure which will be constructed by the City of Fullerton.

Amtrak Bus Operations

Bus Route Cost-Effectiveness – The 2008-09 Bus Route evaluations will be challenging. The price of fuel has skyrocketed, requiring not only larger payments to the bus contractors, but a re-evaluation of how future contracts will be structured. Routes which were marginally profitable may now, or in the near future, be unprofitable. The volatile nature of fuel prices makes planning especially difficult. While this economic climate is a challenge, it provides incentive to discontinue or improve poorly performing routes and to maximize Department resources. A committee consisting of Amtrak, CCJPA, and Department representatives is meeting regularly to adjust bus services in response to the fuel price increases.

Bus Driver Appearance – Drivers on all routes will soon be required to meet certain dress code standards. This is part of an overall program to increase the professionalism of the bus employees and make a more seamless transition between modes with similar expectations of employee conduct.

Recycling

A recycling program is currently undergoing implementation on the Capital Corridor. The success of the program will be evaluated and if successful may be expanded to include the Pacific Surfliners.

Ticketing and Fares

Quik-Trak Ticketing Machine Installation – Besides recent installations listed under “Achievements”, a Quik-Trak machine is slated for installation at San Clemente. The Department will also initiate the installation of more Quik-Trak machines at high-traffic, non-rail-station sites such as college central gathering buildings and shopping malls. Santa Barbara will not be receiving a Quik-Trak machine as the City historical building rules prevent the installation of plugs and conduit.

On Board Automated Ticketing – The Department is monitoring the results of a pilot project for automatic ticket sales and validation on board trains by equipping Amtrak conductors with hand-held computers. The State-funded pilot project, which is under the direction of the Capitol Corridor Joint Powers Authority (CCJPA), will be implemented in two phases on the Capitol Corridor Route. Phase One, which began in early 2008, consists of a pilot program where the program is developed, coded, and tested. Presuming the pilot program is successful, Phase Two will be a system-wide rollout on the Capitol Corridor Route (and San

Joaquin Route, at Caltrans' option) and will replace existing on-board processes for ticket sales and validation. The Department and Amtrak will then evaluate the feasibility of expanding the project to the Pacific Surfliners.

Rail 2 Rail – The Department and Metrolink have extended the original Rail 2 Rail agreement through October of 2008 (see Figure 2.1). Amtrak, Metrolink and the Department will schedule meetings to renegotiate the rates and address ways to deal with issues of the program that have resulted in overcrowding on some Pacific Surfliner trains. The Department is also ready to work with Coaster if and when that agency is ready to rejoin the program. See Figure 2.1 for a map of the program.

Fare Increases – The Department is evaluating fare increases for 2008-09. The purpose of the increases would be to offset higher operating expenses resulting from increased locomotive diesel fuel costs.

Common Machines – To further improve the seamless connectivity of the Southern California rail system, Rail 2 Rail will be expanded to allow “through ticketing” between Amtrak and Metrolink. For example, a passenger would be able to purchase a ticket from one vending machine for a trip that begins on an Amtrak train and ends on a Metrolink train. Through ticketing machines, deployed in 2007-08, will replace the separate Amtrak and Metrolink machines used for their respective systems.

Figure 2.1 – Rail 2 Rail Routes – Pacific Surfliner and Metrolink



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Wireless Internet Service

On the Pacific Surfliner Corridor, Amtrak and a wireless provider, in conjunction with the Division of Rail (DOR), completed a wireless test using cell phone towers in March 2008. Under the system studies, a vendor would provide use of their broadband access system and a service contract that would include system maintenance. The test was successful, and Amtrak and DOR advise that the next step is a Request for Qualifications.

The Capitol Corridor Joint Powers Authority (CCJPA) is studying internet service on the Capitol Corridor using a different model than was tested on the Pacific Surfliner Corridor. The CCJPA recommends a land based bandwidth system to be developed and owned by the CCJPA and a contract with a vendor to provide the service, including maintenance. The CCJPA also recommends that the system hardware be robust enough to include additional operational and safety components.

LOSSAN Corridor Quick Improvements Study

Many of the improvements in the LOSSAN Corridor over the next year will be done under the banner of the LOSSAN Corridor Quick Improvements Study (QIS). The QIS was initiated by the Department and OCTA with the goal of identifying potential improvements for rail services in the LOSSAN rail corridor that (1) would enhance the utility for rail services for riders, (2) could be implemented within a year, and (3) be implemented with minimal expense. Wilbur-Smith Associates was hired to compile concepts for possible implementation. Concepts were gleaned from a conference call of TAC members in December 2007. A draft report was released in April 2008.

Basic recommendations are for consolidated timetables, signage, marketing and information systems between agencies; coordinating schedules and stops between systems to maximize equipment usage, streamline schedules and best serve customer needs; expanding joint ticketing, transfer programs and connections to major offline destinations; and implement wireless internet at stations. QIS recommendations are currently being reviewed by the department for how to coordinate with other agencies and for potential implementation. The recommendations are very specific in the QIS, but specifics are not yet appropriate for inclusion in this year's business plan until and unless implementation has been planned and funded.

Longer Term Integration

This concept is beyond the scope of this short-term business plan. However, it is important to note that the long term goal in the LOSSAN corridor is a planned schedule integration of the rail services in the corridor to better serve the passenger. The plan is that over the next several years services operated by Amtrak, Caltrans, Metrolink, OCTA and Coaster will be integrated by an overall schedule and ticketing plan. The goal is to have the passenger "color blind" to the operator involved in moving them from point A to point B while increasing efficiency, frequency and fare rationalization. The Department will work with all involved parties to make incremental improvements, integrate services, identify strategic double- and triple-tracking locations, model efficient train-movement patterns, and identify project

priorities and funding. One of the biggest challenges in the corridor is the number of involved agencies. This study aims to help get beyond agency-focused priorities and objectively look at the entire LOSSAN Corridor.

Through Coast Service Los Angeles to San Francisco

The Department has taken a number of actions to implement the Coast Route extension from San Luis Obispo to the San Francisco Bay Area. This extension is supported by local transportation agencies along the Route. The Department is working to procure new equipment that would be necessary for this extension, and is working with the railroads on agreements to run the extension. The ability to run this extension is, of course, contingent upon approval in the Governor's Budget of additional operating funding. The State plans to add additional service on the existing Route in 2011-12 when new State-owned equipment is projected to become available. The CTC allotted \$25 million in proposition 1B funds to be used for track work in preparation for this service.

Chapter 3

Marketing Plan

2007-08 Accomplishments

Advertising, Public Relations and Partnerships

- Amtrak recently sponsored the first celebration of "National Train Day" on May 10, 2008, commemorating the nation's first transcontinental railroad, completed on May 10, 1869. In California, the Department sponsored the main events which took place at the Los Angeles, Sacramento, and Emeryville Stations. Open house celebrations along the Pacific Surfliner Route, included the Van Nuys and San Diego stations. Amtrak national celebrations took place in New York's Penn Station, and in Washington, DC and Chicago.
- The Department, in partnership with Amtrak and Metrolink, developed a new Rail 2 Rail brochure, released May 12, 2008, promoting the benefits, destinations and convenience of the program to Amtrak and Metrolink travelers.
- The Department, in partnership with Amtrak and Disney On Ice, provided Pacific Surfliner passengers with discounted tickets to the December 2007 and January 2008 Southern California presentations of "Princess Wishes", a collection of favorite Disney stories.
- Amtrak California, Metrolink and LA Metro (local transit) teamed up as official transportation partners of the Los Angeles Clippers NBA team for 2007-08 season. By presenting their Amtrak ticket stubs, passengers saved up to 20 percent off regular prices for selected home games.
- The Department partnered with Dominion Enterprises to include Amtrak California advertisements in the "Room\$aver Traveler Discount Guide", a free publication with over five million copies distributed each year. The "Room\$aver" is distributed at all staffed Amtrak California rail stations, Caltrans rest stops, and a variety of commercial establishments in California travel corridors.

Passenger Information

The Amtrak California Timetable for Spring/Summer 2008, released on May 12, 2008, was completely redesigned and added a process for customer feedback. The previously separate San Joaquin and Pacific Surfliner timetables were combined to create a more comprehensive travel planning tool, available in both print and online at www.amtrakcalifornia.com.

Rail Safety

- The Governor's Office of Homeland Security joined with the Department and Metrolink to hold news conferences in Sacramento on April 29, 2008 and Glendale on May 2, 2008, announcing \$15 million in funds allocated under Proposition 1B for improving

rail security in the state. The San Joaquin Route received \$2.3 million, the Pacific Surfliner Route received \$1.8 million and the Capitol Corridor JPA received \$1.9 million. Metrolink, a commuter rail agency in Southern California, received \$9.0 million (see Operations - Chapter 2 for details.)

- California Operation Lifesaver (CAOL) in partnership with Caltrans and Amtrak California, underwrote two safety campaigns, San Clemente and Merced/Fresno (on the San Joaquin Route), utilizing print media, radio and internet during the months of February and March, 2008. The beach community of San Clemente in Southern California has a particular issue with surfers and others who trespass in the railroad right of way to access the beach. The printed ad, created from an actual photograph of three young men with surfboards trespassing on the railroad tracks, reminded readers that "Taking A Shortcut Across the Tracks ... Could KILL a Perfectly Good Day at the Beach". The Department coordinates its rail safety activities with California Operation Lifesaver, whose major focus is to encourage safe behavior at railroad grade crossings and to discourage trespassing on railroad property. The statewide organization is a coalition of railroads, Federal/State and local agencies, private businesses, and individuals concerned with promoting safety.

Market Research

On April 8, 2008, Amtrak released the most recent report of Ridership Demographic, Behavioral, and Attitudinal Profiles obtained through on-board surveys taken between Fall 2001 and Winter 2008. The report provides data on customer attitudes, desires and preferences in order to better match rail services to customer needs. The report indicates that Pacific Surfliner ridership has the following characteristics: 67 percent are employed; 41 percent are under 35 years old; 44 percent have an annual household income of \$75,000 or more; 64 percent are Caucasian, 18 percent Hispanic, 9 percent Asian, 4 percent African-American, and 4 percent are from other ethnic groups.

Work Plan 2008-09: On-going Activities

Advertising, Public Relations and Partnerships

Advertising - The Department and Amtrak combine resources to fund Amtrak California's advertising contract, awarded to Glass-McClure Inc. through 2008-09. The contractor develops the message and media choices to reach the target population during a specific marketing campaign. While the Department most often uses radio, newspaper and outdoor advertising, other media, including targeted direct mail, internet advertising, religious and minority press, and traffic report sponsorships are also used to accomplish advertising goals. Also, the Department continues to pursue advertising partnerships that will augment the value of activities paid for through the marketing budget.

The annual advertising plan uses themes related to seasonal activity and is focused on the three target populations: families, the mature market (50+ years) and the Hispanic community. In 2008-09 advertising will continue the "Travel Made Simple" concept and promotes everyday low fares and the onboard experience. Advertising mediums will continue to include general

market and Hispanic radio and television, online banner ads, and dramatic outdoor billboards featuring prominent images of a Pacific Surfliner train. Boards will continue to be placed in high traffic areas on freeways and roads in the San Diego and Los Angeles areas.

The Department continues to evaluate advertising opportunity proposals from various event promoters and business entities. The evaluation process includes an analysis by Glass McClure Inc. along with a recommendation to accept, reject or negotiate for better terms.

Public Relations – The on-going public relations program is an integral part of the overall advertising plan and includes promotional programs and special events, such as press conferences, station grand openings, and service opening ceremonies. The quarterly newsletter “Making Tracks” features promotions and highlights tourist destinations.

Partnerships - In 2008-09, the Department will continue to partner with Disneyland Resort, Sea World, Universal Studios, Santa Barbara Car-Free, and others. Additionally, national Amtrak campaigns will continue to be used to augment or complement the advertising efforts in California markets.

Joint Marketing with Commuter Services

The Rail 2 Rail program will continue to provide travelers with enhanced travel options on the Route, by allowing both Metrolink and Pacific Surfliner tickets to be used on either system. The Department, Amtrak and Metrolink promote the Rail 2 Rail program with a joint schedule and combined marketing.

Community Outreach

The on-going Community Outreach program promotes Pacific Surfliner ridership, explains the Department’s intercity passenger rail programs and policies, and encourages each community to participate in promoting the Pacific Surfliner Route. The community outreach events planned for 2008-09 include the Oxnard Strawberry Festival, Ventura County Fair, Santa Barbara Car-Free events, and additional fairs and festivals on an event-by-event basis.

Group Travel Programs

Kids ‘N Trains - The Pacific Surfliner Route's youth field trip group program “Kids ‘N Trains” begins its seventh full season in September 2008. The Kids 'n Trains Program provides youth (aged three to eighteen) and their chaperones with an opportunity to learn about train travel by riding the Pacific Surfliner train. The Department works with Amtrak Group Reservations to coordinate this special discount program. Trip planning information is included on the Department’s website.

College Student Discount Travel Program - The Department and Amtrak will continue to offer college students a 20 percent discount on the San Joaquin and Pacific Surfliner Corridors. The purpose of the Program is to introduce Amtrak travel to students who might otherwise travel by car to and from campus. Campuses participating in the Program include: Fresno City College, California State University Fresno, University of California campuses at Irvine, Santa Barbara and Merced, California Polytechnic State University San Luis Obispo, California State University Bakersfield, University of the Pacific in Stockton, and Santa Barbara City College.

Rail Safety

The Department will continue to work with the Operation Lifesaver campaign on a combination of media advertising and public education events concentrated on certain geographically prioritized areas where accidents have occurred. The Department promotes rail safety by underwriting the cost of training rail safety speakers and the procurement of safety materials such as "no trespassing" signs for use by the railroads.

In addition to the marketing efforts outlined above, the Department, in conjunction with the California Public Utilities Commission, continues to oversee and administer safety-related capital improvement programs such as the Section 130 Federal Crossing Improvement Program and Section 190 State Grade Separation Program to improve and construct rail/vehicle crossings for increased safety.

Market Research

The Department will continue to contract with Amtrak for market research services. These services focus on current train rider demographics, target markets, advertising themes for campaigns, and the effectiveness of campaigns and marketing tools. Focus groups and on-board surveys provide demographic information along with a picture of travel behavior. Profiles are created of typical riders to cover topics including income, ethnicity, travel frequency and trip purpose.

The Department also will continue to contract with Amtrak for the operation and development of the Rail Ridership/Revenue Forecasting Model. The Department and Amtrak use the model to estimate the ridership and revenue impacts of major service changes, such as new services, route extensions or truncations, and frequency and fare changes.

Work Plan 2008-09: New Activities

Advertising, Public Relations and Partnerships

The Department, Amtrak and California Operation Lifesaver will provide bilingual staff to operate their respective information booths at the annual 2008 National Council of La Raza (NCLR) to be held in San Diego July 12-15, 2008. This year's conference is expected to attract approximately 20,000 people, including many Hispanic Californians. NCLR is the largest national Hispanic civil rights and advocacy organization in the United States.

Passenger Information

In 2008-09, the Amtrak California website will be revised for easier navigation, provide more in-depth content, and provide customers with a comment and suggestion feature. Customer's input will be evaluated and may be implemented to improve customer service.

The on-going refinement of the on-line Fall/Winter Timetable in 2008-09 will include enhancing the Amtrak California System Map to allow on-line users to "point and click" the icons for specific trains, stations or bus routes and quickly view all relevant timetables and amenities. Customer comments and suggestions regarding the timetable will be continually evaluated.

Rail Safety

In 2008-09, California Operation Lifesaver will continue to actively promote rail safety educational and media campaigns in San Clemente and other beach communities. Radio and print ads in will be used to reach the beach-going populations in these communities.

Chapter 4

Capital Plan

2007-08 Completed Project Accomplishments

In 2007-08, major accomplishments are:

- Four of the eight phases of the Los Angeles to Fullerton 15 miles of triple track have been completed. Phase 5 is more than half completed. The project includes construction of six grade separations, as well as the triple track. Work has started on two grade separations, Rosecrans - Marquardt and Valley View. This project will improve operating efficiency for intercity, and commuter rail passenger services, as well as rail freight service.
- Phase II of the Del Mar Bluffs stabilization project was completed which will ensure the stability of the bluffs and prevent possible track outages due to slope failures.
- The completion of Tunnel 26 Seismic Improvements will reduce the likelihood of collapse in the event of a major earthquake.
- Completion of the seven mile Moorpark – Simi Valley rail replacement project.
- The design work is completed for Santa Margarita Bridge. Construction funds have been allocated for the replacement of the timber and steel bridge with concrete and steel double track bridge.
- The "next generation" ticket vending machines at Amtrak and Metrolink stations have been deployed, allowing passengers to purchase through tickets for a combined Amtrak/Metrolink trip. Also completed was installation of electronic message signs at stations to inform Amtrak, Metrolink, and Coaster patrons of train arrival status.

Capital Plan Summary

Figure 4.1 is a summary of currently allocated or programmed projects on the route including stations, track and signal, equipment, and maintenance facilities. All allocated and programmed projects have some State funding and project management involvement.

Figure 4.1 – Summary of Capital Projects

PACIFIC SURFLINER ROUTE			
Intercity Rail Capital Projects (Dollars in thousands)			
Project Type	Allocated	Programmed	Total
Track and Signal	\$161,155	\$172,855	\$334,010
Stations	\$22,631	\$51,469	\$74,100
Maintenance			
Facilities	\$2,555	\$1,500	\$4,055
Equipment	\$0	\$50,000	\$50,000
Total	\$186,341	\$275,824	\$462,165

This Business Plan focuses on the intercity passenger rail short-range capital program, which includes State funding from the 2006 STIP and Augmentation, the TCRP Program, Proposition 1B Bond Program, and local, federal and private funding sources. Currently \$186.3 million in projects are allocated and an additional \$275.8 million in projects are programmed. Thus, the short-range capital program (through SFY 2011-12) includes \$462.1 million in projects. Projects that are allocated are detailed in Figure 4.2 and programmed projects are detailed in Figure 4.3. Together, Figures 4.1, 4.2 and 4.3 give a complete picture of the current capital projects and improvements on the corridor.

Figure 4.2 – Detail of Capital Projects - Allocated

PACIFIC SURFLINER ROUTE			
Projects Allocated (Dollars in thousands)			
Project Description	State Funds	Other	Total
TRACK AND SIGNAL PROJECTS			
Capitalized Maintenance			
Track and signal upgrades	\$2,000	\$0	\$2,000
Moorpark-Simi Valley Rail Replacement			
Replace 7 miles of track	\$4,000	\$0	\$4,000
River Corridor Track and Signal Imps - North of LA			
Replace ties, rails and underground cables; upgrade standby power	\$109	\$1,104	\$1,213
Los Angeles - Fullerton Third Main Track			
Project includes Commerce, Roscrans, Passons Blvd. Environmental documentation and engineering for 14.1 miles of third main track, construction for portions of third track	\$95,181	\$6,480	\$101,661
Oceanside Double Track			
Design and construct 1.2 mile of double track	\$13,530	\$0	\$13,530
Signal & Communication System Upgrade-NCTD			
Signal and communication system analysis and upgrade	\$1,000	\$0	\$1,000
Santa Margarita Double Track Bridge			
Design work for a concrete and steel double track bridge to replace a timber and steel single track bridge	\$26,494	\$0	\$26,494
Encinitas Grade Separation Pedestrian Crossing			
Prepare environmental documentaion and permits request	\$1,248	\$0	\$1,248
San Dieguito River Bridge Design and Engineering			
Preliminary design and environmental for double track concrete bridge	\$855	\$0	\$855
Del Mar Bluffs Stabilization			
Stabilize bluff area subject to erosion	\$5,254	\$0	\$5,254
Sorrento-Miramar Double Track			
Design second main track to increase speeds	\$3,900	\$0	\$3,900
TOTAL TRACK AND SIGNAL PROJECTS	\$153,571	\$7,584	\$161,155
STATION PROJECTS			
Multiple Stations			
Ticket Vending Machines	\$124	\$10,425	\$10,549
Electronic Information System	\$863	\$682	\$1,545
Goleta			
Construct new bus turning circle, paving, landscaping, signage, ticket vending machine, and lighting	\$416	\$40	\$456
Oxnard			
Construct parking lots, and landscaping	\$1,081	\$0	\$1,081
Santa Ana			
Create 1000 foot mural of historic events	\$500	\$0	\$500
Fullerton			
Design and construct a parking structure with 700 spaces	\$8,500	\$0	\$8,500
TOTAL STATION PROJECTS	\$11,484	\$11,147	\$22,631
MAINTENANCE FACILITY PROJECTS			
Los Angeles			
Construct security measures at maintenance facilities	\$2,555	\$0	\$2,555
TOTAL MAINTENANCE FACILITY PROJECTS	\$2,555	\$0	\$2,555
TOTAL ALL PROJECTS UNDERWAY	\$167,610	\$18,731	\$186,341

Figure 4.3 – Detail of Capital Projects - Programmed

PACIFIC SURFLINER ROUTE			
Projects Programmed (Dollars in thousands)			
Project Description	State Funds	Other Funds	Total
TRACK AND SIGNAL PROJECTS			
Coast Daylight Track and Signal Track and signal project to allow Pacific Surfliner extension to the San Francisco Bay Area.	\$25,000	\$0	\$25,000
Los Angeles - Fullerton Third Main Track Project includes Commerce, Roscrans, Passons Boulevards. Construct 8 miles of triple track between Commerce/Fullerton.	\$74,200	\$14,500	\$88,700
SCRRA Sealed Corridor Enhance safety of grade crossings and railroad right of way.	\$3,000	\$0	\$3,000
San Onofre-Pulgas Track Project in San Diego County - Construct double track.	\$30,000	\$0	\$30,000
Santa Margarita Double Track Bridge Construct a concrete and steel double track bridge to replace a timber and steel single track bridge	\$16,206	\$0	\$16,206
Encinitas Grade Separation Pedestrian Crossing Construct pedestrian grade separation	\$1,552	\$1,000	\$2,552
Del Mar Bluffs Stabilization Stabilize bluff area subject to erosion	\$3,397	\$4,000	\$7,397
TOTAL TRACK AND SIGNAL PROJECTS	\$153,355	\$19,500	\$172,855
STATION PROJECTS			
New Station Track at LA Union Station Build new track, platform and renovate canopies.	\$35,100	\$0	\$35,100
Fullerton Design and construct a parking structure with 700 spaces	\$31,969	\$1,500	\$33,469
Solana Beach Construct parking structure with Transit Oriented Development	\$6,000	\$12,000	\$18,000
TOTAL STATION PROJECTS	\$37,969	\$13,500	\$51,469
MAINTENANCE FACILITY PROJECTS			
San Diego Layover Facility Initial project development for a passenger train maintenance and layover facility	\$1,500	\$0	\$1,500
TOTAL MAINTENANCE FACILITY PROJECTS	\$1,500	\$0	\$1,500
EQUIPMENT PROJECTS			
Procure New Rail Cars Purchase hi-level intercity reail cars and locomotives.	\$50,000	\$0	\$50,000
TOTAL EQUIPMENT PROJECTS	\$50,000	\$0	\$50,000
TOTAL ALL PROJECTS PROGRAMMED	\$242,824	\$33,000	\$275,824

The Rail Plan shows the long-range ten-year capital plan. The unconstrained plan for the route (as shown on Figure 2A of the Rail Plan) has \$2,298 million in projects (\$656.3 million north of Los Angeles and \$1,641.7 million south of Los Angeles). Thus, it is clear that the currently programmed State funds are not adequate to fund the longer-range intercity passenger rail capital plan. The long-range plan includes the assumption that a twelfth San Diego-Los Angeles roundtrip would be added in FFY 2011-12, and the thirteenth in FFY 2014-15. Additionally, another Los Angeles-San Luis Obispo roundtrip is projected in FFY 2013-14

that would be the sixth round trip to Santa Barbara and the third roundtrip to San Luis Obispo.

Some further explanation on Figures 4.2 and 4.3 is provided here. Figure 4.2 shows all projects that are currently allocated. Projects are defined as being allocated if State funds have been approved by the California Transportation Commission. Figure 4.3 shows all projects that are programmed for funding, generally in the 2006 STIP and Augmentation, Proposition 1B Bond List, and TCRP. It is important to note that a single project will usually be funded from multiple funding sources and larger projects are often funded and completed in phases. Therefore, one project (particularly larger projects) could be listed on both Figures 4.2 and 4.3.

California Office of Homeland Security Grant Projects

The Pacific Surfliner corridor received \$1.8 million in California Homeland Security grant funding in the spring of 2008 for safety and security projects. These projects are not included in figures 4.2 and 4.3 as they are not allocated by the CTC. The following is a description of the projects:

Layover Facility and Station Security and Safety Improvements – \$70,000 is dedicated to better lighting and site security at the Goleta (layover) and Guadalupe passenger stations in Santa Barbara county.

Improved Announcement and Emergency Notification Systems at Stations – \$356,000 is dedicated to improving the public announcement and public information display system (PIDS) at various stations along the corridor. This will allow passengers better access to information as well as being informed in case of emergency.

Van Nuys Equipment Enclosure – \$28,000 is dedicated for a security enclosure for railroad equipment, especially electric baggage carts, at the Van Nuys station.

Security System with Panic Buttons – \$46,000 is dedicated to the installation of security systems at three high-passenger-volume stations on the Pacific Surfliner Route. The panic buttons will allow police notification without any visible button such as systems found in banks. Stations to receive this equipment initially are San Luis Obispo, Santa Barbara and Los Angeles.

Ticket Window Security Modifications – \$14,000 is dedicated for installation of laminated glass at the Oceanside passenger station in order to protect employees, computers, equipment and confidential information.

Video Security for Station, Platform, Mechanical and Operation Areas – \$1,286,000 is dedicated to upgrade closed-circuit TV systems at twelve Pacific Surfliner stations and rail yards and maintenance facilities. This will include thirty days of recording capability. The stations to be upgraded are Anaheim, Fullerton, Goleta, Irvine, Oceanside, Oxnard, San Juan Capistrano, San Luis Obispo, Santa Ana, Santa Barbara, Solana Beach and Van Nuys.

Track and Signal Projects

Following are descriptions of track and signal projects that are allocated or programmed. While all projects are listed in Figures 4.2 and 4.3, only projects with a total cost of \$2.0 million or greater are described below. The projects are listed geographically from north to south.

The State does not own any rail tracks in the Pacific Surfliner corridor. Between San Luis Obispo and Moorpark, the right-of-way (ROW) is owned by the Union Pacific. Between Moorpark and San Diego, the majority of the ROW is owned by public transportation entities, although the section between Los Angeles and Fullerton is owned by BNSF. The State funds and oversees many track and signal projects that benefit the Pacific Surfliner trains.

Capitalized Maintenance – A total of \$2 million has been allocated for capitalized maintenance on the Route: \$482,000 for track maintenance between San Luis Obispo and Santa Barbara; \$906,000 for making Tunnel 26 seismically safe; and, \$612,000 for track upgrades and maintenance to the North County Transit District.

Coast Daylight Track and Signal – \$25.0 million in Proposition 1B Bond funds is programmed for this project to complete design, engineering and construction of track and signal Improvements between milepost 205 in San Luis Obispo and MP 72 in Gilroy. Completion of this link will provide intercity rail passenger service between downtown San Francisco and downtown Los Angeles.

Moorpark-Simi Valley Rail Replacement – \$4.0 million was allocated for this project to replace rail on seven miles of track between Moorpark and Simi Valley. The project will improve safely and increase speeds.

Los Angeles-Fullerton Third Main Track - This project is to construct a third main track on the heavily congested BNSF Railway line from Los Angeles to Fullerton. The additional track will help to increase passenger rail efficiency and on-time performance. In addition to Pacific Surfliner trains, this BNSF Railway owned line serves the freight needs of the Ports of Long Beach and Los Angeles. Metrolink also operates commuter service on this rail line. This project will improve operating efficiency for intercity, and commuter rail passenger services, as well as rail freight service.

This project consists of constructing 14.7 miles of third main track, and the construction of six grade separations, estimated to cost approximately \$200 million. Segments are being completed sequentially. \$95 million in state funds has been allocated for a combination of track and grade separation work. Design and environmental documentation was completed in 2004 on the track work and the six grade separations. The first two grade separations are Valley View Ave and Passons Blvd. \$70 million in Prop 1B Bond funds are programmed for the last segment which includes grade separation (Rosecrans Ave.) and 8 miles of triple track. The track project is being completed in eight segments: the first three segments are complete; segments four and five are currently allocated and the final three programmed.

Oceanside Double Track – The project will extend the existing Oceanside siding to the south by 1.5 miles. \$500,000 was allocated for the project's design, and \$13.0 million was allocated for the construction to facilitate train operation. Construction is planned for completion in Fiscal Year 2008/09.

San Onofre-Pulgas Track Project (San Diego County) – \$30 million in Proposition 1B Bond funds are programmed for 5.8 miles of second track adjacent to the main line track. In addition, a universal crossover and control point will be installed; replacement of three timber bridge structures with reinforced concrete boxes; construct retaining walls, and other miscellaneous improvements.

Santa Margarita Double Track Bridge – \$3.5 million was allocated for this project to prepare environmental documentation and engineering, and design to replace a timber and steel bridge with a concrete and steel double track bridge. \$23 million was allocated for construction in November 2007. An additional \$16.2 million is to be allocated in fiscal year 2007-08.

SCCRA Sealed Corridor Project – \$ 3.0 million is programmed in Prop 1B Bond funds to complete this project to provide safe grade separations, including installation of fiber optic cables in existing conduits to better analyze operating problems.

Encinitas Grade Separation Pedestrian Crossing – \$1.2 million has been allocated and \$2.6 million is programmed to complete this project to provide safe pedestrian access across active rail lines to major pedestrian business, residential, and recreational areas within the city of Encinitas.

Del Mar Bluffs Stabilization – In San Diego County, both the design phase, and Phase I and Phase II construction for drainage improvements to ensure the stability of the bluffs and prevent possible track outages due to slope failures have been completed. \$5.3 million has been allocated for Phase II stabilization project. The Pacific Surfliner intercity trains, the Coaster commuter trains and BNSF freight trains currently use the track for their operations. An additional \$7.4 million (Including \$4.0 million in federal funding) is programmed to complete construction of Phase III. The additional funding will provide for the expansion of the project limits.

Sorrento–Miramar Double Track – \$4.4 million was used for project design for the Sorrento to Miramar double track project. However, preliminary design, environmental, and engineering work for the original design determined that it could not be built as originally planned. \$3.9 million of construction funds are reprogrammed for further design to determine a buildable segment.

Station Projects

Below are descriptions of station projects that are currently allocated or programmed. Station projects are arranged in geographic order from north to south. The State, in most cases, does not own stations. The majority of stations are owned by cities, Amtrak, railroads, or private development companies. However, the State funds and oversees many station improvement projects.

Ticket Vending Machines – \$10.5 million is available for ticket vending machines and software to be purchased for all Amtrak and Metrolink stations on the Pacific Surfliner Route. The funding sources are: \$8.5 million from the Federal Congestion Mitigation and Air Quality Improvement Program (CMAQ), \$1.2 million from Amtrak, and the remainder from State and local agencies. The system is in the initial stage of deployment and will be fully operational

by the end of 2008. The system will permit ticket purchases of either or both commuter and intercity train tickets. For the first time passengers will be able to purchase through tickets for a combined Amtrak/Metrolink trip. This modernization will also improve cash handling operations and accounting.

Fullerton – \$8.5 million has been allocated for design, preliminary engineering, and right of way for multi-level parking structure at Fullerton Transportation Center. An additional \$31.9 million is programmed for construction of parking garage. The increased parking will accommodate both intercity and commuter rail passengers. \$1.5 million in local funds is also programmed for this project. Currently on an average day, 3,000 commuters travel through the Fullerton Transportation Center on Metrolink and Amtrak. By the year 2020 ridership is expected to grow to a daily average of 4,000.

Solana Beach – \$6.0 million in state funds is programmed to assist with construction of a parking structure as part of a transit-oriented development project.

Maintenance and Layover Facilities

San Diego Layover Facility – \$1.5 million is programmed to begin initial project development on a San Diego Layover facility. The Department has been working for a number of years to secure a site in the San Diego area for a layover facility. A site had been secured in National City, however when construction funding was not obtained, the site was lost. A facility will allow more efficient equipment utilization, more efficient car repair and more frequent cleaning. At its January 2008 meeting, the CTC directed the Department to work with SANDAG to identify a suitable location for a layover facility. The Department will report to the CTC semi-annually on its progress on securing a site.

Los Angeles Maintenance Facility – \$2.6 million was allocated for security measures at the Eighth Street Rail Yard and the Redondo Junction Maintenance Facility in the City of Los Angeles.

Equipment

The Department is developing a technical specification for new cars and locomotives for use on the three State-supported intercity corridors. \$150 million in Proposition 1B Bond funds is programmed for rail cars. Approximately \$50 million is reserved for the Pacific Surfliner route. This new equipment will allow for increased capacity and service on the route.

The Pacific Surfliner fleet currently consists of ten sets of equipment. Each set has five cars and one locomotive. The state owns two sets, and Amtrak owns eight sets. In addition Amtrak owns all 14 F59 locomotives used on the route.

Chapter 5

Performance Standards and Results

Performance Standards Categories

The Pacific Surfliner Route performance standards are included in Figure 5.1. The standards are categorized by usage, cost efficiency, and service quality.

- **Usage** is measured by ridership, the percent change in train passenger miles and train miles, and passenger miles per train mile.
- **Cost Efficiency** is measured by farebox ratio (operating revenues divided by operating costs), the percent change in total revenues and expenses, train revenue per train mile and train revenue per passenger mile (yield), train expenses per train mile, and train-only State costs per train mile and per passenger mile.
- **Service Quality** is measured by on-time performance (OTP) and percent of available State-owned California equipment in service.

Figure 5.1 – Pacific Surfliner Route Performance Standards

PACIFIC SURFLINER ROUTE PERFORMANCE STANDARDS State portion only (70%) except for Total Route Ridership							
Federal Fiscal Year (FFY)		FFY 2006-07				FFY 2007-08	FFY 2008-09
PERFORMANCE STANDARD ϕ	T&B #	ACTUAL	STANDARD \uparrow	VARIANCE ACTUAL TO STANDARD	PERCENT DIFFERENCE	CURRENT YEAR STANDARD \uparrow \times	BUDGET STANDARD \S
NUMBER OF DAILY ROUND TRIPS (LA-SD)			11			11	
USAGE							
Total Route Ridership	#	2,707,188	2,807,000	(99,812)	-3.6%	2,791,000	3,050,000
Average Daily Ridership	#	7,417	7,690	(273)	-3.6%	7,647	8,356
Route Ridership - State Portion	#	1,895,032	1,965,000	(69,968)	-3.6%	1,954,000	2,135,000
Percent Change in Route Ridership	#	--	5.6%	--	--	3.1%	9.3%
Percent Change in Train Passenger Miles		--	4.1%	--	--	1.9%	11.8%
Percent Change in Train Miles		--	-3.9%	--	--	1.6%	0.0%
Passenger Miles per Train Mile (PM/TM)		137.1	146.0	(8.9)	-6.1%	137.5	153.7
COST EFFICIENCY							
Farebox Ratio (Train and Bus Service)	#	62.4%	60.9%	1.5%	--	61.5%	62.7%
Percent Change in Total Revenue	#	--	4.3%	--	--	1.7%	15.9%
Percent Change in Total Expenses	#	--	-3.4%	--	--	3.2%	13.6%
Train Revenue per Train Mile	\$	28.74	28.76	(0.02)	-0.1%	28.85	33.33
Train Revenue per Passenger Mile (Yield)	\$	0.21	0.20	0.01	6.4%	0.21	0.22
Train Expenses per Train Mile	\$	47.46	48.43	(0.97)	-2.0%	47.74	54.76
Train Only State Cost per Train Mile	\$	18.72	19.67	(0.95)	-4.8%	18.89	21.43
Train Only State Cost Per Passenger Mile	\$	0.14	0.13	0.00	1.3%	0.14	0.14
SERVICE QUALITY							
On Time Performance		75%	82%	-7%	--	80%	80%
Percent of California Equipment Available		90%	90%	0%	--	90%	90%
OPERATING RESULTS (State Portion Only)							
TRAIN AND BUS							
Total Revenue	#	\$ 35,466,716	\$ 33,975,000	\$ 1,491,716	4.4%	\$ 36,064,000	\$ 41,802,000
Total Expenses	#	\$ 56,869,596	\$ 55,798,000	\$ 1,071,596	1.9%	\$ 58,688,000	\$ 66,681,000
Total State Operating Cost *	#	\$ 22,073,000	\$ 22,073,000	\$ -	0.0%	\$ 23,074,000	\$ 24,879,000
TRAIN ONLY							
Train Only Revenue		\$ 32,632,289	\$ 31,347,000	\$ 1,285,289	4.1%	\$ 33,288,000	\$ 38,461,270
Train Only Expenses		\$ 53,891,081	\$ 52,787,000	\$ 1,104,081	2.1%	\$ 55,090,000	\$ 63,188,618
Train Only State Operating Cost		\$ 21,258,792	\$ 21,440,000	\$ (181,208)	-0.8%	\$ 21,802,000	\$ 24,727,348
Passenger Miles		155,712,498	159,158,000	(3,445,502)	-2.2%	158,639,000	177,342,000
Train Miles		1,135,493	1,090,000	45,493	4.2%	1,154,000	1,154,000

- T&B Includes train and bus results. All other elements are train only.
 * - Reflects operating contract maximum in 2006-07 and 2007-08. In all years, includes payment to Amtrak for minor capital projects not included in any other line item.
 x - Percent changes refer to the difference between the FFY 2007-08 Standard and the FFY 2006-07 Actual.
 ↑ - FFY 2006-07 and 2007-08 standards based on Amtrak contracts for those years.
 § - FFY 2008-09 standards based on Proposed Governor's Budget.
 φ - \$ shown in current year \$, and are not inflated.
 NOTE - Percents of change not shown when measure itself is a percent.

Basis for Achievement of Performance Standards

The performance standards for Federal Fiscal Year (FFY) 2008-09 are based on the short-range Operating, Marketing, and Capital Action Plans laid out in Chapters 2, 3, and 4 of the Plan. The anticipated results of the Action Plans are analyzed to determine achievable standards for FFY 2008-09.

The key capital project actions for 2007-08 and 2008-09 are:

- Complete to work on Moorpark-Simi Valley Rail Replacement.
- Continue construction on Los Angeles-Fullerton third main track and six grade separations.

- Complete construction of the Oceanside double track project in 2008-09.
- Continue work on Del Mar Bluffs stabilization in San Diego County.
- Deploy “next generation” ticket vending machines to begin initial phase of operation in SFY 2007-08 at Amtrak and Metrolink stations, allowing through ticketing between Amtrak and Metrolink.
- Complete Oxnard station parking project in 2008.

Key operating actions for 2008-09 are:

- Improve OTP.
- Continue to improve connecting feeder bus system.
- Continue advertising, public relations, and community outreach to boost ridership (including a fall, winter and spring promotion, evaluation of the group travel program for school groups, and additional advertising partnerships).

Performance Standard Analysis

The FFYs 2006-07 and 2007-08 standards are consistent with the Amtrak operating contract for those years and are consistent with the standards for those years that were included in the prior 2007-08 Business Plan. The FFY 2008-09 standards are consistent with the Governor’s Proposed Budget.

The Section in Figure 5.1 titled “Operating Results” includes the base data from which the performance standards were derived (revenues, expenses, state costs, etc.) This section also provides the comparison of the standards to the actual data for FFY 2006-07. The funds for Amtrak service in the State budget are used for an annual operating contract period that coincides with the FFY. Thus, all data is shown on the basis of the October-September FFY. All financial data for the Pacific Surfliner is based on only the State-supported share of the route, which is now 70 percent (although the entire ridership is also displayed).

Comparison of FFY 2006-07 Performance Standards and FFY 2006-07 Actual Results

Actual ridership of 2,707,188 in FFY 2006-07 was an increase of 1.9 percent over the FFY 2005-06 ridership of 2,657,773, although 3.7 percent lower than the standard of 2,807,000.

Cost efficiency, measured by the farebox ratio, was 62.4 percent, a 6.0 percentage point increase over the prior fiscal year, and 1.5 percentage points over the FFY 2006-07 standard. This is a notable increase in the farebox ratio, the result of both higher revenues and lower expenses than the prior year. The OTP was 75 percent, which was 7 percentage points below the standard of 82, and 1 percentage point lower than the previous year due in large part to continued congestion on the Corridor.

FFY 2007-08 Performance Standards

The FFY 2007-08 performance standards are consistent with those displayed in the prior 2007-08 Business Plan. They project a 3.1 percent ridership increase to 2,791,000 riders, a 1.7 percent

revenue increase, and a 3.2 percent expense increase from actual results in the prior year. The farebox ratio is projected to increase to 61.5 percent. The OTP is projected at 80 percent.

Actual results, year-to-date FFY 2007-08 (October 2007-June 2008), for ridership are very positive. Ridership is up 6.6 percent over the same period of the previous year. Year-to-date revenue (October 2007-May 2008) is up 5.9 percent over the same period of the prior year. However, expenses were up 9.0 percent and consequently the farebox ratio decreased by 1.4 percentage points.

FFY 2008-09 Performance Standards

The performance standards for this year are based on the 2008-09 Proposed Governor's Budget. The standards include a 9.3 percent ridership increase, a 15.9 percent revenue increase, and an 13.6 percent expense increase over the 2007-08 Standards. The farebox ratio is projected to increase to 62.7 percent. OTP is projected to be at 80 percent. OTP continues to be a challenge to maintain with the route heavily traveled by intercity, commuter and freight rail traffic. Also, it is only a single track railroad in many locations. The Department will continue to work with all involved parties to improve OTP.

Historical Performance Prior to FFY 2007-08

Figure 5.2 shows ridership and financial performance data on an annual State Fiscal Year (SFY) basis from the start of State-supported service in 1973-74 through 2005-06. (Note that Figure 5.1 is on the basis of a FFY, so the annual data on Figures 5.1 and 5.2 is not the same.)

Figure 5.2 – Pacific Surfliner Route Annual Operating Performance

PACIFIC SURFLINER Route
Annual Operating Performance - State Fiscal Years

State Fiscal Year	Notes	Ridership Data			Financial Data for Operations - State Supported Train and Bus Service Only*						
		AllTrains		State Supported* Ridership	Revenue	Expense	Loss	State Cost	Amtrak Cost	Train Loss per PM	Farebox Ratio
		Ridership	PM/TM (F1)								
1973-74	(S1)	381,844									
1974-75		356,630									
1975-76		376,900									
1976-77	(S2)	607,976	146	101,572	\$ 598,140	\$ 1,662,714	\$ 1,064,574	\$ 548,534			36.0%
1977-78	(S3)	753,246	128	258,800	\$ 1,446,036	\$ 3,768,065	\$ 2,322,029	\$ 1,325,087			38.4%
1978-79		967,316	163	415,865	\$ 2,203,403	\$ 4,333,602	\$ 2,130,199	\$ 1,178,667			50.8%
1979-80		1,218,196	177	567,113	\$ 3,341,561	\$ 5,536,840	\$ 2,195,279	\$ 1,064,713			60.4%
1980-81	(S4)	1,238,135	152	555,418	\$ 4,032,480	\$ 6,572,539	\$ 2,540,059	\$ 1,233,490			61.4%
1981-82		1,167,718	144	533,093	\$ 4,097,254	\$ 6,607,395	\$ 2,510,141	\$ 1,217,418		6.3¢	62.0%
1982-83		1,131,146	138	488,606	\$ 4,094,750	\$ 6,928,334	\$ 2,833,584	\$ 1,374,097		8.3¢	59.1%
1983-84		1,221,256	143	524,857	\$ 4,842,400	\$ 6,337,083	\$ 1,494,683	\$ 1,452,450		4.1¢	76.4%
1984-85		1,240,003	152	568,902	\$ 5,410,502	\$ 6,411,308	\$ 1,000,806	\$ 1,212,261		2.5¢	84.4%
1985-86		1,394,320	167	597,025	\$ 5,658,915	\$ 6,424,634	\$ 765,719	\$ 1,097,966		1.8¢	88.1%
1986-87		1,461,003	173	624,618	\$ 6,072,523	\$ 6,510,113	\$ 437,590	\$ 965,509		1.0¢	93.3%
1987-88	(S5)	1,661,512	174	749,996	\$ 8,223,462	\$ 7,859,783	\$ (363,679)	\$ 1,145,330		(0.7¢)	104.6%
1988-89		1,717,539	164	865,003	\$ 11,458,084	\$ 10,563,459	\$ (894,625)	\$ 794,159		(1.2¢)	108.5%
1989-90		1,746,673	174	882,167	\$ 12,189,942	\$ 11,808,251	\$ (381,691)	\$ 968,847		(1.4¢)	103.2%
1990-91	(S6)	1,791,781	159	946,988	\$ 13,306,307	\$ 13,364,150	\$ 57,843	\$ 1,170,448		(0.7¢)	99.6%
1991-92		1,673,107	161	884,224	\$ 13,152,063	\$ 13,245,924	\$ 93,861	\$ 1,012,564		(0.5¢)	99.3%
1992-93	(S7)	1,810,572	155	951,987	\$ 13,692,612	\$ 13,254,709	\$ (437,903)	\$ 968,857		(0.8¢)	103.3%
1993-94	(S8)	1,699,882	133	876,766	\$ 12,725,094	\$ 14,017,591	\$ 1,292,497	\$ 1,525,074	\$ 727,987	0.9¢	90.8%
1994-95	(S9)	1,464,577	119	790,781	\$ 11,805,859	\$ 16,061,849	\$ 4,255,990	\$ 3,642,588	\$ 1,700,424	5.0¢	73.5%
1995-96	(S10)	1,480,674	125	912,905	\$ 13,563,553	\$ 23,983,026	\$ 10,429,473	\$ 11,107,071	\$ 863,230	11.4¢	56.5%
1996-97		1,617,641	134.7	1,035,290	\$ 14,804,355	\$ 39,563,546	\$ 24,759,191	\$ 16,189,103	\$ 10,020,544	24.5¢	37.4%
1997-98	(S11)	1,624,693	120.4	1,069,547	\$ 15,194,498	\$ 44,769,723	\$ 29,575,225	\$ 20,369,417	\$ 10,600,767	29.1¢	33.9%
1998-99	(S12)	1,583,275	101.9	1,047,394	\$ 16,401,625	\$ 40,391,845	\$ 23,990,220	\$ 22,078,192	\$ 4,014,071	25.3¢	40.6%
1999-00		1,567,318	99.3	1,050,103	\$ 17,883,725	\$ 37,497,489	\$ 19,613,764	\$ 20,806,672	\$ 1,381,986	19.8¢	47.7%
2000-01	(S13)	1,661,704	106.2	1,113,342	\$ 20,430,153	\$ 38,215,732	\$ 17,785,579	\$ 21,911,398	\$ 335,197	16.6¢	53.5%
2001-02	(S14)	1,742,768	108.3	1,167,655	\$ 20,922,453	\$ 39,374,190	\$ 18,451,737	\$ 21,976,183	\$ 502,080	16.6¢	53.1%
2002-03		2,030,491	114.1	1,360,429	\$ 22,247,564	\$ 42,331,531	\$ 20,083,967	\$ 23,901,407	\$ 472,848	16.7¢	52.6%
2003-04		2,307,010	126.9	1,545,697	\$ 24,559,183	\$ 45,300,782	\$ 20,741,599	\$ 21,719,288	\$ 94,883	16.0¢	54.2%
2004-05	(S15)	2,454,396	129.8	1,644,445	\$ 26,660,048	\$ 48,105,899	\$ 21,445,851	\$ 21,445,851		15.7¢	55.4%
2005-06		2,655,490	133.3	1,858,843	\$ 31,604,715	\$ 55,570,797	\$ 23,966,082	\$ 23,966,082		15.6¢	56.9%
2006-07		2,685,194	136.1	1,879,639	\$ 34,753,372	\$ 58,389,864	\$ 23,636,492	\$ 23,636,492		15.3¢	59.5%
TOTAL		50,471,986		27,859,070	\$ 397,366,631	\$ 674,762,767	\$ 277,396,136	\$ 273,005,215			

* Through September 1995, the State supported specific trains; Amtrak operated the remaining trains as basic system trains not receiving State funding. Between October 1995 and October 1997, the State supported 64 percent of the operation of all trains on the Pacific Surfliner Route; Amtrak supports 36 percent as basic system trains. Effective November 1997, State support increased to 67%. Effective December 2004, State support increased to 70%. State supports 100 percent of net cost of connecting buses; all data shown includes bus operations.

- (S1) Three round trips between Los Angeles and San Diego (LA-SD) (not State-supported) through 8/30/76.
- (S2) Fourth LA-SD round trip (first State-supported train) added 9/1/76; fifth LA-SD round trip (second State-supported train) added 4/24/77.
- (S3) Sixth LA-SD round trip (third State-supported train) added 2/14/78.
- (S4) Seventh LA-SD round trip (not State-supported) added 10/26/80.
- (S5) Eighth LA-SD round trip (fourth State-supported train) added 10/25/87; first State-supported round trip between Los Angeles and Santa Barbara (LA-SB) added 6/26/88.
- (S6) Second State-supported LA-SB round trip added 10/28/90.
- (S7) Ninth LA-SD round trip (not State-supported) added 10/25/92.
- (S8) Third State-supported LA-SB round trip added 2/1/94.
- (S9) Ninth LA-SD round trip (State-supported in one direction only) discontinued 5/1/95.
- (S10) Los Angeles-San Luis Obispo round trip added 10/29/95, also represents fourth LA-SB round trip.
- (S11) Ninth LA-SD round trip restored and tenth LA-SD round trip added 10/26/97.
- (S12) Eleventh LA-SD round trip added 10/25/98.
- (S13) Twelfth LA-SD round trip on weekends only added on 5/21/01.
- (S14) Fifth LA-SB round trip on weekends only added on 5/25/02.
- (S15) Second LA-SLO round trip added on 11/17/04.

- (F1) Passenger-miles per train mile (PM/TM), a measure of the average load on a train over its entire route. Actual passenger-mile data was not provided by Amtrak prior to August 1981. PM/TM figures shown for All Trains are calculated by Amtrak and cover the Amtrak Fiscal Year (October through September).
- (F2) Prior to October 1983, all trains billed on solely related cost basis. From October 1983 through September 1995, all Los Angeles-San Diego trains and the first Los Angeles-Santa Barbara train billed on short-term avoidable cost basis. The second and third Los Angeles-Santa Barbara trains billed on long-term avoidable cost basis. Between October 1995 and September 1996, all trains billed on long-term avoidable cost basis. Effective October 1996, all trains billed on Full Cost (Train, Route and System) Basis. Depreciation and interest (equipment capital cost) included in operating cost under solely-related basis but excluded and charged separately under short-term, long-term avoidable and full cost bases.
- (F3) From October 1976 through September 1983, State cost was 48.5 percent of operating loss (including equipment costs). For the third Los Angeles-Santa Barbara train, State cost was 100 percent of operating loss from February 1994 through September 1994, and 70 percent through September 1995. For all other trains, effective October 1983, through September 1995, State cost was 65 percent of operating loss plus 50 percent of depreciation and interest (equipment capital cost). Between October 1995 and September 1996, State cost was 100 percent of operating loss and 60 percent of equipment capital cost for the State supported 64 percent of train service on the route. Between October 1996 and September 1997, State cost was 55 percent of operating loss and 100 percent of equipment capital cost for the 64 percent State share. Effective October 1997, State is billed contractually specified percentages of most individual cost elements, plus a fixed amount for certain other cost elements. The State share increased to 67 percent in November 1997 and to 70 percent in December 2004 of train service on the route to reflect additional State supported service. Also includes State payment of special payments to Amtrak for additional service and State payment for entire net cost of all connecting bus routes.
- (F4) Between State Fiscal Years 1993-94 and 2003-04, Amtrak cost is based on billings submitted and reflects cost bases and Amtrak shares as stated in notes (F2) and (F3) above. However, Amtrak does not include the unbilled Amtrak share of fixed cost elements. Prior to FY 1993-94, data to calculate Amtrak cost is not available; beginning in FY 2004-05, no Amtrak share is billed.
- (F5) Train loss (deficit) per train passenger mile. Separate passenger-mile data for State-supported trains was not provided by Amtrak prior to August 1981. Connecting buses not included in loss per passenger mile data.
- (F6) Farebox Ratio, the ratio of Revenue to Expense.

As can be seen from Figure 5.2, the Pacific Surfliners enjoyed strong ridership growth and impressive farebox return from the mid-1980s through the mid-1990s. The farebox ratio peaked in SFY 1988-89 at 108.5 percent and ridership reached 1.8 million in SFY 1992-93.

The decline in ridership after SFY 1992-93 was primarily the result of the introduction of Metrolink commuter rail service in the Los Angeles basin in October 1992 and Coaster commuter rail service in the San Diego area in 1995. Commuter rail service siphoned significant short-distance ridership from intercity rail service, even though total (commuter and intercity) rail ridership on the corridor increased dramatically. Additionally, in the years after commuter rail service was introduced, intercity rail ridership continued to decline even as additional service was added. Passenger-miles per train mile (PM/TM), a measure of the average number of passengers on a train over its entire route, declined steadily in the 1990s, and were at its lowest level in SFY 1999-00.

In addition to declining intercity ridership in the 1990s, the financial performance was negatively impacted. Starting in 1990, with the introduction of the second Los Angeles-Goleta(Santa Barbara) train, Amtrak, in an effort to reduce its need for federal operating subsidy, changed the cost basis for all new services, and started increasing the percentage of operating loss charged to the State for existing services. Costs on new trains went from a short-term avoidable cost basis, to a long-term avoidable cost basis. Then, in 1996, Amtrak changed to a full cost basis for all trains, with the result being that billed expenses increased dramatically. Under this cost basis, the State pays all direct costs, with Amtrak covering all fixed costs. Between SFYs 1995-96 and 1996-97, billed expenses increased by 65 percent even though service levels did not increase. (For further details, see Notes F2 and F3 in Figure 5.2.)

The farebox ratio, the ratio of revenue to expense, shows the impact of the increased cost basis on the Route's financial performance. Farebox ratio was near or over 100 percent for six consecutive years from SFYs 1987-88 through 1992-93. The farebox ratio declined to a low of 33.9 percent in SFY 1997-98, but by SFY 2004-05 climbed back to 55.4 percent. However, it is important to note that a comparison of the farebox ratio over this period is very misleading because almost every year the cost basis increased on several trains.

State operating costs since FFY 2002-03 became stable and the financial outlook for operations through FFY 2007-08 is positive. This situation is primarily the result of the change in cost basis in FFY 2003-04, when Amtrak began charging the states on the basis of full recovery of direct costs. Under this cost basis, the State pays all direct costs, with Amtrak covering all fixed costs. Since FFY 2002-03, Pacific Surfliner service has also seen a dramatic ridership turnaround with the implementation of the Rail 2 Rail Program. Performance indicators in all three categories (usage, cost efficiency, and quality of service) are improved.

Combined State operating costs for the San Joaquins and Pacific Surfliners have been steady over the past six years (FFYs 2002-03 through 2007-08). This is the longest period of stability for State operating costs in the history of State-supported service. The 2007-08 Budget includes an increase for operating costs, primarily for higher fuel expenses. The 2008-09 proposed Governor's Budget includes an increase in operating costs reflecting a similar increase in expenses due to the rise in labor costs. The continuing volatility of locomotive fuel prices makes it difficult to predict future Amtrak operating costs.