



Oregon

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TO: House Committee on Transportation and Economic Development

FROM: Hal Gard, Oregon Department of Transportation
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SUBJECT: Passenger Rail Service in Oregon

INTRODUCTION

Passenger rail is one component of Oregon's multimodal transportation system and offers a choice to travelers. ODOT faces challenges in funding to continue investments in rail infrastructure and ensure Oregon's passenger rail service continues. Passenger rail, like other forms of public transportation, lacks adequate, dedicated and sustainable funding for capital and operating needs and frequently lacks the state funds needed to leverage federal funds.

BACKGROUND

In October 1992, the U.S. Department of Transportation designated the Pacific Northwest Rail Corridor (also known as the Cascades Rail Corridor) between Eugene, Oregon and Vancouver, British Columbia as an intercity passenger rail corridor. In October 1994, ODOT began contracting with Amtrak to provide a daily round-trip passenger train between Portland and Eugene with intermediate stops at Salem and Albany; a second Portland to Eugene roundtrip train was added in October 2000. The Cascades POINT/Amtrak Thruway bus system supplements the rail service between Portland and Eugene, with intermediate service to Oregon City, Woodburn, Salem and Albany.

In 2010, Washington Department of Transportation (WSDOT) received \$800 million in American Recovery and Reinvestment Act (ARRA) funds for line improvements between Portland and Seattle and committed to increasing the number of round trips on that segment by 2017. The available five trainsets were insufficient to provide that increase and maintain service in Oregon. To ensure the ability to continue offering intercity rail service as a transportation option in Oregon, ODOT purchased two passenger trainsets, which began operating in revenue service in January 2014 for use in the Cascades Rail Corridor.

Oregon and Washington are the governmental entities responsible for intercity passenger rail service in the Pacific Northwest and have a long history of collaboration contributing to the success of the Amtrak Cascades service. The states recognize that partnership is the only way to continue the success of the Amtrak Cascades service. Our shared vision is to continue cooperative relationships to change from operating as separate segments to operating the service as one integrated corridor with shared resources and work toward achieving common goals. In the long term, it is anticipated this will help deliver customer expectations, increase ridership, and develop intercity passenger rail service as a competitive transportation choice.

As a first step, ODOT and WSDOT signed a memorandum of understanding (MOU) in March 2012 and entered into an Interstate Agreement (IGA) after the MOU expired. The MOU and IGA commit the two agencies to the concept of joint operation of the service as a single corridor. WSDOT and ODOT developed a Corridor Management Work plan that was signed by the two agencies' directors in January 2013. This work plan provides a framework for the initial steps ODOT and WSDOT will follow in developing a single Cascades Rail Corridor. Both agencies have been working through the tasks of the work plan.

HOW WE GOT HERE

ODOT has paid for the service through the revenues generated by custom license plate fees, which the Oregon Legislature dedicated toward train service. In addition, ODOT uses money from the Transportation Operations Fund (TOF), which consists of fuels taxes generated from non-motor vehicle use, such as lawnmowers. However, these sources are no longer sufficient to pay the full cost of the trains due to a number of factors that have combined to increase the gap between revenue and costs.

- ***Shifting of costs to states:*** In 2008, Congress passed the Passenger Rail Investment and Improvement Act (PRIIA). A provision of PRIIA shifted all costs of short-distance intercity passenger trains (i.e., routes under 750 miles in length) like the Amtrak Cascades from Amtrak to the states effective October 1, 2013, adding millions of dollars in bills to ODOT's biennial passenger rail budget.
- ***Increased costs:*** Amtrak operating costs continue to increase. Amtrak's bill to Oregon to run the trains in 2009, when the Legislature increased the custom license plate fee, was \$4.9 million. In state FY 2013, that bill had risen to \$6.7 million, an increase of 36 percent in 4 years, even before the higher costs under PRIIA began to incur.
- ***Custom plate fees:*** In 2009, the Legislature doubled the custom license plate fee, expecting that this would double the revenue ODOT received. However, demand for license plates has proved elastic, so revenue came in much lower than projected by the Legislature.
- ***New ticket revenue sharing methodology:*** Revenue from tickets helps offset train operation costs. A recent change in methodology changed how Oregon and Washington divide ticket revenue and shifted more revenue to Washington. While fair, this change increased ODOT's out-of-pocket costs.
- ***Costs of train ownership:*** From the beginning of service in 1995 until 2013, service in Oregon was provided using trains owned by Washington and Amtrak—meaning Washington was subsidizing Oregon. However, Washington will soon increase the number of trains between Portland and Seattle and will need its trains to serve this portion of the corridor. In order to avoid having to cancel service in Oregon, ODOT used federal ARRA funds to purchase two new trainsets that went into service in 2013. Owning these trains – while allowing us to continue passenger service in Oregon – also requires ODOT to incur train maintenance costs.

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BENEFITS

Passenger rail provides an option for many travelers and has significant benefits. It offers a competitively priced, reliable, safer alternative to driving a car, it supports the economies of the origin and destination cities, including providing opportunities for tourism, and it reduces greenhouse gas emissions from the transportation sector, offering an environmentally friendly mode of travel. Through a network of bus intercity travel, the trains connect to points throughout the state and beyond.

During the next 25 years, the population of the Willamette Valley is expected to grow by about 30 percent. As Oregon's population increases and highways become more congested with that growth, the Amtrak Cascades service provides a viable alternative to traveling by car. In addition, Oregon's population 55 and over has historically had a significant connection to ridership. If this continues to hold true in the future as this population group increases growth in ridership should follow. Transportation preferences among younger generations are also changing – young adults are driving less and many show a clear preference for options to bike, walk and take transit.

CHALLENGES

ODOT has had a number of challenges around the Cascades service related to ridership, on-time performance, and funding.

Until 2014, ridership in the Amtrak Cascades Corridor steadily increased since the service began in 1994, with 2013's total representing a 45.3 percent increase since 2007 and a 255 percent increase since 1995. However, in 2014 we experienced a drop in ridership. Several factors contributed to that decline.

In January 2014, Oregon updated its schedules to offer better connections for Willamette Valley passenger rail users with the goal of supporting the continued growth in passenger rail ridership. It turned out the expected increase in ridership did not occur.

In addition, during the same year, on-time performance dropped and trains were arriving later than scheduled times. We later learned that our schedule change was contributing to the problem, as our own trains were crossing paths, requiring one of them to wait for the other to pass. In addition, delays occurred as a result of the host railroad conducting extensive track repair and replacement.

The good news is that the majority of the host railroad's work is done. We have already seen an improvement in on-time performance in 2015. We are also discussing a schedule change with the host railroad and WSDOT. We anticipate these changes will improve the overall on-time performance and result in increased ridership.

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FUNDING

The Governor's Recommended Budget for ODOT for the 2015-2017 biennium included a policy option package for \$10.4 million in General Funds. This is needed for continued operation of the trains between Eugene and Portland. The Co-Chairs budget proposes to provide \$5 million for the biennium.

SUMMARY

The Amtrak Cascades train service provides a convenient, cost-effective transportation choice for Oregonians. Because of a number of constraints, additional funding is needed to keep the trains operating. ODOT has made a request to the legislature to continue the service.