INTERCITY AND COMMUTER
RAIL SERVICES IN CALIFORNIA

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EXECUTIVE SUMMARY

This report reviews the implementation of Chapter 1183, Statutes of 1981, which authorizes the California Transportation Commission (CTC) to provide state subsidies to assist in the development and operation of intercity and commuter rail services in California. Under this program, the CTC is expected to allocate approximately $21.8 million in 1984-85 to the following three rail service operations: the San Francisco Peninsula Commuter Service (San Francisco-San Jose), which is operated by the Southern Pacific Railroad, and the San Joaquin Intercity Service (Oakland-Bakersfield) and the San Diegan Intercity Service (Los Angeles-San Diego) both of which are administered by AMTRAK. The Department of Transportation will spend an additional $3.9 million in 1984-85 to manage the services, operate rail stations and make capital improvements.

Both the San Joaquin and San Diegan intercity rail services have shown dramatic improvements in ridership and financial performance since the state began managing and subsidizing these services in 1976 and 1979, respectively. The two intercity rail services currently are meeting the statutory requirement that their farebox revenues exceed 55 percent of their operating costs. For the San Diegan, this ratio was 76.4 percent in 1983-84, while the San Joaquin achieved a 58.4 percent ratio--up from 29.5 percent in 1979-80.

The state pays all of the nonfederal subsidies (approximately $4.7 million in 1984-85) for the intercity services provided by AMTRAK in the Oakland-Bakersfield and Los Angeles-San Diego corridors, even though most of the benefits from the specific services are confined primarily to the two corridors themselves. Thus, we conclude that the state has assumed a disproportionate share of the responsibility for financing the intercity rail services, and that local agencies should bear some of the costs of these services.

Our analysis indicates that the state is the most appropriate level of government to manage the AMTRAK contracts for the two intercity services because they operate in major state travel corridors and local management would be impractical.

On the other hand, there appears to be no analytical reason why the state should continue to manage the contract for the Peninsula Commuter Service between San Francisco and San Jose. Currently, the state pays one-half of the subsidy for this service, up to approximately $8.2 million in 1984-85, even though the benefits from the service are almost entirely regional in nature. Moreover, local management of this service is feasible.

The Peninsula Commuter Service has experienced a decline in ridership and an increase in operating deficits since the initiation of state subsidization in 1980. The 1983-84 farebox ratio for the service was 34.3 percent. This has forced the department to request a one-year waiver of the 40 percent requirement for commuter rail services set forth in Chapter 1183.

There has been little activity in establishing new rail services since Chapter 1183 took effect in October 1982. Only the Los Angeles-to-Oxnard commuter rail service has been initiated since then, and it was terminated in March 1983.

Only two other services are being considered by the department at this time. One service--between San Francisco and Reno--would require a firm commitment of funding from the State of Nevada before the department would support the service. The other service--between San Francisco and Monterey--received an appropriation of capital outlay funds from the Legislature in the past, but these funds cannot be spent unless the department finds that requirements needed for the service's success can be met.

The department has invited regional agencies to recommend commuter rail services for inclusion in its five-year rail development plan, but no formal request for these services apparently has been made to date.

Chapter 1183 requires the California Public Utilities Commission (CPUC) to increase its involvement in planning and regulation activities with respect to the non-AMTRAK commuter rail services. To date, CPUC has been asked only once to adjudicate a dispute between Caltrans and the Southern Pacific Railroad. The involvement of CPUC in system planning has been minimal, primarily because Caltrans has failed to coordinate such activities with the commission. It has not been necessary for the CPUC to order construction of intermodal facilities since the department and the railroad companies have been able to reach agreement to provide such facilities.

Capital improvements to intercity rail services are financed from at least two separate programs--the transit capital improvement program and the intercity rail capital outlay program--which are funded by the Transportation Planning and Development Account. Since projects funded under these two programs are frequently related in purpose, consolidation of the two programs will strengthen the ability of the CTC to meet high priority transit needs.

Recommended Actions

We recommend that:

1. The Department of Transportation continue to manage the San Joaquin and San Diegan intercity rail services.

2. If the San Joaquin and San Diegan intercity rail services continue to receive financial assistance from the state (as we believe is appropriate), affected local agencies be required to contribute toward the operating subsidy in direct proportion to the services distributed within their boundaries.

3. The primary responsibility for administration and financing of the San Francisco Peninsula Commuter Rail Service be transferred from the state to a local agency designated by the Metropolitan Transportation Commission.

4. Legislation be enacted establishing intercity rail improvement projects as a new eligible category within the Transit Capital Improvement program.

INTRODUCTION

The 1984 Budget Act appropriated $12.8 million to the California Transportation Commission (CTC) for subsidies to three intercity and commuter rail services in 1984-85: the San Francisco Peninsula Commuter Service (San Francisco-San Jose), the San Joaquin intercity service (Oakland-Bakersfield), and the San Diegan intercity service (Los Angeles-San Diego). The commission also intends to allocate $8.9 million in state funds for capital improvements to the intercity rail services and related facilities. In addition, the Department of Transportation will spend $3.9 million for staff to manage the existing rail services, plan service improvements, and operate passenger rail stations. Consequently, total state expenditures to operate and improve the three passenger rail services in 1984-85 totals $25.7 million.

The rail program is administered under the provisions of Chapter 1183/81 (AB 1010). This act modified the process for providing passenger rail services in California by assigning specific responsibilities to the department, the CTC and the California Public Utilities Commission (CPUC). Under the statutes in effect prior to Chapter 1183, the department determined the services to be subsidized and the capital improvements to be made and managed contracts providing for operation of individual services by the Southern Pacific and Santa Fe railroads. Under Chapter 1183, the CTC decides which services are to be subsidized and which improvements are to be made, although the department continues to manage the contracts.

Chapter 1183 also requires the Legislative Analyst to report annually on the act's provisions, starting in 1984. This report was prepared in response to that requirement.

The report is divided into three chapters. In Chapter I, we review the provisions of Chapter 1183. In Chapter II, we discuss the implementation of the act, including the actions taken by the three state agencies that share responsibility for the rail program. In Chapter III, we discuss what the state's role should be in relation to financing and managing the rail services.

This report does not address several rail passenger service operations in California, such as the Bay Area Rapid Transit (BART) District's heavy rail system and the San Diego Trolley light rail system, which are operated by local agencies.

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CHAPTER I

PROVISIONS OF CHAPTER 1183

Chapter 1183, Statutes of 1981 (AB 1010), made two significant changes in how the state administers the intercity and commuter rail program. It transferred from the Department of Transportation to the California Transportation Commission (CTC) the authority to decide which rail services will receive state subsidies and whether these services will be given state funding for capital improvements. The act also increased the involvement of the California Public Utilities Commission (CPUC) in the planning and regulation of the intercity rail program.

PROVISIONS CONCERNING TRANSPORTATION AGENCIES

Prior to the enactment of Chapter 1183, most of the responsibility for deciding which passenger rail services were to receive state subsidies rested with the department. Those services selected for funding by the department were provided either by the Santa Fe Railroad working under a state contract with AMTRAK (in the case of the two intercity rail services) or the Southern Pacific Railroad working directly under a state contract (for commuter rail services). In addition, the department managed the operating contracts covering each service and provided for capital improvements to the rail facilities. Funding for these services was derived from the Transportation Planning and Development (TP and D) Account in the State Transportation Fund. Under the provisions of Chapter 161/79 (SB 620), $15 million initially was appropriated for operating subsidies and $21 million was appropriated for capital outlay.

Under Chapter 1183, the department continues to manage the contracts with AMTRAK and the Southern Pacific Railroad, and undertakes capital improvements. The act, however, requires considerably more involvement by other public agencies in the rail program. On the one hand, the act requires the department to consult with regional transportation planning agencies in planning and developing new commuter rail services. In addition, the act allows regional agencies to request that the department (1) acquire abandoned rail freight lines which can be rebuilt into joint use freight and passenger rail transit lines, (2) develop plans and specifications to convert abandoned rail lines for such joint use, and (3) investigate and prepare procedures, subject to CPUC approval, to reinstate rail passenger services in the region.

On the other hand, Chapter 1183 shifted the decision-making responsibility for financing passenger rail services and improvements from the department to the CTC. The act provides that the CTC must give its advice and consent to the department's five-year rail development plan <u>before</u> the plan can be submitted to the Governor, the Legislature, and CPUC. In addition, the CTC is responsible for allocating funds appropriated in the Budget Act for rail (and interconnecting bus) services to specific routes. Capital improvement funds for the <u>intercity</u> (that is, noncommuter) rail services are appropriated by the Legislature from the Transportation Planning and Development Account to the department in a lump sum for allocation by the commission to specific intercity routes. Capital improvements for <u>commuter</u> rail services, however, are funded by the CTC under the Transit Capital Improvement program, which also finances light and heavy rail, bus rehabilitation, abandoned railroad right-of-way acquisitions, intermodal facilities, and grade crossing separation projects.

Chapter 1183 also establishes minimum financial performance levels that individual services must meet in order for the services to be eligible for state subsidies. Intercity rail service fare revenues must equal at least 55 percent of operating costs, beginning either in 1983-84 or in the third year of operation, whichever occurs last. In contrast, commuter rail services must maintain a ratio of at least 40 percent. The CTC, however, may waive the performance requirement for up to three years.

PROVISIONS CONCERNING THE CPUC

Prior to the enactment of Chapter 1183, the CPUC regulated the operations (including safety) and fares of private, intrastate passenger rail services which were not subsidized by AMTRAK. Chapter 1183 expanded the CPUC's responsibilities by requiring the commission to:

- Adjudicate complaints filed against a railroad by the Department of Transportation or other agencies in the areas of operating efficiency, track and facility improvement, reinstatement of abandoned rail passenger service, and institution of new rail passenger service;
- Ensure, in the case of disputes, that reimbursements paid to railroads for passenger rail service are consistent with certain federal cost standards (this requirement also reflects a modification contained in Chapter 732, Statutes of 1982);

- o Consult with the department in the preparation of the annual rail passenger development plan; and
- o Consider the establishment of intermodal facilities as an issue in rail passenger service hearings, and order the construction of such facilities if appropriate.

In addition, Chapter 1183 required the department to submit to the CPUC by July 1, 1982, recommended train crew requirements for consideration by the commission. The CPUC was given statutory jurisdiction over the establishment of train crew requirements for intercity and commuter rail services in 1979, but this authority subsequently was repealed by Chapter 401, Statutes of 1983.

CHAPTER II

IMPLEMENTATION OF THE ACT

In this chapter we briefly discuss the status and performance of the current and proposed intercity and commuter rail services. We also discuss the actions taken by the California Transportation Commission, the Department of Transportation, and the California Public Utilities Commission to implement the provisions of Chapter 1183, Statutes of 1981.

SAN FRANCISCO PENINSULA COMMUTER RAIL SERVICE

Rail passenger service between San Francisco and San Jose has been in continuous operation since 1864. Until 1980 the service was run by the Southern Pacific Transportation Company (SP). Since July 1, 1980, the SP has continued to operate the service, but it has done so under contract to the Department of Transportation.

In 1977, Southern Pacific sought permission from the Interstate Commerce Commission to discontinue passenger service on the San Francisco-San Jose line because of declining public use and increasing operating losses. In January of that same year, the Metropolitan Transportation Commission published the findings of its Peninsula Transit Alternatives Project (PENTAP). The PENTAP study recommended preservation and development of the peninsula rail service as an important element of the transportation system for the peninsula corridor. In response, the Legislature enacted Chapter 1216, Statutes of 1977, which authorized the Department of Transportation to enter into a 10-year contract with Southern

Pacific to provide passenger rail service between San Francisco and San Jose. The contract was effective on July 1, 1980.

Service Performance

Table 1 summarizes financing for the San Francisco Peninsula Commuter Service since its inception.

Table 1

San Francisco Peninsula Commuter Service
Operating Expenses and Revenues (SP Contract)
1980-81 Through 1983-84

		State Fiscal Years			
		1980/81	1981/82	1982/83	1983/84
(1)	Total Expenses	$19,364,854	$21,300,203	$22,163,792	$23,206,938
(2)	Revenues	7,811,923	7,718,531	7,873,693	8,173,363
(3)	Operating Deficit	$11,552,931	$13,581,672	$14,290,099	$15,033,575
(4)	UMTA Operating Assistance	2,000,000	2,000,000	2,000,000	2,000,000
(5)	SP Contribution	400,000	400,000	400,000	400,000
(6)	Net Deficit	$9,152,931	$11,181,672	$11,890,099	$12,633,575
(7)	Caltrans (50% Line 6)	4,576,466	5,590,836	5,945,050	6,316,788
(8)	Local Shares:				
	a. San Francisco (5% Line 7)	228,823	279,542	297,253	315,839
	b. SamTrans[a] (47.5% Line 7)	2,173,821	2,655,647	2,823,899	3,000,474
	c. SCCTD[b] (47.5% Line 7)	$2,173,821	$2,655,647	$2,823,899	$3,000,474

a. San Mateo County Transit
b. Santa Clara County Transit District

As shown in Table 1, Caltrans is responsible for 50 percent of the operating deficit for the service net of (1) a contractually required contribution by Southern Pacific and (2) any operating subsidies from the federal Urban Mass Transportation Administration (UMTA). The balance of the net deficit is shared between the San Francisco, San Mateo, and Santa Clara Counties, based on passenger boardings.

Ridership on the Peninsula Commuter Service was heavy during both World War II and the Korean war, peaking at 9.5 million riders and 9.3 million riders in 1944 and 1952, respectively. Ridership then entered a long period of decline, and by 1977 it stood at 4.3 million passengers per year. This decline corresponded to a period of expansion in highway capacity within the corridor and rising rail fares which reduced the cost of highway travel relative to rail travel. The increased availability of highways tended to make the commuter service less convenient than private automobile.

Figure 1 shows the monthly ridership history for the Peninsula Commuter Service under Caltrans Administration. Figure 2 shows total annual operating expenses and revenues during the same period. The comparison of ridership, expenditures and revenues makes it clear that Caltrans has not yet been able to halt the general downward trend of ridership or to significantly improve the financial performance of the Peninsula Commuter Service.

FIGURE 1

PENINSULA COMMUTER MONTHLY RIDERSHIP
JULY 1980 - OCTOBER 1984

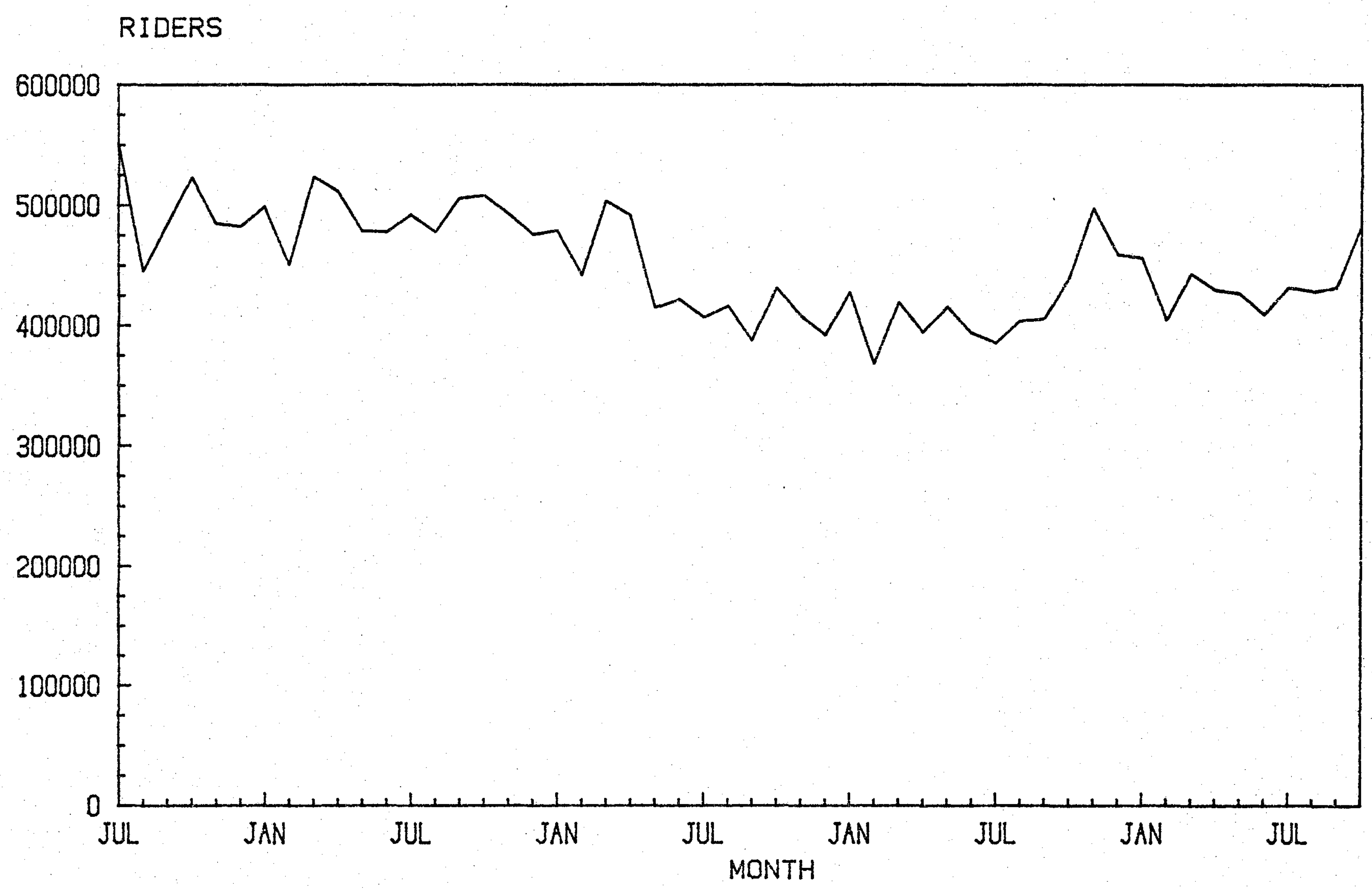
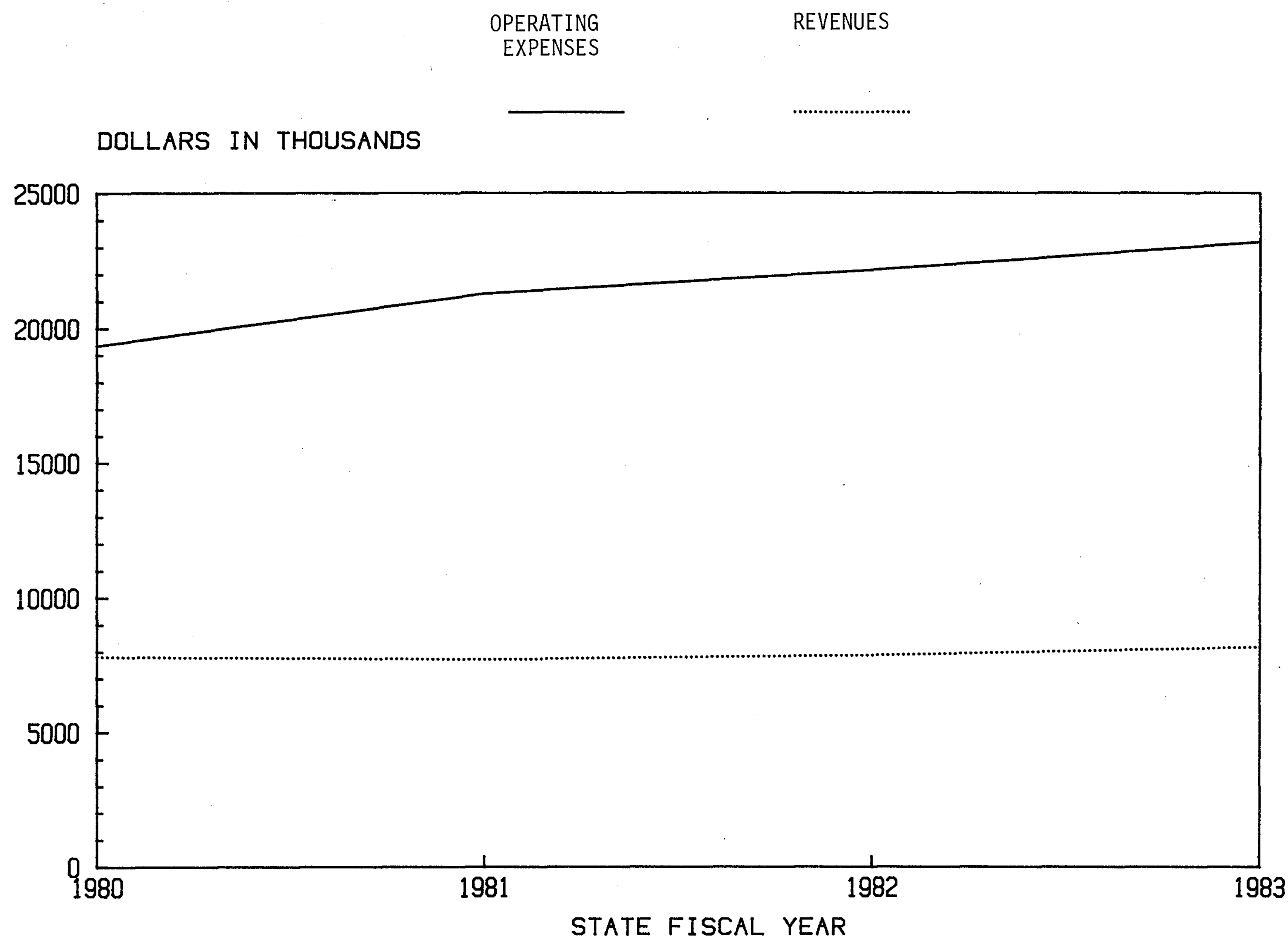


FIGURE 2

PENINSULA COMMUTER SERVICE
OPERATING EXPENSES AND REVENUES



When Caltrans assumed responsibility for the Peninsula Commuter Service in July 1980, the transit districts of San Mateo and Santa Clara Counties discontinued their 30 percent subsidy of monthly ticket purchases. Ten months later, in May 1981, Caltrans raised fares on the service an additional 25 percent. Taken together, these two fare increases help to explain the continued decline in ridership during the first three full years in which Caltrans administered the service (1982 through 1983). Other contributing factors may include the economic recession during the period and the decline in gasoline prices leading to increased use of private automobiles. In contrast, Figure 1 indicates that monthly ridership for January through October of 1984 has leveled off and even rose by 7.1 percent over the same months in 1983. This is probably best interpreted as a response to the economic recovery.

Farebox Requirement. Chapter 1183/81 requires that existing commuter rail services achieve a ratio of fare revenues to operating costs of at least 40 percent in order to be eligible for state funding in the following year, beginning in 1984-85. The California Transportation Commission (CTC) is authorized to grant a waiver of this requirement for up to three years. The CTC calculated the farebox ratio for the Peninsula Commuter Service in 1983-84 to be 34.3 percent and granted a waiver of the farebox requirement to allow funding of the service in 1984-85. Conflicting legal opinions within the CTC and Caltrans, however, have given rise to a dispute as to the appropriate method for calculating the farebox ratio.

Caltrans contends that the CTC has inappropriately included administrative, marketing, and other costs in its farebox ratio calculation and that the farebox ratio on the Peninsula Commuter Service is 40.6 percent when appropriately measured. The CTC and Caltrans have not yet resolved this dispute.

Peninsula Mass Transit Study

Resolution Chapter 46, Statutes of 1984 (SCR 74), requested that the Metropolitan Transportation Commission (MTC) develop mass transit system plans and improvement plans for the San Jose to San Francisco corridor by March 1, 1985. (The MTC has indicated that it will comply with this request by April 1, 1985.)

In preparing these plans, the MTC is required to consider the cost-effectiveness of three transit alternatives in the corridor:

- Extension of the San Francisco Bay Area Rapid Transit District (BART) service from Daly City to the San Francisco International Airport and south to San Jose.
- Extension of BART service from Daly City to the airport and establishment of a light rail transit system from the airport to San Jose.
- Upgrading of the existing Peninsula Commuter Service with the possibility of a light rail transit system between San Francisco and San Jose, utilizing the Southern Pacific Transportation Company corridor, with extensions to connect with the Guadalupe light rail line in San Jose and the San Francisco Municipal Railway or BART in San Francisco.

Several additional alternatives will be analyzed by the MTC staff in developing this plan, which is to provide a basis for allocating local, state and federal funds between competing transit projects within the corridor. The resolution also requests that the MTC study the institutional and financial arrangements for mass transit in the corridor.

Major Capital Improvements

The Department of Transportation presently is engaged in a major program of capital improvements to the Peninsula Commuter Service (Table 2).

Table 2

San Francisco Peninsula Commuter Service
Capital Improvement Plan
(Dollars in Millions; Escalated for Inflation)

Item	Actual 1982/83	Estimated 1983/84	Proposed 1984/85	Projected 1985/86	1986/87	1987/88	1988/89	Totals
Rolling Stock								
Purchase of 63 new bi-level cars	$62.00	$0.1						$62.1
Purchase 10 new bi-level cars						13.8		13.8
Purchase used SP bi-level cars		2.6						2.6
Purchase 18 new locomotives		25.2						25.2
Purchase 2 dual-mode locomotives							4.6	4.6
Total Rolling Stock	62.00	27.9				13.8	4.6	108.3
Stations								
Purchase existing stations	7.09	5.9	8.0					21.0
Rehabilitate stations	0.30	1.2	5.2	3.4	2.4	3.4	3.0	18.9
Station/parking r/w				6.8	3.8	1.0	2.5	14.1
Rehabilitate/raise platforms			4.8					4.8
Total Stations	7.39	7.1	18.0	10.2	6.2	4.4	5.5	58.8
Fixed Facilities								
Maintenance facility		0.5		16.3	17.6			34.4
Car washing unit				0.7				0.7
Stand-by head-end power		3.1						3.1
Track rehabilitation						4.3	3.0	7.3
Tower consolidation						3.0		3.0
First phase electrification							15.0	15.0
Total Fixed Facilities		3.6		17.0	17.6	7.3	18.0	63.5
Downtown S.F. Extension								
Plans and engineering			2.5	14.4				16.9
Construction					69.1	176.7	190.8	436.6
Total S.F. Extension			2.5	14.4	69.1	176.7	190.8	453.5
Total Capital Expense	69.39	38.6	20.5	41.6	92.9	202.2	218.9	684.1
UMTA Share	46.29	21.8	14.6	23.8	62.5	139.8	150.7	459.5
State Share	$23.10	$16.8	$5.9	$17.8	$30.4	$62.4	$68.2	$224.6

The Department has purchased 63 new gallery cars and 18 new locomotives which are due for delivery beginning in April 1985, at a cost of $87.3 million. Under provision of Ch 1510/84 (AB 3645), the rolling stock will be purchased by the state, then sold to private investors and leased back for use in the commuter service operation. Net proceeds from this sale and leaseback are continuously appropriated to the department for the purchase of rail passenger cars and locomotives. Other transit vehicles could also be acquired and financed under the act.

The department is purchasing and rehabilitating existing Southern Pacific stations on the line. The total investment in this area is expected to reach $58.8 million by the end of 1988-89. Thus far, seven stations have been purchased, and the purchase of seven more is under negotiation.

A facility for the maintenance of passenger cars and locomotives is also being planned to allow the consolidation of maintenance activities at a single site ($34.4 million). Currently, maintenance of the rolling stock is performed at five geographically dispersed sites. As a result of this consolidation, the department expects significant reductions in labor and fuel costs.

The department proposes an underground extension of the rail line in San Francisco, in conjunction with construction of a new terminal on Howard Street next to the Transbay bus terminal. This would bring commuter passengers directly into San Francisco's central business district (CBD) without requiring transfer to other modes of transportation at the current Fourth and Townsend Street terminal. Connections to a wider range of bus services would also be facilitated by the proposed connection to the Transbay terminal. As an added advantage, MUNI METRO and BART connections would be one block from the proposed terminal.

Relocation of the San Francisco terminal is expected to cost $453.5 million. This would represent 66.3 percent of total capital projects in the Peninsula Commuter Service between 1982-83 and 1988-89. To finance these projects, the department anticipates receiving $317.4 million from the Urban Mass Transportation Administration and an additional $136.0 million from state and local sources. Of the state and local share, the department is giving consideration to raising between $100-$140 million through a long-term lease of air rights above the new terminal for construction of a commercial high-rise building. Because of the magnitude of this commercial lease and development project, the department should submit the proposal to the Legislature for approval before proceeding with this project.

INTERCITY RAIL SERVICES

Section 403(b) of the federal AMTRAK Act allows AMTRAK to supplement its "basic system" routes in its network when states are willing to share in the funding of the additional service. The Department of Transportation currently sponsors service on two routes under Section 403(b). The San Joaquin runs between Oakland and Bakersfield with connecting buses to San Francisco, Sacramento, and Los Angeles. The San Diegan operates between San Diego and Los Angeles and comprises one segment of AMTRAK's San Diego-Seattle service.

The San Diegan

AMTRAK's basic service over the San Diego-Los Angeles route consisted of three trains before 1976. Between 1976 and 1978, three state-supported trains were added to increase service over the route from three to six round trips. In 1980, AMTRAK added another (nonstate-supported) train to its basic system, bringing the service to its current level of operation at seven round trips per day.

As shown in Figure 3, ridership on state-supported trains has increased as trains are added.

FIGURE 3

SAN DIEGAN ANNUAL RIDERSHIP
STATE FISCAL YEARS

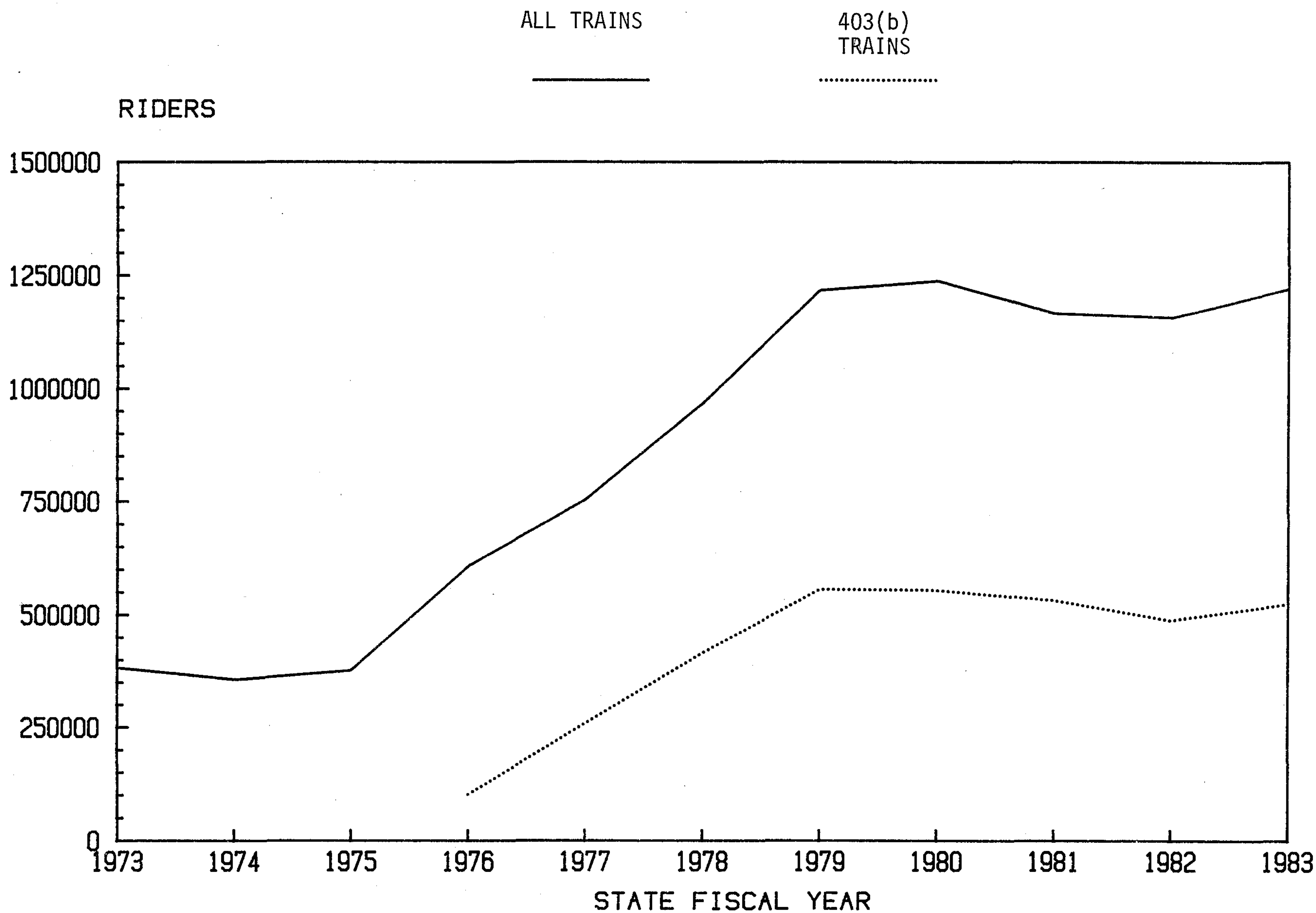


Table 3

San Diegan Intercity Service
Annual Performance--State Fiscal Years

All Trains			State-Supported 403(b) Trains Only							
State Fiscal Year	Riders	PM/TM[a]	Riders	PM/TM[a]	Farebox Revenue	Operating Expense[b]	Operating Loss	Loss/ PM	State Share of Subsidy	Farebox Rev./ Cost Ratio
1973-74	381,844	NA								
1974-75	356,630	NA								
1975-76	376,900	NA								
1976-77[c]	607,976	146	101,572	NA	$598,140	$1,662,714	$1,064,714	NA	$548,534	36.0%
1977-78[d]	753,246	128	258,800	NA	1,446,036	3,768,065	2,322,029	NA	1,325,087	38.5%
1978-79	967,316	163	415,865	NA	2,203,403	4,333,602	2,130,199	NA	1,178,667	50.8%
1979-80	1,218,196	177	557,113	NA	3,341,561	5,536,840	2,195,279	NA	1,064,713	60.4%
1980-81[e]	1,238,135	152	555,418	NA	4,032,480	6,572,539	2,540,059	NA	1,233,490	61.4%
1981-82	1,166,739	144	533,093	152	4,097,254	6,607,395	2,510,141	6.3¢	1,217,418	62.0%
1982-83	1,157,856	138	488,606	124	4,094,750	6,928,334	2,833,584	8.3¢	1,374,097	59.1%
1983-84	1,221,256	NA	524,857	131	$4,842,400	$6,337,038	$1,494,683	4.1¢	$911,830	76.4%

a. Passenger miles per train mile, a measure of average load on a train over its entire route.
b. Solely related cost basis before October 1983; short-term avoidable cost basis thereafter.
c. Fourth round trip (first 403(b) train) inaugurated 9/1/76; fifth round trip (second 403(b) train) inaugurated 4/24/77.
d. Sixth round trip (third 403(b) train) inaugurated 2/14/78.
e. Seventh round trip (not 403(b)) inaugurated 10/26/80.

Since the addition of the last train to the service in 1980, ridership has declined by 5.5 percent. This decline probably is attributable to reduced business and vacation travel associated with the economic recession. During this same period, however, fare increases have raised revenues by 20 percent, while operating expenses have declined by 3.6 percent (Table 3). The result has been a reduction in the state's share of the subsidy from $1,233,490 in 1980-81 to $911,830 in 1983-84, or 26 percent. This has allowed the San Diegan to achieve a farebox ratio of 76.4 percent in 1983-84, well above the 55 percent farebox ratio required of intercity rail services by Chapter 1183.

The San Joaquin

The San Joaquin began service in March of 1974 as an AMTRAK basic system train. From 1974-75 through 1978-79, ridership on the service was low and AMTRAK was unable to meet the congressional performance requirement for average train usage of 80 passenger miles per train mile (Table 4).

Table 4

San Joaquin Intercity Service
Annual Performance--State Fiscal Years

State Fiscal Year	Ridership Data (All Trains)	
	Riders	PM/TM
1973-74[a]	38,770	83.6
1974-75	66,990	44.2
1975-76	66,530	43.8
1976-77	87,642	56.0
1977-78	80,611	52.7
1978-79	87,645	60.2

a. Service started 3/6/74; figures are for only four months.

In 1979, the Carter administration sought a reduction in AMTRAK service. As a result, the San Joaquin was scheduled for elimination on October 1, 1979. The Department of Transportation, however, reached agreement with AMTRAK to continue the San Joaquin as a state-supported train under Section 403(b) of the AMTRAK Act. Before 403(b) service could begin, Caltrans required AMTRAK to negotiate elimination of the requirement for a change of crew at Port Chicago where the San Joaquin moves from Southern Pacific tracks to Santa Fe tracks. This change, which was accomplished prior to starting service in October of 1979, permitted significant savings in train operating costs and a major reduction in travel time.

The addition of a second 403(b) train to the route in February 1980, allowed AMTRAK to provide morning and evening service in both directions. In the first 12 months following addition of the second train, ridership increased by 67.4 percent over the previous year. (Figure 4)

FIGURE 4

SAN JOAQUIN ANNUAL RIDERSHIP
STATE FISCAL YEARS

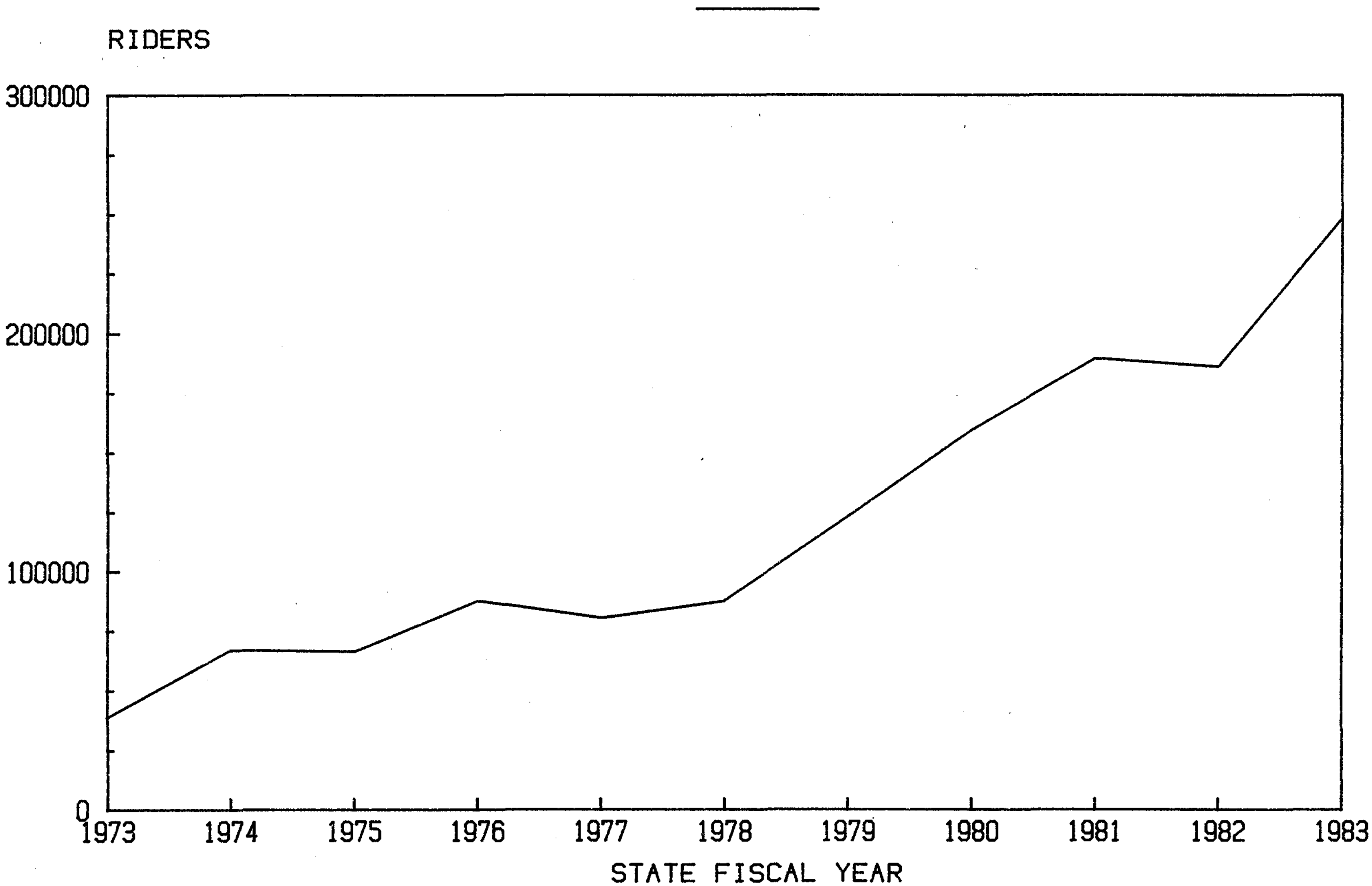


Table 5 summarizes the annual performance of the San Joaquin's service since state subsidization began in 1979-80. In the period 1980-81 through 1983-84, operating losses on the San Joaquin route have been reduced from $4.7 million to $3.4 million per year, as the growth in revenues outstripped growth in operating expenses. (Under the Section 403(b) agreement with AMTRAK, the state share of the subsidy has increased from 20 percent to 50 percent during this same period.) At the same time, the farebox ratio has improved from 29.5 percent in 1979-80 to 58.4 percent in 1983-84, which meets the 55 percent farebox requirement.

NEW PASSENGER RAIL SERVICES

Since the enactment of Chapter 1183, only one new passenger rail service has been established--the Los Angeles-Oxnard commuter rail service. This service, which was ordered by the CPUC in 1980 in response to a petition by the department, was begun in October 1982 and terminated five months later. The intercity rail service between Los Angeles and Sacramento which began in October 1981--before the bill took effect--was terminated in September 1983.

The administration of Governor Edmund G. Brown, Jr., had planned to establish other new passenger rail services, but only two such services--San Francisco-Monterey and San Francisco-Reno--currently are being considered by the department.

A feasibility study has been completed for the San Francisco-Monterey service. The study indicates that the service is feasible and could, under certain circumstances, achieve the minimum financial performance required by state law. Although the Legislature

Table 5

San Joaquin Intercity Service
State-Supported 403(b) Trains/Buses
Annual Performance--State Fiscal Years

State Fiscal Year	Riders	PM/TM[a]	Farebox Revenue	Operating Expense[b]	Operating Loss	Loss/ PM	State Share of Subsidy	Farebox Revenue/Cost Ratio
1979-80c	123,275	63.6	$1,174,065	$3,975,185	$2,801,120	18.4¢	$518,206	29.5%
1980-81	159,498	55.3	2,224,137	6,940,934	4,716,797	18.4	1,360,391	32.0%
1981-82	189,479	65.3	3,115,710	7,774,029	4,658,319	14.0	2,228,585	40.1%
1982-83	186,121	62.9	3,342,137	7,991,697	4,649,560	14.6	2,490,275	41.8%
1983-84	248,257	85.3	4,730,461	8,094,789	3,364,328	7.3	2,066,429	58.4%

a. Passenger miles per train mile, a measure of average load on a train over its entire route.
b. Solely related cost basis before October 1983; short-term avoidable cost basis thereafter.
c. State support started 10/1/79; Financial figures are for nine months, during which time ridership totaled 93,206. Second round trip added 2/3/80.

appropriated $2.5 million in the 1982 Budget Act for capital improvements to facilitate the service, these funds have not been spent. An additional $2 million, which was appropriated by the Legislature in the 1984 Budget Act for service improvements, was vetoed by the Governor because of his concerns that the prerequisites for success of the service could not be achieved. These prerequisites include: (1) extending rail service into downtown San Francisco, (2) acquiring new rail cars, and (3) obtaining local funding for operating subsidies. The department indicates that if these and other issues are resolved, it would consider implementing the service.

The department has not made a study of the San Francisco-Reno service, although AMTRAK has made estimates indicating that a farebox ratio of 55 percent could be achieved by the service. Currently, the department is working with the State of Nevada to identify potential sources of funding for the San Francisco-Reno service. Nevada has indicated that if California would pay the subsidies during the first year of operation (when the Nevada Legislature is not in session), it would try to secure funds to pay its share thereafter. In response, the Department of Transportation has indicated that funding from Nevada must be secured before it will provide California's share of support for the service.

Regional Agencies and Commuter Rail

The department states that, although it invites regional agencies to recommend commuter rail services for inclusion in the five-year rail development plan, no regional agency has requested the initiation of commuter service since Chapter 1183 took effect. Nonetheless, several regional agencies in California continue to express interest in establishing new passenger rail service.

The Metropolitan Transportation Commission (MTC) in the San Francisco Bay Area reviews the budget of California's only existing commuter rail service (San Francisco Peninsula Commuter Service) in order to determine how much discretionary funding the service warrants from the commission. The Orange County Transportation Commission, at one time, proposed increased commuter rail services as part of the 15-year Transportation Investment Program which it developed in connection with the unsuccessful effort to increase the transportation sales tax in Orange County. Finally, the Los Angeles County Transportation Commission supported the Los Angeles-Oxnard commuter service as a demonstration project. It has also programmed $342,000 for a station in Norwalk to serve commuters using the AMTRAK service between Los Angeles and San Diego. The commission has indicated that, if the Norwalk station is built, it also would endorse commuter rail service between Los Angeles and Orange County.

CPUC INVOLVEMENT TO DATE

The CPUC's authority to regulate passenger rail activities under Chapter 1183 has been extended to only two commuter services: the San Francisco Peninsula Commuter Service, which was initiated prior to the enactment of Chapter 1183, and the Los Angeles-Oxnard Commuter Rail Service, which was started in 1982 and terminated in 1983. Since no other non-AMTRAK rail commuter services currently exist in California, the CPUC's regulatory involvement has been limited to these two services.

To date, the CPUC has been asked only once to intervene in a dispute between the department and a railroad. The dispute involved the determination of proper reimbursement to Southern Pacific Railroad for operating the now-discontinued Los Angeles-Oxnard Commuter Rail Service. In this case, CPUC jurisdiction over the Los Angeles-Oxnard service had been the subject of federal litigation before the Interstate Commerce Commission (ICC). This jurisdictional question was appealed to the United States Supreme Court, whose recent decision did not fully decide the issue of whether the ICC or the CPUC is responsible for determining the proper level of reimbursement for the Los Angeles-Oxnard service. There are indications that the CPUC will proceed with a reimbursement decision, although further litigation is possible.

As described earlier, the CPUC is required to consult with the department in the preparation of the annual rail passenger development plan. In 1983, the Department of Transportation did not issue a rail passenger development plan as required under the act. Citing the need for "a major reassessment and reevaluation of the entire Rail Passenger Program" the department instead issued a "Status Report on California Rail Passenger Services". This status report, although useful, failed to meet the planning requirements set forth in Chapter 1183.

According to the CPUC, the commission staff did not receive a copy of the status report until it was publicly released by the department. The Department of Transportation states that it did not feel consultation with the CPUC was necessary since the department was not issuing a rail passenger development plan but only a status report.

In 1984, the Department of Transportation delivered a draft copy of the rail passenger development plan to the CPUC on February 10 for its review. This was 13 days before scheduled CTC action on the plan and 19 days before the deadline for submission of comments for inclusion as an appendix to the plan. According to CPUC staff, this precluded substantive comment on the plan by the commission and permitted only verbal comments regarding minor technical errors prior to issuance of the final plan in March 1984.

The CPUC is mandated to consider the establishment of intermodal facilities and order the construction of such facilities if appropriate. Since 1982, the CPUC has worked with the department in the planning and construction of two relocated stations on the San Francisco Peninsula commuter line. The CPUC staff conducted field investigations in order to ensure that the relocated facilities allowed for improved bus access to the commuter trains. The CPUC reports that it has not intervened formally to order the construction of such intermodal facilities, since the department has reached agreements with the railroad companies to provide adequate facilities. Thus, CPUC involvement in this area has been limited to providing staff-level input on proposed facility relocations, and to monitor the construction of facilities.

Finally, the commission was to have considered the recommendation of the department in preparing train crew requirements. The department, however, never submitted any recommendations to the CPUC and the commission's authority over train crew requirements was repealed in 1983.

THE ALLOCATION PROCESS

Generally, the Legislature has delegated to the California Transportation Commission the responsibility for allocating highway and transit capital outlay funds and bus and rail operating funds to specific projects and services. In the case of highway and transit capital outlay funds, the Governor's Budget does not include either a listing of or supporting documentation for the projects to be financed with the requested funds. Accordingly, the Legislature merely decides how much will be made available for highway and transit capital outlay, and then appropriates this amount in a lump sum. It does not evaluate the relative merits of specific projects.

In contrast, supporting materials for the Governor's Budget show the specific amount requested for each individual rail passenger service. Consequently, the Legislature's consideration of the budget request for the passenger rail program typically revolves around the merits of <u>individual</u> rail services. In some cases, the Legislature actually decides the level of funding for individual projects, even though this responsibility is statutorily assigned to the CTC, and the CTC is not explicitly required to allocate funds to the department in accordance with the Legislature's decisions. Given that the CTC has, without exception, made allocations to specific projects in accordance with what the Legislature has desired, there appears to be no justification for changing the existing allocation process.

CHAPTER III

THE STATE'S ROLE IN PASSENGER RAIL SERVICES

Currently, the Department of Transportation subsidizes three rail services--the San Joaquin and the San Diegan intercity rail services, and the San Francisco Peninsula Commuter Service. AMTRAK shares only in the subsidy of the intercity rail services, providing 35 percent ($2.5 million in 1984-85) with the state paying 65 percent ($4.7 million). Similarly, the subsidy of the commuter rail service is shared with the three counties benefitting from the service--Santa Clara, San Mateo and San Francisco, with the state paying one-half of the subsidy, up to $8.2 million. The total cost to the state of subsidizing and improving these three services in 1984-85 will be approximately $25.7 million.

In this chapter, we present our findings and recommendations as to whether these rail services should continue to be managed and heavily subsidized by the state, or whether local government should assume greater management and financial responsibility for them. In deciding this question, we believe the Legislature should evaluate each service using the following criteria:

1. Scope of Services and Distribution of Benefits. Are the rail services provided, and benefits distributed, in a major state transportation corridor, in a single urban area, or in a well-defined regional area?

2. Management of Services. Given the scope of the rail service and distribution of benefits from it, would the particular service be more effectively managed by a local, regional or state agency?

INTERCITY RAIL SERVICES

Our analysis of intercity rail services indicates that a good case can be made for continuing state management and subsidization of the existing intercity rail services.

The San Joaquin route (including bus service) is over 400 miles long, crosses 9 counties and has connecting bus service to 2 additional counties. These 11 counties contain almost one-half of the state's population and fall within 10 different local transportation planning agencies.

Because of its 400-plus mile length, the San Joaquin service is able to distribute its benefits over a sizable area of the state. Most of these benefits, however, appear to be confined to the service corridor itself. A recent departmental survey of Oakland-Bakersfield passengers found that less than 20 percent transfer to or from a connecting intercity bus or rail service. Consequently, even if some passengers transfer to the local transportation system enroute to an airport, most passengers travel exclusively within the Oakland-Bakersfield corridor. Accordingly, it appears that most of the benefits from the service go to the major urban areas and connecting corridor directly served.

Even within the San Diegan's relatively compact Los Angeles-San Diego corridor, the boundaries of three counties and four transportation planning agencies are crossed by the service. Clearly, this is one of the shorter but more heavily traveled state corridors.

Although the San Diegan traverses a major state travel corridor, the benefits from this service appear to be even more narrowly distributed than the San Joaquin's benefits. Surveys of Los Angeles-San Diego riders conducted by the department indicate that fewer than 10 percent of these passengers traveled outside the corridor either to get to or after leaving the train. Moreover, one-third of the passengers ride the train at least once a week, and 18 percent ride the train daily, indicating that the train is used by a sizable number of commuters.

Conclusion and Recommendation

Based on our findings that the nature and scope of the two intercity rail services are clearly of statewide significance, we conclude that the state, in coordination with AMTRAK, should continue to administer these services.

For the same reasons, we also believe it is appropriate for the state to pay a sizable share of the operating subsidy and capital improvement costs for both of the intercity services.

As the department's surveys have shown, however, most of the benefits from these intercity services are confined to travelers living close to the corridors in which the trains operate. Based upon well-established principals of public finance, the local share of costs should be proportionally increased as the distribution of benefits from the service is narrowed. Thus, it appears that local financial support for the San Diegan service should be greater than local support for the San Joaquin service, because the department's surveys show that more of the San Diegan's services are more narrowly confined within the corridor served

(especially in view of the partial use of the San Diegan by commuters to Los Angeles and to San Diego.)

Accordingly, we recommend that:

1. The Department of Transportation continue to manage the San Joaquin and San Diegan intercity rail services.

2. If the San Joaquin and San Diegan intercity rail services continue to receive financial assistance from the state (as we believe is appropriate), affected local agencies be required to contribute toward the operating subsidy in direct proportion to the services distributed within their boundaries.

COMMUTER RAIL SERVICES

The San Francisco Peninsula Commuter Service differs from the two intercity rail services discussed above, in two fundamental ways. The route of the Peninsula Commuter Service is entirely contained within the heavily urbanized San Francisco Bay Area. Moreover, the San Francisco-San Jose corridor lies entirely within the jurisdiction of one regional transportation planning agency--the Metropolitan Transportation Commission.

According to the department, the typical passenger on the Peninsula Commuter Service rides the train to work, or for business reasons, an average of five times per week. Because the typical rider lives and works in the area, it would appear that the benefits of this service are distributed almost exclusively within the service area.

In fact, the commuting pattern of the typical Peninsula Commuter Service rider even bears a striking resemblance to that of the typical BART rider: 74 percent of the Peninsula commute riders use the train daily, compared to 70 percent of the BART users.

The only significant difference between the Peninsula Commuter Service and, say, BART, which we can identify is that the former is administered by a state agency, using state funds dedicated to that service, while the latter (and all other regional commuter rail and bus services in the state) is managed by a local transit district, using funds made available from local, state and federal sources for general transit purposes.

Our analysis fails to identify a logical basis for singling out the Peninsula Commuter Service for state administration and subsidization. If the service is of sufficient importance to the San Francisco Bay Area to warrant continuation, it should be regionally managed and made to compete with all of the other transit services within the region for its appropriate share of local, state and federal funding. In fact, this type of competition should serve to increase the likelihood that transportation resources within the region are used in the most effective manner.

Accordingly, we recommend that the primary responsibility for administration and financing of the San Francisco Peninsula Commuter Rail Service be transferred from the state to a local agency designated by the Metropolitan Transportation Commission.

Alternate Local Management Options

If the Legislature adopts this recommendation, the responsibility for administering and financing the Peninsula Commuter Service could be assigned to one of three entities: (1) a joint powers agency, consisting of the three local transit operators, (2) BART, or (3) a new statutorily created special district. Each of these options offers advantages and disadvantages, as discussed below.

1. Joint powers agency. Under existing law, public agencies may enter into joint powers agreements in order to exercise authority which the agencies hold in common. For example, municipalities may create a new agency, without state approval, to provide municipal services, such as police or transit services, on a joint basis.

The three transit operators in the San Jose-San Francisco corridor--Santa Clara County Transit, San Mateo Transit and the San Francisco Public Utilities Commission--could create a new agency, under joint control, to take over administration of the state's existing contract with Southern Pacific (SP). This could be done without the approval of the railroad.

Transit operator control of the rail service contract would serve to improve coordination between the bus and rail services. Moreover, the Legislative Counsel indicates that the revenues and expenditures of the rail service could be prorated among the three operators for purposes of determining each one's compliance with financial performance standards for state operating subsidies. Because the Peninsula Commuter Service's ratio of fare revenues to operating expenses is higher than the existing ratios for any of the three operators, the adoption of a joint powers agreement would make it easier for the transit operators to meet the state standards.

It is possible, of course, that one operator might view the objectives of the commuter rail service as being in conflict with the operator's own objectives, since the rail service would be competing with each operator for capital and operating assistance from state, local and federal sources.

2. BART. Currently, BART provides rail service in San Francisco, Alameda and Contra Costa counties. Legislation could be enacted authorizing BART to manage the contract with Southern Pacific, under the direction of the BART Board of Directors. Although BART's current responsibility to provide commuter services using electrically powered trains differs somewhat from the department's responsibility to provide commuter services using diesel trains through a contract with SP, BART's extensive experience in operating a large commuter rail service probably would enable it to manage the San Francisco Peninsula Commuter Service effectively.

We can, however, identify five potential problems with giving responsibility for the Peninsula Commuter Service to BART.

First, under the state's existing agreement with SP, the SP would have to approve the transfer of management to BART.

Second, there could be a conflict between the financial demands of the existing BART service and those of the rail service.

Third, the ratio of the Peninsula Commuter Service's fare revenue to operating cost (38 percent) is less than BART's (50 percent). Consequently, integrating the rail service with BART would reduce BART's overall financial performance. This may also increase the probability that AC Transit, BART and the San Francisco Municipal Railway, collectively, would not achieve a 33 percent ratio of fare revenues to operating cost, as required by state law.

Fourth, Chapter 1127/78 requires BART to extend district services to eastern Contra Costa and Alameda counties and northwest San Francisco before using its funds to extend services beyond the existing district boundaries.

Fifth, two of the three counties most affected by the Peninsula Commuter Service--Santa Clara and San Mateo--did not participate in financing of the BART system and are not represented on its board of directors. The board currently consists of representatives of Alameda, Contra Costa and San Francisco Counties. If the BART board were restructured so as to give these two counties a voice in decisions affecting transportation within their borders, it could revive a long-standing dispute over each county's contributions to the cost of constructing the original BART system and the contribution of each county to the financing of the Peninsula commuter system.

3. Special District. Finally, a special transit district could be created to manage the contract. The new district, which would be the seventh major transit operator in the region, could be governed by a locally elected or appointed board of directors. In contrast to a joint powers agency, a special district may achieve greater permanence. In addition, because the district's sole responsibility would be to manage the Peninsula Commuter Service, it would not be subject to conflicts over transit priorities that BART or a joint powers agency with other transit responsibilities may encounter.

The magnitude of the commuter rail service--46 weekday trains, plus weekend service--in addition to the responsibilities involved in operating the passenger stations, indicates that the workload would be sufficient to warrant the creation of a special agency to manage the service. This, option, however, could not be implemented without the approval of SP.

Other things being equal, the cost of establishing a special district to manage the Peninsula Commuter Service probably would be higher than the cost associated with either one of the other two options (a joint powers agency or assigning the responsibility for the service to BART). This is because a new administrative structure would have to be created. It is not possible at this time, however, to evaluate how much more it would cost to operate a special district.

Selecting a Local Manager

The issue of which management structure to adopt if responsibility for commuter rail services are shifted from the state to the local level would have to be resolved based on a number of considerations, including:

- o the cost of establishing a new public agency,
- o the intensity of the region's commitment to the San Francisco Peninsula Commuter Service, and
- o the desirability of extending BART's responsibility beyond its current service area.

At this time, we have no basis to recommend any specific local management structure for the San Francisco Peninsula Commuter Service.

If the Legislature decides to shift responsibility for this commuter service to the local level, the department should retain its responsibility for managing the service over the short term because it currently is undertaking a $127 million capital improvement program which will not be completed until mid-1987. At that time, the department could terminate its responsibility for the rail service.

In the meantime, we believe the state should begin to reduce its financial contribution to the service, although it would be reasonable for the state to provide some subsidy while it maintains policy control over the service. Reducing the state's relative contribution to financing the service probably would require a renegotiation of the cooperative agreement with the local agencies, although the state currently has the right to withdraw from the service completely.

FUNDING SOURCE FOR CAPITAL IMPROVEMENTS

According to the Fund Estimate for the 1985 State Transportation Improvement program, the CTC anticipates allocating $6.5 billion for capital improvements to highway and transit facilities over the next five years. This amount, which consists of $1.3 billion in state funds and $5.2 billion in federal funds, includes an anticipated $9.2 million for intercity and commuter rail improvements.

Two transit capital outlay programs are used to finance rail capital outlay projects. Both derive their funding from the Transportation Planning and Development Account. The <u>Transit Capital Improvement</u> (TCI) program ($42.1 million in 1984-85) finances (1) guideway construction, including commuter rail improvements, (2) acquisition of abandoned railroad rights-of-way, (3) bus rehabilitation, (4) grade separation, and (5) intermodal facilities. The <u>Intercity Rail Capital</u> program ($3.3 million in 1984-85) pays for capital improvements to intercity rail services. (A third transit capital outlay program, the state guideway program, is funded from the State Highway Account and does not support commuter or intercity rail improvements.) In both cases, the Legislature appropriates a lump sum of money, which is then allocated to specific projects by the CTC.

Our analysis indicates that projects funded under these separate programs frequently are related in purpose. For example, the TCI program finances improvements to intermodal facilities which allow passengers to transfer between intercity rail and bus services. These improvements can be as significant to the success of an intercity rail service as say, track improvements, which are funded from the separate intercity rail capital improvement program.

We see no advantage to maintaining two separate transit capital outlay programs. In fact, consolidating the intercity rail capital program with the TCI program would enhance the probability that limited state resources are used to fund transit projects having the highest priority.

The Legislature also recognized the value of minimizing the number of capital outlay funding programs when it enacted Chapter 322, Statutes of 1982 (AB 2551). This measure combined several separate funding programs and created the TCI program. In order to further consolidate funding sources for capital outlay and increase the likelihood that limited capital improvement funds are used where the payoffs are greatest, we recommend that legislation be enacted establishing intercity rail improvement projects as a new category within the Transit Capital Improvement program.