Alan M. Voorhees Transportation Center

Northeast Corridor Action Plan: A Call for a New Federal-State Partnership

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Northeast Corridor Action Plan

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Executive Summary

Background

The Northeast Corridor (NEC) between Boston and Washington, D.C., the nation's premier high-speed rail corridor, is a unique national transportation asset. The NEC provides essential intercity and commuter travel options for over 700,000 riders daily. This rail corridor carries more persons than regional air services and helps alleviate congestion on the region's highways and airports. It is a key component of the regional and national economy by facilitating energy-efficient and environmentally friendly business travel between city centers and is critical to the economic development of the Northeast states.

Unlike most of the national intercity rail system, Amtrak has owned most of the infrastructure on the NEC since its 1976 conveyance by the federal government, and consequently the renewal of the Corridor's infrastructure has had a unique history of public funding and quasi-private management by Amtrak. The NEC is also unique in terms of its multiple users and heavy usage: by Amtrak for both higher speed corridor and longer-distance intercity services, by seven state-supported agencies for extensive commuter railroad services with statutory access rights, and by several freight railroads for local and through freight services.

Although the NEC is largely owned by Amtrak, commuter rail is a rapidly-growing market and by many measures is perhaps the most significant user of the Corridor. The eight states along the NEC, cumulatively, made investments of nearly $2 billion in corridor infrastructure between 1992 and 2001, including stations, track, bridges, signal and communication systems, electric power and life-safety improvements. While these state investments have helped, the Corridor and its intercity rail services have been plagued by decades of under-funding by Amtrak and the federal government that have resulted in suboptimal performance and reliability for all users. In addition, commuter agencies operating in Amtrak-owned territory currently have no formal role, in general, on the Corridor's management, and there is not an appropriate forum to resolve issues with Amtrak or amongst themselves.

These factors and others have motivated calls for reform by the federal executive branch, Congress, Amtrak's Board, and states. In response to recent calls for reform and uncertainty over long-term funding for intercity passenger rail, the Newark Regional Business Partnership and other business interests along the NEC commissioned the Alan M. Voorhees Transportation Center of Rutgers University to develop a Northeast Corridor Action Plan. This Action Plan recommends an approach to long-term institutional, operational and financial reforms through a federal-state partnership that ensures continued reliable passenger service along the Northeast Corridor, accountability for Amtrak's management of and operations on the NEC, and recognizes the current and future role of the states and the commuter rail agencies. While this Action Plan focuses primarily on the NEC, the proposed federal-state partnership model, complemented by supplemental funding, could be adapted to other intercity corridors and serve as a stimulus for breaking the stalemate regarding the future federal role concerning intercity rail, both intercity and long distance.

Why the Current Model Does Not Work

The current model of Corridor infrastructure management by Amtrak suffers from a number of weaknesses that must be addressed in any comprehensive reform:

- **Lack of Public Accountability and Transparency**
  The primary focus of Amtrak, as owner and operator of the NEC, is intercity operations. The NEC is a transportation asset of national significance with numerous users and uses, and its governance must be more accountable to the federal government and Northeast states. Financial reporting of NEC operations and maintenance activities must be transparent.

- **Financial and Institutional Instability and Threat of Services Disruption**
  Under-funding and recurrent threats of bankruptcy have significantly weakened Amtrak's institutional capacity and stability. This under-funding has led to an estimated $5 billion deferred maintenance backlog that threatens service reliability, excessive debt that burdens NEC management and operations, a start-stop approach that has weakened Amtrak's effectiveness as a partner, and continued difficulty attracting and retaining skilled and experienced workers. While some states have invested significant monies in the renewal of the NEC infrastructure, no consistent framework exists for a federal-state investment partnership. Any potential Amtrak bankruptcy or labor disruptions stemming from inadequate funding could lead to a stoppage or diversion of all NEC rail services operating on Amtrak-owned property, dramatically affecting the extensive commuter operations that depend on Amtrak for Corridor access. The Northeast Corridor's long range value as a strategic transportation and economic development asset is too important to allow this instability and risk of disruption to continue. The growth of intercity rail operations, the modernization of NEC infrastructure and relationships with states and the commuter rail agencies need to be placed on a balanced, stable and sustainable foundation.

- **Need for Balance in Governance**
  Amtrak's multiple roles as both owner and manager of most of the NEC infrastructure, as well as provider of intercity passenger service, compete with the needs and priorities of commuter services along the Corridor that are the dominant users by many measures. Freight services also generate economically important usage. Despite this significant usage by commuter and freight services and states' history of investment in Corridor infrastructure, Amtrak's control over most of the Corridor leaves other users without a policy voice and without a neutral forum for dispute resolution. Furthermore, as owner of the Corridor, Amtrak exercises monopolistic control over access rights, which stifles development of new, affordable regional rail services and innovative management arrangements for intensely shared areas that would meet the Northeast region's evolving rail passenger service needs. A knowledgeable, neutral party is needed to strike an appropriate balance among competing uses of the Corridor, encourage greater integration between infrastructure management and the various operations, and resolve issues involving new services, capital planning, construction, and capital and operating cost allocations, as well as scheduling and dispatching.

Northeast Corridor Action Plan: An Approach

The Action Plan responds to these challenges with a proposed approach that will ensure accountability, stability, reliability and sustainability for intercity, commuter, and freight rail services on the NEC. These recommendations are guided by a set of "Principles for Reform" that recognize the significant, but varying, interests of the states in the Northeast Corridor. They also recognize the history of federal investment in the NEC and the regional economic value of intercity, commuter, and freight service on the NEC.

The Action Plan calls for a long-term and balanced federal-state partnership to assure public ownership, manage performance, plan investments and fund the Corridor. The key elements of the Action Plan are:

- **Governance and Institutional Reform**
  Ownership of the NEC would transfer from quasi-private Amtrak to the USDOT, with the retirement of the mortgage held by the USDOT against NEC assets. Embodying the federal-state partnership, a new public benefit corporation would be created by Congress as a new legal entity for purposes of contracting with Amtrak for management/renewal of the NEC infrastructure and operation of its intercity rail services. The new corporation would be managed by a small staff of professionals and governed by a Board of Directors with voting control shared between the federal government and the Corridor states (including the District of Columbia.) This arrangement would be designed to ensure accountability for Amtrak's NEC activities and to balance the needs of intercity, commuter, and freight carriers and their customers.

- **Operational Reform**
  The new corporation would manage Amtrak's performance on the Northeast Corridor pursuant to a long-term contract with Amtrak to provide infrastructure and operating services, utilizing current Amtrak employees. The new corporation's Board would be a neutral forum with responsibility for setting policy for Corridor access, establishing protocols for schedules and dispatching, planning and coordinating the implementation of major capital investment among NEC users, encouraging customer service integration, providing input on fare policy to Amtrak, and managing NEC station area and other major site development in concert with local agencies. It would ensure that appropriate priority in scheduling and dispatching is accorded to high-speed intercity rail passenger services, such as *Acela Express*. The corporation would also consider and implement customer-focused and cost-effective joint management arrangements between NEC rail carriers and Amtrak for extensively shared facilities, such as Penn Station New York and its rail approaches.

- **Financial Reform**
  Federal funding would be provided to restore the NEC to a state of good repair (program elements and cost estimate to be determined by a neutral party.) In addition, a new and supplemental federal-state 80/20 funding partnership would be established to finance future NEC capital investment for renewal, replacement, modernization and expansion. The new corporation would determine allocations of responsibility for the 20 percent non-federal share. The federal government would relieve Amtrak and the new corporation of legacy debt affecting the NEC. The new corporation would resolve issues regarding operating cost allocation.

- **Transition Framework**
  The approach calls for a transition period of approximately 18 months to create the new public benefit corporation, secure a lean professional staff, and negotiate a contract between the corporation and Amtrak. The transition process would provide a voice for all NEC rail carriers, labor, and appropriate governmental agencies.

I. Introduction

The Northeast Corridor (NEC) between Boston and Washington, D.C., the nation's premier high-speed rail corridor, is a **unique national transportation asset:** it was purchased with federal funds in 1976 and improved with federal and state funds since. Due to historical circumstances, Amtrak, a federally created, quasi-private "for profit" corporation, owns and controls the majority of the NEC right-of-way infrastructure, with the exception of certain sections in New York, Connecticut, and Massachusetts owned by the respective states.[1] In addition, Amtrak owns and maintains two major NEC branch lines – the Philadelphia-Harrisburg Keystone Line and the Springfield Line, running between New Haven and Springfield, MA. The NEC is a **catalyst for regional and national economic growth that is environmentally-friendly**: it provides essential intercity and commuter mobility options, thereby alleviating congestion on the region's highways and airports as well as reducing dependency on fossil fuels. The NEC hosts many users: it is used by Amtrak for its intercity rail services; seven state-supported agencies for extensive commuter railroad services with statutory access rights; and by several freight railroads for local and through freight services.

Recognizing the critical importance of the NEC to the Northeast economy, the **Regional Business Partnership (Newark, NJ) and other NEC business interests** commissioned Rutgers University's Alan M. Voorhees Transportation Center to develop an Action Plan to ensure public accountability and continued reliable passenger service along the Northeast Corridor. The purpose of this Action Plan is to recommend long-term institutional, operational and financial reforms that will ensure **accountability, stability, and reliability for intercity, commuter and freight rail services** that are essential to the regional and national economy.

The regional business community welcomes U.S. Transportation Secretary Norman Mineta's call for serious dialogue about the future of the national intercity passenger rail system, yet is deeply concerned by several aspects of the Administration's proposal with respect to the Northeast Corridor. These concerns include:

- the impracticality of its proposal to turn NEC management and intercity services over to a multi-state compact
- the potential disruption of essential rail services that could have resulted from the "zero" funding provision for Amtrak in FY2006, and
- risks created by uncertainty surrounding inadequacy of long-term federal funding for the NEC

The business community also recognizes that the Amtrak Board of Directors proposed its own "Strategic Reform Initiatives" in April 2005 with a comprehensive approach to national intercity passenger rail service reform. This proposal merits careful consideration by the Administration and Congress, but care should be taken with its treatment of the future management of the NEC. The Amtrak Board's desire to bring clarity to the documentation of costs and revenues relating to the NEC operations and management is shared by the regional business community. However, recent actions by the Amtrak Board, without consultation with the states, to authorize the

[1] The Northeast Corridor was assigned to Amtrak under the Railroad Revitalization and Regulatory Reform ("4R") Act of 1976. The Penn Central Railroad had principally owned the NEC, constructed mostly by the Pennsylvania and New Haven Railroads. The 4R Act required Conrail-the federally owned freight railroad created from the estate of the Penn Central and other bankrupt carriers-to convey the NEC to Amtrak. Various documents refer to Amtrak as either "owner" with a 999-year mortgage or "lessee" with a 999-year lease to the U.S. DOT. Nevertheless, the 4R Act created a *de facto* ownership interest for Amtrak, which exists to this day.

establishment of a subsidiary corporation for NEC infrastructure and to remove Amtrak's President raise concerns regarding future accountability for the Corridor.

Recent actions in Congress relieve immediate concerns regarding continuity of service, pointing to improved financial prospects for Amtrak in the 2006 federal fiscal year. Action by the Senate supporting a potential re-authorization for longer-term intercity passenger rail funding is promising but is not yet law, as the House has not passed similar provisions. The re-authorization bill outlines a non-binding process for reviewing arrangements on the NEC. Of great concern is an enacted appropriations provision that directs USDOT, unilaterally, to fix the allocations of cost between Amtrak and other users on the NEC.

These events underscore the goals of this Action Plan - to provide a concrete proposal that would ensure public accountability and build a sustainable federal-state partnership for managing and financing the Northeast Corridor.

The Northeast Corridor Action Plan is organized as follows:

- **Section II, "An Engine of Growth,"** provides background information on the ownership, use, and importance of the Northeast Corridor to the regional and national economies.
- **Section III, "Problems with the Current Model,"** provides a broad overview of weaknesses in the current model of Northeast Corridor management and operations.
- **Section IV, "Principles for Reform,"** outlines the basic principles for governance, operations and funding on the Northeast Corridor that should be included in any comprehensive rail reform.
- **Section V, "An Approach for Action,"** provides an example of how the Principles for Reform could be developed into a legislative reform proposal.

II. An Engine of Growth

A Unique Transportation Asset

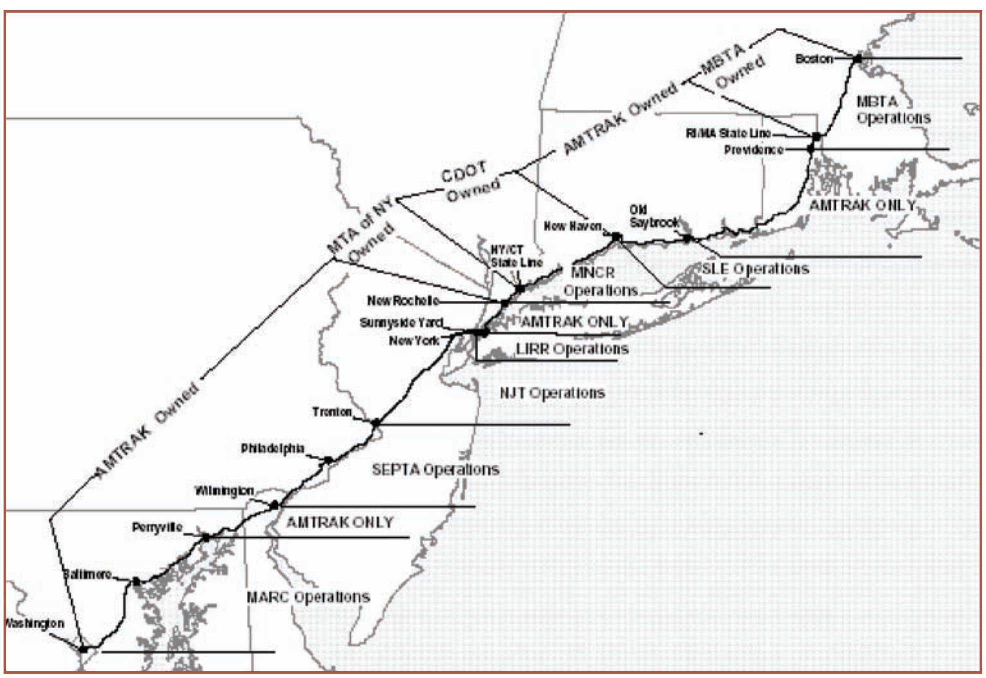
The Northeast Corridor, a high-speed rail line between Union Station in Washington, D.C. and South Station in Boston, is truly a unique national transportation asset:

- Largely owned and managed by Amtrak since 1976, the federal government holds a 999-year mortgage against these assets. The remaining 15 percent is owned by the States of New York, Connecticut, and Massachusetts, as shown in **Figure 1** below.
- The NEC is heavily-utilized for a combination of high-speed, end-to-end intercity rail passenger services; longer-distance intercity services to northern New England, the Midwest, and South; commuter rail services for major urban centers including Washington, Baltimore, Philadelphia, Newark, New York City, New Haven, Providence and Boston; and freight services over several sections of the Corridor (see **Figure 1** below).
- The end-to-end corridor intercity trains provide service to eight states plus the District of Columbia.

Significant Role in Regional Mobility

The Northeast Corridor is a key asset in enabling the movement of goods and people throughout the region. The corridor is used extensively by Amtrak, seven commuter rail services and several freight carriers, making it a highly complex and valuable asset for the region's economy.

Figure 1: Northeast Corridor Ownership and Usage



Source: General Accounting Office, *Northeast Rail Corridor: Information on Users, Funding Sources and Expenditures,* June 1996

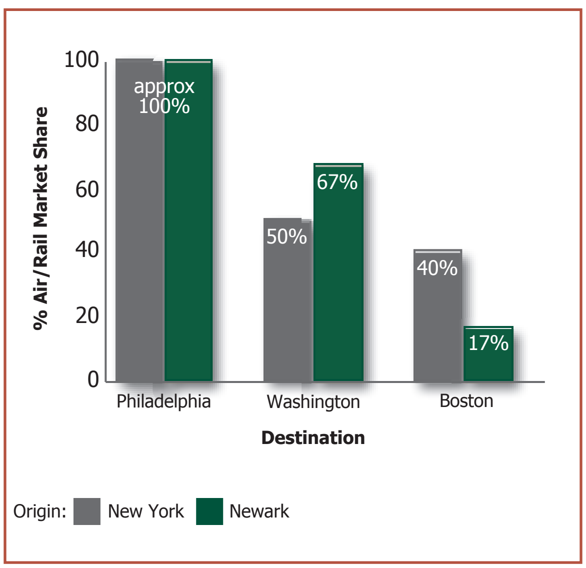
Intercity Rail Passenger Services

- Amtrak serves more than 32,000 intercity passengers daily in the Northeast (13 million annually), representing half of all intercity rail passengers in the United States.[2]
- Amtrak operates more than 100 trains per day on the Northeast Corridor (just under 10 percent of total NEC train movements), but as the only end-to-end carrier it is responsible for more than 50 percent of NEC train miles and is the only passenger carrier over certain segments of the Corridor.
- Northeast Corridor services connect with other corridor services to Harrisburg, Pittsburgh, Albany, Buffalo, Montreal, Portland (ME), Richmond and Charlotte; and long-distance services to Florida, New Orleans and Chicago. These trains provide links not only to the major cities but also to the smaller cities and towns in between.
- Intercity rail services between NEC points are an increasingly attractive alternative to airlines for regional trips and help to reduce congestion-related delays at airports throughout the Northeast. See **Figures 2 and 3** below.

Commuter Passenger Services

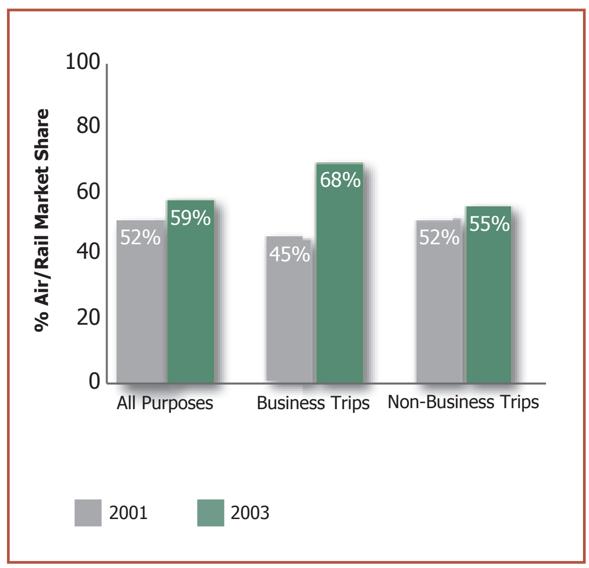
- More than 300 million passengers use commuter services in the Northeast annually[3], representing approximately 80 percent of U.S. commuter rail passengers.[4]

Figure 2: Rail Market Share of Air/Rail Trips in Northeast by Origin and Destination (2003)



Source: Amtrak *Strategic Reform Initiatives*; "Role of Amtrak's Intercity Passenger Rail Services in New Jersey," Alan M. Voorhees Transportation Center

Figure 3: Rail Market Share of Air/Rail Trips in Northeast by Type of Trip (2003)



Source: Amtrak Northeast Region Market Survey, June 2003

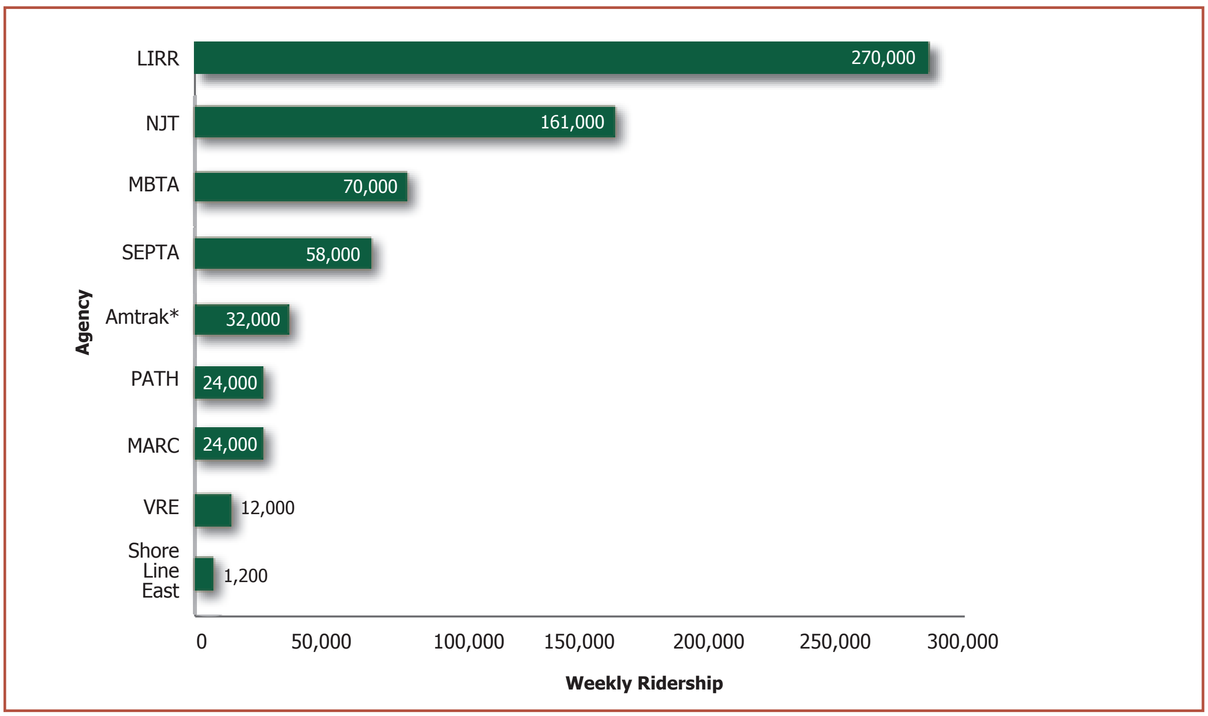
[2] Passenger estimate based on half of total Amtrak system ridership. The NEC typically accounts for approximately half of Amtrak's total ridership.
[3] 2005 APTA Public Transportation Factbook, Federal Transit Administration
[4] *Freight Rail's Potential to Reduce Traffic Congestion*, Texas Public Policy Foundation

- Seven commuter agencies – MBTA, Shore Line East, Metro-North, LIRR, NJ TRANSIT, SEPTA, and MARC – operate along the NEC, and collectively provide commuter services in each NEC State and the District of Columbia. In addition, Virginia Railway Express provides commuter services into Washington Union Station, and PATH service utilizes a portion of the right-of-way.

- Commuter rail alleviates congestion on the region's highway networks by linking the metropolitan centers with smaller cities and residential communities and serving as a feeder to the intercity rail services. Its cumulative ridership on the NEC (excluding Metro North's) far exceeds Amtrak's. See **Figure 4** below.

- Weekday commuter rail train movements on the NEC far exceed Amtrak's. See **Figure 5** below. These commuter rail movements have increased substantially over the last 30 years, given the significant capital investments in new equipment and facilities by the commuter rail agencies. During this period, NJ TRANSIT's growth has been particularly noteworthy – with the recent addition of *MidTOWN DIRECT* services, NJ TRANSIT operates nearly 500 weekday trains over a seven-mile segment of the Northeast Corridor, while Amtrak operates approximately 100 daily trains. Moreover, one notable proposal for further commuter rail expansion on the NEC involves building a pair of new tunnels under the Hudson River between northeastern New Jersey and Midtown Manhattan.

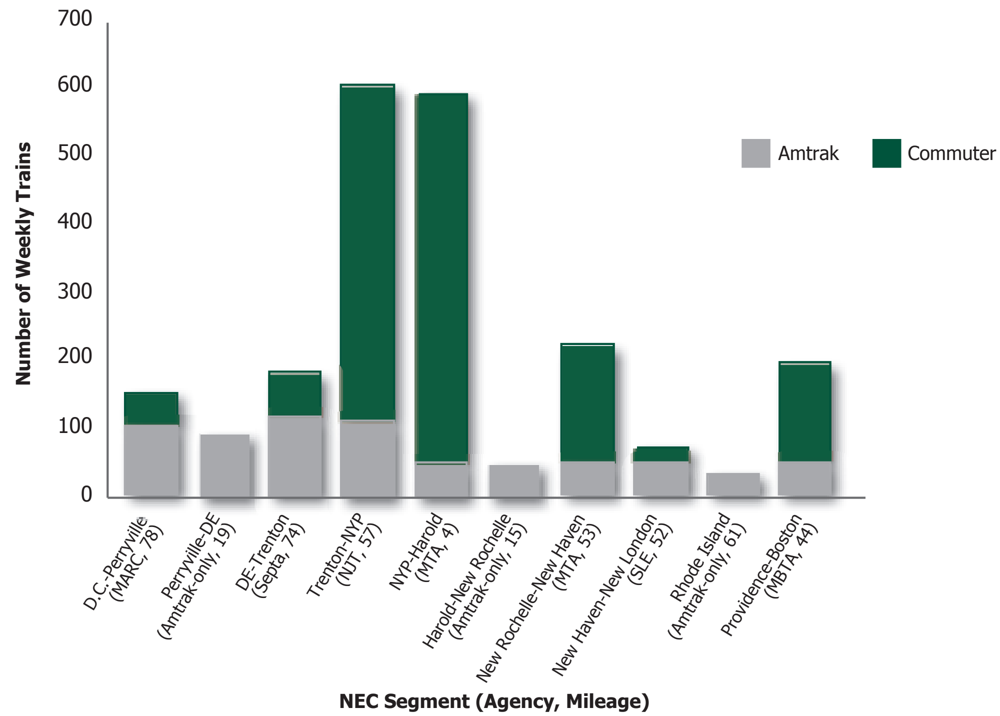
Figure 4: Estimated Number of NEC Daily Riders Dependent on Amtrak Operations (2002)[5]



Source: Booz Allen Hamilton, "The Relationship Between Amtrak and Commuter Railroads," September 2002

[5] Note: Daily ridership does not include MTA Metro-North New Haven Line, which is not owned by Amtrak. MBTA figure includes all MBTA commuter routes that were operated under a contract with Amtrak until July 1, 2003; however a large portion of MBTA ridership for South Station is still dependent on Amtrak for dispatching. PATH ridership is for Newark Penn Station using the Amtrak-owned and operated Dock Bridge.

Figure 5: Weekday Trains Operated by NEC Segment (2004)



Source: Amtrak and NJ TRANSIT Data for FY 2004
(*Note: segment mileage is approximate, not all commuter services travel full length of segment as listed)*

Freight Services

- Several freight rail operators – including CSX, Norfolk Southern, Conrail, Providence & Worcester, Guilford Rail, Connecticut Southern, and Canadian Pacific – provide services in the Northeast. Unlike passenger services, the majority of freight traffic takes place on east-west and alternate corridors to the NEC; however, critical long-haul and local freight rail does travel along several segments of the NEC.
- Nationally, freight rail traffic volume is growing and is expected to increase by one-half through 2020.[6] The I-95 Coalition has undertaken significant efforts to assess freight rail capacity needs in the Northeast, and several projects have been proposed (but remain unfunded) to expand freight rail capacity, particularly using freight routes parallel to the NEC.

Due to the high volume of high speed passenger service in the Northeast, slower freight service on the main corridor is largely limited to late night hours. New investments may be necessary to support increased freight service on the NEC as an alternative to growth in truck traffic.

[6] *Freight Rail's Potential to Reduce Traffic Congestion,* Texas Public Policy Foundation

Critical Component of Northeastern and National Economy

The Northeast region includes the nation's capital and major financial and corporate centers, accounting for more than 20 percent of the nation's population and GDP despite including only about 2 percent of its total land area[7]. The Northeast urban core produces 10 times more GDP per square mile than the national average.

Economies of Cities in the Northeast Urban Core are Closely Linked

- Densely concentrated Northeast cities and their suburbs support critical national service and manufacturing industries and serve as gateways to the U.S.
- Washington, D.C.'s concentration of federal government activity attracts travel from individuals, corporations, state and local governments and academic institutions located on the NEC
- Financial services are centered in New York City, but are also closely linked to financial centers, centers of government, and related industries in Boston, Washington, Philadelphia, Wilmington and Baltimore
- Technology and biomedical centers, from greater Washington's information technology cluster to the bioscience clusters of Boston, New Jersey and Philadelphia, also rely on the Northeast's large professional workforce and high-speed travel between these places

Northeast Region (2003)

- $1.5+ billion economy
- Avg. Annual Growth Rate: 5.2%
- Population: 56.3 million (20% of Total U.S.)
- Jobs: 27+ million (20% of Total U.S.)

Intercity and Commuter Rail is Essential to the Economic Competitiveness of the Northeast

- Northeastern cities are more dependent on non-auto transportation than most other parts of the nation due to the compact nature of their communities, which were developed prior to the ascendancy of the automobile.
- Intercity passenger rail is particularly critical for the heavy volume of medium-distance business travel along the corridor. Rail is often the most convenient and fastest way to travel between city centers along the corridor. For many cities, airports are located a considerable distance from the business centers, and interstate highways that connect these cities are plagued by congestion.
- Commuter rail further enhances regional mobility by providing an efficient means of transporting workers daily between the center cities and surrounding residential communities. Commuter rail also connects medium and large sized business centers within a region, such as Providence and Boston (MBTA); Stamford and New York City (Metro-North); Trenton, Newark and New York City (NJ TRANSIT); Wilmington and Philadelphia (SEPTA); and Baltimore and Washington (MARC).
- One notable example of rail's importance to the business community is in Philadelphia, where the only commercial office tower to be constructed in the last decade is adjacent (and connected) to the 30th Street Station shared by Amtrak, SEPTA and NJ TRANSIT.

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[7] Data from inset chart: U.S. Bureau of Economic Analysis, University of Pennsylvania, Bureau of Labor Statistics

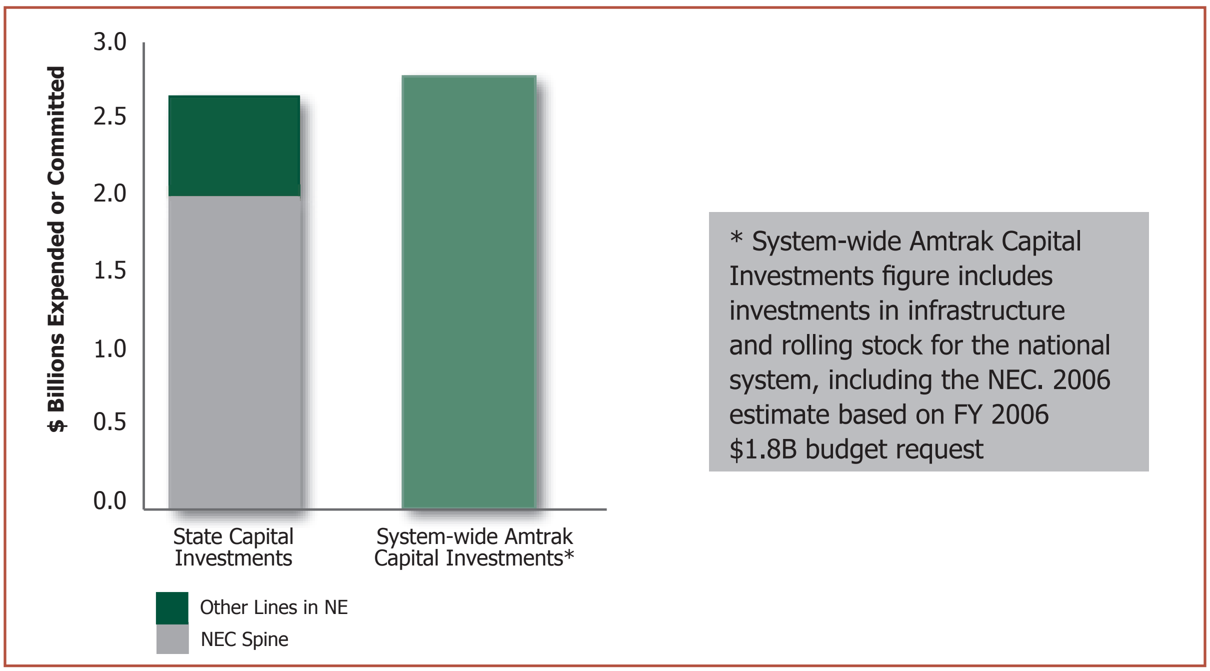
Rail Benefits Cities and also Users of Alternatives to Rail Transportation

- Without excellent intercity rail services, the attractiveness of central city locations throughout the Northeast would be reduced. If cities become less attractive, growth would be concentrated in suburban and exurban areas and lead to subsequent pressures for greater expansion of road capacity, despite public opposition and limited financing for such expansion even today.
- The benefits of rail services in the Northeast accrue not only to rail passengers, but also to drivers and air passengers. Rail serves to reduce road congestion by providing an alternative that removes vehicles from the road. Additionally, airports in the Northeast are some of the nation's busiest, and the 60-40 rail-air market share helps to alleviate congestion and congestion-related delays in the national air system.

Rail is an Important Asset for Homeland Security

- Rail provides an accessible transportation alternative if highway or airline travel is disrupted by natural disasters, terrorism or breakdowns.
- Rail's importance was particularly apparent after September 11, 2001, when air transportation was grounded for several days, security restrictions were imposed at certain tunnels and bridges and rail was the only viable public carrier option for thousands of stranded intercity and commuter passengers.

Figure 6: Investments in Intercity Rail Infrastructure by Northeast States (2002–2006)



Source: CONEG Policy Research Center, The Northeast and Mid-Atlantic States, June 2002

Northeastern States Recognize Rail's Importance and Invest Heavily in Passenger Rail Services

Several states have invested, and are currently investing heavily, to modernize infrastructure for intercity rail and to expand commuter rail services.

- FY 1992-2006, northeastern states invested almost $4 billion on NEC Spine infrastructure and almost $2 billion more for additional intercity rail lines, such as the Empire (NYC-Albany) and Keystone (Philadelphia-Harrisburg) corridors.
- Northeastern states' 2002-2006 actual and planned investments on intercity infrastructure were **nearly equal** to Amtrak's nationwide capital investment during the same period (see **Figure 6** above).
- Northeastern states' investments are made to improve the overall quality of the infrastructure, benefiting both intercity and commuter services.
- Massachusetts, Connecticut, and New York own portions of the NEC that are critical for intercity service. These states, not Amtrak, bear the primary responsibility for maintaining their segments of the Corridor.
- NJ TRANSIT (New Jersey) entered into a $600 million Joint Benefits Agreement with Amtrak for a 10-year period from 1997 to 2006 in which the transit agency and Amtrak make 50/50 matching investments in infrastructure projects, such as track, signals and communication systems, electric substations, bridges and Penn Station New York life safety and tunnel improvements.
- Other notable examples of infrastructure investments by northeastern states include:
  - Stations, platforms and parking garages for both intercity and commuter rail riders
  - Track improvement, rail yard, and ridge projects in RI, CT, DE, and MD
  - Station, track, communication, signals and Keystone Line grade crossings in PA

III. Problems with the Current Model

While passenger rail is a critical asset for the mobility, security and economic competitiveness of the Northeast, the current model of Amtrak control over intercity operations and most infrastructure management on the Corridor suffers from a number of weaknesses that must be addressed in any comprehensive reform.

A. Lack of Public Accountability and Transparency

The Northeast Corridor infrastructure is a transportation asset of regional and national significance. Amtrak, a quasi-private corporation, has owned the majority of the NEC since 1976, and with this exclusive control, stewardship of this national asset has been aligned with Amtrak's mission to promote intercity services. This arrangement ignores that commuter rail train movements and passengers carried on the NEC far exceed Amtrak's. Given the multitude of uses of the NEC, and the history of investment in the Corridor by both the federal government and the states it runs through, there is a need for NEC operations and infrastructure management to be accountable not only to Amtrak, but also to public sector investors, such as the federal government and the northeastern states funding the commuter service providers. Future governance of the Corridor should, therefore, be structured around and accountable to a Federal-State partnership.

In addition, the current model does not encourage financial transparency of NEC operations, since Amtrak operates rail services throughout the nation and maintains them all on one balance sheet. Amtrak acknowledges that this lack of transparency should be remedied and, in its "Strategic Reform Initiatives," has proposed the creation of separate business lines for NEC operations, infrastructure management, and other intercity train operations. Improvements to financial transparency, particularly to distinguish among the costs and revenues of NEC infrastructure management, NEC operations, and other intercity operations will be essential to build a foundation of trust, credibility and clarity with Federal, state, and potentially other funding partners.[8]

B. Financial and Institutional Instability and Threat of Service Disruption

Amtrak has suffered from under-funding and recurrent threats of bankruptcy that have significantly weakened its institutional capacity and stability. Since 1971, Amtrak has received approximately $29 billion in federal subsidies, and approximately $1.2 billion in FY 2005 to operate long-distance and intercity passenger services, acquire locomotives and coaches as well as to maintain hundreds of miles of infrastructure primarily located in the NEC.

Unlike highway and air modes of transportation, intercity rail does not have a dedicated funding stream or the opportunity to use federal matching grants to encourage investment by non-federal sources. Its annual appropriations requests have been highly politicized and consistently reduced by successive federal administrations and Congress. As a result, Amtrak's budget has not been adequate to fulfill its needs for decades, and it is constrained from making appropriate long-term planning decisions Both the Bush Administration and Amtrak itself recognize

[8] A recent GAO Report (*"Amtrak Management: Systematic Problems Require Actions to Improve Efficiency, Effectiveness, and Accountability"*) also discussed lack of financial accountability as a significant issue and noted that due to Amtrak's status as a "government-established private corporation," Amtrak is not subject to financial disclosure practices that apply either to public agencies (e.g. Government Performance and Results Act) or private corporations (e.g. Sarbanes-Oxley).

that fundamental reform is needed; however, the Administration's FY 2006 budget proposal, which threatened bankruptcy through the elimination of all federal funding to Amtrak, has only served to exacerbate this instability.

Chronic under-funding, institutional instability and threats of service disruption need to be addressed as part of any reform proposal:

- **Deferred Maintenance and Service Unreliability**
  Much of the rail infrastructure in the Northeast dates from the 1900s or 1930s and is the most heavily trafficked in the nation, requiring extensive maintenance and modernization. Despite significant federal investment in high-speed improvements to the Washington-New York South End of the Corridor in the 1970s and the New York-Boston North End in the 1990s, as well as significant state investments, undercapitalization of Amtrak has resulted in a significant backlog of deferred investment in track, bridges, tunnels, electric power and other infrastructure components. This backlog threatens the reliability of all NEC operations. It has been estimated at $5 billion and growing by the USDOT Inspector General.

- **Excessive Debt**
  Amtrak has amassed $3.8 billion in debt, often on unattractive terms, to finance rolling stock acquisitions for the Northeast Corridor and system-wide operating deficits. One example is the mortgage of Penn Station New York at a 9.5 percent interest rate to meet short-term operating needs.[9] This debt burdens NEC facilities and operations with an increasing level of debt service.

- **Troubled Partnerships**
  Uncertainty over future funding, often with a start-stop approach, has weakened Amtrak's ability to forge partnerships with states and other potential non-federal sources. While Amtrak's Keystone Partnership with the Commonwealth of Pennsylvania has been a positive model, other planned partnerships, for example with New York on the proposed Moynihan Station and Rhode Island on the proposed T.F. Green Airport Station, have been undermined by Amtrak's withdrawal or delay.

- **Recruitment and Retention**
  Financial instability has contributed to Amtrak having difficulty retaining experienced and skilled staff to manage NEC infrastructure and operations. This has weakened Amtrak's ability to maintain operations under stressed conditions and has constrained its ability to deliver capital projects. It also has hampered its ability to assist states in the implementation of their NEC capital projects.

- **Threats of Service Disruption**
  Amtrak's chronic financial distress has created inappropriate risks that NEC commuter services may be suspended or disrupted. Were Amtrak unable to perform its duties as manager of NEC infrastructure, more than 500,000 daily commuter rail riders (in addition to approximately 32,000 NEC intercity riders) could be affected by a potential Amtrak disruption, for reasons outside the control of the commuter agencies.[10] Such a disruption is unacceptable given the importance of commuter rail to the region's mobility and economy

[9] April 21, 2005 Senate Appropriations subcommittee hearing
[10] Booz Allen Hamilton, "The Relationship between Amtrak and Commuter Railroads," September 2002

C. Need for Balance in Governance

Amtrak's multiple roles as owner/manager of most of the NEC infrastructure and provider of intercity passenger service compete with the needs and priorities of commuter and freight services along the corridor. Current allocations of authority and control are neither aligned with use of the Corridor nor with financial contributions to its needs. Amtrak now controls 85 percent of the infrastructure and operates more than 50 percent of train miles, but has 10 percent of the total train movements and only 5 percent of the total ridership on the Corridor. As noted above, financial support for infrastructure and operations is shared by the federal government and state agencies. There is a need to re-balance the relationship between owner/manager of the NEC infrastructure and those who finance and intensely use it. Amtrak's private monopoly control over much of the Corridor leaves other NEC users without:

- a policy voice in its management or a neutral forum for dispute resolution regarding issues involving new services, capital planning and construction, operating cost allocation, and scheduling and dispatching protocols
- an established and consistent framework for state and local financial support of NEC improvements, that builds on a positive history of significant, but ad hoc, state and commuter agency investment in NEC infrastructure
- an effective means to overcome an Amtrak veto or inattention to customer-focused innovations such as:
  - development of new, affordable regional rail service to meet the Northeast region's evolving rail passenger service needs. Amtrak's focus on its financial plight, coupled with its monopoly control over access rights, has thwarted initiation of new affordable regional rail services critical to meeting the expanding economic needs of the NEC.
  - better integration of customer service between intercity and commuter services; for example coordination of ticketing, customer information and service changes
  - innovative management arrangements, such as terminal companies, in areas with intensive service by many carriers

Thus, proposals for NEC reform must address both the federal government's on-going financial support for the NEC and the interests of other public users. Based on the unique nature of the NEC, the most promising direction for reform is to assign the NEC to a public owner, the federal government, and create a genuine, sustained federal-state partnership, to which Amtrak is accountable.

The following section outlines the Northeast Corridor Action Plan's proposed principles for reform.

IV. Principles for Reform

Above all, the regional business community calls for a thoughtful debate and constructive action to develop a long-term and evolving partnership between the federal and state governments for the governance, operations and funding of NEC passenger rail, in accordance with the following principles. These principles respond to the proposals of both Secretary Mineta and the Amtrak Board of Directors from early 2005. Developments in Congress in late 2005 send a more promising, but still uncertain, signal regarding continuity of intercity services with sufficient funding in the next fiscal year; nevertheless these principles for a long-term partnership could serve as a catalyst for the resolution of long-standing federal policy debates surrounding intercity rail passenger service.

A. Governance and Institutional Reform

1. **Fundamental institutional reforms are necessary to create a new federal-state partnership** to provide accountability for NEC management and operations, and encourage long-term, dependable funding of essential infrastructure investments by the federal and state governments, while providing a stable work environment for employees.

2. **Governance of the Northeast Corridor infrastructure must reflect a balance** among the federal and state owners of the infrastructure, as well as the intercity, commuter and freight carriers using this infrastructure. This governance must take account of existing statutory rights for all carriers' access to the NEC.

3. **Corridor governance must provide a neutral forum** to measure performance, resolve issues and modify contractual arrangements as needed, among all users of the NEC.

4. **Innovative management arrangements** for shared-use facilities must be encouraged, particularly where such management could promote better capital program implementation, attract additional funding for Corridor investments and improve customer service.

B. Operational Reform

5. **Infrastructure management must more closely integrate operations of both intercity and commuter services.** Corridor scheduling and dispatching must be conducted in an equitable and neutral framework. Similarly, access to the NEC must be open to consider proposals for new and enhanced passenger rail services to permit better regional mobility.

6. **High-speed intercity trains (such as Acela Express) must be provided appropriate priority** in scheduling and dispatching on the federally-controlled segments of the Corridor.

7. **All NEC users must have uninterrupted access to the Corridor regardless of the status of any other carrier** – current risks of commuter disruption due to Amtrak stoppages are unacceptable considering the extent of commuter use of the NEC and uncertainties surrounding the "directed service" remedy.

8. **Infrastructure modernization and improvements are needed to increase reliability and support growth of passenger and freight rail services.** Similarly, improvements are needed to support freight services both on the NEC and parallel freight corridors. All NEC carriers and their funding partners must have input to develop an integrated Corridor improvement program.

9. **Any reform proposal must include a timely transition process that ensures continuity and stability of services**, which includes retention of the existing experienced and skilled workforce under new collective bargaining agreements. The transition process should provide a voice for all users of the NEC, labor and appropriate governmental agencies. During transition, any new entity, directly or through its contractual arrangements, should consider appropriate opportunities for cost control that do not compromise safety, security or reliability of operations.

C. Financial Reform

10. **The federal government must be responsible for funding 100 percent of the capital costs to modernize and restore the NEC to a "state of good repair" consistent with 21st century passenger rail standards**. The work program necessary to clear this deferred maintenance backlog should be verified as soon as possible by a neutral party, with a goal of clearing the backlog within five years.[11]

11. **A financial partnership among the federal government, state and local governments, and users of the Corridor,** which allocates financial responsibility commensurate with benefits, is necessary for future capital renewal, replacement, modernization and enhancements of infrastructure. The required non-federal match must be consistent with other federal transportation programs. Effective financial partnership will require dedicated and net additional funding sources.

12. **The basis for allocating infrastructure access charges must be transparent and economically efficient.** Any revision to the current basis for allocating infrastructure operating costs among different users must be based on economic revenue-cost allocation principles by an expert study performed in a neutral forum.

13. **Future operations on the NEC should not be burdened by legacy debt secured by NEC intercity rolling stock and facilities.** Legacy debt would unnecessarily burden a future NEC management, service operator or any new institutional structure, and the responsibility for relieving this burden rests with the federal government.[12] The federal government must also cover other legacy costs that result from restructuring, such as labor protection and transition assistance.

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[11] The U.S. DOT Inspector General estimates this backlog at $5 billion.

[12] For example, the U.S. DOT Inspector General recommends Federal Government discharge of legacy debt and notes that this could provide significant long-term savings to U.S. taxpayers.

V. The Approach for Action

In support of the 13 Principles for Reform on the Northeast Corridor, the Alan M. Voorhees Transportation Center has developed an "Approach for Action" which could serve as the basis of a legislative proposal for the future of intercity rail. Under this approach, ownership of the Northeast Corridor infrastructure would transfer from Amtrak to the federal government for long-term public ownership. In turn, the federal government and Northeast Corridor states would create a new public benefit corporation (the "NEC Corporation") as a federal-state partnership to enter into a contract with Amtrak for operations and maintenance of the Northeast Corridor. This Approach would result in a Vision for long-term stability and improvement of all rail services on the Northeast Corridor.

A. Vision for Public Ownership and Control Through a Long-Term Federal-State Partnership

The long-term vision for the Northeast Corridor is for a new framework of **public ownership and control** that provides effective, long-term public stewardship of this critical transportation asset by public entities with a stake in the full realization of the Corridor's capability. The goal of this reform proposal is to reverse a negative cycle of decline, mistrust and under-funding for passenger rail on the Northeast Corridor. Benefits of this proposal will include better customer service, improved reliability, improved cost-effectiveness, and potentially new services that offer enhanced regional connections.

Public ownership will be brought about by transferring ownership of those portions of the NEC infrastructure now controlled by Amtrak to the U.S. Department of Transportation. A new **Federal-State partnership** organized as a public benefit corporation (the "NEC Corporation") will be created by federal law to provide oversight and policy control of the NEC. Governance would be shared equally between the federal government and the affected jurisdictions through which the Northeast Corridor runs (eight states and the District of Columbia). This shared governance would provide a balance of federal and local interests as well as a forum for the resolution of issues, mainly between the manager of the Corridor and state commuter rail agencies.

This NEC Corporation would be governed by a new Board of Directors to be appointed by the federal government and respective state (or District) chief executives. All members of the Board, federal and state, would have responsibility to represent the diverse uses of the corridor, including intercity, commuter, and freight. Freight carriers on the Corridor and representatives from the National Railroad Passenger Corporation would be invited to participate in a non-voting capacity to inform Board policy decisions.

The details regarding Board governance would need to be established as part of enabling legislation and corporate bylaws, but one potential model for shared federal-state control could be the Appalachian Regional Commission (ARC). The ARC Board includes 13 member states and a federal representative, and its Board governance requires a simple majority of the 13 ARC states plus the federal vote for decision-making.

B. Vision for Amtrak Accountability and Transparency

The NEC Corporation will exercise policy control over the Northeast Corridor, in part, through a contract with Amtrak to provide both infrastructure management and end-to-end intercity train operations. The initial contract between the NEC Corporation and Amtrak will run for the term of the authorizing legislation (presumably five years,) with provision for renewal for at least one additional five-year term. Amtrak would be accountable to the NEC Corporation for satisfactory performance.

A "whole service" contract is recommended initially because it is likely that Amtrak is the only entity with sufficient organizational capacity to provide effective end-to-end infrastructure management of the current Amtrak-controlled portions of the NEC for the intermediate term. Also, because of the lack of transparency regarding the costs of Corridor operations, it is not now possible to assess the potential benefits of the contracting out of specific functions against the risks associated with such a transition. Consequently, if Amtrak performance in any areas of the contract is not satisfactory, Amtrak would face the possibility that its responsibilities could be reduced in a subsequent contract period.

1. Public Accountability and Transparency

The contract between the NEC Corporation and Amtrak would also ensure accountability through transparency of costs by:

- **delineating a clear definition of Amtrak's responsibilities** for both infrastructure management and intercity train operations that distinguishes between capital and operating, and among intercity as well as long distance train operations on the NEC, corridor operations (e.g. dispatching), infrastructure management ("engineering"), and maintenance of equipment ("mechanical") activities.

- **setting performance targets** that include both financial and operation performance metrics and provide incentives both for improved end-to-end passenger services on the Corridor and for reliability of the NEC infrastructure that affects both commuter and longer-distance services.

- **resolving, in a neutral forum, long-standing issues of access cost allocation**. This would require repeal of the FY 2006 appropriations provision giving the USDOT the unilateral authority to determine cost allocations on the NEC between Amtrak and commuter rail agencies.

Management of this contract by the true stakeholders in the NEC service (the federal government and the NEC states) will increase Amtrak's accountability for cost and performance. This accountability will more clearly define the value and benefits of Northeast Corridor investments for the genuine stakeholders and increase their confidence to share in such investment. Amtrak will need to make changes to its business line structure and cost accounting system in order to segregate all NEC-related functions, including transportation, engineering, mechanical, and marketing support under this contract.

2. Balanced Governance Will Resolve Friction Among Major Participants and Establish a Platform for Sustained and Predictable Investment

Giving the jurisdictions that share the Northeast Corridor with Amtrak a balanced share of governance will transform their frequently contentious relationship with Amtrak by giving them a true stake in the policy control of the Corridor. This, in turn, will encourage additional local capital investment in the Corridor and, if necessary, operating support for intercity rail passenger operations from local governments or their commuter rail agencies. The Penn Station New York Control Center provides evidence that sharing governance over a facility can reduce friction between Amtrak, as the manager, and a commuter rail user. It also demonstrates that increasing a state agency's governance stake can attract significant local funding. In the Penn Station case, Amtrak's sharing of control center management with the Long Island Rail Road has prompted the LIRR to make a significant investment in that facility and in East River fire/life safety improvements.

Balanced governance, and the additional funding it would attract, will provide the platform for significant improvements to passenger rail service all along the Northeast Corridor. The benefits of this approach include:

- **Balanced Governance Considers Needs of All Users**
  The NEC Corporation will replace Amtrak's monopoly control of the majority of the Corridor with a more balanced approach that recognizes the needs of both intercity and commuter customers and providers, leading to the following benefits:
  - Neutral consideration of requests for access and new services by the NEC Corporation, including opportunities for development of new services between intermediate points. Rail travel between intermediate points on the NEC (e.g. Wilmington to New Haven) and to connecting points such as Atlantic City and Long Island is currently limited by Amtrak's concentration on the New York-to-Washington and New York-to-Boston markets, stringent revenue protection concerns and high per-unit fare levels between intermediate points. Northeast travel would benefit from the introduction of other pairings. A relaxation of Amtrak's monopoly control over the introduction of new intercity services on the NEC should encourage states and commuter agencies to collaborate on proposals for new intercity services.
  - Scheduling and dispatching protocols developed in a neutral forum within the NEC Corporation, with recognized priority for premium end-to-end services (e.g. *Acela Express.*) Scheduling and dispatching has been controlled by Amtrak on the portions of the NEC it controls. Conversely, states and commuter agencies that own NEC segments control these functions on those properties. The development of Corridor-wide protocols that acknowledge the priority of premium end-to-end intercity services and establish guidance in the handling of disruptions could reduce a significant point of friction between Amtrak and the public agency stakeholders on the NEC.
  - Better coordination of major capital investment planning and implementation among federal agencies, Amtrak, states and their commuter agencies. With the advancement of large projects, such as the proposed new Hudson River tunnels, the need for close collaboration of capital planning and implementation on the NEC is heightened.
  - Better integration of customer service information and ticketing initiatives for Corridor users. Even after 35 years of Amtrak operations, customers have few opportunities for information or joint ticketing for the many existing or potential trips linking intercity passenger rail and local transit operations.
- **Real Estate Development Coordinated with Local Development Authorities**
  The NEC Corporation's management of the development of non-operational real estate assets will ensure that station-area development and initiatives at other sites are more responsive to state and local economic development objectives. Revenues to the NEC Corporation from these assets will be applied at the discretion of the corporation's Board of Directors.
- **Potential for Innovative Partnerships between Amtrak and the States**
  All carriers on the Corridor will have the opportunity to petition the NEC Corporation to consider innovative management arrangements, such as terminal companies and other joint management arrangements. Under such arrangements, states or their commuter agencies would commit to specific investment levels in NEC

infrastructure in return for increased control in the management of a particular section of the Corridor. The Penn Station New York control center, under joint management by Amtrak and LIRR, is one such example currently in place.

- **Involving States that Own NEC Segments on Governance Board Should Improve Coordination**
  As indicated above, this reform proposal calls for transfer of ownership and shared federal-state policy control specifically for the sections of the NEC currently owned by Amtrak. It is anticipated that bringing all NEC states (including those that currently own and control NEC segments) into the governing body and making them eligible for supplemental capital funding should result in improved communication channels and more consistent policies.

C. Vision of Financial Stability for a National Asset

One critical ingredient in establishing a foundation of trust and confidence on the Northeast Corridor is sufficient and sustained federal funding for both State of Good Repair and modernization/replacement/improvements, all above grant levels currently available through the Federal Transit Administration. The State of Good Repair funds would be 100 percent federal. The new multi-year stream of funding for needs beyond State of Good Repair will be paid 80 percent by the federal government. Both types of stable, adequate funding significantly lower the risk of disruption and unreliability, not only for the approximately 32,000 daily Amtrak customers, but also for more than 500,000 daily commuter customers who ride on Amtrak-controlled sections of the NEC. Such dependable long-term funding will end the current inefficient necessity of evaluating capital needs on a short-time horizon.

A second ingredient - in return for a shared role in the governance of the NEC and sustained federal funding for modernization/replacement/improvements - is a reciprocal, predictable, sustained commitment of state and local matching funds from the NEC states. The financing would be equitably allocated through a process established by the NEC Board. Although some states and commuter agencies have made significant investments in NEC infrastructure, to this point they have been done largely on an ad hoc basis and have not been clearly reported to federal policy-makers due to Amtrak's accounting practices. This framework for governance and funding by the NEC states will help to counter a perception in some sections of the country that NEC states get a "free ride" while states with other corridor services provide direct state support to Amtrak.

- **Partnership for Capital Investment**
  First and foremost, the NEC infrastructure must be returned to a state of good repair consistent with today's operating environment. Within six months of the establishment of the NEC Board, the NEC Corporation must commission an expert study of the infrastructure requirements of the NEC to recommend an investment program to clear the deferred maintenance backlog, including safety and security requirements for approval by the NEC Board. The federal government will provide full funding for this multi-year state of good repair program that will provide increased reliability and safe operations for high speed and commuter customers. Supplementary capital funding will be provided through an 80/20 multi-year grant program to the NEC Corporation, consistent with established federal transportation funding programs, which will provide for improvements to NEC capacity and journey times. To the extent that there is a net operating surplus from Northeast Corridor intercity rail operations

(absent legacy costs, see below), the surplus will be dedicated to finance a portion of capital investment in NEC intercity rolling stock and associated maintenance facilities with the balance of capital funding for these investments to be provided by the federal government.

- **Resolution of Operating Cost Allocation**
  Improvements to cost transparency will facilitate resolution of longstanding issues of operating cost allocation, which in turn will restore trust and facilitate partnership between Amtrak and the respective NEC state transportation departments and commuter agencies. To this end, the NEC Corporation will retain a neutral expert to study NEC costs in detail and recommend an allocation methodology for Corridor infrastructure access charges, for approval by the NEC Board. The study would be expected to take one year and be implemented as Amtrak-commuter rail agency cost-sharing contracts come up for renewal. To the extent possible, usage charges should reflect variable costs, such as track maintenance associated with increased usage, electric power, and signal operations, and should be based on the principle of no cross-subsidization among freight, intercity and commuter rail services. This approach would require amendment of the FY 2006 appropriations provision that empowers the USDOT to determine the allocation of costs on the NEC between Amtrak and commuter rail agencies.

- **Legacy Costs**
  In order to ensure that the new partnership between Amtrak and other NEC operators is not burdened by past financial crises, this proposal calls for the federal government to provide relief from Amtrak legacy debt that burdens all Corridor services. Full debt relief would enable all available resources from fares and grants to be utilized to make necessary service improvements.

- **Back-up Sharing of Responsibility for Northeast Corridor Intercity Rail Net Operating Cost**
  Based on Amtrak's current accounting, revenue from the Northeast Corridor's intercity rail operations are understood to generate an operating profit, or at worst break even, assuming that legacy costs are borne by the federal government. Accountability by Amtrak, aided by transparency of costs and revenues delineated in the Amtrak management contract, and shared governance with the affected jurisdictions on operations and revenues, will provide an appropriate foundation for sharing of any future intercity rail net operating costs not covered by revenues. While Amtrak and each commuter agency will retain authority to set its own fare policy, Amtrak will notify the NEC Corporation regarding any proposed major changes in fare policy or structure given the potential for operating deficit cost sharing by its member jurisdictions.

- **Integration of Capital Investment Planning, Funding, and Delivery**
  The NEC Corporation will establish a Strategic Planning Unit that will coordinate and integrate the various capital improvement projects proposed by the various users, states and Amtrak in such a way as to maximize long-term benefits to all parties, while minimizing overall long-term capital and operating costs. Within this context, the NEC Corporation will assist in coordinating policy among various federal agencies within US DOT that provide funds to state and local agencies throughout the NEC in support of various activities associated with intercity, commuter and rail freight service.

The tables on the following pages outline the key elements of a Term Sheet for implementing the Voorhees Transportation Center's preferred approach for Action on the Northeast Corridor.

Preferred Approach: The NEC Corporation

GOVERNANCE AND INSTITUTIONAL REFORM	
National Passenger Rail Institutional Reforms	Ownership of Amtrak–controlled Northeast Corridor (NEC) would be transferred back to Federal Government. Creation of a new public benefit corporation (the "NEC Corporation") responsible for governance of the NEC. Amtrak's management of NEC infrastructure and operations of intercity rail passenger service will be accountable to this Corporation pursuant to a contract. For purposes of this Approach, the Northeast Corridor is defined as the rail line between Washington's Union Station and Boston's South Station.
Ownership of NEC Infrastructure	Transfer of ownership of current Amtrak-controlled infrastructure (other than Metro-North and MBTA territory) to USDOT; assignment by USDOT of ownership rights to the NEC Corporation under a long-term (e.g. 99 year) agreement.
NEC Governance	NEC Corporation governed by a Board of Directors that represents diverse federal and state interests and uses of the NEC. The Board will be responsible for supporting intercity, commuter, and freight use of the Corridor. • 50% of Board voting rights controlled by Federal Government • 50% of Board voting rights controlled by the Governors of eight NEC states plus the Mayor of the District of Columbia • Representatives from National Railroad Passenger Corporation and NEC freight carriers invited to participate in non-voting capacity at Board meetings. Board governance model could be based on the Appalachian Regional Commission or similar federal-state regional development authorities. One feature of the ARC model is that Board action would require the federal vote plus a majority of the NEC state members.
NEC Accountability Contract	Pursuant to a contract, NEC Corporation manages Amtrak's performance in operations and facility management on the NEC and also monitors performance of all Corridor users. The contract will define performance metrics and financial objectives for train operations and for infrastructure maintenance and management activities. The initial contract will run for a term consistent with a federal re-authorization period for intercity passenger rail (presumably five years), with provision for renewal, at the option of the NEC Corporation Board, for at least one additional 5-year term.

Relationship between NEC Corporation and Amtrak	On a day-to-day basis, Amtrak and its employees will continue to carry out all operational and infrastructure management responsibilities. The NEC Corporation would have a lean professional staff to support the corporation's contract management, policy setting, dispute resolution, capital investment planning responsibilities and real estate development of non-operating assets. NEC Corporation Board is responsible for establishing protocols for schedules and dispatching, planning and implementing major capital investment (inviting all carriers to participate), and setting policy for NEC access. The Corporation will also promote greater customer service integration among NEC carriers. The Board will adopt market-driven investment criteria that also take account of other policy considerations for the NEC (e.g. safety/security, mobility and economic development). Amtrak and each commuter agency will retain authority to set fare policy, however Amtrak will notify the NEC Corporation regarding any proposed major changes in fare policy or structure.
Dispute Resolution	For issues that arise among users that cannot be resolved locally, NEC Corporation will serve as arbiter. All carriers on the NEC will have a voice on and the right to petition the NEC Corporation on issues such as scheduling, dispatching, construction coordination, introduction of new services and other infrastructure management and operations issues.
Innovative Management Arrangements	All users of the Corridor would have the right to petition the NEC Corporation's Board to consider innovative management arrangements for shared-use facilities. The contract with Amtrak would empower the NEC Corporation Board to direct Amtrak to form joint management structures or terminal companies as appropriate for its Northeast Corridor activities.

FINANCIAL REFORM	
Deferred Maintenance / State of Good Repair Capital Investment	To define a "State of Good Repair" NEC Infrastructure Capital Investment Program a neutral expert will be appointed by the NEC Corporation within 60 days of the NEC Corporation's first Board meeting. This Investment Program shall be developed in consultation with Amtrak, the Federal Railroad Administration, commuter rail agencies, and freight carriers on the Corridor, and shall be adopted by the NEC Corporation Board within 180 days of the appointment of the neutral expert. The NEC Corporation will contract with Amtrak to deliver these investments. "State of Good Repair" investments should include those required to restore the infrastructure to conditions and standards appropriate for modern passenger rail service, such as clearing the deferred maintenance backlog, and system safety and security projects. The Investment Program should also be formulated to yield improved train performance when that can be achieved at limited additional cost. The Federal Government shall authorize and appropriate 100% of the additional funds necessary to finance this Investment Program to enable completion within five (5) years or as soon as practical given Amtrak's capacity and ability to implement the Program. This capital funding shall be provided on a multi-year basis, in recognition of the complex nature of completing capital projects in an active operating environment.
Additional Capital Investment beyond State of Good Repair	Supplemental funding for capital renewal, replacement and modernization beyond state of good repair requirements and for system enhancements will be shared on an 80/20 basis. All federal funding should be provided on a multi-year basis and incremental to what the States now receive under the SAFETEA-LU and successor programs. The 20% local match will be commensurate with benefit to each State as determined by a neutral arbiter; the local match could also include additional Amtrak NEC net operating surplus that results from the proposed investments. Federal and State capital grants for Corridor infrastructure will be made to the NEC Corporation, which in turn will contract with Amtrak or other appropriate parties to undertake the improvements. Funding for capital investment in intercity rolling stock and associated maintenance facilities needed to maintain continuity of end-to-end intercity service for the NEC will be provided first from any Amtrak net operating surplus for NEC operations, and the balance of this capital funding from the Federal Government.

Capital Investment Planning	The NEC Corporation will establish a Strategic Planning Unit that will coordinate and integrate the various capital improvement projects proposed by the various users, States and Amtrak in such a way as to maximize long term benefits to all parties, while minimizing overall long term capital and operating costs. Within this context, the NEC Corporation will also assist in coordinating various Federal agencies within US DOT that provide funds to State and local agencies throughout the NEC in support of various activities associated with intercity, commuter and rail freight service. These funds come from a variety of sources, but primarily from the Federal Railroad Administration (FRA), the Federal Transit Administration (FTA) and the Federal Highway Administration (FHWA). US DOT will issue formal direction to the agencies that will require all funding requests and authorizations that affect the NEC to be approved by the NEC Corporation before construction could begin.
Access Cost Allocation	Within 60 days of the first meeting of the NEC Corporation Board, the Corporation will retain a neutral expert to study NEC costs in detail and recommend an allocation methodology for NEC infrastructure access charges to take effect within one year of commissioning of this study. To the extent possible, usage charges should reflect variable costs, such as track maintenance associated with increased usage, electric power, and signal operations, and should be based on the principle of no cross-subsidization among freight, intercity and commuter rail services. Usage charges may include special assessments (e.g., for high-speed rail improvements), but should not include allocation of infrastructure costs funded by federal capital grants.
Net Operating Costs or Surplus for Intercity Services	The NEC Corporation's Board will be charged with proposing a transparent basis for allocating any operating deficit for Amtrak's NEC services among its member states and the federal government. As noted above, any Amtrak operating surplus on the NEC would be dedicated to fund proposed NEC investments, with a priority for rolling stock and related maintenance facilities used in Corridor-wide services.
Legacy Debt and Other Legacy Costs	Concurrent with the transfer of NEC ownership, the Federal Government will take steps to relieve the National Railroad Passenger Corporation of responsibility for all legacy debt affecting the Northeast Corridor. This includes the Penn Station New York Mortgage and the debt associated with acquisition of high-speed train sets.

FUNCTIONAL RESPONSIBILITIES	
Intercity Train Operations	Amtrak, pursuant to contract
Maintenance of Intercity Rolling Stock (Mechanical)	Amtrak, pursuant to contract
Maintenance of Way (Engineering)	Amtrak, pursuant to contract
Access Rights	NEC Corporation
Scheduling and Operations Planning	Amtrak, pursuant to protocols set by NEC Corporation. Corporation acts as neutral body to resolve conflicts
Capital Planning and Coordination	NEC Corporation
Capital Program Management	Amtrak, pursuant to contract
Capital Project Execution	Amtrak, pursuant to contract with increased opportunity for outsourcing
Shared Use Territories	Amtrak, pursuant to contract, with potential for establishing terminal companies and other joint management arrangements
Real Estate Asset Management	NEC Corporation, for non-operating assets Amtrak, pursuant to contract for operating assets
Fare Policy and Structure	Amtrak, with requirement to consult with NEC Corporation prior to implementing major changes
Ticketing and Customer Service	Each carrier, with program incentives for integration developed by NEC Corporation

TRANSITION	
Transition Planning	The Federal Government must appoint a lead agency to develop a transition plan that leads to the creation of the NEC Corporation. The transition plan shall be developed within 90 days and include formal consultative roles for Amtrak, commuter and freight users of the NEC, all eight (8) States plus the District of Columbia, and Amtrak labor. The NEC Corporation shall be operational within 180 days following acceptance of the Transition Plan by the USDOT
Labor	No labor transition for agreement employees required as Amtrak continues to provide current services. A transition process would be established for a limited number of non-agreement Amtrak employees transferring to the NEC Corporation.
Existing Agreements Between Amtrak and Commuter Agencies	The change in Corridor ownership, governance, and cost-allocation will require continuous review of existing agreements among and between NEC carriers. A detailed review of these agreements and recommended modifications will be conducted during the transition period and presented to the NEC Corporation Board for ratification within 180 days following the first Board meeting.
Cost Control / Revenue Generation	To promote effective management of the contract, Amtrak will institute improved and transparent cost accounting to differentiate among NEC infrastructure and operations costs and revenues. As part of their contract negotiations, the NEC Corporation and Amtrak will assess the feasibility of implementing various cost savings measures, for example those identified in Amtrak's **Strategic Reform Initiatives**. Federal funding should be made available for transition assistance grants for those employees who choose voluntary separation. The NEC Corporation will also develop a real estate non-operating asset management strategy that includes plans to generate revenue for capital investment on the Corridor. Appropriate consultation will be conducted with affected local economic development agencies.

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Cover Photos: by David Sommer (left), and Bob and Janice Pickering (outside right).

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