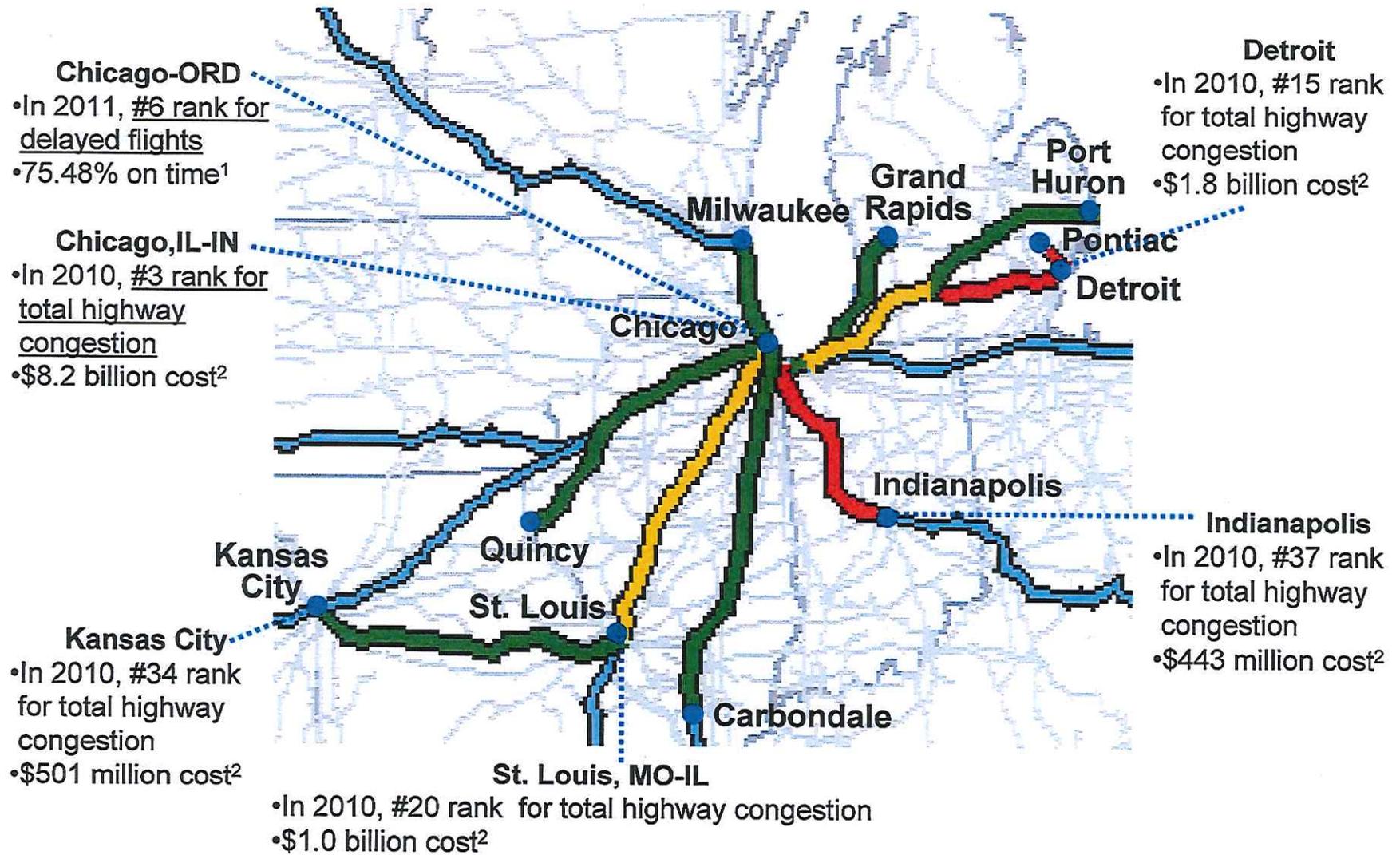

**PRIIA Section 209 and
the Hoosier State**

November 2012



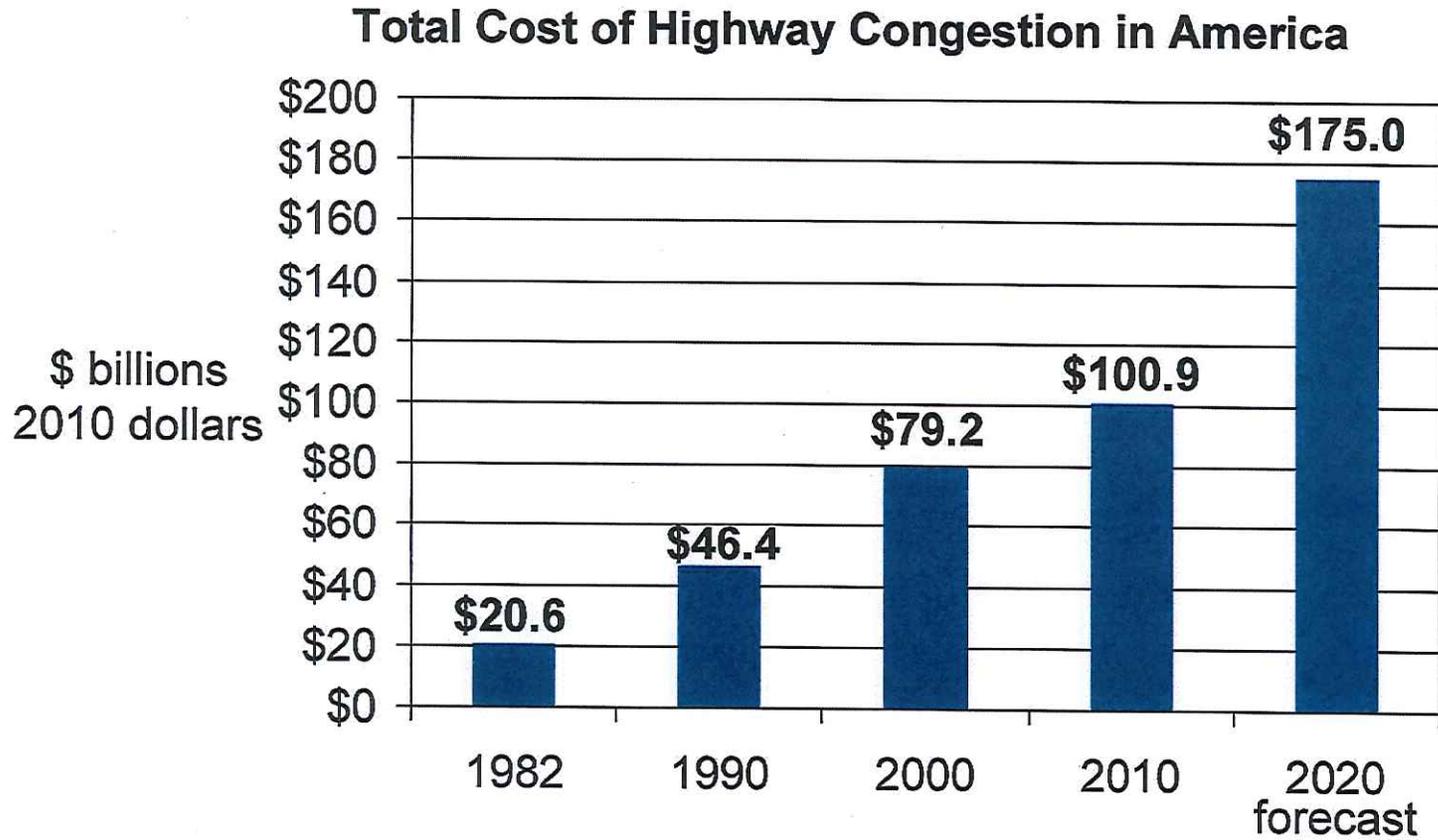
Highway & Airport Congestion is Significant...



1 – From Bureau of Transportation Statistics. 2 – From Texas Transportation Institute, 2011 Urban Mobility Report



...and Forecast to Increase.

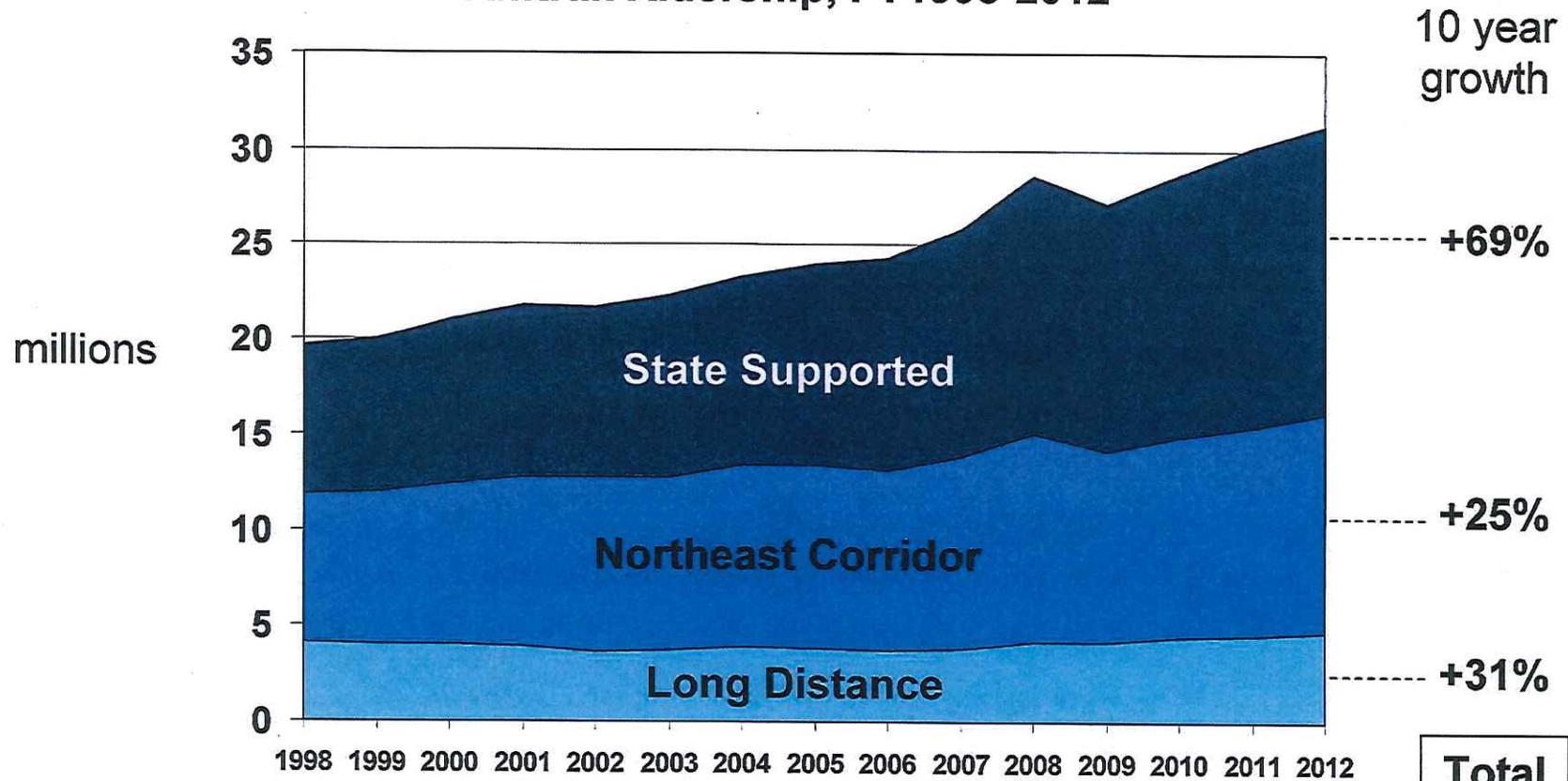


Source: Texas Transportation Institute, 2011 Urban Mobility Report



Another Year of Record Amtrak Ridership

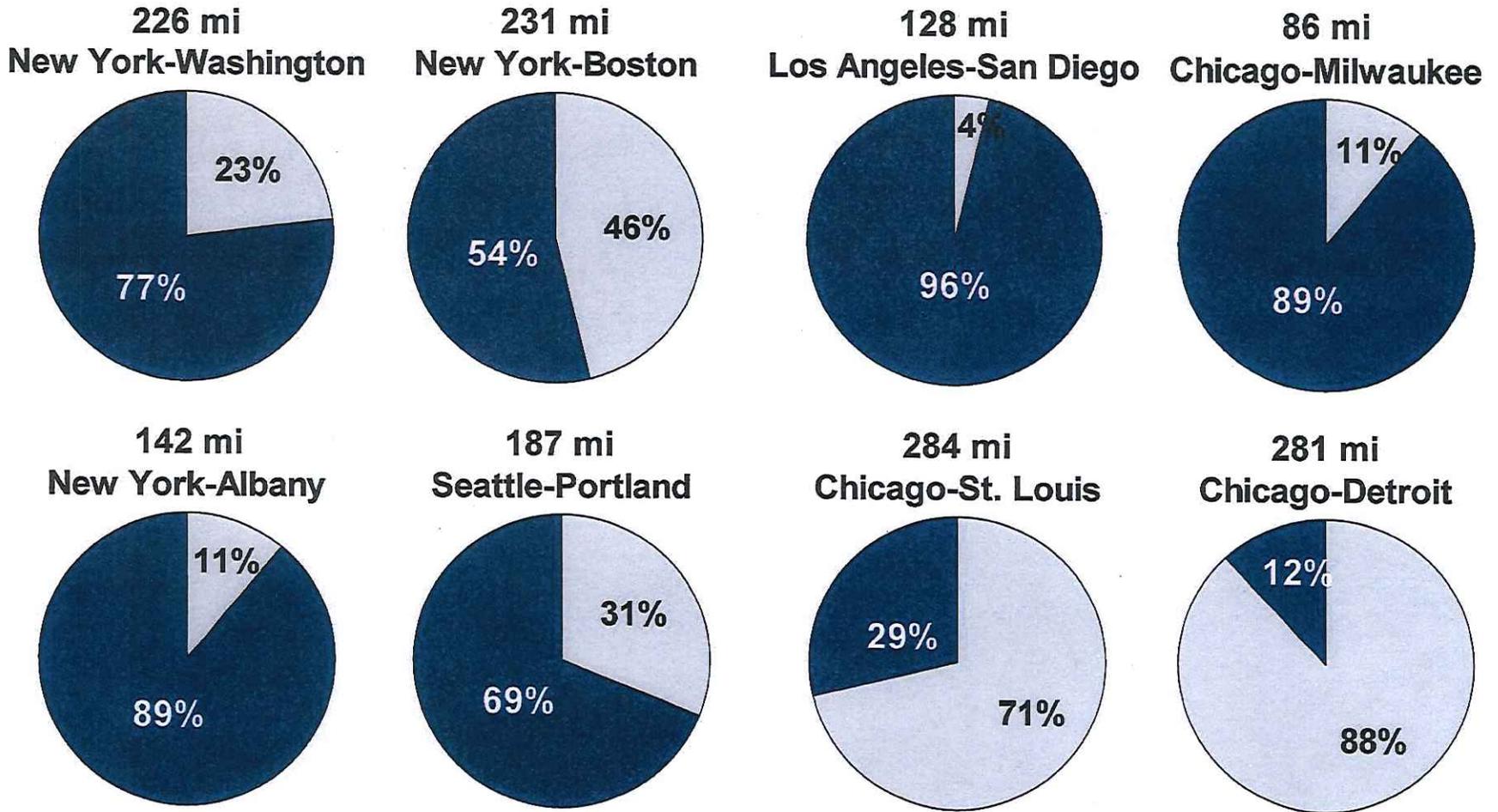
Amtrak Ridership, FY1998-2012



FY12: 31.2 million riders – 9 annual ridership records in last 10 years



Successful Air-Rail Share in Congested Corridors



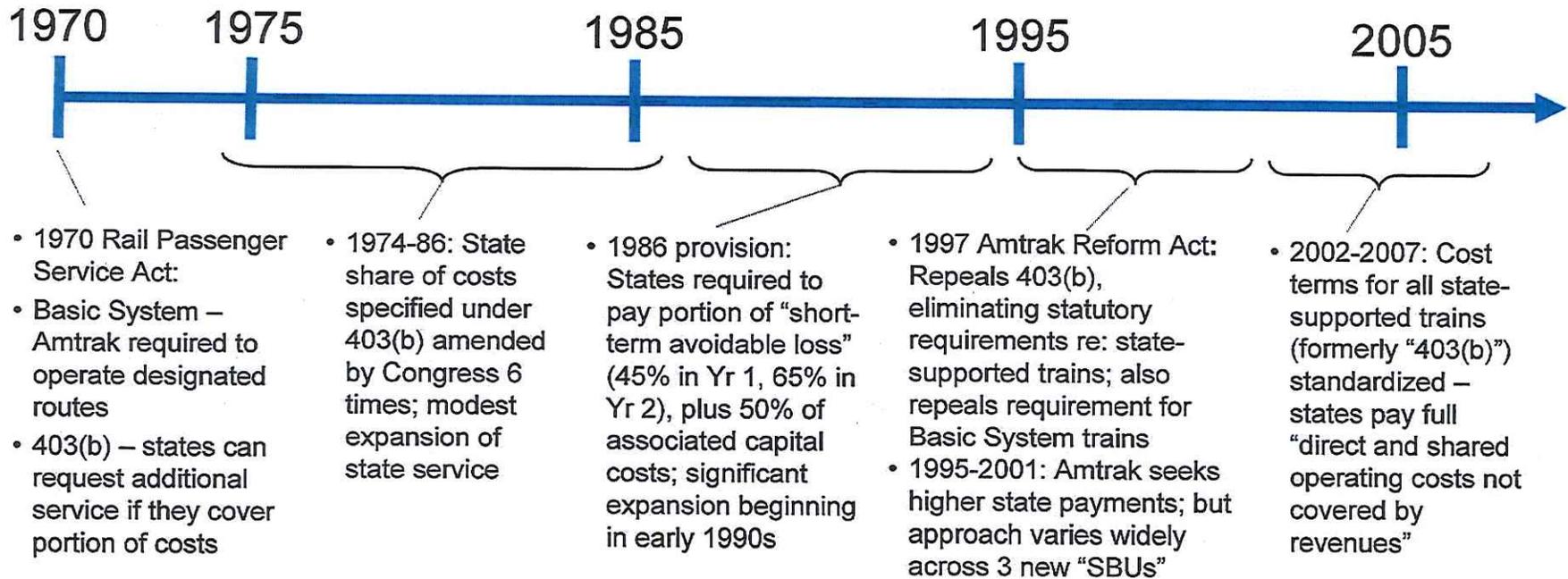
All data as of
1Q FY 2012

Air market share Rail market share

Chicago-Indy: 196 mi



Statutory Evolution of State Supported Services



Most Amtrak corridor services supported by states but former “system” corridor trains continue to operate without State financial support creating an equity issue

Statutory Evolution of State Supported Services

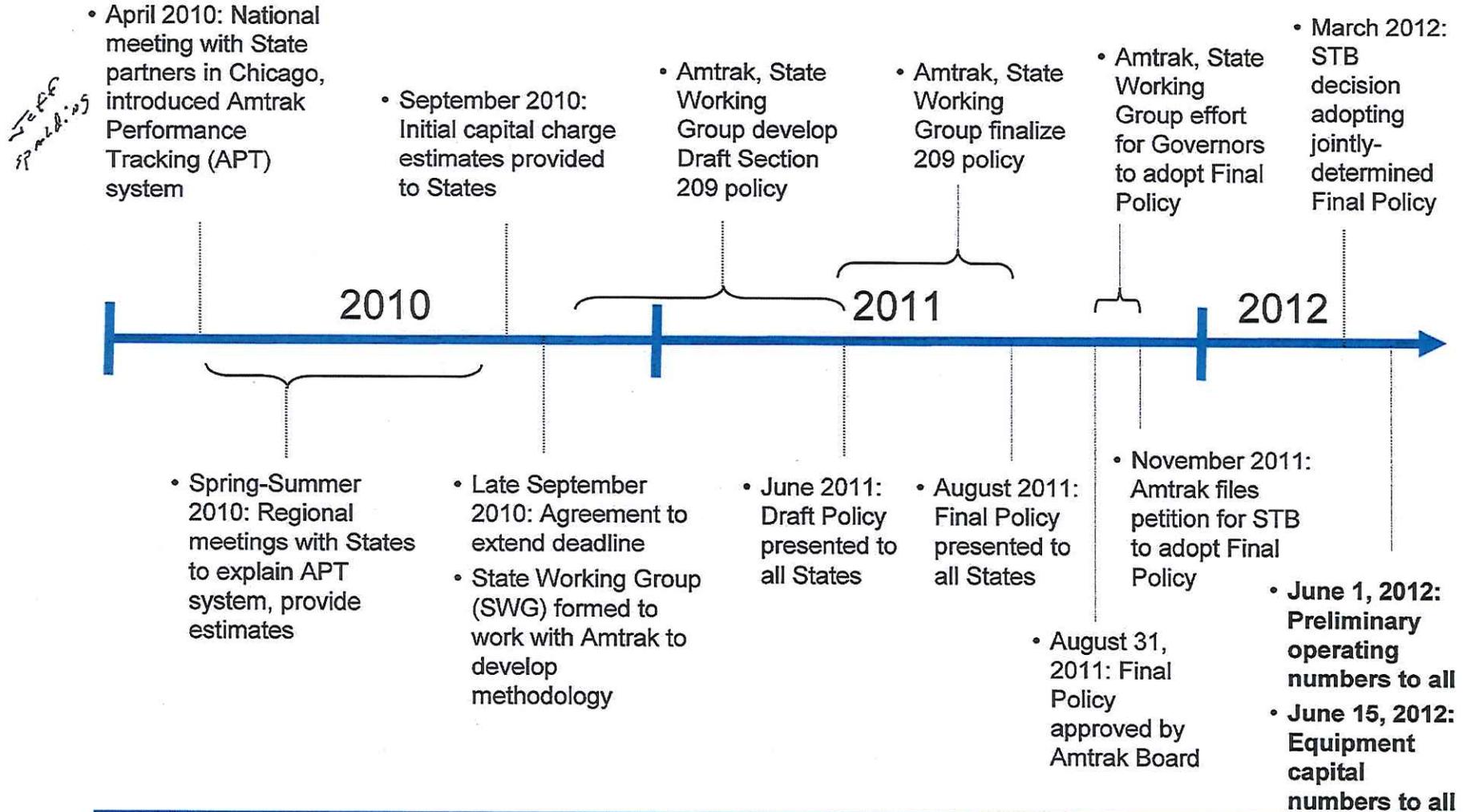


- 2008, prior to PRIIA:
 - No statutory guidance for how Amtrak should charge States
 - State cost for corridor service varies significantly and is seen as “unfair”
 - Legacy “Basic System” trains evolved into “system corridor” trains
 - Issue of equity for States supporting all corridor trains
 - Much rolling stock nearing the end of its life cycle without a plan or funding for its replacement
 - Some States purchased their own equipment; many States have been using Amtrak equipment for no charge
- **To address these and other issues: Section 209 included in Passenger Rail Investment and Improvement Act of 2008 (PRIIA)**

Section 209 – Clarifying the State/Federal Partnership

- Federal government supports:
 - Long distance network, for a base level of nationwide connectivity
 - Capital investments in network-wide systems, equipment and infrastructure
 - Computer/financial systems, shops, etc. for long distance and corridor service
 - NEC Spine SOGR and Acela/Regional capital and operating expenses.
- State governments support:
 - Short-distance Amtrak corridor service primarily benefiting an individual state or region:
 - Services levels and routings controlled by states and based on State Rail Plans
 - States fund portion of operating and capital costs
- Federal government additionally supports States:
 - Amtrak's incremental cost access rights and dispatching priority on host railroads
 - Sec 209 and Sec 301 (Capital Assistance) allow states to use PRIIA capital funding for host railroad capital payments and Amtrak capital charge

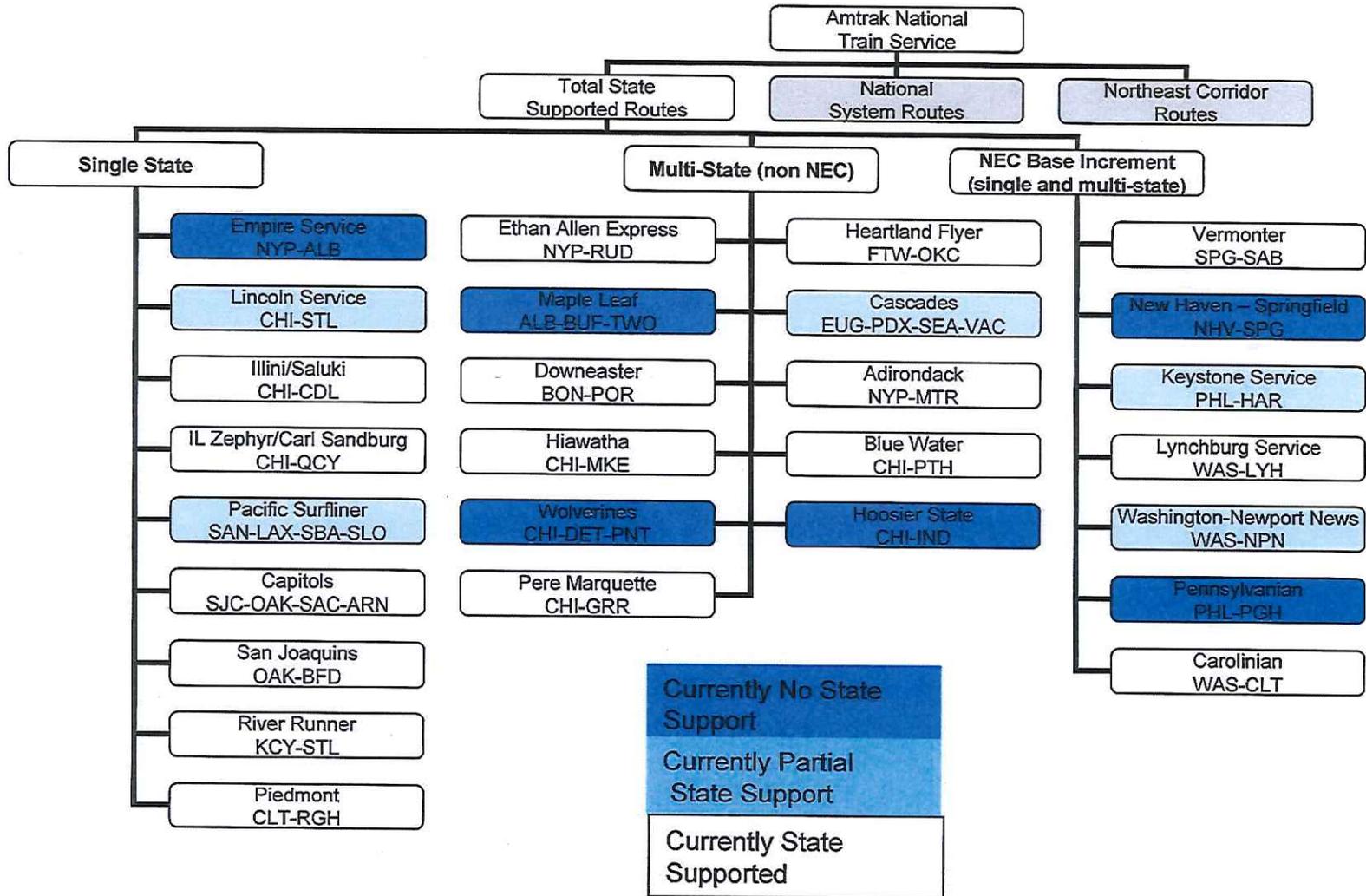
Section 209 Process to Date



The Section 209 “Deal” – Final Policy Approved by STB

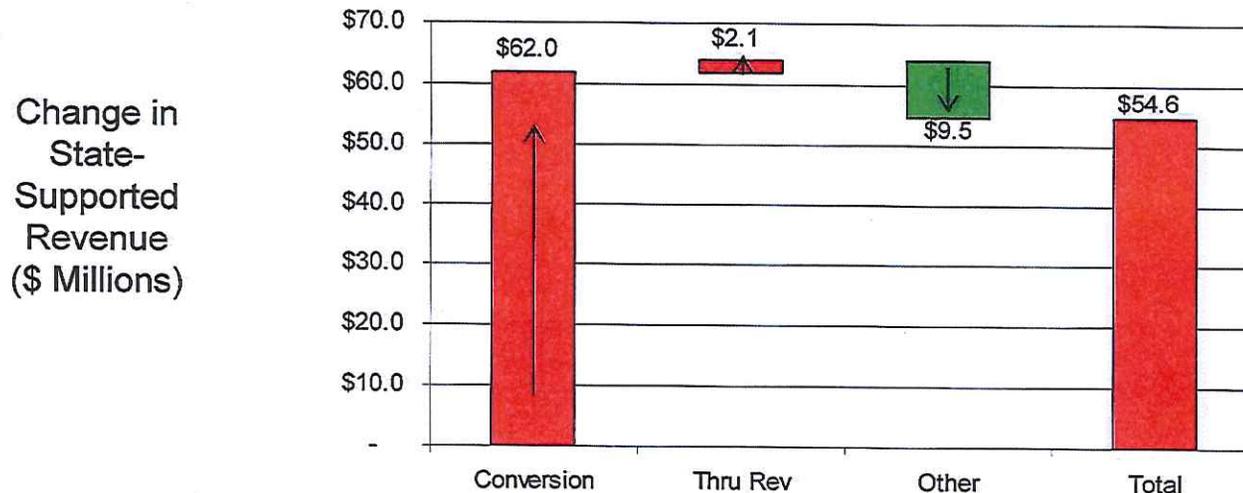
- Divide costs into Third Party, Route Costs and Additives
 - Third Party Costs (Host RR, fuel)
 - Route Costs – direct and shared costs that are clearly route-related and understandable from a state perspective – “see and touch”
 - Additives: replace traditional “shared costs” with additives expressed as percentages of selected Route Cost categories
- States pay:
 - 100% of Third Party
 - 100% of Route Costs,
 - Additives costs, equal to about 65% of fully-allocated shared costs
 - Pro rata share of equipment overhauls based on % equipment used
- States are credited:
 - Farebox and miscellaneous revenues
 - 2 options for NEC through revenue:
 - Passenger-Mile Split: Pro-rated for state leg
 - Through Revenue Plus Passenger Mile Charge: State receives all NEC through revenue, charged for pax miles used on NEC
- Revenue, service fee risk is negotiated by contract

Routes Covered by Section 209



Results: Increased State Support from Former System Corridors

Components of Variance Between Existing and Proposed Policy Operating Costs

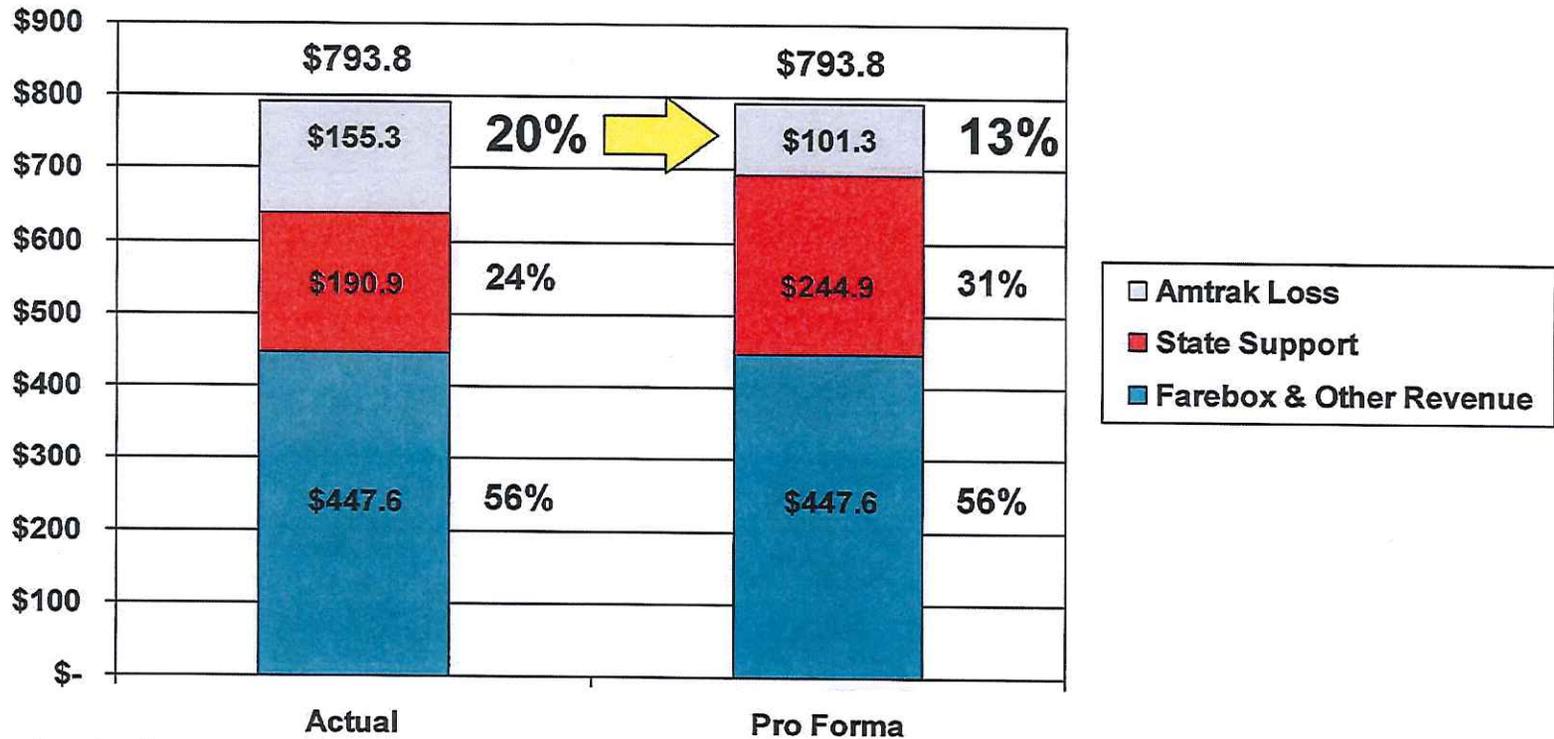


- \$62.0M of variance explained by conversion from system trains to State-supported trains
- \$2.1M of variance explained by phaseout of existing through-revenue credited to State – reduced due to alternative through-revenue policy
- \$9.5 of variance is reduction in State-support due to other changes resulting from some combination of new cost allocation system; net improvements in cost recovery; change from old to new policy

Source: Original analysis during Section 209 negotiations updated with recent cost estimates.

Operating Loss for State-Supported Routes Reduced to ~13%

FY11 Direct & Shared Costs for State-Supported Routes by Source
 Actual and 209 Pro Forma Operating Results, millions



- Amtrak operating loss reduced from \$155.3M to \$101.3M
- Equipment capital payments from ad hoc to \$42M
- Amtrak fixed asset capital payments TBD

Source: Monthly Performance Report, 209 preliminary estimates. State support includes non-NEC special trains.

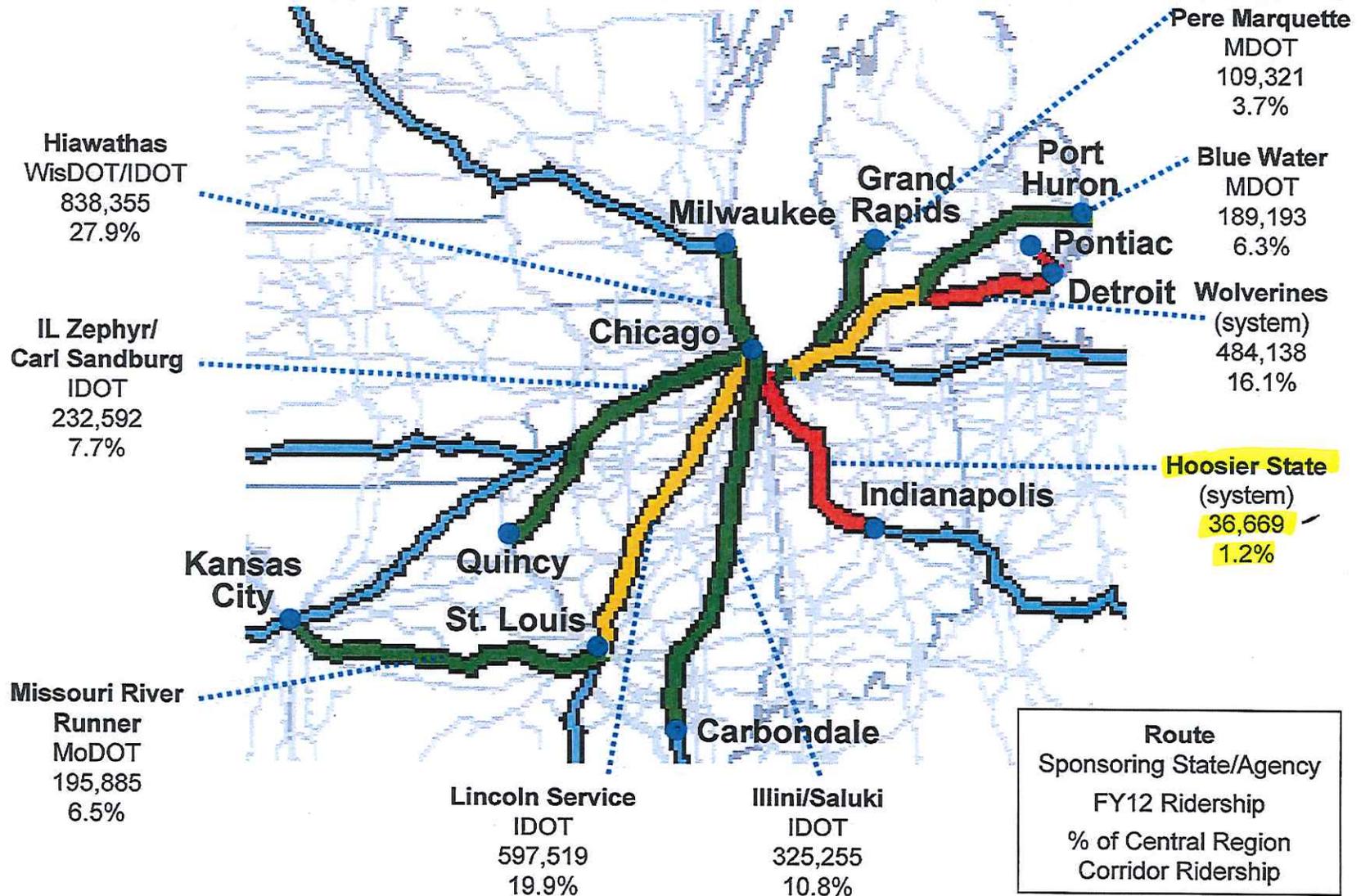


Implications of Section 209 for Amtrak & States

- Pricing for State-supported services is now re-regulated
- Pricing will be based on 4 documents:
 - PRIIA Section 209 legislation
 - APT documentation (FRA website)
 - Amtrak petition to the STB
 - Final policy, as adopted by STB
- Section 209(b) allows for revisions “consistent with the intent of this section”...
- Policy and greater compensation to Amtrak means State Partners will want more control, involvement, and partnership over services



Corridor Service in the Central Region



Beech Grove

- Amtrak's principal heavy maintenance facility in Beech Grove, Indiana
 - 300 acres, 1 million square feet of under-roof production space
- Maintains and overhauls many types of equipment for Amtrak and other passenger rail providers
- Employs over 550¹



Overhauling a North Carolina locomotive at Beech Grove

Type of Work	Beech Grove	Wilmington, DE	Bear, DE
HVAC Work	✓	✓	✓
Electric Locomotives		✓	
Diesel Locomotives	✓		
Traction Motor Repair	✓	✓	
Wreck Repair	✓	✓	✓
Passenger Car Overhaul	✓		✓
Cab Car Overhaul	✓		✓
Air Brake Work	✓		✓
Seat Remanufacture			✓
Tread and Disc Brake Work	✓		✓
Livery	✓		✓
Component Repair and Remanufacture	✓	✓	✓
Truck Repair	✓	✓	✓
Dining Car Overhaul	✓		

Source: Amtrak Mechanical Services

1. Total Amtrak Indiana employment at end of FY11: 806 residents, total wages \$51.8 million. See Indiana Fact Sheet on Amtrak.com

FY 12 Ridership \Rightarrow 36,669
Central Region Ridership \Rightarrow 1.2%

Hoosier State - Profile

- CHI-IND, 196 mi, 4x/week – other days, served by long distance *Cardinal* (Chicago-New York)
 - Under 209, no state support required for long distance trains
- Also used to move equipment to/from Amtrak shops in Beech Grove, IN
- Currently uses multiple host railroads, often subject to delays

Chicago, IL

- Largest city in Midwest

Dyer, IN

- One of fastest growing towns in Indiana

Rensselaer, IN

- St. Joseph's College of Indiana

Lafayette, IN

- Purdue University, Alcoa, Caterpillar, Subaru

Crawfordsville, IN

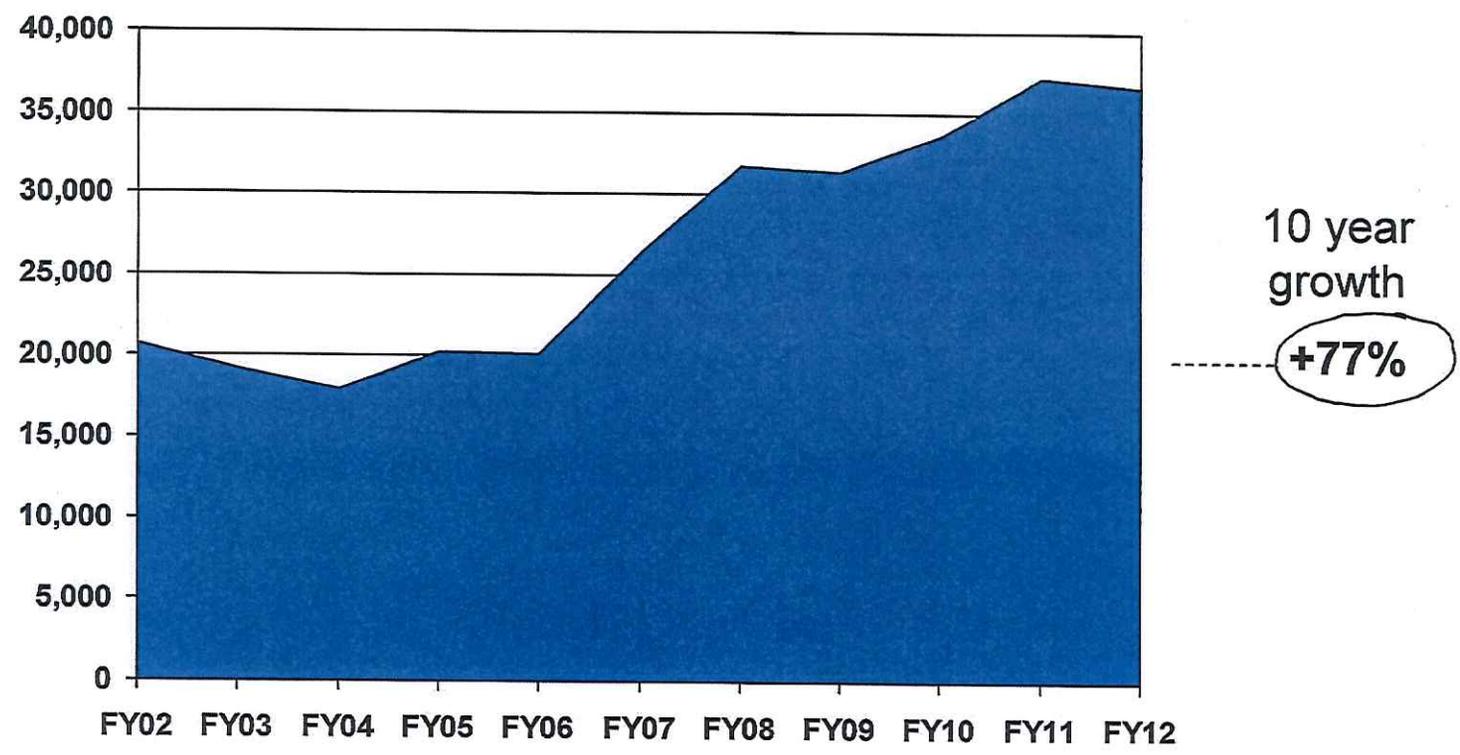
- Wabash College

Indianapolis, IN

- Includes Ball State, Butler University, WellPoint, Eli Lilly, BrightPoint

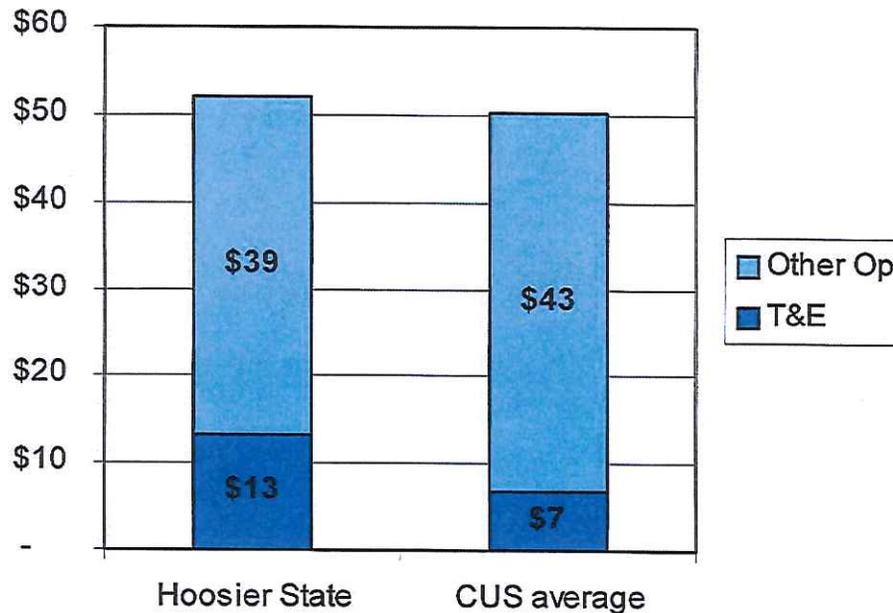
Hoosier State Ridership

Hoosier State Ridership, FY2002-2012



Hoosier State Today - Costs

Operating Cost / Train Mile, FY11 = \$52
Hoosier State vs. Other Corridor Routes Serving CUS

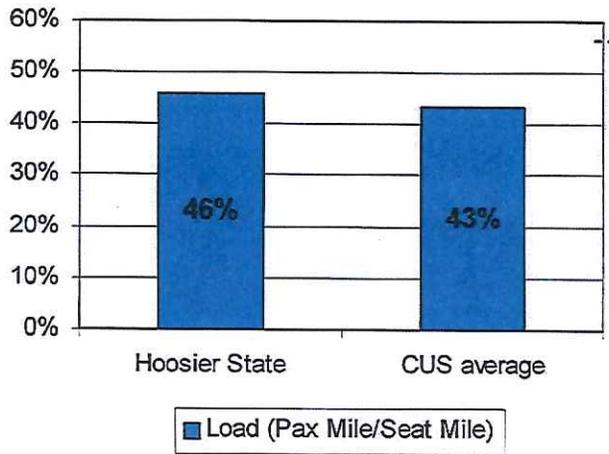


- Operating cost / train mile similar to other corridor services serving Chicago Union Station
- Higher T&E Costs due to current crew turns
- Lower other costs due to shorter revenue consist, limited station costs

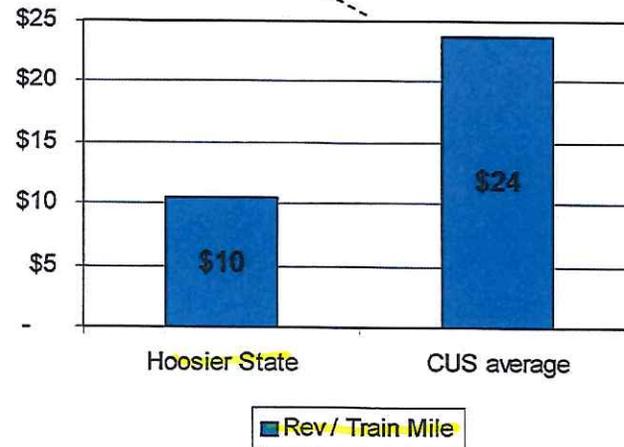
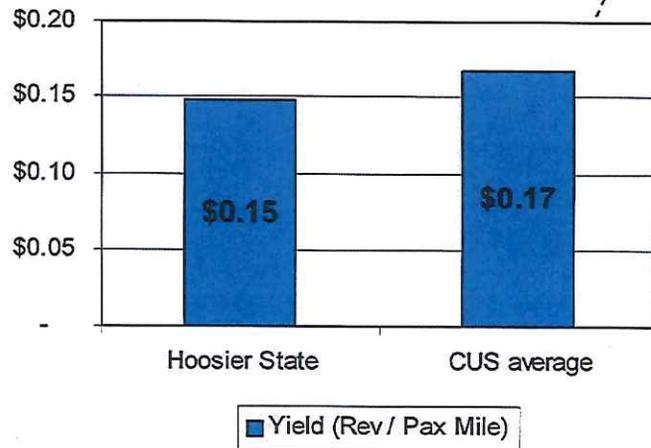
Preliminary pro forma estimates for discussion purposes, pending allocation adjustments



Hoosier State Today – Load, Yield, and Revenues



- Passenger loads slightly better than average of comparable corridor services serving Chicago Union Station (CUS)
- Passenger yields slightly lower than average of comparables
- Due to shorter revenue consist, revenue/train mile significantly lower than comparables



Preliminary pro forma estimates for discussion purposes, pending allocation adjustments

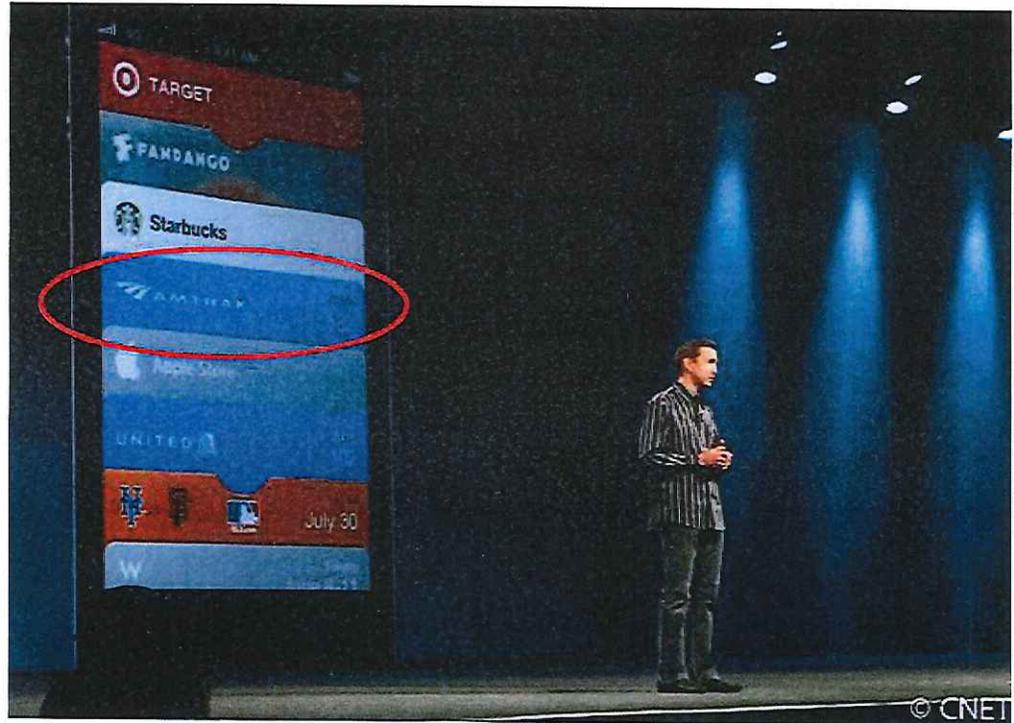


Hoosier State Benefits to Indiana

- *Hoosier State* is a small service today, with growth potential offering:
 - Better mobility and connectivity within Indiana, and between Indiana and the region
 - An alternative to congested roads and airports
 - A foundation for future expansion
- ...but under Section 209, the law mandates a local partner to cover a designated portion of costs.
- Amtrak will continue to cover the costs of the long distance *Cardinal* and ~17% of *Hoosier State* operating costs
- Important transportation alternative to communities served, evident by recent formation of coalition to save the service

What Amtrak Brings to the Hoosier State

- Statutory right of host railroad access at incremental cost
- Pooled equipment maintained in Chicago and Beech Grove, IN
- 40 year history of passenger rail operations, risk management, insurance programs, revenue management
- Industry recognized investments in eTicketing



Apple's new Passbook app at WWDC (Worldwide Developer's Conference) 2012, including Amtrak as a partner



Next Steps

- Finalize FY14 operating and equipment capital estimates for *Hoosier State* *Oct 1-2013* *drop head of the line.*
- Develop agreement between InDOT and Amtrak
- Work with other States regionally and nationally to negotiate details of fixed asset capital charge
- Longer term: additional frequencies?
 - Will generate efficiencies in crew turns and equipment use
 - Adding frequencies historically drives ridership growth

Appendix: PRIIA Section 209 Language & Summary

SEC. 209. STATE-SUPPORTED ROUTES.

(a) IN GENERAL.—Within 2 years after the date of enactment of this Act, the Amtrak Board of Directors, in consultation with the Secretary, the governors of each relevant State, and the Mayor of the District of Columbia, or entities representing those officials, shall develop and implement a single, nationwide standardized

methodology for establishing and allocating the operating and capital costs among the States and Amtrak associated with trains operated on each of the routes described in section 24102(5)(B) and (D) and section 24702 that—

(1) ensures, within 5 years after the date of enactment of this Act, equal treatment in the provision of like services of all States and groups of States (including the District of Columbia); and

(2) allocates to each route the costs incurred only for the benefit of that route and a proportionate share, based upon factors that reasonably reflect relative use, of costs incurred for the common benefit of more than 1 route.

(b) REVISIONS.—The Amtrak Board of Directors, in consultation with the Secretary, the governors of each relevant State, and the Mayor of the District of Columbia, or entities representing those officials, may revise or amend the methodology established under subsection (a) as necessary, consistent with the intent of this section, including revisions or modifications based on Amtrak's financial accounting system developed pursuant to section 203 of this division.

(c) REVIEW.—If Amtrak and the States (including the District of Columbia) in which Amtrak operates such routes do not voluntarily adopt and implement the methodology developed under subsection (a) in allocating costs and determining compensation for the provision of service in accordance with the date established

therein, the Surface Transportation Board shall determine the appropriate methodology required under subsection (a) for such services in accordance with the procedures and procedural schedule applicable to a proceeding under section 24904(c) of title 49, United States Code, and require the full implementation of this methodology with regards to the provision of such service within 1 year after the Board's determination of the appropriate methodology.

* (d) USE OF CHAPTER 244 FUNDS.—Funds provided to a State under chapter 244 of title 49, United States Code, may be used, as provided in that chapter, to pay capital costs determined in accordance with this section.

Currently, States pay widely varying amounts to Amtrak to cover capital and operating costs associated with these services. PRIIA would require Amtrak and all States in which short distance trains are operated to settle on a cost allocation formula that would eliminate this discrepancy, allowing all States to pay like amounts for like services. -Senate Commerce Committee Report on S. 294