M e m o r a n d u m

To: CHAIR AND COMMISSIONERS

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Information Item

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Subject: **FY 2006-07 3rd QUARTER RAIL OPERATIONS REPORT**

SUMMARY:

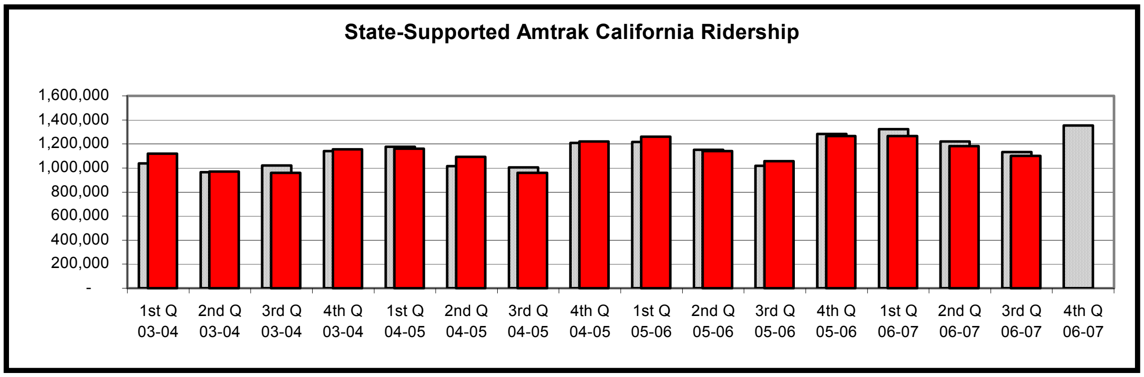
This is the Third Quarter Intercity Rail Operations Report for FY 2006-07, January through March 2007, as requested by the California Transportation Commission (Commission). This report is now being submitted directly to the Commission 45 days after the end of the quarter, and provides information for each route on ridership, on-time performance, revenue, expense, and farebox ratio measures. March 2007 financial results are estimated by Amtrak, as actual data is not yet available.

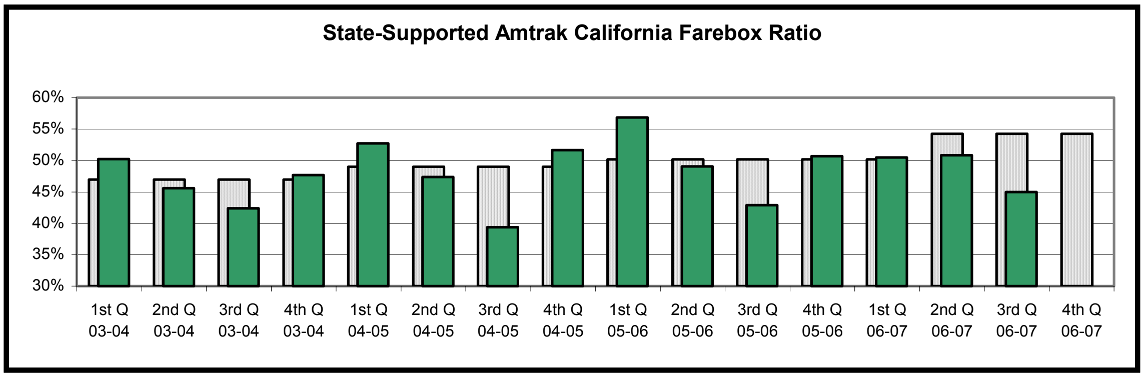
California provides financial and administrative support for Amtrak intercity rail passenger service on three corridors within the State: the *Pacific Surfliner* Route between San Diego, Los Angeles, and San Luis Obispo; the *Capitol Corridor* between San Jose, Oakland and the Sacramento region; and the *San Joaquin* Route between Bakersfield and both Oakland and Sacramento. These routes are, respectively, the second, third, and fifth busiest routes in the entire national Amtrak system. State support for the *Pacific Surfliner* and *San Joaquin* routes is administered by the California Department of Transportation (Department), while the third corridor is administered by a separate agency, the Capitol Corridor Joint Powers Authority (CCJPA), using funding provided by the Department.

Total ridership during the third quarter (January-March 2007) on the three routes increased by 4.2 percent over the comparable quarter in FY 2005-06 but was 2.6 percent below the projections for the quarter in the Business Plans. Ridership on the *Capitol Corridor* was strong as a result of the new frequencies added in August 2006, with every month a new monthly record. Ridership on the *Pacific Surfliner* was at a record level for two of the three months of the quarter.

The combined farebox ratio for the three routes was 45.0 percent in the third quarter, an increase of 2.1 percentage points from the comparable quarter in FY 2005-06, but 9.0 percentage points below the Business Plans projections. Overall revenue in the third quarter increased 10.2 percent compared with the same quarter the previous year and was 1.6 percent higher than the Business Plans projections for the quarter. This was partly the result of five percent fare increases in both June and December 2006. Overall expenses increased only 5.1 percent compared with the same quarter the previous year and were 8.5 percent higher than the Business Plans projections.

The following graphs depict the combined results of the three State-supported rail corridors in California. Route-specific charts are in the sections for each route that follow.





Notes: Solid Bars reflect actual data; Shaded Bars reflect Business Plan Projection.

March financial data is estimated by Amtrak as the final billings are not yet available.

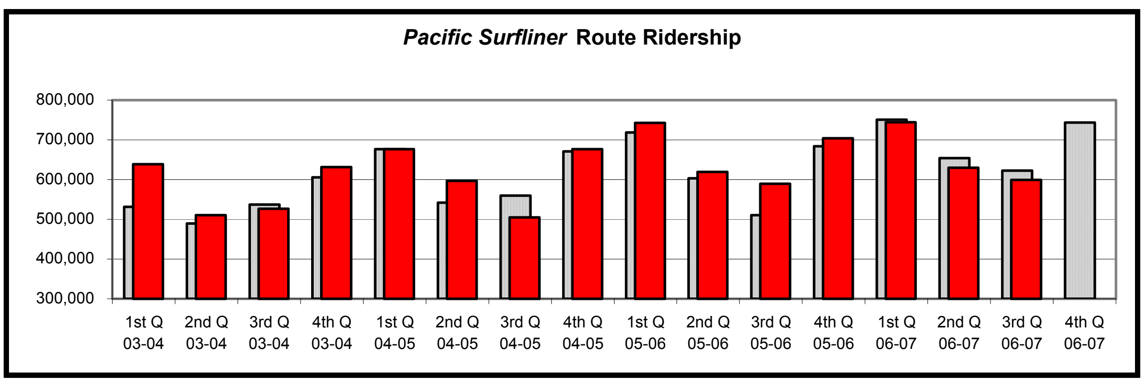
BACKGROUND

Pacific Surfliner Route

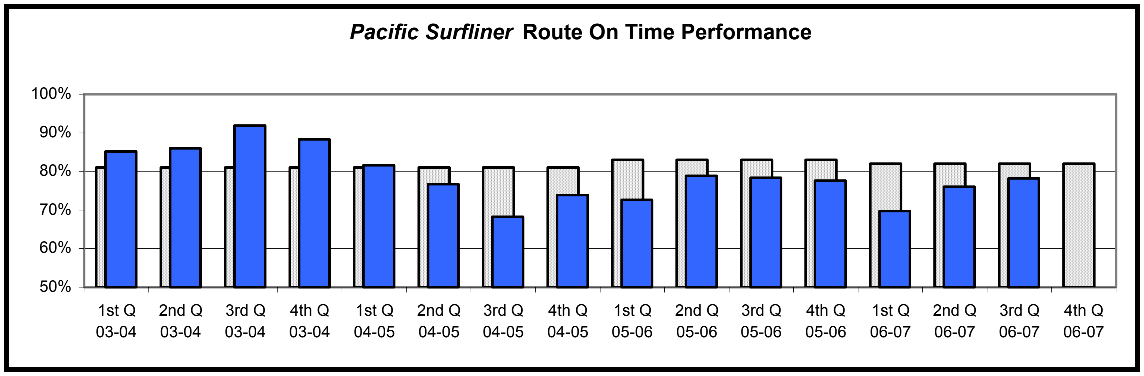
There are currently 11 weekday round-trips between Los Angeles and San Diego, four of which are through trains between San Diego and Goleta (Santa Barbara). One of the four Santa Barbara round-trips continues north to and from San Luis Obispo. A second San Luis Obispo train, which operates only between Los Angeles and San Luis Obispo, brings the total level of service north of Los Angeles to five round-trips daily.

Ridership on the *Pacific Surfliner* route continues to be strong. January and March 2007 set ridership records for their respective months, and the route has now set new monthly records in nine of the last 12 months. Total *Pacific Surfliner* ridership for the third quarter was 1.7 percent higher than the same quarter the previous year but was 3.7 percent below the Business Plan projection.

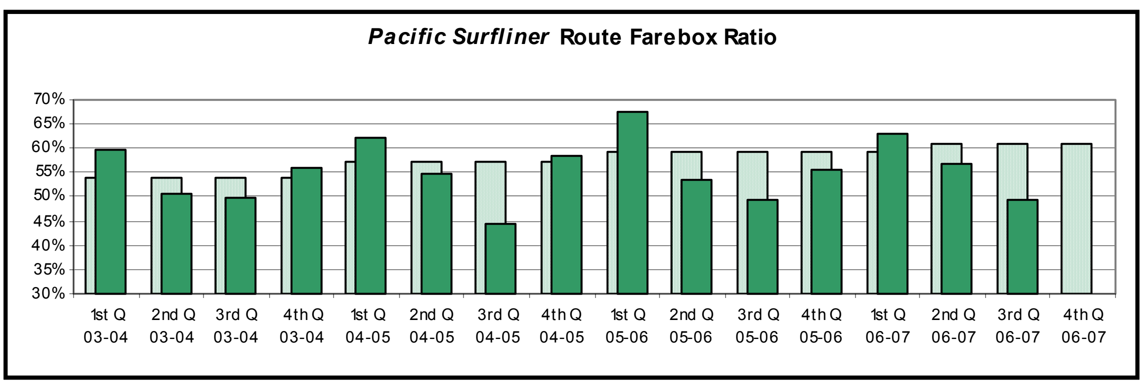
The "Rail 2 Rail" Program, in which the Department and Amtrak partner with both Metrolink and Coaster commuter rail services for the mutual honoring of tickets, continues to help spur ridership increases on all three services. In Federal Fiscal Year (FFY) 2005-06, 421,000 riders took advantage of this program, an increase of six percent over FFY 2004-05. Since its inception, almost one and a half million riders have benefited, demonstrating that the increased convenience of being able to use either of two systems at all stations from Oxnard south has made rail travel much more attractive throughout the Los Angeles/San Diego region. In addition to the "Rail 2 Rail" Program, targeted marketing to the senior and Hispanic markets is also contributing to the higher ridership and revenue on the corridor.



On-time performance (OTP) in the third quarter was 78.2 percent, 0.2 percentage points lower than in the third quarter of the previous year and 3.8 percentage points below the Business Plan projection of 82 percent. Traffic congestion (freight and passenger) continues to be the leading cause of delays, particularly on the almost entirely single track Metrolink/Union Pacific line north of Los Angeles. OTP on the north end was 76.5 percent in the third quarter, compared to 81.7 percent between Los Angeles and San Diego.



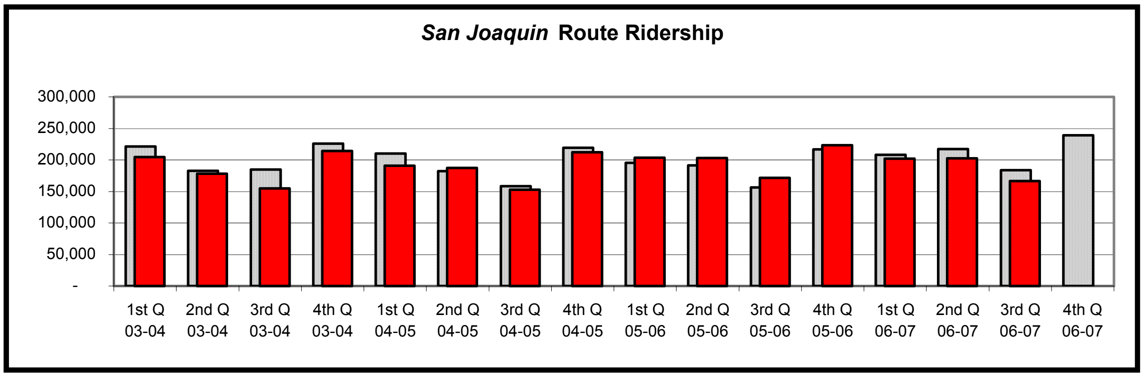
Farebox ratio in the third quarter declined by 0.2 percentage points to 49.3 percent, and was 11.7 points below the Business Plan projection of 61 percent. Revenue for the third quarter increased 5.5 percent compared to the same quarter the previous year and was 1.1 percent below the Business Plan projection. This was partly the result of five percent fare increases in both June and December 2006. The corresponding increase in expense was 5.8 percent compared with the same quarter the previous year, and 8.3 percent higher than the Business Plan projection.



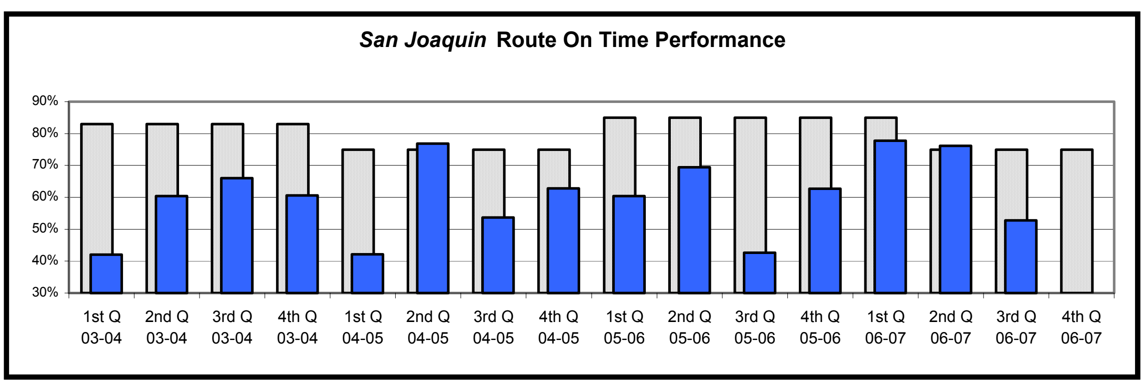
San Joaquin Route

Currently, six daily train round-trips serve the *San Joaquin Route*, four operating between Bakersfield and Oakland/San Francisco and two between Bakersfield and Sacramento. All six round-trips have dedicated bus connections between Bakersfield and Los Angeles and other points throughout Southern California. On the north end, buses at Stockton connect Sacramento with Oakland trains and connect San Francisco/Oakland with Sacramento trains, thus providing six daily arrivals and departures for both northern terminals. Additional connecting buses provide feeder service to communities throughout the north end of the State.

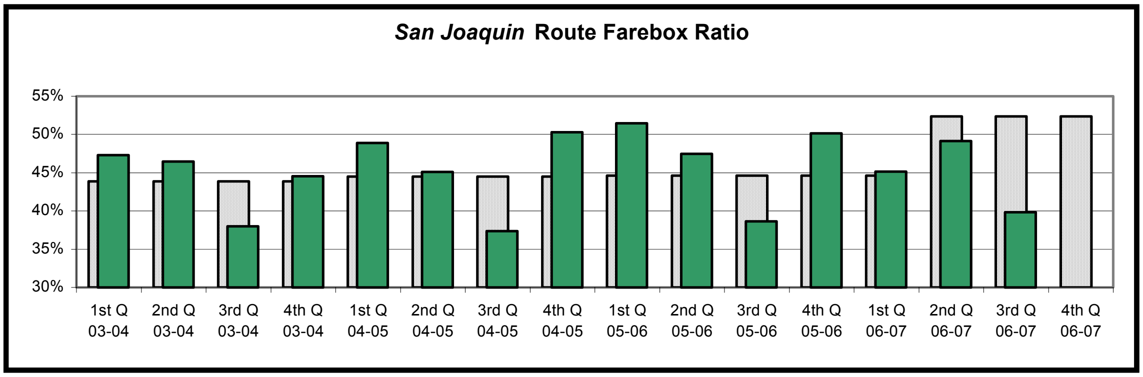
Ridership on the *San Joaquins* for the third quarter was 2.9 percent below the same period the prior year and 9.2 percent below the San Joaquin Route Business Plan projection.



On-time performance, in the third quarter was again severely impacted by programmed track maintenance projects (on the Union Pacific and BNSF railroads) in late January/early February, though the impact was less than in the previous year. Overall OTP in the third quarter was 52.8 percent, 10.1 percentage points over the same period of the previous year, but 22.2 percentage points below the Business Plan projection. Train congestion on the busy single track BNSF main line in the Valley also continues to be the major cause of delays. The Richmond-Martinez track maintenance project also impacted OTP. However, key double track projects between Hanford and Shirley and south of Fresno (Calwa to Bowles) have been completed, both of which are improving reliability.



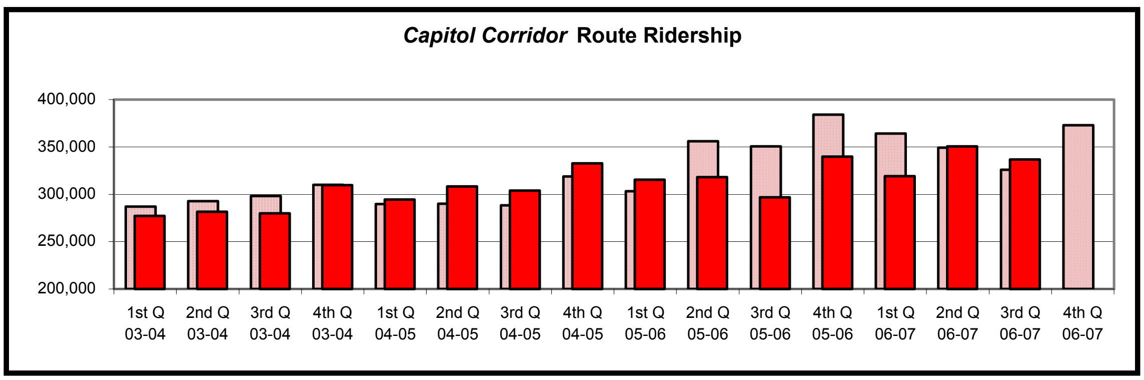
Farebox ratio in the third quarter increased to 39.9 percent, 1.3 percentage points higher than the same period of the previous year, but 12.1 percentage points below the Business Plan projection of 52 percent. Revenue for the third quarter increased 2.5 percent compared to the previous year but was 11.4 percent below the Business Plan projection. Expense, on the other hand, decreased 0.7 percent compared with the previous year and was 0.9 percent below the Business Plan projection.



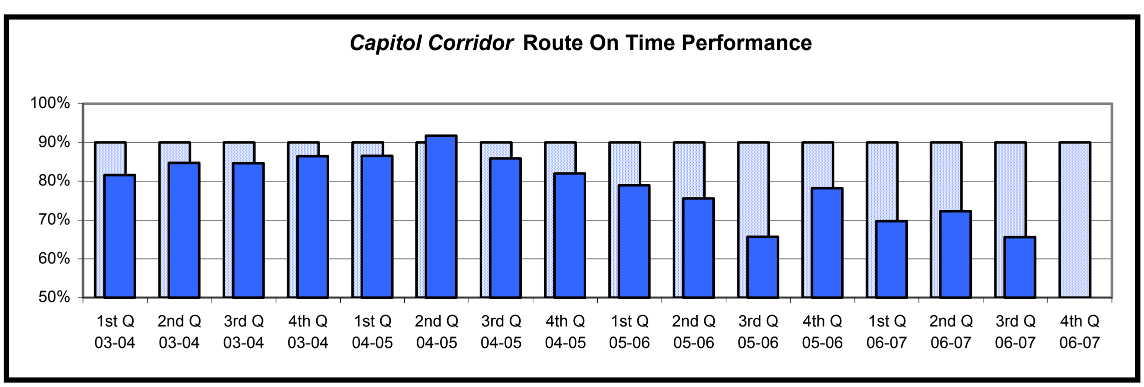
Capitol Corridor

On August 28, 2006, the Capital Corridor Joint Powers Authority added four weekday round trips between Sacramento and Oakland and extended three additional round trips south from Oakland to San Jose, bringing the total level of service to 16 weekday round-trips between Oakland and Sacramento with seven extending through to/from San Jose. Weekend service was increased from nine Sacramento-Oakland round-trips to eleven, with an additional (seventh) round-trip extending to San Jose. One round-trip each day continues to and from Auburn. The Business Plan anticipated a different level of new service than was actually instituted, so comparisons to the Business Plan for 2006-07 are not meaningful.

Ridership on the *Capitol Corridor* continues to grow steadily, and with the increase in service, new monthly records were set in all three months of the third quarter. The route has now set new monthly records in 11 of the last 12 months. Total ridership in the third quarter increased 13.4 percent compared to the same period the year before and was 3.3 percent above the quarter's projection in the Business Plan.



On-time performance declined slightly to 65.6 percent, 0.1 percentage points below the comparable quarter the previous year and 0.4 points below the preceding quarter. It was also 24.4 percentage points below the Capitol Corridor Business Plan projection of 90 percent. The track work project between Oakland and San Jose was completed (allowing the increase in service), but a major programmed track maintenance project between Richmond and Martinez caused major disruptions from mid-January to the beginning of March (the *San Joaquins* were also impacted).



Farebox ratio in the third quarter increased 7.2 percentage points to 43.5 percent, exceeding the Business Plan projection by 0.5 percentage points. Revenue for the third quarter increased 34.4 percent compared to the same quarter the previous year and was 31.5 percent higher than the Business Plan projection. The corresponding increase in expense, reflecting the increase in service, was 12.1 percent compared with the same quarter the previous year, and expense was 23.8 percent higher than the Business Plan projection.