

Testimony of Eugene Skoropowski  
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State Senate Transportation Committee  
February 27, 2007

Mr. Chairman and members of the committee, thank you for the opportunity to speak today. My name is Eugene Skoropowski, and for the past seven-and-one-half years I have been the Managing Director of the Capitol Corridor service. I have been in the passenger rail business for nearly 40 years, and my experience is about equally split between the public sector and private sector. In my 10 years with Fluor Corporation, I managed rail projects in Los Angeles, Florida, Paris, London and Amsterdam. I worked closely with the SNCF (French National Railways) and their international consulting arm, SYSTRA in the process of selecting rail rolling stock, the analysis of the quantities of rolling stock required to maximize utilization and capacity within the limits of acceptable 'comfort' levels, and ability to cycle equipment for the most efficient use of the investment.

Background

During my tenure at the CCJPA, our service has grown from 8 daily trains to 32 trains on weekdays, and 22 trains on weekend days. Our ridership has gone from 463,000 in FY 1997-98 to 1,317,000 in the last 12 months. Our farebox recovery from passenger fares has gone from 29.8% in FY 1997-98 to 46% last fiscal year, and is currently running at nearly 50% for the first 4 months of this year. The last increase in state subsidy allocation for the Capitol Corridor service occurred in 2001, allowing us to increase frequency from 14 daily trains to 18 daily trains. We are running the current 32 train schedule for the same state operating allocation as for 18 trains.

What has made this possible?

First, the voter-approved bonds in 1990 made possible the state's initial capital investment in the tracks and signals, back in 1995. The state's effort for this intercity rail program, and support for it, has come from a series of state Administrations and Legislatures of both political parties over the past 16 years. The CCJPA and the state are now utilizing almost all the slots purchased in the early 1990s, supplemented by the subsequent CCJPA state-funded capital improvements.

The state purchased an initial fleet of passenger cars and locomotives in the early 1990s and added to that fleet more passenger cars and locomotives delivered in 2001-02. The initial fleet of 66 passenger cars and 11 locomotives grew to 78 passenger cars and 17 locomotives in 2002. It was this increase in equipment in 2002 that allowed the Capitol Corridor and the San Joaquins to expand service frequency. The size of the state-owned fleet today remains the same as it was in 2002, yet ridership has continued to grow.

The allocation of passenger cars and locomotives is split equally between the Capitol Corridor service and the San Joaquin service, but the trainsets are used interchangeably in the two services in order to get maximum use of the state's investment in this rolling stock. There are 15 individual trainsets required each day to operate the 44 daily trains scheduled to run on the Capitol Corridor and the San Joaquins. The 8 sets assigned to the Capitol Corridor make an average of four separate trips daily, thereby allowing us to operate the 32 daily trains.

## Results

Starting in 1999, Capitol Corridor service frequency was incrementally increased. The initial four trainsets provided for operation of only 8 daily trains, and during most of the day, the trains sat at layover points or in the yard awaiting their next trip, not running in service. This was a very poor utilization of an approximately \$15 million state capital asset for each trainset.

However, the CCJPA Business Plan has made it an annual priority to increase utilization of the state's investment to deliver as much service as possible with the trains that we have. Starting in 2001, we went from 14 to 18 trains, then to 20 trains, to 22 trains and to 24 trains by April 2003. All of this added service was self-financed from the growth in passengers and the growth in passenger revenue. No additional state subsidy allocation was required.

Last August 28, (2006), the Capitol Corridor increased San Jose service frequency from 8 to 14 daily trains, with no additional rolling stock, or requirement for additional state subsidy. State capital funds paid for an expansion of track capacity on the San Jose end of the line. The added frequency allowed the release of just one additional trainset that was formerly captive in San Jose all day. The available use of this one trainset has permitted us to increase the frequency of trains between Oakland and Sacramento from 24 to 32 weekday trains, and from 18 to 22 weekend day trains, again, with no additional state subsidy allocation. Concurrent with the frequency expansion, our farebox recovery kept improving, and it is now at an all-time high of about 50%. Our current level of service is the most frequent in the nation outside of the Northeast Corridor, and is equal to the Amtrak frequency of trains between Boston and New York.

Revenue is actually growing at a higher rate than riders. (longer trips, more discretionary travel). Weekend and off-peak travel, plus the occasional business traveler account for 50% of our riders, and generate 70% of our revenue. Our ridership this past October, November, December and January (2007), is up at least +10% each month (January was up +14.5%), and revenues are up almost 20% for the same period, proof positive of the value of the state's investment. Capitol Corridor ridership has tripled in the past eight years, as has revenue, while state subsidy allocations have been 'flat' for the last 6 years.

## The Challenge

In some ways, I guess you could say 'we are out-of-rabbits'. We are using the existing fleet of passenger cars and locomotives about as efficiently as we can. Out of the fleet of 78 passenger cars, 66 are assigned on a daily basis. Five are undergoing a mid-life overhaul (and this will continue for at least another year or two), and the remainder are undergoing wreck repairs, preventive maintenance (PM), or federally mandated cyclical safety inspections.

At least 4 daily trains on the Capitol Corridor regularly exceed the industry average maximum of 80% of seated capacity, and on Fridays and Sundays, these trains often exceed 100% of seated capacity. We have the immediate need for at least six additional coaches just to satisfy today's demand, but even under the best of circumstances, there will be no new passenger cars available to satisfy this growth for the coming 4 or 5 years. Riders do not show up spread evenly throughout the day. There are peak period demands on our service, just like on highways and on public transport.

The difference is that available capacity of service is basically 'the same' on every train all day long. Riders on weekend days are about 65% of weekdays. This distribution of riders makes for very efficient use of the state-owned trains. Our trains provide between 260 to 340 revenue seats per train. On Fridays, if there is an additional coach available, we can muster seats for as many as 425 passengers on one heavily traveled train.

There is virtually no more capacity on our trains during weekday peak travel times, and standees on our trains are not uncommon leaving Sacramento and Davis, especially on Fridays. As our average trip is some 70 miles, people who have to stand for this distance are not likely to return to our trains. I want to point out that while we need capacity growth, we do not necessarily need more trains.

What we need is LONGER trains. From an economic standpoint, this is the most cost effective means of adding capacity and further improving revenue growth and farebox recovery. Simply adding 2 cars to each of the 8 of the sets (16 additional passenger coaches) would increase our passenger carrying capacity by 50%, at almost no cost. No additional locomotive is needed. No additional engineer is needed. No additional train crew is needed. The only expense is the annual cost of maintenance of the coaches. One locomotive can provide power to haul a train of our California Cars with up to 525 revenue seats. The Capitol Corridor could improve its operating ratio from passenger fares to 60-65% just by having this added capacity available. Unfortunately, passenger coaches in this country are not a readily available commodity, and the high cost of tooling up requires a minimum base order of cars. The design of each type of railcar is different, and not necessarily compatible with other manufacturers.

### Why am I here today?

My mission today is not only to inform you of this capacity problem, but also to review the complex process for fixing this existing problem. I, and those of us charged with operating and 'growing' our intercity passenger services, need your help. The problem is really state-wide, as the passenger equipment needs are equally pressing on all three state-supported intercity services. I am asking for your help to keep this California passenger rail success story going.

### Immediate action needed

The voters recently approved \$400 million for intercity passenger rail in the November Transportation Bond ballot measure. Our rail riders received detailed information about the bond measure, and they were enthusiastic supporters, largely because they expected that some of the bond funds would benefit them by helping to alleviate the current crowding problem on our trains. I did also. I hope we were not all misled.

The state's procurement process requires, even before bid proposal requests can be put out for public tender by Caltrans, that the funds that will be required to pay for the proposed procurement must be fully appropriated. This requires legislative action. The initial budget currently under consideration for the coming year has NO capital bond funds for intercity passenger rail included in it. This means that Caltrans cannot even solicit bids for the desperately needed rail rolling stock just to meet today's demands.

The long-lead time to purchase, test and deliver passenger cars, makes it essential that these cars be ordered as soon as possible, since the delivery of these cars takes 4-5 years from the time the appropriation of funds is made.

We have the need now, and any delay in procurement is an almost insurmountable obstacle. Compounding this situation is the escalating cost for passenger cars, now about 20% per year, largely due to the international demand for steel and the competitive global economy.

To attract rail car builders with an order large enough to justify their design and set-up costs for production, a minimum order of about 40-60 cars is required. With a provision for spare parts and other ancillary costs, today's estimate is that an appropriation of \$150-175 million of the \$400 million bond funds will be required.

Having said that, the initial draw down of cash on these bonds will not be required until a contract is actually awarded after the bid process, and, even then, this will be a partial draw of the appropriated amount. The earliest estimate for a contract award is third quarter FY 2007-08 (Spring 2008), so that there should be little or no impact on the debt service costs on the state budget for the bonds for these cars during the upcoming fiscal year.

Failure to appropriate the full \$150-175 million amount means that Caltrans cannot solicit bids for at least another year, pushing back delivery of new rolling stock five-to-six years from now. The value of rail passenger rolling stock that is continuously well maintained (as the California fleet is) actually appreciates, primarily due to demand for the cars, the fact that there is incredible unsatisfied demand for these type of passenger rail cars in North America, and the annual inflation of the costs of these cars. Other states may well want to join in with us in the procurement, possibly driving down unit costs, provided they know we are moving ahead.

My request to you, perhaps more a plea, is to please include an appropriation of at least the \$150-175 million for the passenger car purchase in the budget, so that the state's procurement process can start. We have the need now, and each year of delay is artificially squeezing off the natural growth and inhibiting the increasing demand we have for our state's successful intercity passenger rail program. Failure to provide this added capacity will slow that steady growth and financial improvement of this system, and possibly, could reverse the growth trend.

Our state's intercity passenger rail program is recognized nationally as the best in the country. Today, with 20% of all of Amtrak's riders in California (yes, 20% of the country's Amtrak riders!), and with three of Amtrak top five busiest routes in California, the growth momentum and travel choice we have been able to offer our people will not be able to be sustained.

I have copies of our latest Performance Report, documenting the statistics I have presented here today, as well as the train sheet assignments, and passenger use by day, by train, for the latest 3 months.

Again, thank you for the opportunity to address the Committee, and I would be happy to respond to any questions.