
MEMORANDUM



DATE: August 19, 2010
TO: Interested Parties
FROM: William E. Hamilton
RE: AMTRAK Service in Michigan including State Contract Operations

Summary: Intercity rail passenger service is provided in Michigan by the National Railroad Passenger Corporation (AMTRAK) along three routes: *the Wolverine* (Pontiac – Detroit – Chicago), *the Pere Marquette* (Grand Rapids – Chicago), and *the Blue Water* (Port Huron – Chicago).¹

The *Wolverine* service is part of AMTRAK's national core service. AMTRAK operates this route at no cost to the state of Michigan. The other two AMTRAK routes, the *Pere Marquette* and the *International*, are provided by AMTRAK under terms of an agreement with the State of Michigan.

For a number of years, the Michigan Department of Transportation (the department) has contracted with AMTRAK to provide daily service on the *Pere Marquette* and *International* routes. For the last completed agreement contract period, the twelve month period ending September 30, 2009, the department paid AMTRAK \$6.4 million for the contracted service.

AMTRAK indicates that Michigan is one of 14 states that provide operating assistance for rail passenger service. This state assistance purchases rail passenger service in a state beyond what AMTRAK provides as part of its core service. AMTRAK indicates that it provides purchased service to states under the same terms; the amount charged to a state for any route is based on AMTRAK's direct operating costs of the route (excluding depreciation and overhead) less route operating revenue.

Funding for the two Michigan purchased-service routes, the *Pere Marquette* and *Blue Water*, is included in the appropriation line item, *Rail passenger service*, in the state transportation budget. The fund source for the appropriation is the state-restricted Comprehensive Transportation Fund (CTF).

The FY 2009-10 transportation budget appropriated \$8.2 million in CTF revenue for rail passenger service, slightly more than the state-AMTRAK agreement amount of \$7.8 million.²

The total *Rail passenger service* line item appropriation for FY 2009-10 is \$12.4 million. In addition to the \$8.2 million in CTF funds, the appropriation includes \$3.8 million in federal funds and \$380,000 in local matching funds.³ While operating support for the two purchased-service routes is made entirely from state restricted CTF appropriations, federal funds are available exclusively for rail capital projects – including projects related to high-speed rail service along the Detroit to Chicago corridor. From 1992 through 2007 the state and federal government have spent over \$64.5 million on rail capital projects – primarily on improvements to track, signals, train sets, and safety.

¹ The complete service description and station listing is found on the AMTRAK website at: http://www.amtrak.com/servlet/ContentServer/AM_Route_C/1241245664519/1237405732511

² The enacted FY 2009-10 transportation appropriations bill was Senate Bill 254, enacted as 2009 PA 116. Additional spending authority was subsequently added by supplemental appropriation acts.

In addition to the on-going state and federal assistance for rail passenger programs noted above, in FY 2009-10 an additional \$40.3 million in federal stimulus funds were provided for under the American Recovery and Reinvestment Act (ARRA). These funds were designated for specific rail station improvements in Birmingham/Troy, in Dearborn, and in Battle Creek. The ARRA grant funding was appropriated in supplemental appropriation, Senate Bill 928, enacted as Public Act 92 of 2010.

Background: From FY 1995-96 through FY 1999-2000 the annual state operating cost for the state contracted rail service was approximately \$2.0 million. However, starting in FY 2000-01 the state contract payment increased. The total state contract increased from \$2.05 million in FY 1999-2000, to \$5.7 million in FY 2000-01. In FY 2002-03, the annual state contract payment increased again to \$7.1 million. The increase in the state cost did not reflect increased AMTRAK operating costs. The increase in state subsidy was primarily due to the end of a federal subsidy for state rail passenger service.

The amount of the state contract is based on a calculation of direct operating costs less fare revenue. The calculation does not include AMTRAK general or administrative overhead, or train set depreciation. In addition, the total state payment is capped in the contract; AMTRAK would absorb any operating loss in excess of the contract maximum with the exception of fuel costs which are based on actual cost of fuel consumed.

Prior to 2004, *International* service originated in Toronto. As a result, service and ridership on that route was significantly affected by the events of September 11, 2001. The tightening of security at the Sarnia-Port Huron border crossing caused frequent delays. In an effort to improve service and ridership, the department and AMTRAK agreed to change the Port Huron – Chicago service effective April 26, 2004. The connection to Canada was dropped, the schedule was changed, and the name of the service was changed to the *Blue Water*. Since this change, the route has recorded increased ridership. The *Blue Water* increased ridership each year from 2004 through 2008. The *Pere Marquette* increased ridership each year 2002 through 2008. Ridership fell approximately 5% in 2009 as compared to 2008, but at 236,097 was still the second highest since the inception of the state-supported service.

**Table 1
State-Contracted AMTRAK Routes in Michigan
State Operating Cost Share and Ridership
FYs 1995-96 – 2009-10**

Fiscal Year	International/Blue Water * State Share/Riders		Pere Marquette State Share/Riders		Total State Reimbursement to AMTRAK
1995-96	\$1,010,000	109,436	\$687,500	52,210	\$1,897,500
1996-97	1,162,500	121,528	687,500	63,386	2,050,000
1997-98	1,300,000	114,732	750,000	64,503	2,050,000
1998-99	1,300,000	113,702	750,000	68,091	2,050,000
1999-00	1,300,000	107,878	750,000	63,002	2,050,000
2000-01	3,500,537	104,674	2,200,020	57,995	5,700,557
2001-02	3,500,000	91,714	2,200,000	60,127	5,700,000
2002-03	3,500,000	80,890	2,200,000	73,392	5,700,000
2003-04	4,500,000	94,378	2,600,000	87,767	7,100,000
2004-05	4,700,000	111,630	2,400,000	96,471	7,100,000
2005-06	4,700,000	123,823	2,400,000	101,923	7,100,000
2006-07	4,449,917	127,642	1,786,638	104,819	6,236,555
2007-08	4,329,017	136,538	1,795,289	111,716	6,124,306
2008-09	4,334,186	132,851	2,100,632	103,246	6,434,818
2009-10					7,800,000 **

Additional Funding Support

The department provided additional funding for marketing agreements as follows:

- \$375,000 for Amtrak marketing for the 18 month period from October 1, 1997 through March 31, 1999.
- \$125,000 for Amtrak marketing for the 6 month period from April 1, 1999 through September 30, 1999.
- \$250,000 for Amtrak marketing for the 12 month period from October 1, 2000 through September 30, 2001.
- \$112,000 marketing contract with Westrain for the 12 month period ending September 30, 2002. The contract, for marketing related to the Pere Marquette line, was supported with \$100,800 CTF and \$11,200 in local funds.

Notes:

* Effective 4/26/2004, the *International* service to Canada ended, and the *Blue Water* began service on a different schedule.

** \$7.8 million is the contract maximum for the 12-month contract period ending September 30, 2010.

“Riders” represents each boarding and does not consider the length of each trip.

In some cases, total state costs have been allocated between the two routes based on AMTRAK reported costs.

Source: MDOT, Bureau of Multimodal Transportation Services, AMTRAK

Rail Passenger Service – Line Item

State assistance for rail passenger service is authorized through the Rail Passenger Service line item in annual Transportation appropriations acts. A history of this line item is shown in Table 2, below:

Table 2 Rail Passenger Service Appropriations History 1995-96 to 2010-11			
Fiscal Year	State Funds (Comprehensive Transportation Fund)	Federal Funds/ Local Funds	Total Appropriated
1995-96	\$1,847,500	\$3,300,000	5,147,500
1996-97	2,000,000	3,000,000	5,000,000
1997-98	2,000,000	3,000,000	5,000,000
1998-99	3,674,960	3,000,000	6,674,960
1999-2000	5,812,800	4,000,000	9,812,800
2000-01	8,100,000	3,000,000	11,100,000
2001-02	6,992,000	3,000,000	9,992,000
2002-03	8,300,000	8,000,000	16,300,000
2003-04	8,300,000	3,000,000	11,300,000
2004-05	7,200,000	1,000,000	8,200,000
2005-06	7,200,000	1,000,000	8,200,000
2006-07	6,386,500	1,000,000	7,386,500
2007-08	6,900,000	1,000,000	7,900,000
2008-09	7,300,000	5,800,000	13,100,000
2009-10*	8,200,000	3,800,000/ 380,000	12,380,000
2010-11 (Executive request)	8,667,000	3,000,000	11,667,000
* An additional \$40.3 million in federal stimulus (ARRA) funds was appropriated for certain specific rail station improvements.			