



NORTHEAST CORRIDOR INFRASTRUCTURE AND OPERATIONS ADVISORY COMMISSION

840 First Street NE, Suite 440
Washington, DC 20002
(202) 847-0280
www.nec-commission.com

October 2, 2015

The Honorable Bill Shuster
Chairman
Committee on Transportation &
Infrastructure
U.S. House of Representatives
2251 Rayburn House Office Building
Washington, DC 20515

The Honorable Peter DeFazio
Ranking Member
Committee on Transportation &
Infrastructure
U.S. House of Representatives
2164 Rayburn House Office Building
Washington, DC 20510

Dear Chairman Shuster and Ranking Member DeFazio:

On behalf of the Northeast Corridor Infrastructure and Operations Advisory Commission (the Commission), I am pleased to deliver the final Northeast Corridor Commuter and Intercity Rail Cost Allocation Policy (the Policy), which the Commission approved on September 17, 2015 by a 15 – 2 vote, with one abstention. This Policy fulfills Section 212(c) of the Passenger Rail Investment and Improvement Act of 2008 codified at 49 U.S.C. § 24905(c) to develop a cost allocation formula to ensure the nine passenger rail operators using the Northeast Corridor (NEC) fund operating and capital costs based on proportional use.

The Commission transmitted an interim policy last December and has worked steadily over the past nine months on refinements to ensure successful implementation beginning October 1, 2015. The Policy contains the cost-sharing methods for NEC infrastructure required by the statute as well as policy recommendations and changes in business practices focusing on transparency, accountability, and performance tracking required to support the cost-sharing methods. The Policy is a living document and the Commission expects it will be updated regularly to incorporate lessons learned from implementation.

Although cost allocation could have simply been an accounting exercise that only redistributed existing contributions, the Commission instead elected to share fully allocated operating costs and establish a baseline capital charge for normalized replacement of basic infrastructure.

As a result—for the first time—there will be a multi-year, minimum threshold for annual Corridor investment. The financial commitment is part of a comprehensive framework for collaboration addressing capital planning, operational performance, and project delivery, emphasizing transparency and accountability. Further, the Policy sets forth recommendations for federal policy changes and highlights the need for a federal-state partnership to address the Corridor's significant investment needs.

In accordance with the Policy, the Commission produced the first, network-wide NEC Five-Year Capital Plan, covering Fiscal Years (FY) 2016-2020. The Plan is an assessment of how much funding is available and how much additional funding is needed to implement key state-of-good-repair, system modernization, resiliency, and chokepoint mitigation projects to relieve today's most unreliable and overcrowded trains. This integrated, unified investment plan is meant to inform the

budget and appropriations process and serves as a key Commission recommendation to Congress, required by 49 U.S.C. 24905(b)(2).

Along with the Policy, the Commission also approved a One-Year Capital Spend Plan composed of projects and programmatic activities that are planned for FY2016. The spend plan is funding constrained and will be used to measure project delivery performance and as a tool to track capital contributions under the Policy.

The Commission's economic development report to Congress, "The Northeast Corridor and the American Economy," highlighted how important the asset is to the nation. The NEC supports over 2,000 daily commuter, intercity, and freight trains, and over 750,000 daily passengers. It moves a workforce that contributes \$50 billion per year to the United States gross domestic product, carries more intercity passengers within the Northeast than all airlines combined, and is a critical link in the national freight rail network. If NEC services were unavailable for a single day, the outage would cause \$100 million in congestion, lost productivity, and other cost impacts.

Unfortunately, this kind of statistic is more than academic. This past summer, power problems stemming from vintage-1930's cables in the Hudson River Tunnels caused frequent, lengthy delays in and out of New York City, wreaking havoc on thousands of commuters and Amtrak passengers. Deteriorating infrastructure causes ripple effects along the entire Corridor and significant investment over many years is needed to maintain existing services after decades of underinvestment.

Many NEC owners and operators are committing additional funds in the coming years to comply with the Policy. However, these commitments are insufficient without leadership from the federal government, and Congress in particular. Not only must Congress authorize visionary policy, it must also appropriate the necessary funds to achieve that vision.

The solutions to the Corridor's challenges require unprecedented ambition, collaboration, and political will. However, this collaborative investment strategy will only be successful in increasing investment in NEC infrastructure if Congress can join us as partners. Without that commitment, the condition and performance of the NEC will continue to deteriorate, increasing economic and mobility challenges for the public.

We look forward to a supportive partnership as we collectively work to improve the Corridor.

Sincerely,



James P. Redeker
Chair, Northeast Corridor Infrastructure and Operations Advisory Commission
Commissioner, Connecticut Department of Transportation

Enclosure: Northeast Corridor Commuter and Intercity Rail Cost Allocation Policy