

# Contracting Commuter Rail Services – An Industry Overview

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## 1. INTRODUCTION

Over the past 40 years, there has been considerable change in the way commuter rail services are provided in the major metropolitan areas of the United States and Canada. Up until the early 1960's commuter rail services in these two countries were owned, operated and paid for by the privately owned freight railroads. Starting around that time, public agencies began to subsidize the continued operation of the trains that, without the promise of public funding, would have soon disappeared.

By 1969, service existed in only a handful of metropolitan areas. By contrast, the commuter rail industry in North America today has grown to 27 systems, serving 22 metropolitan areas in the U.S. and Canada. More than half of these systems are "New Starts", having commenced operations since January 9, 1989. A majority of the "New Starts" services as well as several of the legacy systems, contract for all or part of their essential operating and maintenance services. In fact, only six systems "do it all themselves".

This rapid expansion and evolution of commuter rail has led to a wide variety of strategies and approaches for obtaining and managing the operation and maintenance of these services. A growing number of non-railroad entities are managing and providing these services due in a large part to the growing disinterest on the part of the traditional railroads in being involved in any type of passenger service. The result has been two basic approaches to service delivery: bundled services where one entity provides all the essential components to operate the service; and unbundled services where the provision of the service is broken down into separate contracts for each essential component.

### Background

This paper builds upon research presented by the two authors at the 2009 Transportation Research Board's Annual Meeting. At the TRB conference, the authors prepared a presentation titled Best Practices in Contracting Commuter Rail Services:

Call for Research<sup>1</sup>. This presentation was followed by the authoring of a problem statement submitted through the Transit Cooperative Research Program in 2010 and 2011. A subsequent synthesis statement was prepared and submitted in 2012 and 2013.

## 2. HISTORY OF COMMUTER RAIL CONTRACTING

Up through the late 1950's commuter rail services were owned, operated, and paid for by the freight railroads. In the early 1960's, the commuter rail passenger miles bottomed out as many railroads continued the post-World War II practice of discontinuing or greatly reducing their passenger operations. Services disappeared in many cities and were drastically reduced in other cities.

To help stem the tide of curtailments and service elimination, public agencies began to step into the picture. The earliest forms of assistance to the railroads were either direct operating grants or purchase of service agreements. These early agreements were brief and simplistic.

In the case of the grants, it was a direct exchange of funds for a commitment from the railroad to continue operation of the service for a defined period of time. One example of an operating grant was in 1958 when the Commonwealth of Massachusetts provided \$950,000 to the New Haven Railroad for the continued operation of their Old Colony Service from the South Shore into Boston. This grant covered a one year period for three lines.

Purchase of Service agreements often lacked any sort of basic performance standards or requirements and were also equally lacking in oversight. The agreements were based on the premise that the railroad would continue to operate the service for the agency and that the agency would continue to pay an agreed upon amount for the operation of the service.

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<sup>1</sup> P09-0429: Best Practices in Contracting Commuter Rail Services: Call For Research, Session 311, Transportation Research Board, 2009

In 1964, the newly formed Massachusetts Bay Transportation Authority entered into a Purchase of Service Agreement with the Boston & Maine Railroad for their service that radiated from North Station in Boston. The agreement was fairly basic: the B&M would continue to operate the trains and the MBTA would pay the annual operating loss. The initial year payment under this agreement was \$3.2 million. This contracting structure, which remained in effect for 12 years, provided for no capital improvements resulting in a noticeable deterioration in service during that period.

### **Period of Transition**

The 13 year period from 1970 to 1983 included three pieces of important legislation from Congress that helped to shape the modern era of commuter rail services. The first two pieces of legislation, the Railpax Bill of 1970 and the Regional Rail Reorganization Act of 1973, set the stage for further changes in the industry. The Railpax Bill created the National Railroad Passenger Corporation, better known as Amtrak, to take over the operation of all intercity passenger trains in the United States from the freight railroads. The measure effectively removed all costs associated with the operation of intercity trains from the railroads and allowed them to focus on their core freight business. The only passenger related services that remained were the then-handful of commuter services.

The second bill, the Regional Rail Reorganization Act of 1973, addressed the dire situation of the seven bankrupt Northeast railroads by creating one new rail organization – the Consolidated Rail Corporation or Conrail – to operate the system. Conrail’s mission was to rationalize the inherited rail network of the seven carriers and turn it into a profit generating organization as soon as possible.

One of the challenges Conrail faced was the operation of multiple commuter rail services in the Boston, New York City/New Jersey, and Philadelphia urban areas. The final piece of legislation – the Northeast Rail Service Act of 1981 – addressed this issue. This act basically declared that Conrail would get out of the business of operating commuter rail services. The transit agencies in the Northeast that depended on Conrail to operate some or all of their commuter rail system had a choice to make: either bring the commuter rail operation in-house or contract it out to another entity.

### **Modern Era of Contracting**

The modern era of commuter rail contracting was born on January 1, 1983 when Conrail exited the commuter rail service business. On this date, new

entities took over the operation in the three northeast urban areas. The decisions made regarding the operation of the services were as different as the regions:

- **Boston Region**: The Boston area service had already undergone a significant change prior to the Northeast Rail Service Act. Massachusetts, benefitting from a public policy decision that led the Commonwealth to purchase any available rail lines, had already shown Conrail the way to exit from the commuter rail business. The Commonwealth had purchased almost all of the Conrail-operated lines south and west of the city in 1972 from Conrail predecessor Penn Central Railroad. In 1977, under the leadership of David L. Gunn, the MBTA took the operation and maintenance of the Boston Southside Service away from Conrail and gave it to the Boston & Maine Railroad, the contract operator of the MBTA’s Northside Service (Gunn and the MBTA had also negotiated the purchase of the Northside Lines from the B&M in 1976).
- **New York City/Connecticut Region**: For the three Conrail lines that extend north and east of New York City (the Hudson, Harlem, and New Haven,) the Metropolitan Transportation Authority decided to bring the operation in-house. Metro-North Commuter Railroad was created by MTA to operate and maintain these services.
- **New York/New Jersey Region**: For the New Jersey oriented commuter rail services, New Jersey Transit was created. NJT would operate and maintain all the former Conrail services throughout the state.
- **Philadelphia**: The Southeastern Pennsylvania Transportation Authority elected to bring the entire commuter rail services in-house under the umbrella of the existing organization.

Up to this time, the number of commuter rail services did not change in the US. The only new commuter rail service to be formed in North America was the GO Transit operation in Toronto. In 1967, the Government of Ontario funded the operation of a new service between Hamilton and Pickering Ontario. The operation of the service was contracted to the Canadian National Railroad.

The first new service in the United States was launched in South Florida in 1989. Funded by the

Federal Highway Administration as mitigation during the reconstruction of I-95, Tri-Rail began operations between West Palm Beach and Miami on the CSX line that paralleled the corridor. Rail infrastructure maintenance and dispatching were provided by the host railroad; equipment maintenance and operations were contracted out to a third party. While this start-up was thought to be only a temporary service, at CSX's insistence, the Florida Department of Transportation had to purchase the line prior to the inception of the Tri-Rail operation. In retrospect, this undoubtedly helped Tri-Rail to continue in existence long after I-95 had been reconstructed and was once again jammed with traffic.

The Florida service was soon joined by two other new commuter rail operations in 1992: Virginia Railway Express in northern Virginia/Washington DC and Metrolink in the Los Angeles urban area. In Virginia, the infrastructure maintenance was provided by the host railroads (CSX on the Fredericksburg Line and Norfolk Southern on the Manassas Line) while operation of the service and maintenance of the equipment was contracted to Amtrak. In Los Angeles, a similar model was followed with Amtrak operating and maintaining the service while the host railroads maintained the railroad infrastructure.

Throughout the 1990's and the first decade of the 21<sup>st</sup> century, a number of new commuter rail services have come on line in the US and Canada. Each of these services has been challenged by the same questions that the three pioneer modern era services Tri-Rail, VRE, and Metrolink faced – who will operate our services and maintain our equipment and who will maintain the railroad infrastructure. They were also challenged by how to capture the requirements and responsibilities of the service in an agreement that covered all the parties.

The modern era commuter rail service agreement stands in stark contrast to the early purchase of service agreements. Today's agreements tend to be quite lengthy often covering hundreds of pages including detailed appendices. Unlike their predecessor agreements, the modern contract includes:

- Detailed performance standards including number of coaches and locomotives available for each service day, on-time standards, and revenue collection standards.
- Reporting requirements including level of staffing, revenue collection, causes of delays, etc.

- Mandated staffing levels based on train size, anticipated ridership, and other factors.
- Detailed penalty regimes in cases of non-compliance
- Clear expression of the owner's (agency) goals and objectives for the service.

There are also much more complex and time consuming procurement processes that prospective contract operators must comply with to be considered.

### **3. SERVICE DELIVERY MODELS**

Contracts typically are written to cover three broad areas of services required to operate a service: 1) equipment maintenance; 2) maintenance of way (rail infrastructure maintenance); and 3) operations. Other aspects of the service can be included such as station maintenance but that is often handled through separate agreements.

Equipment maintenance focuses on the servicing and maintaining of the coaches and locomotives used to provide the service. This aspect of work may also include non-revenue equipment. The contract is typically all encompassing for normal daily maintenance. The heavy maintenance such as partial or full overhauls is generally handled separately. The parts inventory, lubricants and fuel are inclusive.

Maintenance of Way typically includes everything within the operating right-of-way: track, signals, power, catenary, bridges and structures, and the platforms at stations. As noted, the station buildings and ancillary facilities including parking, pedestrian bridges, and other features located outside the railroad right-of-way are often contracted separately.

Operations include both the train and engine crews to staff the trains as well as the oversight and dispatching functions. This too can further split into the crewing and oversight as one function and the dispatching as a separate function. It often depends on the level of involvement of the host railroad.

In today's commuter rail environment, there are four basic providers of these services:

- Public Agencies
- "Traditional" freight railroads
- Amtrak (US) and VIA Rail (CA)
- Contractors (including joint ventures, special purpose companies and other entities formed to specific provide a service or services)

It should be noted that the Contractors category includes special entities that have been formed as a railroad for the sole purpose of operating a service in a particular area. For example, as will be discussed in Section 4, the commuter rail service in Boston is operated by the Massachusetts Bay Commuter Railroad (MBCR). This entity is a joint venture of three companies, none of which were classified as a railroad. Since the MBTA service is an interstate operation, MBCR was able to obtain the necessary status as a rail carrier by virtue of being awarded the operating contract for this service.

There are two basic service delivery models in use on services in the US and Canada:

- **Bundled Services:** all services are provided by a single entity
- **Unbundled Services:** The services are broken down into multiple contracts – separate contracts for equipment maintenance, operations, and maintenance of way.

There are several instances of slight variations on the Bundled Service package model. In Boston, the MBTA and Amtrak have a separate agreement for the maintenance and dispatching of the Attleboro Line (Northeast Corridor). Under this agreement, Amtrak maintains the infrastructure and controls the movement of all trains along the NEC in Massachusetts. The contractor maintains the rest of the commuter rail system and controls all other train operations including the lines that feed into the NEC.

#### **4. SUMMARY OF CURRENT CONTRACTING PRACTICES**

There are 27 commuter rail services operating in 23 urban areas of the US and Canada as of early 2013. The status of their contracting practices as of December 31, 2012 is summarized in Table 1. The table attempts to offer a broad summary of the status of each systems operation.

In general, there are 14 fully bundled operations. As noted in the previous section, there are slight nuances where one could argue that the operation is not fully bundled. For the purposes of this research, these properties are considered to be fully bundled because: 1) the majority of the operation is under one entity; and 2) the nuances are relatively minor.

The remaining 13 systems are unbundled in varying degrees. Several are fully unbundled where each separate function is provided by a different entity. Others are partially unbundled some of which is by choice and others by circumstances.

Recent trends in the contracting of services have seen a move towards unbundling. Both GO Transit (Toronto) after 40 years and the Tri-Rail service (Miami-West Palm Beach) after 20 years moved in this direction with their last procurements in the 2007 to 2009 timeframe. There is also a trend towards more agency involvement in the provision of the services. At the Utah Transit Authority, agency staff is being used for Front Runner train operations, in Portland (OR) agency staff is being used to maintain the equipment, and in Albuquerque (NM) agency staff performs the train dispatching.

Lastly, the freight railroads are showing a renewed interest. In Seattle, Nashville, Portland (OR), and Minneapolis, host railroads are providing operating crews. Some additional information on several of the properties and their contracting situations is provided in the following paragraphs.

#### **MBTA (Boston)**

The MBTA has always contracted out the commuter rail service since they assumed responsibility for it in 1964. The entities operating the service have included the host railroads, one host railroad operating all lines, Amtrak, and since 2003, the Massachusetts Bay Commuter Railroad. MBCR is a joint venture of three primary companies for the purpose of operating the MBTA service. All equipment maintenance, operations, and right of way maintenance are contracted to MBCR with the aforementioned exception of the NEC. Amtrak maintains the NEC in Massachusetts and controls the operation of all trains on the corridor.

#### **Shoreline East (New Haven – New London)**

CTDOT's Shoreline East Service operates along the Northeast Corridor in southeastern Connecticut. Since the inception in 1990, this service has been fully bundled. Amtrak has been the contract operator, right-of-way maintainer, and the maintainer of the diesel locomotives and passenger coaches.

#### **Metro North Railroad**

MNR was created by MTA for the expressed purpose of operating and maintaining the services on the Hudson, Harlem and New Haven Lines. There are two caveats to the full in-house operation:

- Service west of the Hudson on the Port Jervis Line (which was implemented following the creation of MNR) is provided by NJT. The Port Jervis Line is a natural extension of NJT's Bergen County Main Line service. NJT provides the equipment

Table 1

## Service Delivery Models

Service	Urban Area	Contract Type	Equipment Maintenance	Maintenance of Way	Operations	Notes
MBTA	Boston	<b>B</b>				1
Shoreline East	New Haven – New London	<b>B</b>				
Metro North Railroad	NYC – North and East	<b>B</b>				2
Long Island Rail Road	NYC – Long Island	<b>B</b>				
New Jersey Transit	NYC - NJ	<b>B</b>				
SEPTA	Philadelphia	<b>B</b>				
MARC	DC – Baltimore/Brunswick	<b>UB</b>				3
VRE	DC – Northern VA	<b>UB</b>				4
Music City Star	Nashville	<b>B</b>				5
SFRTA (Tri-Rail)	Miami – West Palm Beach	<b>UB</b>				6
NICTD	Chicago – South Bend IN	<b>B</b>				
METRA	Chicago	<b>UB</b>				
Northstar	Minneapolis	<b>UB</b>				7
Trinity Railway Express	Dallas – Ft. Worth	<b>B</b>				
A-Train	Denton County TX	<b>B</b>				
MetroRail	Austin TX	<b>B</b>				
Rail Runner Express	Albuquerque NM	<b>B</b>				8
Front Runner	Salt Lake City UT	<b>UB</b>				
Souder	Seattle	<b>UB</b>				
Westside Express	Portland OR	<b>UB</b>				
CalTrain	SF – San Jose	<b>B</b>				
ACE	San Jose – Stockton	<b>UB</b>				9
Metrolink	Los Angeles	<b>UB</b>				10
NCTD Coaster	San Diego	<b>B</b>				
AMT	Montreal	<b>UB</b>				
GO Transit	Toronto	<b>UB</b>				
West Coast Express	Vancouver	<b>UB</b>				11

See next page for Key and Notes

Key:

Agency/In-house		All services performed by agency staff
Freight Railroad		“Traditional” freight railroad; typically host railroad
Amtrak or VIA Rail		
Contractor		Non-railroad entity

Notes:

1	By separate agreement, Amtrak maintains and dispatches the Boston-Providence (Northeast Corridor) Line.
2	In CT, the State owns the New Haven Line and all its’ supporting infrastructure. CTDOT has a bundled contract with MNR to operate the service, maintain the equipment, and maintain the ROW.
3	Amtrak provides all three services for MARC’s NEC service; Contractor operates and maintains equipment and host railroad maintains infrastructure on the Brunswick and Camden Line services.
4	VRE contracts with NS for MOW services on the Manassas Line and CSX on the Fredericksburg Line. Amtrak controls and operates Washington Union Terminal and the 1 mile access through the First Avenue Tunnel; the host railroads (NS, CSX and Amtrak) dispatch their respective lines.
5	Host railroad performs all services.
6	There are two separate contractors involved; one contractor is responsible for equipment maintenance the second is responsible for the locomotive and coach crews as well as customer service. CSX dispatches the service.
7	The host railroad BNSF provides the locomotive crews; the agency provides the coach staff.
8	The Agency dispatches the service.
9	The three miles into San Jose are operated over Caltrain owned and maintained ROW.
10	There are four separate contractors involved in the Metrolink’s delivery of services.
11	VIA Rail is the equipment maintainer, CP the operator

and operates the service. MNR maintains the infrastructure.

- In Connecticut, the state owns the rail infrastructure. The DOT contracts with MNR to operate the service, maintain the equipment and maintain the rail infrastructure. Connecticut also has a cost sharing agreement with MTA regarding the purchase of equipment for the New Haven Line service.

**MARC (Maryland – DC)**

The contract operation of part of the MARC service is in the process of changing and presents a situation counter to the increased involvement of US freight railroads in commuter operations. Operation and equipment maintenance for the Brunswick Line and Camden Line, which has historically been provided by CSX or one of its predecessor railroads, is being transitioned from CSX to a contractor,

Bombardier. CSX will continue to maintain the rail infrastructure and control the dispatching of trains. The contractor will be responsible for the maintenance of the Frederick branch of the Brunswick Line, a four mile section of track owned by MARC. The third MARC service line, the Penn Line, which operates over the Northeast Corridor, is operated and maintained by Amtrak. Equipment for the Penn Line service is maintained by Amtrak as well.

**Tri-Rail (Miami – West Palm Beach)**

From its inception in 1989, Tri-Rail used a single contractor to operate its trains and maintain its equipment. Although the Florida DOT purchased the rail corridor from CSX, the freight railroad retained dispatching authority and responsibility for the right-of-way maintenance. In 2007, Tri-Rail separated the equipment maintenance and train operations functions and bid them separately. Bombardier was

awarded the equipment maintenance contract and Veolia Transportation the operating contract in 2007.

**Virginia Railway Express (Northern VA – DC)**

VRE contracts the operation of the service and maintenance of the equipment to an outside contractor. Keolis was awarded the single contract in 2010. The host railroads (CSX and NS) maintain the rail infrastructure and dispatch the trains over their respective lines. Amtrak controls operations at Washington Union Terminal and provides for the mid-day storage of trains at their Ivy City maintenance facility.

**METRA (Chicago)**

There is a wide variety of entities involved with the operation of the 11 commuter rail lines in Chicago. The operation and maintenance of three lines – the West, Northwest, and North Lines – is contracted to the host railroad Union Pacific. A similar arrangement is in-place with the BNSF for the operation and maintenance of the Aurora Line. The purchase of service agreements with UP and BNSF includes the provision of railroad employees to staff the trains. Metra operates service on the remaining seven lines but does not directly control all aspects of the operation as noted below:

- Metra Electric Service (University Park, Blue Island and South Chicago) – The line is owned, dispatched and maintained by Metra.
- SouthWest Line (Manhattan) – The majority of the line is owned by Norfolk Southern. Metra does own a short segment of the corridor. Metra leases the line from NS who retains dispatching authority and right-of-way maintenance.
- Milwaukee District North (Fox Lake) – Metra owns and maintains the line but the former freight rail owner Canadian Pacific retains dispatching responsibilities.
- Milwaukee District West (Big Timber) – Metra owns and maintains the line but the former freight rail owner Canadian Pacific retains dispatching responsibilities.
- Heritage Corridor (Joliet) – The tracks are owned and maintained by Canadian National who also controls operations. There is a short section of UP owned track in Joliet from Jackson Street to Joliet Union Station over which the service operates.

- Rock Island District (Blue Island and Joliet) – Metra owns, maintains and operates this line.
- North Central Line (Antioch) – Metra’s newest commuter rail line (1996) operates over tracks that are owned and maintained by Canadian National. CN also dispatches all trains that operate over this route.

Both the UP and BNSF maintain the rolling stock in facilities either owned by Metra or the host railroad. Metra maintains the equipment for all the other lines. All heavy locomotive/coach repairs for all services are done at Metra’s 47th Street Shop (Rocket House) on the Rock Island District.

Another interesting aspect of the Chicago service is the operation of the four downtown terminals:

- Millennium Station/Randolph Street – the terminal is owned and operated by Metra
- Union Station – Amtrak owns the terminal and controls its operation
- Ogilvie Transportation Center – UP owns the terminal and provides the station staffing
- LaSalle Street Station – the terminal is owned and operated by Metra

At the outlying suburban stations, Metra provides the ticket agents except on the UP and BNSF operated lines.

**Northstar (Minneapolis)**

Northstar has a hybrid contracting model. The host railroad (BNSF) provides the locomotive engineers while the agency provides the train staff. BNSF also dispatches the trains and maintains the right-of-way. The agency is responsible for maintaining the equipment in a facility and yard the agency owns.

**Westside Express (Portland OR)**

The Westside Express service is operated by the host railroad who also maintains the right-of-way. Equipment maintenance is performed by agency staff.

**Metrolink (Los Angeles)**

Metrolink has been one of the most unbundled services since its inception in 1994. While the entire operation is contracted out, it is done four separate packages. The operation of the service is contracted to Amtrak. The equipment maintenance function is contracted to Bombardier. An interesting facet of the equipment maintenance function is that Metrolink shares the Stuart Mesa Facility with NCTD’s Coaster service (NCTD owns the facility). Bombardier is

NCTD’s equipment maintenance contractor. Lastly, the infrastructure maintenance is broken into two contracts: 1) the signal and communications system maintenance is handled by Mass Electric Construction Company. The track and structural maintenance is contracted to Veolia Transportation and Maintenance Infrastructure.

**GO Transit (Toronto)**

At GO TRANSIT, there are separate agreements for the operation of the service and the maintenance of the equipment. Similar to Tri-Rail, GO Transit separated the train operations from the equipment maintenance function in 2008. The present situation however has the same company (Bombardier) providing the services for the two separate contracts, with the exception of train operations on the Milton Line which are still provided by the CP. Infrastructure maintenance is split three ways: GO Transit now owns 67% of the lines over which its trains operate and contracts that maintenance out to an infrastructure maintenance contractor; CN maintains the lines which it still owns and the CP, which still operates the trains on the Milton Line, also owns and maintains that line.

**5. LESSONS LEARNED**

As summarized in Section 4, there are a variety of approaches to the contracting of commuter rail service that have evolved over the past 40 years. Since the late 1980’s and early 1990’s, which the advent of “New Start” services, outside contractors (non-railroad entities) have become a much bigger player. These non-railroad entities have offered the industry a different way to look at the traditional delivery of services. These different approaches have offered features not previously considered or included by the agencies responsible for the services.

Of all the various new features that have become part of commuter rail contracting, perhaps the two that would have been the most difficult to predict are:

- “Unbundling” a service to create the service delivery situation where different functional providers provide only that element of the service.
- At “New Start” systems, the involvement of agency staff in providing key service functions such as equipment maintenance and in some cases working on the trains.

What we can learn from these situations, exemplified by GO Transit, Metrolink and Tri-Rail, in with unbundling services and West Side Express, Front Runner and ACE in the use of agency staff, is

that these are real options for agencies and transit authorities looking to have greater control and flexibility over their contractors and to be more involved in the day-to-day provision of their services. After all, it is the agency or the authority that, in most cases, the public identifies with and holds responsible for the quality and the safety of the service. One solution is to have a very tight operating agreement, with performance standards, penalties and incentives. Another is to perform certain functions with your own employees, which can produce an even higher, more immediate level of responsiveness than the most stringent contract. Agencies such as those mentioned above have given every entity contracting for commuter rail services something to think about in planning the way in which it will obtain all of the necessary elements of its commuter rail service.

With both the unbundled concept and the greater involvement of agency staff in the delivery of service, the agency must be:

- prepared to manage multiple service providers,
- prepared to adjudicate swiftly and effectively the almost inevitable “blame game” that can result from having more than one contractor involved in daily service, and
- willing to accept responsibility when things go wrong involving agency employees and to take equally swift, effective steps to correct the situation and prevent a recurrence.

If nothing else, the evolution in the operation of commuter rail services has led to a number of fundamental questions that each agency needs to consider when evaluating the options for the operation of their service. These germane questions related to the lessons learned from the past several decades of commuter rail contracting are summarized as follows.

**How is the contractor’s scope of services established?**

While there can be many factors affecting the decision as to what elements of the service to include in a contractor (or contractors) scope of services, perhaps the most prevalent include:

- the extent to which the agency owns and/or controls the service assets,
- the ability of the agency to be involved in the service even to the extent of providing front-line employees as described above, and

- the extent to which the commuter rail service may affect other transportation services provided by the agency.

**How does the owner know that work is being completed?**

This is a key question, one which revolves around the flow of service-related information to the agency from the contractor on a frequent, comprehensive basis. Getting enough information in a timely fashion can be a challenge. A recent development at VRE over the past three years has been the implementation of a management and information reporting system that is web-based and that provides service-related information to the agency simultaneously with it being reported to contractor management team.

**How is extra work compensated?**

Every commuter rail operating agreement has a provision for service changes, extra work, supplemental work, support work, additional service, etc. At least on paper, this is an aspect of commuter rail service contracting that works—or should work—relatively well. Interestingly, in some cases, fixed price contracts have cost-plus extra work provisions.

**What are the practices in contract management oversight?**

They vary from agency to agency, but the presence of a small, dedicated management group or department within the contracting agency that does nothing but monitor and oversee the commuter rail contractor(s) is a universal phenomenon. Strong agency presence in the capital planning for the service is common. Agency presence on the trains, in the service facilities, and on the service property tends to be more uneven.

**How effective have the new service delivery models been?**

The answer to this question would have to be subjective, but, as demonstrated in this paper, the commuter rail industry as a whole has been enjoying solid success, in terms of ridership, customer satisfaction, safety (with a few notable exceptions) and service quality over the past decade. Sixteen of 17 “New Start” service that have commenced operations since 1989 are still in operation and most have increased/expanded service since the beginning of operations.

**What are the current Best Practices for contracting out commuter rail service?**

Without oversimplifying, the answer to this question varies from agency to agency and from contract to contract. We did not find a single agency, of the several that we consulted, that was preparing a major change in the type of contract that it employs and/or in the manner in which the various services provided by contractor(s) are obtained. For example, GO Transit, mentioned above for its recent inclusion in the “Unbundled” group, does have the capability of combining its two principal contracts but does not have any imminent plans to do so.

What does appear to be universally applicable to the contracting process, however, is the need for the contracting agency to determine:

- what it is trying to accomplish through the process
- what its goals and objectives are and that they are clearly stated and recognized
- what type and duration of contract best fits the needs of the agency and of its commuter rail service
- what, if any, functions/services, within the overall commuter rail service does the agency want to provide with its own employees
- what the agency will need to do to effectively monitor and manage the contract. For example, how many agency contract management personnel will be dedicated to contract oversight and what will their specific duties and responsibilities be? Also, what kinds of performance measurements will be put into place? A few statistical measurements, often referred to as Key Performance Indicators, or KPI’s, in use in several contract commuter rail services, are:
  - Safety, generally measured in terms of accidents, injuries, incidents, regulatory violations, etc.
  - Performance, generally measured in terms of on-time performance, equipment reliability and availability, overall cleanliness, etc.
  - Improved Customer Service/Customer Satisfaction
  - Cost Effectiveness/Improved Asset Utilization

- Responsiveness to the agency and flexibility, when requested to make changes or provide additional services
- if there is one, what the involvement of the host railroad will be and what form of commitment (e.g., contractual, lease arrangement, etc.) will be in-place to assure that the host railroad is a cooperative partner in the delivery of service.

Once, all these determination have been made, there are numerous ways to go about learning more from the industry regarding the contracting methodology and the type of contract an agency is thinking about utilizing. One of the benefits of having such a rich, varied contracting experience in commuter rail is that, in all likelihood, whatever you're thinking about doing, someone out there is already doing it and you can go and talk to them, observe how their contract operation and contracting relationship is working out, what their lessons learned are, what they would and wouldn't change if they could and then factor all that into your own process.

### **What lessons have been learned from the past 30 years of industry experience?**

The most important lesson learned by the commuter rail industry through three decades of experience in contracting for services may well be that you can tailor an approach that best fits your needs, your resources and your goals and objectives. There is no one-size-fits-all limitation in these types of process. As discussed above, contracting agencies have learned that they can have one provider or multiple providers for their essential commuter rail operational and maintenance requirements, that they can have their own employees involved or not involved in the day-to-day services and that they can demand that their contractor(s) be responsive to them, be willing to make changes and assure an adequate and ongoing flow of service-related information back to the agency.

Perhaps another way to express this key point is to say that agencies have learned that the commuter rail services which they own, sponsor and fund are truly their service, with their names on the trains and a riding public that looks to the agency for the safety and quality of the service. To fulfill this responsibility, they have a number of contracting options to consider.

## **6. SUMMARY**

The discussion presented in this paper begins in the 1960's, at a time when there were only a handful

of cities/metropolitan regions that still had commuter rail service, all of which were operated by the railroads that owned the lines over which these services ran. To call commuter rail service at that time a "for profit" enterprise would be a grossly misleading statement. Today, nearly four times as many cities/metropolitan regions have commuter rail services, with 16 of North America's 27 services newly-established since 1989. Moreover, it is a thriving business, as far as ridership is concerned; the ten years from 2003 to 2012 saw an overall commuter rail ridership increase in the US of 15%, from 406.8 million riders in 2003 to 466.4 in 2012. The days of far fewer than a million commuter rail riders a day, with two-thirds of those in the New York City region, are long gone. Commuter rail is now a national mode, capable of surviving in South Florida, Southern California and deep in the heart of Texas.

Along with this growth, or perhaps a root cause behind the growth, have come changes in the service delivery models. While there were just a few railroads involved in providing these service in the 1960's—and just one model of service delivery--today, as is shown in Table 1, there are almost as many approaches to service delivery as there are new services. There are public agencies, several of which didn't exist in the 1960's, providing commuter rail services with their own employees. There are companies (non-railroad entities) providing these services that also operate bus services, build locomotives and coaches, and provide construction services. There are individual companies providing an entire service and a range of multiple companies combining to do the same thing.

Today, there is very little that is "standard" about the provision of commuter rail services. From do it yourself to contract it out, from "bundled" to "unbundled", from railroad to non-railroad providers, from fixed price to cost-plus (to fixed price/cost plus) types of contracts, from five year to 20 year contract terms, anything and everything can be different about the way in which the commuter rail train that you are riding on got to the station where you boarded (which may or may not belong to the agency responsible for the service).

Which of the above is the best way for any given agency in any given city to provide its commuter rail service? There are no clear cut answers to that question at this time. What appears to be clear though is that commuter rail is an increasingly popular mode of public transportation that can survive and succeed in a wide variety of settings. Since 1989 and the beginning of the "New Start" era of commuter rail ,

the scorecard reads 16 to 1 for successful and ongoing commuter rail systems. It seems that, while we may not be entirely sure what it is, we are doing something right.