

**TESTIMONY OF STACEY MORTENSEN**  
**EXECUTIVE DIRECTOR FOR**  
**SAN JOAQUIN JOINT POWERS AUTHORITY**  
**U.S. HOUSE TRANSPORTATION & INFRASTRUCTURE COMMITTEE,**  
**SUBCOMMITTEE ON RAILROADS, PIPELINES AND HAZARDOUS MATERIALS**  
**ON**  
**AMTRAK NOW AND INTO THE FUTURE**

**November 13, 2019**

**SUBMITTED BY**



**SAN JOAQUIN JOINT POWERS AUTHORITY (SJJPA)**

**949 EAST CHANNEL STREET**

**STOCKTON, CALIFORNIA 95202**

**800-411-RAIL (7245)**

SJJPA is a regional government agency tasked with the administration and management of existing intercity passenger rail service in the San Joaquin Corridor. For more information, visit [sjjpa.com](http://sjjpa.com).

Good morning Chairman Lipinski, Ranking Member Crawford, and Members of this esteemed Subcommittee. My name is Stacey Mortensen and I am the Executive Director of the San Joaquin Joint Powers Authority (SJJPA), which oversees a state supported Amtrak route known as the San Joaquin service. I also serve as Executive Director of the San Joaquin Regional Rail Commission (SJRRC) which oversees the successful Altamont Corridor Express (ACE) commuter rail service. Both services run through California's Central Valley and into the metropolitan areas of Sacramento and the San Francisco Bay Area. Through these two roles, I have developed a unique perspective on the differences between managing Amtrak on a state/locally funded service and managing Herzog Transit Services Inc. (Herzog), a private contractor, on a state/locally funded service.

Let me first begin by commending the tremendous leadership of Congressman DeSaulnier, who is our valued resource on all transportation issues affecting the greater San Francisco Bay-area. We are honored to have the opportunity to serve his constituents on the San Joaquin route. We would also like to thank our local representatives Congressman Harder and Congressman McNerney, who have been tremendous advocates for increased rail service around the greater Stockton-area. Congressman Harder has also been a tremendous asset to us as we continue to work together on potential legislative solutions to ensure efficient and cost-effective passenger rail in the Central Valley.

In 2012, the California legislature passed AB 1779 to protect and improve existing rail service through the San Joaquin Corridor. The San Joaquins have been entirely funded by the state for many years. The corridor runs up the Central Valley from Bakersfield to Stockton and then splits to take riders to Sacramento or Oakland. The route spans 365 miles and has 18 stations. The San Joaquins are Amtrak's sixth-busiest state supported service and include a \$25 million per year Connecting Bus program, which is as big or bigger than many of the other state supported routes. During fiscal year (FY) 2018, the San Joaquins carried 1.1 million passengers and the state provided nearly \$46 million in subsidies. State funding for FY 2020 is projected to exceed \$50 million. AB 1779, enabled regional government agencies to form the SJJPA to more actively manage the service and create better responsiveness to passenger needs. However, the structural limitations of our Amtrak contract coupled with the Passenger Rail Investment and Improvement Act (PRIIA) Section 209 cost methodology process has rendered our reorganization effort nearly useless.

My experience leads me to a tale of two services. I was part of the start-up of the ACE commuter rail program in 1998 and through a competitive solicitation, we selected Herzog as our operations and maintenance contractor. ACE has 4 weekday trains in the peak period and runs over an 86-mile route between the Central Valley and Silicon Valley. ACE trains carry 6,500 daily passenger trips and over 1.5 million riders annually. This nearly equals the ridership of the Capitol Corridor, Amtrak's 4<sup>th</sup> busiest route with 15 daily trains running 7 days a week.

With Herzog as our ACE partner, we collaborate daily on fleet deployment issues, such as bike cars, where we often need to accommodate over 250 bikes each way on just four trains. Other daily and weekly collaboration efforts include evaluating on and offs at station locations to assess dwell time issues, developing custom public address announcements, often with only a few hours' notice, to ensure our customers are informed of critical information, and determining whether or not we need additional fare inspectors based upon passenger loads. We evaluate the condition of the fleet, schedule overhauls and minor modifications together and jointly budget for annual capital expenditures. We regularly meet to evaluate vacant positions, new positions and the performance of staff, in both agencies. Herzog prides themselves on coming in under budget and returning unused public funds, allowing us to further improve the ACE service for the riders.

The dedicated Herzog employees are represented by the Northern California Carpenters Regional Council (NCCRC). The Carpenters have been a tremendous partner in supporting passenger rail efforts across Northern California and we have greatly benefitted from their members' commitment to safety, efficiency and on-going skill building. Herzog performs as an extension of our agency and as a reflection of the goals and objectives of our Rail Commission governing board. The relationship with Herzog has been an instrumental part of the ongoing and growing ACE success.

Additionally, we work closely with our host railroad partners in the ACE corridor – Union Pacific and Caltrain – and appreciate those relationships. Despite being a smaller railroad agency, we have had a very successful history with Union Pacific in terms of access agreements and mutually beneficial network improvements. Our long partnership ensured implementation of Positive Train Control (PTC) within the mandatory deadline last year. We recently launched our first Saturday service and look forward to continually improving and expanded our service to meet the needs of the region.

In summary, the ACE is serviced by a responsive contractor that is motivated to achieve our shared goals and objectives in a cost-effective manner, and host railroads who find value in our partnership and work to make our service a success.

The tale of the San Joaquin Amtrak service began even before the state legislation in 2012. Significant state funding had been invested in the rail network and Amtrak's annual operating costs were escalating quickly. Yet, despite the investments and rising costs, on-time performance was on the decline and no new service had been introduced in over 10 years. The goals of the new governing board were reasonable: normalize the San Joaquin expenses closer to the services being provided, and form a direct working relationship with Burlington Northern Santa Fe (BNSF) Railway, similar to our successful and valued relationship with Union Pacific.

However, we have encountered significant, structural challenges with our attempts to manage the San Joaquin service. Amtrak's lack of data transparency, resistance to data sharing and

collaboration, inability to fairly determine a cost sharing formula and, higher-than-average costs when compared to other public passenger rail services has caused our agency to question the future viability of the service under this structure. Going back to the days of Mr. Joe Boardman, our agency has repeatedly requested critical data sharing information; explanations of significant cost increases; resolution of repeated Food and Beverage losses of \$2-2.5 million annually; increased involvement in host railroad incentive payments; collaboration in the maintenance procedures on the state-owned equipment; and a rationale for why service cuts end up costing as much or more than the previous service. In a recent meeting with Amtrak, I was told very directly that service cuts or reducing the number of railcars used would not necessarily save us any money. I find that absolutely astonishing. Further, attempts to discuss these issues with Amtrak's leadership are often met with resistance and defensiveness and have left me with the impression that they feel our agency has no right to involve ourselves in something they see as their own service, despite its state/local funding source.

This critique of national Amtrak is by no means intended as indictment of the hard-working men and women of Amtrak in California. In fact, there have been several local Amtrak personnel who have tried to swim upstream on our behalf and their efforts are greatly appreciated. But, the fact of the matter is local Amtrak employees are held hostage to a broken national structure. When it comes to any of our requested changes, the structural limitations of Amtrak have crushed any attempt at resolution, despite having local Amtrak employee buy-in. We have been struggling for several years to justify the continued, disparate financial burden the Amtrak contract places on California taxpayers.

In summary, San Joaquin service is run by an operator that firewalls staff from meaningful collaboration, follows its own goals and objectives that may not be compatible with the San Joaquin governing board, is unable to make service adjustments to control costs, and creates a barrier for direct discussion with the host railroad. And since we have not made any headway with Amtrak changing some of its practices, I believe we have been forced into looking for a different operator for this service.

As this Subcommittee is well aware, these issues with state supported routes are neither novel nor isolated to our experience. In 2016, the Government Accountability Office (GAO) conducted a study to review Amtrak's efforts to reorganize and implement PRIIA provisions intended to reform it. The report found that "Amtrak has not developed clear information detailing the specific costs and activities," of its state supported route segment and that "several material weaknesses and significant deficiencies" have hindered Amtrak's ability to create consistent and timely accounting documents and financial information to support service decisions.

The GAO report also highlighted several complaints from our sister rail agencies and state Departments of Transportation (DOT) over cost and transparency issues. In some cases, certain state DOTs reported that Amtrak nearly doubled their taxpayer cost burdens for their state supported routes from year-to-year. Since the PRIIA 209 program requires states to pay whatever

costs Amtrak identifies, there is no real incentive for Amtrak to hold down costs or find ways to perform its work more efficiently. These trends are particularly troubling considering that Amtrak's leadership has identified routes between 100-400 miles as a growth opportunity for the corporation<sup>1</sup>. If Amtrak does believe these routes are a growth opportunity, this Congress must require Amtrak to undergo significant changes to ensure it is also a steward of local and state taxpayer dollars and ensures their dollars do not subsidize Amtrak's other business segments, which already receive ample federal subsidies.

Our main objectives in overseeing the two passenger rail services entrusted to us is to set reasonable and transparent expectations for the service, contract with qualified entities to provide the service, and pay those contractors and workers fairly for the service provided. Recently, our team utilized aggregated data from the Federal Transit Administration's (FTA) National Transit Database (NTD) to compare the costs of our commuter rail service to our commuter rail peers and to our San Joaquin Amtrak route. Our initial findings were shocking. For 2018, we found that Amtrak's costs were triple the costs of our ACE service – on a per passenger mile basis. In our role as stewards of state taxpayer money, we are struggling to find any legitimate justifications for Amtrak to charge an operation cost that is three times more expensive than our unionized private contractor for our ACE service – both of which are funded by the people of California. Despite this disheartening cost disparity, we have continued to meet all of our Amtrak state supported route contract requirements and Section 209 payments.

We appreciate our burgeoning relationship with the BNSF, as they host the majority of the San Joaquin service over their network. But we find that with Amtrak in the middle, mixed signals are often sent about the service priorities and performance incentives. Further, we have no issue with paying our fair share to access infrastructure owned by private entities and value creating propositions for both private companies and California intercity passenger rail travelers.

Our experience with our state supported route has led us to believe that we can do a better job of providing publicly funded intercity passenger rail services, that make the best use of state taxpayer dollars and provide strong labor protections, by contracting out, rather than continuing our agreement with Amtrak. While Section 217 of PRIIA allows us to contract out our service today, we believe Congress could ensure certain operating capacity and labor and safety requirements on the part of a state rail agency and certain cooperation requirements on the part of Amtrak to protect intercity passenger rail service from disruption, in a contracting-out scenario. Again, our issues have never been with the local Amtrak personnel and we would suggest displaced Amtrak workers maintain hiring preferences with whomever wins an intercity passenger rail contract.

We believe we already meet any potential threshold for making capital improvements in the San Joaquin corridor, and we continue to meet and exceed stringent Federal Railroad Administration

---

<sup>1</sup> Saporta, Maria. "Why Delta's Richard Anderson Went from Planes to Trains." Atlanta Business Chronicle. 27 Sept. 2017.

(FRA) standards for the ACE System Safety Program Plan, and have the personnel and policies in place to complete the same program for the San Joaquins. We constructed our own maintenance facility to service ACE trains in 2014, and it will soon expand its services to begin safety testing and preventive maintenance for new Siemens railcars that will be utilized on the San Joaquin route. We are proud this facility houses nearly 80 jobs for Herzog, SJJRC, and Siemens employees. We believe this investment in a state-of-the-art rail maintenance facility is a type of capacity investment that Congress could require of state rail agencies that contract out, to ensure they are capable of effectively managing and maintaining their state supported route. Additionally, our enabling state legislation contemplated the future potential for contracting out and, in consultation with labor groups in California, includes a provision for compliance with the Railway Labor Act.

In conclusion, we have experienced *A Tale of the Two Services*. One service contractor focuses on responsiveness, data sharing, collaboration and shared performance expectations. Costs are rational, correlated to actual service and developed jointly between the two partners. This service is growing.

The other service contractor overly focuses on protecting its *proprietary* data, solely determines resource allocations and planning decisions, and has no shared performance objectives. Costs cannot be rationally tied to actual service and cost methodologies cannot be developed jointly. Due to these factors, service is declining.

We cannot, in good conscience, continue with the current Amtrak arrangement knowing that we have no way to control costs or improve the service, and that meanwhile we are burdening taxpayers with three times the cost for a comparable service. We have made every possible attempt over the last several years to request that Amtrak meet us in the middle, but have made no progress. In fact, we have no issue with Amtrak making a profit – as any corporation should be able to – but not at the expense of transparency, collaboration, and fairness. We would like to begin the process of contracting out and ask for your assistance and guidance to ensure there are no related service disruptions. We look forward to working with this Subcommittee as it contemplates surface transportation and Amtrak reauthorization bills in the coming months.

I look forward to answering any questions the Subcommittee may have about our story and unique experience managing two, publicly funded passenger rail services.