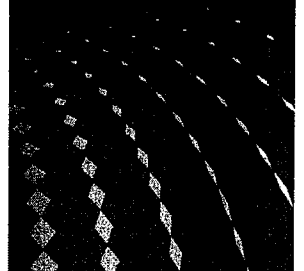


Amtrak Presentation To  
SCRRA  
Board of Directors  
On  
Metrolink Operations

July 10, 2009





## **AMTRAK'S PRESENTATION ON METROLINK OPERATIONS**

Amtrak, the nation's intercity passenger railroad and the largest contract operator of commuter rail service in the United States, is ready and able to assist the Southern California Regional Rail Authority (SCRRA) with the future operation of Metrolink service. Our extensive operating experience, excellent safety record, and talented and committed workforce make Amtrak the lowest-risk rail service provider in the marketplace, offering unmatched value and unparalleled abilities which can significantly benefit your organization.

On June 26<sup>th</sup>, the SCRRA Board of Directors asked Amtrak to submit a presentation by July 10, 2009 regarding Amtrak's interest and ability to provide train crews to operate all Metrolink services for the Board's consideration. The following document responds to this request and provides the Board with an overview of the unique abilities and strengths that Amtrak offers. While the expedited timetable for the assemblage of this presentation did not allow us to fully enumerate all of our competencies, we are confident that, even at the high level of this presentation, the benefits of partnering with Amtrak are apparent. Amtrak is extremely interested in operating Metrolink services and is fully capable of doing so at a fair price. Choosing Amtrak as a partner at this critical juncture will help the SCRRA provide the highest level of quality commuter rail service while it carefully addresses its long-term options.

The presentation that follows is intended to assure the SCRRA that Amtrak is committed to meeting its needs now and well into the future. There are many ways Amtrak will bring added value to the SCRRA. These are but some:

### **Experience and Commitment of the Company**

Amtrak has been the nation's intercity passenger rail service provider since 1971. We safely operate over 300 daily intercity passenger trains which, in fiscal year 2008, carried 28.7 million passengers – our sixth straight year of growth. We operate these services over 22,000 route-miles of track and serve more than 500 communities in 46 states.

Amtrak also operates state-supported intercity passenger rail service for 14 states and two authorities, including the State of California.

In addition to these intercity services, Amtrak commuter rail services are a major focus of our company. Amtrak has been in the commuter rail business since 1983, providing a range of contract services across the nation. Six commuter rail agencies currently depend on Amtrak for various services including Caltrain (San Francisco), MARC and the Virginia Railway Express (Washington D.C.), Shore Line East (Connecticut), Sounder (Seattle), and Tri-Rail (Florida). An additional eight commuter railroads operate trains over Amtrak-owned, maintained, policed, and dispatched track. In fact, a majority of commuter rail agencies in America rely on Amtrak for some level of access to infrastructure or services, including maintenance-of-way, maintenance-of-equipment, train operations, right-of-way access, security, ticketing, traction power, stations, and dispatching.

We believe that Amtrak is the nation's largest contract provider of commuter services, because, despite our size and breadth, our railroad remains focused on meeting the needs of our partners and providing strong value and customer service. Amtrak does this in a competitive environment and has successfully competed to provide services in so many parts of the country, for so many types of services, because of this focus and flexibility. Amtrak's employee unions share our excitement and interest in seeking commuter rail opportunities and recognize such potential clients have distinct needs and requirements. As a result, Amtrak's management and employees, and our employees' unions, work together to provide the highest level of service through cooperative partnerships with our clients and we are confident we have the knowledge and skills to deliver a high-quality commuter rail operation of any size in any region of the country.

This summary of Amtrak's experience must include its close involvement with passenger rail throughout California, and specifically in southern California. For 38 years Amtrak has operated four east-west, long-distance passenger trains serving the state, as well as the north-south Coast Starlight service. It has also operated California's state-supported Pacific Surfliner, Capitol Corridor, and San Joaquin Corridor services from their inceptions. Amtrak has operated the Caltrain commuter rail service since 1992, San Diego's Coaster service from 1995 to 2006, and Metrolink's service from 1992 to 2005. Many Amtrak staff and train crews take pride in the role they played helping both the

SCRRA and the North County Transit District (NCTD) build their exceptional commuter rail systems.

Presently, three of Amtrak's six busiest rail corridors are in California. The "LOSSAN Corridor" is Amtrak's second busiest. The tremendous success of this route would not have been possible (and for many years was not) without the leadership of SCRRA and its member agencies. Amtrak also appreciates the SCRRA's central role in the region's passenger and freight rail operations. In this regard, SCRRA is like no other commuter rail agency in the United States and the level of integration of Amtrak's long-distance and Surfliner services with SCRRA's commuter rail operations has already created a beneficial and successful relationship between our organizations.

The foundation of this relationship and any new partnership that Amtrak and the SCRRA may develop is the substantial base of Amtrak employees in southern California readily available to support our intercity operations. We believe that both Amtrak and the SCRRA can benefit from the strengths and economies of a cross-qualified workforce. While the most visible members of this workforce are our train and engine crews, Amtrak has a broad and varied team of rail experts in southern California. In addition to our desire to operate the Metrolink commuter service in the short term, we aim to offer this broader workforce to the SCRRA for the maintenance of equipment and rights of way over the long term, as we believe such operational integration will provide significant safety and efficiency gains. Because of this longer term interest and because the development of intercity passenger rail service in the LOSSAN Corridor is of strategic interest to Amtrak, we approach this opportunity with flexibility and a willingness to consider special arrangements, including alternate liability arrangements, in order to forge a lasting partnership.

Amtrak and the SCRRA will be operating passenger trains together in southern California for decades to come. For this reason if for no other, Amtrak is committed to help the SCRRA in any way it is able.

### **Qualifications and Experience of Amtrak's Staff**

Nationwide, Amtrak employs more than 19,000 highly-skilled and continuously-trained railroad professionals, including more than 3,100 locomotive engineers and conductors at 68 different crew bases. Included in this pool of employees are managers and

supervisors, and various craft employees adept in the maintenance of equipment, maintenance of way, train dispatching, ticket sales, procurement & materials management, and police services. Of the national total, 187 locomotive engineers and conductors are based in southern California.

Because of Amtrak's size at both the national and local levels, it has developed well-established processes for hiring, training, qualifying, and monitoring staff. These processes have been enhanced over time, through experience gained from years of working in the field with the Federal Railroad Administration (FRA), other regulatory agencies, and local clients. Amtrak's long and cooperative relationship with its employee unions have helped to build these successful processes and create an environment in which our employees enjoy stability, good benefits, and opportunities for advancement. Many of our employees have also had experience working with other service providers and they express to us a strong preference for Amtrak employment.

Amtrak's employee training program is designed to achieve the appropriate set of qualifications, skills, and temperament for services like those operated within the Metrolink system. Of top priority in this training is the safety of our employees, customers, and the public.

Nearing equal importance is customer service. We recognize that the hiring and training of qualified and talented staff are the keys to ensuring competent and courteous service. All Amtrak employees assigned to interact with customers are carefully screened during the hiring process to ensure they possess the necessary customer service skills initially and the commitment to build on those skills throughout their careers.

But Amtrak is not satisfied to stop there, as all of Amtrak's train and engine employees also undergo extensive, on-going mandatory training to assure their complete qualification as well as an understanding of good customer relations. For example, in 2003 Amtrak implemented Block Training, which requires employees to spend days away from the work place for focused training in an uninterrupted environment. The course intentionally commingles employees and managers from various crafts and is structured to deliver training focused on safety; customer service; effective leadership and decision-making skills; emergency response, accessibility requirements and other topics.

Most Amtrak employees in southern California are already familiar with Metrolink service due to the confluence of commuter rail, intercity rail, and long-distance passenger trains in the region. A number, in fact, have already worked directly on the Metrolink or Coaster services. As they have in the past, Amtrak-trained employees will invariably form the core of any future workforce needed to operate Metrolink trains and we believe that these employees typify the type of safe, courteous, focused, and disciplined train crew members that the SCRRA is looking for.

A large majority of Amtrak's employees are represented by railroad labor unions. Relationships between management and represented employees have evolved over decades into a strong partnership and an understanding of the needs and constraints that each group faces. Together, we have forged innovative arrangements to help Amtrak win commuter operating contracts and we stand ready to work with our unions to meet the needs of the SCRRA. If the SCRRA brings commuter rail operations in-house, it too will have to negotiate with the same unions. Such discussions are likely to take significant time and effort and we believe our existing relationships with these unions offers the SCRRA a better option. SCRRA staff may do a fine job, but it would lack Amtrak's collaborative history – and be under a July 1, 2010 deadline to start service.

In short, Amtrak has – and will always have – processes in place locally to hire, train, qualify, and supervise locomotive engineers and conductors for its passenger trains. These employee attributes are the same ones needed for Metrolink's commuter rail service. It is certainly possible for SCRRA to establish similar processes and experience but doing so in the short-term is likely to be a difficult undertaking.

### **Amtrak's Emphasis on Safety**

Safety is and will remain Amtrak's all-encompassing priority. Amtrak views safety as a work in progress, a responsibility shared by all employees and managers, and a joint effort between labor and management, where the ultimate goal is to eliminate injuries and accidents. Amtrak employees recognize the importance of constantly observing all aspects of the service so that problems can be identified and resolved before they cause trouble. Our commitment to safety and the effectiveness of our safety focus can be seen in our safety record. Prior to the implementation of Block Training, Amtrak's goal was to

achieve a 4.0 ratio of injuries per 200,000 man hours. For 2009, the ratio is an impressive 1.6, a reflection of the downward trend seen as a result of this safety training.

Amtrak has developed well-established tools and protocols that managers use to measure safety, quality assurance, regulatory compliance and service delivery. Using these tools enables Amtrak to track, analyze, and identify trends allowing for corrective measures on an individual or system-wide basis.

One such tool is Amtrak's acclaimed **Total Efficiency and Safety Tests System (TESTS)** program, which monitors and records work practices and protocols of craft employees through daily field and face-to-face observations (including on trains). The TESTS program can also be used to monitor other SCRRRA contractors and the freight railroads. The TESTS program is designed to:

- Avoid train accidents, employee and passenger injuries, and damage to railroad property by assuring that employees are correctly complying with all operating rules, special instructions and air brake and train handling rules
- Comply with 49 CFR Part 217.9, which requires each railroad to conduct operational tests and periodic inspections to determine the extent of compliance with its Code of Operating Rules, Timetable Special Instructions, and FRA Emergency Orders
- Encourage FRA, California Public Utilities Commission and other entities to jointly perform testing in a collaborative effort to display a united front in train operations

The TESTS program includes quarterly testing of engineers and conductors, quarterly radar testing of engineers for speed compliance, semi-annual speed/event recorder testing of engineers, quarterly restricted speed tests, and quarterly joint testing of other railroad entities' employees. Once recorded, all TESTS results remain permanently on an employee's record and are subject to review by the FRA. The results of all TESTS are recorded in Amtrak's mainframe system and require a compliance code in one of four categories, ranging from "demonstrated full compliance" to "major rule violation" (or third infraction of minor deviation). The latter category may warrant disciplinary action and/or removal from service.

Another tool is the **Transportation Department Review System (TDRS)**, which is used by managers to observe and record safety and established customer service policies and procedures. In July 2008, Amtrak's Southwest Division managers and supervisors used the TDRS program and made direct observation and interaction with over 85 percent of Amtrak's workforce. This program contributed to the substantial decline in safety-related incidents that Amtrak had experienced.

Part of good management is to have a good program of quality assurance. Besides the above tools, Amtrak utilizes the following additional quality assurance tools:

- Joint management/labor productivity meetings
- Safety committees
- Aggressive investigation of customer complaints for validity and timely action
- Customer service improvements identified through communication with passengers and agency employees
- Amtrak's well-established and positive relationships with freight partners and regulatory agencies
- Monthly meetings among Amtrak and third-party contractors to discuss operational and safety issues. These meetings allow for the coordination of strategies that will improve safety and minimize service impacts
- Standardized training and qualification of crews
- Crew Resource Management (CRM) safety techniques
- Fitness for duty testing and evaluation programs
- Random drug tests
- Block Training
- Deployment of Job Briefing forms
- Operation RedBlock, Amtrak's successful drug and alcohol prevention program.

Finally, it is important to note that Amtrak will not hesitate to implement corrections by using the appropriate management process, including formal discipline.

Again, Amtrak has developed sound training and supervisory tools based on nearly four decades of experience with an emphasis on employee and passenger safety. In time, the SCRRA will be able to do the same, but time is short and the stakes are high. Amtrak believes that the SCRRA could improve safety performance with less effort and lower risk by taking advantage of Amtrak's highly-trained existing staff and well-developed safety processes.

### **Amtrak's Status as a Railroad Operator**

Amtrak has been operating the nation's intercity passenger rail service for nearly four decades. We have a substantial history of operating practices, safety statistics, labor relations, and strong relationships with regulatory agencies overseeing the industry. This history gives Amtrak significant advantages in many areas of operations and makes us the lowest-risk provider of intercity and commuter rail services.

Amtrak is also a railroad operator as defined by the United States Railroad Retirement Board (RRB). This board oversees the retirement benefits disbursed to retired or disabled railroad workers. These railroad pensions are in lieu of normal Social Security benefits. In FY 2008, Amtrak contributed \$228 million to the RRB. SCRRA's staff hopes to limit the agency's exposure to RRB requirements, but it is not clear it will be able to do so.

In the early 1990's, the SCRRA analyzed the pros and cons of being a railroad operator. There was some concern that the SCRRA would be designated one when Metrolink service was inaugurated. More significantly, there was then the potential that the member agencies themselves would fall under the RRB requirements because they owned many of the rights-of-way used and were voting members of the SCRRA. The RRB, however, ruled that the SCRRA was exempt because it would not be directly operating rail service.

From 1992 to 2002 the system's dispatchers were Amtrak (railroad) employees. In 2002 dispatching services were transferred in-house and the Amtrak employees became SCRRA employees. The RRB ruled that this step did not make SCRRA a railroad because of the small number of dispatchers. But hiring all locomotive engineers and conductors as SCRRA employees will make SCRRA's proposed new "railroad

retirement segregated subsidiary unit” a railroad employer. Given SCRRA’s history with the dispatchers and examples such as New York and Boston where segregated subsidiaries were approved, it is likely that the RRB will approve SCRRA’s petition. But not guaranteed.

There remains a small, but significant risk that the RRB rules against the petition. Unlike New York’s MTA and Boston’s MBTA, the SCRRA’s sole purpose is to run commuter trains in a decidedly freight and intercity railroad environment. The subsidiary unit will have well over 150 employees, more than the present complement of staff. Many of the present SCRRA staff will also necessarily be quite involved in the management, administration, and oversight of the new subsidiary. A clear delineation of responsibilities between the existing SCRRA and the subsidiary corporation may be problematic. The RRB may rule many months from now that additional existing SCRRA staff would have to become “railroad employees.” Such RRB rulings tend to be irreversible and with time quickly progressing, the SCRRA will have little recourse or ability to adjust.

Jurisdiction of the RRB necessarily entails compliance with the Railroad Retirement Tax Act and the Railroad Unemployment Insurance Act. In addition, SCRRA will have to establish procedures compatible with the Railway Labor Act and possibly the Federal Employers Liability Act. It will have to reach agreements with two national railway unions.

Once more, the objectives of SCRRA may be appropriate. The timeframe for resolution of these issues looks doable, but by and large is controlled by others. Amtrak itself might find it difficult to meet the July deadline should SCRRA later decide to ask it to help. Utilization of Amtrak services offers the SCRRA an opportunity to avoid such complexity by using a well-known railroad carrier with established processes for compliance with all railroad-related laws.

### **Amtrak’s Financial Position**

Amtrak’s financial support and financial condition have improved significantly since Amtrak last operated the Metrolink service. Amtrak experienced its sixth straight year of growth and an increase of 11.1% over the previous fiscal year. Amtrak’s annual appropriation from the Federal Government has more than doubled, increasing from

\$727 million in Fiscal Year 2002 to \$1.49 billion in Fiscal Year 2009. This is the highest appropriation in Amtrak's history and the continuation of a seven-year trend of increasing support. At the same time, Amtrak's debt level has declined from a high of \$3.9 billion in Fiscal Year 2002 to \$2.9 billion today.

In October 2008, the Passenger Rail Investment and Improvement Act was enacted. It authorized the appropriation of five annual grants to Amtrak (via the Secretary of Transportation) totaling \$9.8 billion for fiscal years 2009 through 2013. In addition, Amtrak is receiving a direct grant of \$1.3 billion for capital improvements from the American Recovery and Reinvestment Act (ARRA).

### **Amtrak's Proposed Insurance Coverage**

Amtrak carries insurance coverage for all its operations. Sometimes this coverage is extended to agencies for which Amtrak operates passenger rail services, with the agencies paying the incremental cost for their coverage. Amtrak requires these agencies to purchase insurance and/or keep a self-insured reserve in a reasonable amount acceptable to Amtrak, and Amtrak's insurance is excess over the agency insurance and/or self insured reserve.

Amtrak proposes the following risk management alternatives:

- 1) **Base Option:** Metrolink will indemnify Amtrak and insure the first \$200M (million) of all Metrolink/Amtrak operating liabilities (except FELA); Amtrak will assume and insure the next \$200M of all Metrolink/Amtrak operating liabilities. The cost for this option is \$2M annually.
- 2) **Option with Less Risk to SCRRA:** Metrolink will indemnify Amtrak and insure the first \$100M of all Metrolink/Amtrak operating liabilities (except FELA); Amtrak will assume and insure the next \$200M of all Metrolink/Amtrak operating liabilities. The cost for this option is \$4M annually.
- 3) **Option with Less Cost:** Metrolink will indemnify Amtrak and insure the first \$200M of all Metrolink/Amtrak operating liabilities (except FELA); Amtrak will assume and insure the amounts in excess of Metrolink's insurance, up to an additional \$400M. The cost for this option is \$3M annually.

The options identified above assume: (1) that SCRRA continues to carry its current Liability Insurance Program at the \$200M limit for Options 1 and 3, and \$100M for Option 2; (2) that SCRRA's agreements for Engineering and Mechanical services allow Amtrak to recover for those contractors' negligence; and, (3) that Amtrak's Excluded Conduct (as defined in the 1998 Amtrak/SCRRA Commuter Operating Agreement) is an exception to SCRRA's indemnity of Amtrak for each Option.

The options outlined above enable SCRRA to manage its risk by providing higher coverage limits for a lower cost than what might be available through another service provider or to SCRRA in-house. Metrolink faces a difficult insurance climate in the years ahead. Finding willing insurance providers will be difficult, and the premiums promise to be expensive. Time will be needed for the SCRRA to assure the railroad insurance industry that the safety-related changes it has made are indeed working. Only then will the availability and cost for insurance coverage return to industry norms.

### **Amtrak's Proposed Management Plan**

If Amtrak is asked to operate Metrolink operations starting in July 2010, there will need to be close cooperation between an Amtrak transition team, its Southwest Division staff (from whom many of the personnel may come), SCRRA staff, and the current contractor. The first task will be to agree to a Mobilization Plan that satisfies the needs and requirements of all entities. Amtrak has done this before as both the in-coming and out-going contractor. Veolia has already indicated it will cooperate fully in the transition. The timeframe to accomplish the transition is now adequate; it will become critically short if not started before the end of this year.

One of the first Amtrak tasks will be to select, jointly with SCRRA staff, its Superintendent - Commuter Operations. The selected Amtrak manager will have full authority within Amtrak to make decisions related to Metrolink operations. To be clear, the Superintendent – Commuter Operations, will have a direct reporting relationship to Amtrak's Southwest Division General Superintendent. This arrangement has proven to be successful during Amtrak's previous 13-year contract with SCRRA as well as with our other commuter contracts. This relationship improves the necessary coordination with intercity and long-distance rail services and helps resolve most issues at the local

Amtrak level. The responsibilities of the Superintendent – Commuter Operations will include:

- Implementing the agreed upon Transition Plan so that Metrolink passengers experience a seamless transition on July 1, 2010,
- Directing the day-to-day management of Metrolink's commuter rail operations,
- Administering the safety oversight, human resources functions, finance, and communications functions of Metrolink's operations,
- Being the primary contact with SCRRA's Executive Director and his Director of Operations and with Amtrak on operational issues,
- Ensuring effective communication and coordination with contractors performing SCRRA's maintenance-of-equipment, maintenance-of-way services, etc., and with SCRRA's dispatchers,
- Ensuring effective communication and coordination with Amtrak's Southwest Division General Superintendent,
- Ensure compliance with all safety regulations, operating rules and procedures, and environmental requirements through continuous observation, correction, and training throughout the Metrolink service,
- Ensuring a high level of passenger service through ongoing training and oversight,
- Acting as the focal point for Amtrak-related decisions required during emergency situations, and
- Managing the annual operating budget to ensure adherence to agreed budgetary targets.

Amtrak's complete management team will be structured and staffed to provide a multi-disciplined, stand-alone organization responsive to both passengers' and the SCRRA's needs. It will have full authority to manage effectively all facets of contracted service.

Under the Superintendent - Commuter Operations, an Assistant Superintendent will provide secondary support. In addition there will be two operating field management positions to provide oversight and direction to the Metrolink operating crews: Road

Foreman and Trainmaster. In a nutshell, the Road Foreman's focus and responsibilities will be managing and supervising the locomotive engineers and their associated functions (for example, equipment troubleshooting). The Trainmaster provides direction, oversight, and guidance to the train conductors and their customer service functions. They each will:

- Provide effective leadership and oversight of the employees responsible for the safe, efficient, and passenger-focused Metrolink service,
- Coordinate effectively with Amtrak management, SCRRA staff, and SCRRA contractors to ensure maximum possible on-time performance in a complex operating environment,
- Administer, monitor, and manage employee record-keeping, efficiency testing and compliance with all SCRRA, Amtrak, Federal and state operating requirements,
- Execute and manage the safety plan in compliance with federal, state and local rules and regulations to ensure that goals are met,
- Develop and implement cost-effective operating crew assignments to maximize productivity and reduce overall costs, while ensuring customer satisfaction, and
- Enforce and manage the rules and regulations of Amtrak policies and operating practices, initiate action for non-compliance and recommend appropriate action for resolution in a consistent and fair manner.

## **Conclusion**

Our presentation includes a good faith estimate of Amtrak's cost (see attachment) to provide the services described in the previous pages. We invite SCRRA to compare the cost and the quality of what we are prepared to deliver to any other options being considered. Amtrak agrees with the SCRRA's staff that Amtrak may be the only viable (outside) organization capable of bringing the experience and resources it takes to operate a commuter rail service the size and complexity of the Metrolink system.

Without a doubt, Amtrak has a substantial base of employees in southern California to support intercity operations, and both Amtrak and SCRRA can benefit from the economies of a cross-qualified workforce. Amtrak desires to contract with SCRRA for the operation of Metrolink commuter rail service based on its substantial commuter rail operating experience throughout the country; sound procedures for the hiring, training, qualifying, and supervising of train crews; an unwavering focus on safety and passenger service; long-lasting relationships with the full range of regulatory agencies and the unions; and earned confidence with the insurance industry. Given these assets, Amtrak can help manage risks for lower cost than could be offered through another service provider or by the SCRRA in-house. In exchange Amtrak seeks the SCRRA's commitment to work towards fulfilling Amtrak's long-term goal of having a larger role in the overall Metrolink operations. We are convinced that a fully-integrated rail system will significantly reduce risks and enhance benefits for Amtrak and the SCRRA.

**ATTACHMENT**

**NATIONAL RAILROAD PASSENGER CORPORATION  
SOUTHERN CALIFORNIA REGIONAL RAIL AUTHORITY  
METROLINK COMMUTER RAIL OPERATIONS  
TRAIN OPERATIONS: ANNUAL OPERATING EXPENSE  
(\$ 000s)**

	<b>Amtrak Proposed 2010-11</b>	<b>SCRRA 2019-10 Baseline (Connex)</b>	<b>Difference</b>	<b>Comments</b>
<b>Labor Expense</b>				
<b>Non-Exempt</b>				
Wages	11,744	11,450	294	Amtrak proposal includes 124 employees vs Connex 131. Difference is primarily due to
Fringe Benefit/FELA Expense	4,975	6,028	(1,053)	extra-board requirements. Amtrak's existing LA crew base is qualified on the Metrolink
Sub-Total	16,720	17,478	(758)	territory and will be used to fill out the extra-board when necessary.
<b>Exempt</b>				
Salaries	1,217	1,864	(647)	Amtrak proposal includes 15 management employees vs Connex 23. Amtrak Corporate
Fringe Benefit/FELA Expense	709	1,014	(305)	departments will provide specific support functions such as human resources, labor relations
Sub-Total	1,926	2,878	(952)	and crew management. No dedicated management positions for these functions would be required.
Additional Trainmaster Position		127	(127)	Amtrak does not anticipate that an additional trainmaster position will be required. Amtrak
<b>Total Labor Expense</b>	<b>18,646</b>	<b>20,483</b>	<b>(1,837)</b>	transportation managers can perform duties as needed.
<b>Non-Labor Expense</b>				
General Management	153	128	25	Amtrak assumed non-labor expense for General Mgmt and Train Ops is equal to the Connex
Train Operations	1,220	1,235	(15)	FY09-10 budget amounts. Amounts could vary based on SOW to be provided by SCRRA.
Training	107	546	(439)	Amtrak assumed 10 training days @ \$80/day for trainers' cost for 134 employees. Employee
Employee Incentive	434		434	wages associated with training days is included in the total labor expense.
Purchased Insurance	2,000		2,000	Amtrak to present insurance options as requested by SCRRA. Expense will vary based on
<b>Total Non-Labor Expense</b>	<b>3,914</b>	<b>2,343</b>	<b>1,571</b>	liability assumed by Amtrak.
<b>G&amp;A/OH/Management Fee</b>				
<b>Total G&amp;A/OH/Mgmt Fee</b>	<b>3,389</b>	<b>3,195</b>	<b>194</b>	
<b>ANNUAL TOTAL</b>				
	<b>25,949</b>	<b>26,021</b>	<b>(72)</b>	
Mobilization	999			Mobilization cost could vary based on SOW to be provided by SCRRA. Amtrak would require
				train and engine employees to attend Amtrak's 4-day Block training course prior to 6/30/2010.
				Pricing includes all related instructor costs however, SCRRA/Connex would retain
				responsibility for employee wages as part of their de-mobilization expense.
<b>GRAND TOTAL</b>	<b>26,948</b>			

**National Railroad Passenger Corporation  
Southern California Regional Rail Authority  
Metrolink Train Operations Services  
Pricing Assumptions**

1. Wage and fringe benefit expenses (including railroad retirement expenses) reflect Amtrak's budgeted fiscal year 2010 rates.
2. Pricing includes an allocation for full Amtrak corporate support, including human resources, labor relations, crew management, safety, operating practices & compliance and information systems.
3. Staffing levels reflect the personnel required to operate the Metrolink service on its current published operating schedule.
4. Pricing includes anticipated expenses to operate the Metrolink service on its current published operating schedule and does not include costs related to the operation of special trains or capital work.
5. Non-labor expenses included in Amtrak's proposal are equal to the amounts contained in the Connex FY09-10 budget. Expense amounts may vary based on the specific scope of work to be provided by SCRRA.
6. Pricing includes 10 training days per year for each train and engine employee.
7. Amtrak will present several liability and insurance arrangements as requested by SCRRA. Pricing includes selection of base option 1 and may vary based on final resolution of this issue.
8. Mobilization expense based on current Metrolink operations and may vary based on specific scope of work to be provided by SCRRA.
9. Amtrak would require train and engine employees to attend Amtrak's 4 day block training course prior to 6/30/2010. Mobilization pricing includes all instructor costs, however, assumes that SCRRA/Connex would be responsible for employee wages as a part of their de-mobilization expense.
10. Pricing assumes that all vehicles required for transportation management as well as the related vehicle expenses and insurance will be provided by SCRRA.
11. Pricing does not include vacation pay accrued by Connex employees prior to 6/30/2010 and assumes that SCRRA would be responsible for this expense as a part of the Connex de-mobilization expense.
12. Pricing assumes that a party other than Amtrak will be responsible for any 13 (c) liabilities arising from a transition to Amtrak.
13. Any ultimate contract negotiated between Amtrak and SCRRA for Metrolink Service would be subject to Amtrak Board approval.

July 10, 2009