
MEMORANDUM



DATE: June 27, 2011
TO: Interested Parties
FROM: William E. Hamilton
RE: Rail Passenger Service in Michigan

Intercity rail passenger service is provided in Michigan by the National Railroad Passenger Corporation (AMTRAK) along three routes:

The Wolverine – three daily round trips between Pontiac – Detroit – Chicago
The Pere Marquette – one daily round trip between Grand Rapids – Chicago
The Blue Water – one daily round trip between Port Huron – Chicago¹

As part of its core national service, AMTRAK has operated *Wolverine* service at no cost to the state of Michigan. The State of Michigan contracts with AMTRAK to provide service on the two other routes, *Pere Marquette* and *Blue Water*.² For the last completed contract period, the twelve month period ending September 30, 2010, the department paid AMTRAK \$7.6 million for the contracted service.

Michigan is one of 15 states which contract with AMTRAK to purchase rail passenger service beyond what AMTRAK would provide as part of its core national service. AMTRAK indicates that the terms of these purchased service contracts are the same for all states: the amount charged to a state for any route is based on AMTRAK's direct operating costs of the route (excluding depreciation and overhead) less route operating revenue, up to a fixed contract maximum.

State support for passenger rail programs is provided through the *Rail passenger service* line item in the state transportation budget. The current year (FY 2010-11) appropriation is \$11.7 million, of which \$8.7 million, from the state-restricted Comprehensive Transportation Fund (CTF), provides spending authority for the state-AMTRAK contract for *Pere Marquette* and *Blue Water* service.

In addition to the \$8.7 million CTF appropriation, the *Rail passenger service* line item includes \$3.0 million in federal spending authority for rail capital projects – including projects related to high-speed rail service along the Detroit to Chicago corridor.³ Combined state, federal, and AMTRAK expenditures for capital improvements to track, signals, train sets, and safety on the Detroit-Chicago corridor exceed \$50 million for the 1992 to 2007 period.

See **Table 1** below for a history of state appropriations for the *Rail passenger service* line item.

Federal support for the expansion and improvement of high speed rail passenger corridors, including the Detroit-Chicago corridor, increased substantially starting in 2008 and continuing through 2010 with the enactment of the Passenger Rail Investment and Improvement Act of 2008 (PRIIA), the American Recovery and Reinvestment Act of 2009 (ARRA), and FY 2009 and 2010 federal appropriations for the U.S. Department of Transportation. Among other things these acts authorized and provided funding for the federal High-Speed Intercity Passenger Rail program (HSIPR). A series of three announcements in 2010 and 2011 identified over \$400 million in direct federal aid to Michigan for track acquisition and improvements on the Kalamazoo to Dearborn segment of the corridor, station improvements, other corridor track improvements, and planning grants. Over \$237 million in

¹ The complete service description and station listing is found on the AMTRAK website at:

http://www.amtrak.com/servlet/ContentServer/AM_Route_C/1241245664519/1237405732511

² The state of Michigan has contracted with AMTRAK to provide rail passenger service in Michigan since 1974.

³ FY 2010-11 appropriations for *Rail passenger service* (House Bill 5889, enacted as 2010 PA 1992), including both CTF and federal funds, totaled \$11.667 million. The same funding level was authorized in the FY 2011-12 budget.

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announced HSIPR grants to Illinois, Indiana, and directly to AMTRAK will also improve service along the Detroit-Chicago corridor.

Michigan rail passenger service will also benefit from \$268.2 million in ARRA funding for a Next Generation Passenger Rail Equipment purchase. This grant will provide for 48 new passenger cars and 7 new locomotives for use in eight Midwest rail corridors, including the Detroit-Chicago corridor.

It is anticipated that these improvements to the Detroit-Chicago corridor will bring a 30-minute reduction in trip time on the Kalamazoo-Dearborn segment, 110 mph service on much of the corridor, and improvements to several stations on the corridor. The department estimates that all corridor improvements taken together should reduce corridor trip time by nearly one hour.

See related House Fiscal Agency memo on Michigan's High Speed Intercity Passenger Rail Projects.

Background/History on State Operating Assistance

As noted above, the State of Michigan contracts with AMTRAK to provide service on two routes, *Pere Marquette* and *Blue Water*.

From FY 1995-96 through FY 1999-2000 the cost of this contracted service to the state was approximately \$2.0 million annually. Starting in FY 2000-01 the state contract payments increased to \$5.7 million. In FY 2003-04, the annual state contract payment increased again to \$7.1 million. [See **Table 2** below.] These increases were not primarily due to increases in AMTRAK operating costs; they reflected an increase in state cost share after a federal subsidy for state rail passenger service ended.

For the last completed contract period, the twelve month period ending September 30, 2010, the department paid AMTRAK \$7.6 million for the contracted service. The cost to the state of contracted AMTRAK service has averaged \$6.6 million for the four most recent fiscal years, FY 2006-07 through FY 2009-10.

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

Prior to 2004, one of the two purchased-service routes in Michigan was *The International* which originated in Toronto and crossed into Michigan at Port Huron. Service and ridership on that route was significantly affected by the events of September 11, 2001. The tightening of security at the Sarnia-Port Huron border crossing caused frequent delays. In an effort to improve service and ridership, the department and AMTRAK agreed to change the Port Huron – Chicago service effective April 26, 2004. The connection to Canada was dropped, the schedule was revised, and the name of the service was changed to *The Blue Water*. Since this change, the route has recorded increased ridership.

The Blue Water increased ridership each year from 2004 through 2008, fell slightly in 2008-09, and experienced an 18.7% ridership increase in FY 2009-10. *The Pere Marquette* also increased ridership each year from 2002 through 2008, but experienced some falloff from the 2008 peak in 2009 and 2010. [See **Table 2** below.]

The Wolverine also increased ridership each year from 2004 through 2008, fell in 2009, and experienced record ridership in 2010. From 2004 to 2010, Wolverine ridership increased from 366,291 to 479,782, an increase of 113,491 or 31%. [See **Table 3** below.]

Rail Passenger Service – Line Item

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

Table 1			
Rail Passenger Service			
Appropriations History			
FY 1995-96 through FY 2011-12			
Fiscal Year	State Funds (Comprehensive Transportation Fund)	Federal Funds/ Local Funds	Total Appropriated
1995-96	1,847,500	3,300,000	5,147,500
1996-97	2,000,000	3,000,000	5,000,000
1997-98	2,000,000	3,000,000	5,000,000
1998-99	3,674,960	3,000,000	6,674,960
1999-2000	5,812,800	4,000,000	9,812,800
2000-01	8,100,000	3,000,000	11,100,000
2001-02	6,992,000	3,000,000	9,992,000
2002-03	8,300,000	8,000,000	16,300,000
2003-04	8,300,000	3,000,000	11,300,000
2004-05	7,200,000	1,000,000	8,200,000
2005-06	7,200,000	1,000,000	8,200,000
2006-07	6,386,500	1,000,000	7,386,500
2007-08	6,900,000	1,000,000	7,900,000
2008-09	7,300,000	5,800,000	13,100,000
2009-10 *	8,200,000	3,800,000/ 380,000	12,380,000
2010-11	8,667,000	3,000,000	11,667,000
2011-12	8,667,000	3,000,000	11,667,000

* An additional \$40.3 million in federal stimulus (ARRA) funds was appropriated for certain specific rail station improvements.

**Table 2
State-Contracted AMTRAK Routes in Michigan
State Operating Cost Share and Ridership
FY 1995-96 through FY 2010-11**

Fiscal Year	International/Blue Water *		Pere Marquette		Total State Reimbursement to AMTRAK
	(Port Huron – Chicago) State Share/Riders		(Grand Rapids – Chicago) State Share/Riders		
1995-96	\$1,010,000	109,436	\$687,500	52,210	\$1,897,500
1996-97	\$1,162,500	121,528	\$687,500	63,386	\$2,050,000
1997-98	\$1,300,000	114,732	\$750,000	64,503	\$2,050,000
1998-99	\$1,300,000	113,702	\$750,000	68,091	\$2,050,000
1999-2000	\$1,300,000	107,878	\$750,000	63,002	\$2,050,000
2000-01	\$3,500,537	104,674	\$2,200,020	57,995	\$5,700,557
2001-02	\$3,500,000	91,714	\$2,200,000	60,127	\$5,700,000
2002-03	\$3,500,000	80,890	\$2,200,000	73,392	\$5,700,000
2003-04 *	\$4,500,000	94,378	\$2,600,000	87,767	\$7,100,000
2004-05	\$4,700,000	111,630	\$2,400,000	96,471	\$7,100,000
2005-06	\$4,700,000	123,823	\$2,400,000	101,923	\$7,100,000
2006-07	\$4,449,917	127,642	\$1,786,638	104,819	\$6,236,555
2007-08	\$4,329,017	136,538	\$1,795,289	111,716	\$6,124,306
2008-09	\$4,210,600	132,851	\$2,224,218	103,246	\$6,434,818
2009-10	\$5,156,641	157,709	\$2,429,335	101,907	\$7,585,976
2010-11 **					

Additional Marketing Support

Additional funding for marketing provided through following agreements:

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

Notes:

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

** The contract maximum for the 12-month contract period ending September 30, 2011 is \$8.2 million.

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

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

Source: Michigan Department of Transportation, AMTRAK

Wolverine Ridership

Ridership on *Wolverine* service route (Pontiac-Detroit-Chicago) has shown generally steady growth from 2001 through 2008, fell slightly in 2009, and increased to an all-time high in 2010. The total increase in ridership in the six years from 2004 to 2010 was 113,491, or 31%.

Table 3	
Rail Passenger Service	
Wolverine Ridership	
Fiscal Year	Passengers
1995-96	375,128
1996-97	418,491
1997-98	375,273
1998-99	343,527
1999-2000	320,383
2000-01	295,268
2001-02	299,729
2002-03	326,367
2003-04	366,291
2004-05	406,499
2005-06	438,529
2006-07	449,107
2007-08	472,393
2008-09	444,127
2009-10	479,782