Office of Legislative Research
Research Report

November 13, 2014 2014-R-0204

QUESTIONS ABOUT METRO NORTH RAILROAD AND COMMUTER RAIL

By: Paul Frisman, Principal Analyst

ISSUE

This report answers several questions about the Metro North Railroad and commuter rail in general. We answer each question below.

How did Connecticut assume ownership of the rail line after the Penn Central/Conrail bankruptcy?

Connecticut purchased the portion of the New Haven Line from the New York border to New Haven in 1985 for $8.5 million. The price also included three branch lines to Danbury, New Canaan, and Waterbury.

What events led up to Connecticut's purchase of the rail line?

Connecticut purchased the line two years after Metro North, a subsidiary of New York's Metropolitan Transportation Authority (MTA), began operating commuter service on the line. Metro North was the fourth railroad to operate the New Haven Line in a 15-year span. Its predecessors were the New Haven Railroad (the popular name of the New York, New Haven, and Hartford Railroad); Penn Central; and Conrail.

The New Haven went bankrupt in 1968 following years of financial problems. It was succeeded by Penn Central (a merger of the New Haven, Pennsylvania, and New York Central railroads), which itself went bankrupt two years later.

The New Haven had been in financial difficulties for years. Connecticut and New York had joined together in the 1960s to ensure the railroad's continued operation. In 1963, the General Assembly created the Connecticut Transportation Authority (CTA) with the power to enter into a contract "to insure the operation of any essential rail transportation" operating wholly or partially in Connecticut (PA 639). That same year the legislature created a tri-state transportation commission to work with New York and New Jersey on mutual transportation issues (PA 638).

In 1969 the legislature enacted the Connecticut-New York Railroad Passenger Compact (PA 46, codified as CGS § 16-343) that provided for the continuation and improvement of essential rail service between Connecticut and New York. (New York enacted similar legislation.) PA 46 authorized the CTA (later folded into the state Department of Transportation, or DOT) in conjunction with MTA, to acquire the railroad's assets, repair and rehabilitate them, and operate the rail service or contract for its operation.

In 1970, DOT, the MTA, and Penn Central trustees agreed that Penn Central would continue to operate commuter service on the New Haven Line under the joint oversight of DOT and MTA. The agreement also gave DOT an option to acquire the New Haven Line for a fixed amount based on a 1969 appraisal. On January 1, 1971, Penn Central began operating the line, with MTA and DOT sharing equally in funding the line's operating deficit.

In 1976, Penn Central and other U.S. railroads went bankrupt and Congress responded by creating Conrail, which assumed temporary operation of the New Haven Line from Penn Central. However, a subsequent federal law relieved Conrail of its obligation to operate commuter service and Conrail dropped its passenger service on the New Haven Line at the end of 1982.

With Conrail no longer carrying passengers, DOT and MTA needed to find another railroad to operate the New Haven Line. The MTA created Metro North to do this, and to operate its Harlem and Hudson lines as well. DOT agreed that Metro North would also operate the Connecticut portion of the New Haven line. Accordingly, on January 1, 1983, Metro North took over operation of the New Haven Line under an interim service agreement between DOT and MTA.

In 1985 after a lengthy arbitration process, DOT and MTA/Metro North signed the Amended and Restated Service Agreement (ARSA), which is still in effect. (ARSA was subsequently amended in 1998, with the result that Connecticut now pays 65% of the New Haven line's operating deficit and all of the operating deficits of the three branch lines.)

In 1985, DOT exercised its option to purchase the Connecticut rights-of-way, paying $8.5 million to acquire the 46.8 mile-long (Greenwich to New Haven) New Haven Line, and three branch lines (New Canaan (7.9 miles), Danbury (24.2 miles), and Waterbury (27.1 miles)).

Here is a link to a 2001 DOT analysis of the ARSA, which includes a much more detailed history.

Who owns the tracks on which Metro North operates in Connecticut?

The DOT owns the main line track from the New York border to New Haven and the branch line tracks. DOT also owns the maintenance facilities, most stations, and more than 60% of the equipment, communications and power systems.

Are there other commuter lines that run on freight-owned tracks?

According to the federal Government Accountability Office (GAO), in 2006 there were 18 commuter rail lines (passenger trains operating on railroad tracks and providing regional service). According to the GAO, most commuter rail agencies outside of the Northeast corridor use rights-of-way owned by freight lines (GAO Report 06-470).

How do commuter rail lines compensate "host" railroads?

Note: The commuter railroads referred to in this and the next question do not include the special case of Amtrak, which we describe below. The information below is taken from a two GAO reports, "*Commuter Rail: Information and Guidance Could Help Facilitate Commuter and Freight Rail Access Negotiations"* (GAO Report 04-240) and "*Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures"* (GAO Report 07-15).

Commuter rail agencies that operate primarily on freight railroad lines compensate the host railroads by paying three types of access charges: (1) per train-mile fees (a train-mile is one mile traveled by one train), (2) fixed-access fees, and (3) capital contributions. The commuter agencies GAO contacted reported paying access fees of between $3.38 and $40 per train-mile.

GAO reported that "these agencies reported paying either a one-time up front access fee or an annual access fee for most lines as well."

"In addition, all four commuter rail agencies" with whom GAO spoke "made capital contributions to freight infrastructure for each line, either to gain initial access to the freight infrastructure or to expand established commuter rail operations."

Table 1, below, provides the range of costs commuter rail agencies paid to obtain infrastructure access, as reported to the GAO.

Table 1: Examples of Costs Paid by Commuter Rail Agencies to Gain Infrastructure Access

Description of fee	***Range of costs***
One time, up-front fee	$4 million to $23.7 million
Annual fee	$80,000 to $1.8 million
Annual capital contribution	$400,000 to $3 million
Up-front fee for additional train service	$60,000 to $350 million

Source: GAO analysis of commuter rail data, GAO-07-15

What are the issues involved in operating trains on tracks you don't own?

Unlike Amtrak (see below), commuter rail agencies do not possess statutory rights of access to freight railroad track. As a result, these agencies must negotiate with freight railroads to purchase, lease, or pay to access the freight railroads' right-of-way. Because each situation is different, the GAO says, "there is not a defined formula for developing mutual beneficial arrangements." Depending on how long it takes the commuter rail agencies and freight railroads to resolve these and other issues, the amount of time required to negotiate agreements can range from months to years.

According to the GAO, the most significant challenges fall into three categories: compensation, capacity, and liability.

Compensation. GAO notes that "when negotiating a lease or access agreement, freight railroads typically want to be compensated for all operating, capital, and other costs associated with hosting commuter and other trains. These costs would include direct costs, such as dispatching trains and maintaining the rights-of-way, and indirect costs," such as the cost to the freight line of forgoing additional freight runs.

Capacity. "Commuter rail agencies and freight railroads also may disagree as to whether there is adequate capacity available to accommodate commuter trains and/or what capacity enhancements (e.g., additional tracks) are needed to accommodate the commuter rail service," GAO said. "Since freight service is the companies' core business…freight railroad officials insist that they must protect their systems' capacity to handle both today's freight traffic as well as future traffic projections."

Liability. GAO notes that freight railroads insist on protection from liability for passenger rail accidents occurring on their rights-of-way. "As a result," GAO says, "passenger rail operators must contractually indemnify freight railroads against all liability and obtain insurance as a guarantee that payments will be made for any damages."

Besides the questions of capacity, liability, and compensation, the GAO report notes, "there are day-to-day operational challenges that the commuter rail agency and freight railroad have to work through when sharing the same rights-of-way." These include "dispatching of trains and maintaining the rights of way."

Why is Amtrak Special?

At one time private railroads provided both passenger and freight service. But private carriers found passenger service to be unprofitable, and, in 1970, Congress created Amtrak, an intercity passenger rail service. In creating Amtrak, Congress relieved freight railroads of the need to provide passenger service; in return, federal law require freight railroads to give Amtrak trains priority access and to charge Amtrak only an incremental cost, rather than the full cost, of using the freight railroad tracks.

According to Amtrak, it paid an average of $1.16 per train-mile for access to freight-owned infrastructure in FY 2005. Freight operators estimate Amtrak's per train-mile costs at one-quarter to one-half what the freight railroads would charge another operator.

How much does Amtrak pay Metro North for the use of the New Haven Line? Does Amtrak pay Metro North a bonus for dispatching Amtrak trains on time?

According to DOT, Amtrak paid Metro North $11,828,895 for "electric propulsion usage and track maintenance, adjusted for an incentive or penalties for on-time performance" for the 2013 calendar year. DOT breaks down these payments as follows.

1. Electric propulsion: $10,889,614.
2. Track maintenance: $1,720,745.
3. Dispatching Incentives/Penalties: Amtrak pays Metro North a bonus for dispatching its trains on time. Metro North pays Amtrak a penalty when it fails to do so. In 2013, Amtrak received $879,771 more in penalty payments from Metro North than it paid to Metro North in bonuses.
4. Other: $98,307.

What is Metro North's farebox return? How does it compare to such other commuter rail lines as the Long Island Rail Road, New Jersey Transit, and the Massachusetts Bay Transportation Authority?

The farebox return is that portion of total operating expenses covered by passenger fares. According to DOT, Metro North's "farebox operating ratio" for the New Haven Line is 72%. This compares to 46% for the Long Island Rail Road and 50% for both New Jersey Transit and the Massachusetts Bay Transportation Authority.

How have Metro North fares risen compared to the cost of living in the past 20 years?

According to the CPI (consumer price index) inflation calculator (http://data.bls.gov/cgi-bin/cpicalc.pl?cost1=10&year1=1990&year2=2014), a hypothetical ticket that cost $10 in 1990, adjusted for inflation, would cost $18.17 today, an increase of 81.7%.

Table 2 below is DOT's summary of Connecticut fare increases on the New Haven Line since 1991.

Table 2: Metro North Fare Increases (%)

Effective Date	*Percent Increase*
1991	1.86%
1992	4.35%
1993	4.17%
1994	5.01%
January 1996	5%
January 1997	5%
January 1998	5%
July 2003	15%
January 2005	5.5%
January 2012	5.25%
January 2013	5%
January 2014	5%
January 2015	1%

Applying these increases to the hypothetical 1990 $10 ticket results in a 2014 ticket price of $18.95. According to these calculations, Connecticut New Haven Line fares increased 89.5% between 1990 and 2014, compared to an 81.7% increase in the CPI.

PF:ro