

The "Fiscal Cliff" Looming for Urban Railroads in the U.S. and Measures Against the Issue

The 159th Transport Policy Colloquium Washington Report XIX March 29, 2024



Introduction (1)

Background (current conditions)

U.S. transit agencies for urban railroads are facing a looming operating budget shortfall or "<u>Fiscal Cliff</u>" since the COVID-19 pandemic. Major media are reporting the severity of the issue.

In the short term, the agencies are expected to maintain their operations with relief funding from respective state governments. However, some states are imposing conditions such as <u>increasing ridership and implementing cost-cutting measures</u>. Transit agencies must now work on achieving greater management improvement.



Introduction (2)

Perceived issue

In Japan and Europe, the private sector often takes the lead in running railway operations, making use of the sector's creative inspirations. In the future, would the United States consider delegating railway operations to the private sector as a way of promoting management reforms?

Research questions

- 1. In the United States, are there any cases whereby the private sector handles urban railway operations? What are mainstream schemes?
- 2. In the United States, are there any cases whereby private-sector lead in running railway operations have led to improvement in urban railway management? What improvement has been achieved?

Identify private-sector involvement in U.S. urban rail operations and its effects.



Introduction (3)

Aims of this presentation

- Reporting the <u>current status of "Fiscal Cliff"</u> as one of the latest U.S. trends
- Compiling <u>basic information</u> such as the current status of operational schemes for U.S. urban railroads, and reporting <u>U.S. cases whereby private-sector involvement</u> in service operations has improved railway management



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Expected roles and management entities of urban railroads in the United States

1880s~

- Urban railroads originated from trams.
- Subways were first opened in New York City in 1904 and built in other major cities one by one since then.
- They contributed to urban development and were **originally run by the private sector as self-funded projects.**



1950s~

- The spread of passenger cars reduced railway ridership, making it difficult for the private sector to run public transport services.
- Urban railroads were adopted primarily as an environmental initiative and also to provide a means of transportation to the economically disadvantaged, including minority population, who did not have their own cars (although situations varied from region to region). They are managed by public entities such as public corporations established by respective state governments.



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Revenue structure of U.S. urban railroad agencies (administration)

Revenue breakdown of top five transit agencies operating urban railroad services, ranked by ridership (FY2019 budget)



- Even transit agencies in major cities with large ridership rely on funding from their respective state governments (or local governments) for 40-60% of their operational revenues.
- While they also receive federal funding, it can only be allocated to cover capital expenditures in principle.

(Source) The 150th JTTRI Transport Policy Colloquium "Environmental Changes Surrounding Urban Railroads in the U.S. and Strategies for Recovery from the COVID-19 Pandemic" by Akito Okabe (2022/4/14) https://www.jttri.or.jp/collo220414-pre03.pdf



Opinion survey on fiscal funding to transit agencies

Do you support funding to public transit agencies even if that means tax increase?



[Survey timing] November 27 – November 29, 2019

[Survey target] 1,029 voters (even distribution by age, race / ethnicity, sex and region)

(Source) DATE FOR PROGRESS, VOTERS WANT A BETTER TRANSIT SYSTEM FOR AMERICA(2020/3) https://t4america.org/wp-content/uploads/2020/03/Transit-Polling-Memo-final.pdf



[Reference] Light rail transit locations

Many of the light rail transit (LRT) operations, a relatively new transit mode, are found in <u>states controlled by the Democratic Party.</u>*



(Source) Prepared by the presenter based on UVA Center for Politics(https://centerforpolitics.org/crystalball/notes-on-the-state-of-politics-march-1-2023/) and FTA National Transit Database 2022

Summary (Overview of U.S. urban Superview of U.S. urban Superview of U.S. urban Superview Market Superview Superview

- Urban railroads were adopted primarily as an environmental initiative and also to provide a means of transportation to the <u>economically</u> <u>disadvantaged</u> who did not have their own cars. Many are managed by public entities such as <u>public corporations established by respective</u> <u>state governments</u>.
- Transit agencies <u>rely on funding from their respective state</u> <u>governments</u>, but this financial assistance is not widely supported by the public, with <u>opposition from voters who support the Republicans</u>.



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"Fiscal Cliff"

U.S. transit agencies for urban railroads are facing a looming operating budget shortfall dubbed "Fiscal Cliff."

The issue is reported not only by industry and regional newspapers but also mainstream media.



(Source) Washington Post https://www.washingtonpost.com/opinions/2022/11/04/metro-randy-clarke-fiscal-cliff-budget-deficit



Background of the "Fiscal Cliff"

Change of surrounding	Post-pandemic ridership decline
business environment	Federal relief funding drying out
	Evident labor shortages increasing the cost of labor
	Others (e.g. inflation acceleration)



[Reference] Transition of ridership before the pandemic

Ridership transition^{*}



*In the United States, ridership is counted in the unit of "Unlinked Passenger Trips (UPT)," counting all transfers in each trip.

(Source) Compiled by the presenter based on the APTA Fact Book



Stagnant post-pandemic ridership



 $\times Japanese figures are based on JR and private railway data excluding Shinkansen$

<u>The pace of ridership recovery is slower than in Japan</u>, with the use of commuter rails connecting cities with suburbs remaining stagnant due to the establishment of teleworking.

(Source)Compiled by the presenter based on the APTA Fact Book and data from monthly economic reports by the Ministry of Land, Infrastructure, Transport and Tourism



Depletion of federal relief funding

Transit agencies that suffer from decline in train fare revenues have survived with federal relief funding (band aide measure), but **this funding is almost running out**.

Federal fiscal relief legislations introduced during the COVID-19 pandemic

 20/ 3 CARES Act \$2.2 trillion (including \$25 billion for transport relief)
 20/12 CRRSA Act \$0.9 trillion (including \$14 billion for transport relief) \$1.9 trillion (including \$30.4 billion for transport relief) \$5.0 trillion (including \$69.4 billion for transport relief)

- Biggest economic measures in the history of the United States
- history of the United States
 Transport-related relief issued under these legislations provides <u>funding for</u> <u>"operational expenses,"</u> as opposed to previous federal funding designed to cover "capital expenditures"

Revenue breakdown of transit agencies after fiscal relief legislations





✓ This portion is expected to be used up by the end of this fiscal year (FY2024)

(Source) Compiled by the presenter based on budget information by the Washington Metropolitan Area Transit Authority

Evident labor shortages increasing the cost of labor



Evident labor shortages have emerged in the transport industry against the backdrop of post-pandemic labor market boom (in favor of workers).





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Severity of the "Fiscal Cliff"

Transit agencies' revenue deficit outlook (as of May 2023)

	M	MTA	N	5				cta
	WMATA	NY MTA	NJ Transit	SEPTA	MBTA	BART	LA Metro	СТА
Operating area	Washington DC	New York	New Jersey	Philadelphia	Boston	California	California	Chicago
Main transit mode	Heavy rail Bus	Heavy rail commuter rail Bus		Heavy rail commuter rail Bus	Heavy rail commuter rail Heavy rail Bus		Heavy rail Tram Bus	Heavy rail Bus
		To be averted	b					
FY2024		A\$1.6 billion (Approx. 240 billion yen)			[To be averted next year		
FY2025	▲\$0.75 billion (Approx. 112 billion yen)	▲\$1.6 billion (Approx. 240 billion yen)	▲\$0.1 billion (Approx. 15 billion yen)		▲\$0.1 billion (Approx. 15 billion yen)	▲\$0.1 billion (Approx. 15 billion yen)	▲\$0.4 billion (Approx. 60 billion yen)	
FY2026	▲\$0.83 billion (Approx. 約124 billion yen)	▲\$2 billion (Approx. 300 billion yen)	▲\$0.9 billion (Approx. 135 billion yen)	▲\$0.06 billion (Approx. 9 billion yen)	▲\$0.48 billion (Approx. 72 billion yen)	▲\$0.3 billion (Approx. 45 billion yen)	A\$1 billion (Approx. 150 billion yen)	▲\$0.7 billion (Approx. 105 billion yen)

Major U.S. transit agencies are facing a looming operational fund shortfall, and many still have a murky outlook.

※Heavy rail: Railway services that handle heavy-weight transportation, mainly subways (Source) WMATA Finance and Capital Committee Information Item III-A https://www.wmata.com/about/calendar/events/Finance-and-Capital-Committee-June-22-2023.cfm

Proposed service reduction at Washington Metro (WMATA)



According to the draft budget for FY2025, WMATA needs <u>fundamental service</u> <u>cuts</u> in main business categories to overcome operational funding shortfall.

Proposed service cuts outlined in the draft FY2025 budget

Subway business	Bus business	Fares / employment
 <u>Significant reduction</u> in the number of <u>services</u> <u>Closure of ten</u> 	Service closure of 67 out of 135 routes	 <u>20% increase</u> of subway and bus fares
 stations with low usage Service cut-off at 10pm on all routes 	 Service reduction in 41 routes 	• 2,300 job cuts
 Increase of shuttle operations 		

(Source) WMATA Finance and Capital Committee Information Item III-A https://www.wmata.com/about/calendar/events/Finance-and-Capital-Committee-December-14-2023.cfm

Proposed service reduction at Washington Metro (WMATA)



Implementation of the proposed service cuts would have a significant impact on users.

[Subway] Significant service reduction



[Subway] Station closure



[Bus] Service discontinuation of multiple routes



(Image source) WMATA Finance and Capital Committee Information Item III-A https://www.wmata.com/about/calendar/events/Finance-and-Capital-Committee-December-14-2023.cfm



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Severity of the "Fiscal Cliff"

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 $\ensuremath{\mathbbmath$\mathbbms$}$ Heavy rail: Railway services that handle heavy-weight transportation, mainly subways

Rescue measures by the states of New York and California

New York State government package^{*1}

Main relief funding

- ✓ Increase of tax rate for the Payroll Mobility Tax^{※2}
- <u>Disbursement of one-off</u>
 <u>financial assistance</u>

Main obligations

- Self-help efforts to <u>reduce operational</u>
- ✓ <u>Review on the number of services against</u>
 <u>demand</u>
 ✓ Safety improvement

(Source) MTA Website https://new.mta.info/press-release/mta-announces-balanced-budget-through-2027-july-financialplan Californian State government package^{×1}

Main relief funding

- ✓ Allocating the <u>state's capital expenditure</u> <u>budget to operational costs</u>
- Disbursement of one-off financial assistance

Main obligations

✓ Establishing a taskforce for increasing ridership and streamlining operations, and submitting an action plan

(Source) California State Website https://leginfo.legislature.ca.gov/faces/billTextClient.xhtml?bill_id=202320240SB125

State governments are imposing obligations to transit agencies, such as ridership increase and cost cutting measures, to fulfill accountability primarily to the opponents of relief

-funding

%1 New York = As of May 2023, California = As of June 2023

2% Main funding source that facilitate the operation of MTA (Metropolitan Transportation Authority) since even before the pandemic; Tax imposed on employers in the jurisdiction of MTA



Local stakeholders' comments on state government measures

Think tanks and rating agencies that specialize in transport policies have referred to the change of business environment surrounding U.S. urban railroads.

Ridership stagnation is <u>further intensifying opinions</u> about urban railroads (among funding opponents).
 <u>Failure to improve could lead to a substantial cut in funding.</u> It is important to appeal the importance of railways. (Presenter's interview with Eno Center For Transportation CEO in January 2024)



 Ridership is <u>an indicator showing how important railway is</u> <u>in cities</u>. If ridership continues to decrease, the government would deem it to be unnecessary, possibly reducing funding and causing service contraction. (Webinar "Are Transportation Agencies Taking on Too Much Debt?" in February 2024)



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Summary (Current status of the "Fiscal Cliff")

- U.S. transit agencies for urban railroads are facing a looming operating budget shortfall dubbed "Fiscal Cliff."
- State governments are providing additional funding while also <u>imposing obligations to transit agencies, such as ridership</u> <u>increase and cost cutting measures</u>, to fulfill accountability primarily to the opponents of relief funding.
- Failure to improve could lead to a substantial cut in funding and substantial cut-back in urban railroad services.



Re-posted



Introduction (2)

Perceived issue

In Japan and Europe, the private sector often takes the lead in running railway operations, making use of the sector's creative inspirations. In the future, would the United States consider delegating railway operations to the private sector as a way of promoting management reforms?

Research questions

- 1. In the United States, are there any cases whereby the private sector handles urban railway operations? What are mainstream schemes?
- 2. In the United States, are there any cases whereby private-sector lead in running railway operations have led to improvement in urban railway management? What improvement has been achieved?

Identify private-sector involvement in U.S. urban rail operations and its effects.

[Reference] Public-private partnership (Source: MLIT website)

The public and the private sectors work together in building, <u>maintaining, and</u> <u>operating</u> public facilities in order to <u>tap into private-sector creativity</u>, make efficient use of fiscal funds and streamline government administration.



(Source) MLIT website https://www.mlit.go.jp/sogoseisaku/kanminrenkei/1-1.html



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Operating entities of U.S. urban railroads

Who operates urban railroads? (by transport mode, transit agency count basis)



% "Others" refer to operations by cargo railways, etc. Some commuter rail operations are conducted on tracks "on loan" from cargo railways. In this case, the infrastructure's owner may handle operations.

There are many commuter rails run by the private sector. However, as the overall trend, public entities that control the system **typically operate them directly**.

(Source) Compiled by the presenter based on FTA National Transit Database 2022



Reasons for public entities directly operating urban railroads in many cases

Main factors

Positioning of urban railroads in the United States

Worker protection



Positioning of urban railroads in the United States (1)

- Urban railroads in the United States are expected to serve as a means of transportation for the economically weak who do not own a passenger car. They are therefore positioned strongly as "public works projects."
- For this reason, public entities tend to have a strong wish to control them by themselves to prioritize public interest.

APTA (industry organization): Taskforce on the theme of public-private partnership

Policy and principle of the public transport industry

- The public transportation field has numerous partnership opportunities. However, they <u>cannot play the roles of public entities</u> concerning policy development and supervision required in service delivery in principle.
- Project development and <u>service delivery control must prioritize a</u> <u>public interest and should be handled in the responsibility of</u> <u>public entities or government authorities</u>.

Positioning of urban railroads in the United States (2)



In U.S. public transport policies, the term "Equity" is frequently used as a keyword. The purport is to establish public transport systems that provide equitable use by all, regardless of disabilities, income, etc. This shows the nation's strong emphasis on equity.



%Federal Transit Administration (Source) FTA Website https://www.transit.dot.gov/BIL





Worker protection

- The private sector's operational control is likely to change existing working conditions. This is why labor unions tend to resist accepting private-sector operators.
- The United States Code includes provisions on public transportation employee protections. Changing the operational scheme therefore involves paying considerations to labor issues.

49 U.S. Code Employee protection (summary)

If federal funds are used in the development and operation of public transport services:

Obligating the protection of

existing

- ✓ Employment rights (remunerations)
- ✓ Employee welfare
- ✓ Collective bargaining right

Presenter's interview with Metro North Railroad CEO (February 2022)

The U.S. public transport industry has <u>strong union presence</u> and requires substantial coordination efforts if it becomes necessary to change wages and working conditions.



Operational schemes of U.S. urban railroads



Details of cases in which the private sector is handling operations

List of U.S. urban railroads operated by the private sector^{×1}

Mode	No	City	System	Ridership∞₂	Scheme	Operating entity	
commuter rail	1	Boston	MBTA	19,001	Contract Operation	Overseas company involvement	Keolis
	2	Denver	Denver RTD	7,936	PFI	U.S. company	ACI
	3	San Carlos	Caltarin	4,718	Contract Operation	U.S. company	TASI(Herzog)
	4	Pompano Beach	Tri-Rail	3,396	Contract Operation	U.S. company	Herzog
	5	Baltimore	MARC ^{**3}	2,816	Contract Operation	Overseas company involvement	Bombardier
	6	Alexandria	VRE	1,173	Contract Operation	Overseas company involvement	Keolis
	7	Dallas	TRE	1,090	Contract Operation	U.S. company	Herzog
	8	Orlando	Sun Rail	920	Contract Operation	Overseas company involvement	Bombardier
	9	Fort Worth	TEX rail	556	Contract Operation	U.S. company	Herzog
	10	Austin	Metro Rail	467	Contract Operation	U.S. company	Herzog
	11	Albuquerque	New Mexico	439	Contract Operation	U.S. company	Herzog
	12	Stockton	ACE	389	Contract Operation	U.S. company	Herzog
	13	New Haven	SLE ³⁶⁴	190	Contract Operation	U.S. company	Herzog (TASI)/ACI
	14	Nashville	We Go star	92	Contract Operation	U.S. company	Transit Solutions Group
Heavy rail	15	Puerto Rico	Tren Urbano	2,453	PFI	U.S. company	ACI-Herzog Joint Venture
	16	Honolulu	Sky Train	N/A×5	PFI	Overseas company involvement	Hitachi Rail Honolulu JV
Light rail	17	Hoboken	Hudson-Bergen	10,800	PFI	Overseas company involvement	21st Century Rail Corp.
	18	Phoenix	Valley Metro Rail	9,109	Contract Operation	United States	ACI

%1 As of June 2023 %2 Annual figure for 2022 (unit: thousand yen) %3 Camden & Brunswick Lines %4 Hartford Line %5 Launched in summer 2023 (Source) Compiled by the presenter based on FTA National Transit Database 2022 and APTA RIDERSHIP

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Details of cases in which the private sector is handling operations



Main operators

	U.S. company	Overseas company
Company name	HERZOG	KEOLIS (France)
Establish- ment	1969	1954
Contract status	Involved in 9 cases	Involved in 2 cases
Description	 Largest scale among private- sector operators in the United States, <u>handing a wide range of</u> <u>operations including railroad</u> <u>construction and administration</u> Mainly handling commuter rails and heavy rail systems in terms of operation modes 	 High ratio of sales coming from France but operating transport projects globally including Europe, North America and Australia Handling a wide range of operation modes including commuter rails, heavy rail as well as trams and busses



Answer to Research Question 1

Research Question

1. In the United States, are there any cases whereby the private sector handles urban railway operations? What are mainstream schemes?

- As a whole, <u>many urban railroads are run by public entities</u> as they are positioned as "public works projects" and also from the perspective of worker protection.
- At the same time, there are some cases whereby private-sector operators run such services, especially commuter transit systems. Many of them are operated in the "Contract Operation" model, in which public entities bear the responsibility and risks of such operations.



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Management improvement achieved ⁴ through private-sector involvement

"In the United States, are there any cases whereby private-sector lead in running railway operations have led to improvement in urban railway management?" This question is examined through the case of Keolis, an overseas operator that handles two transit systems.



, ITTRI

Keolis's market entry case ① Virginia Rail Expres



Background of introducing competitive bidding



 VRE seeks to improve customer experience, e.g. cleanliness of stations and rolling stock, in addition to safe and highly reliable train operations.

ITTR

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- Amtrak has always set (its own) <u>standards</u>, but there are other areas that can be improved.
- In introducing competitive bidding, we spent more than 1 year to prepare a request for proposal, expecting to hear about flexible services that Amtrak was reluctant to do, such as handing out candies at the Halloweens.

(Source) Progressive RAILROADING, Transit operations: Service providers compete for passenger-rail business (2011.3) https://www.progressiverailroading.com/rail_industry_trends/article/Transit-operations-Service-providers-compete-for-passenger-rail-business--25975

Virginia Rail Express(VRE) expressed <u>awareness of issues</u> with governmentowned Amtrak. Competitive bidding was introduced in anticipation of service improved, led by the private sector.

Transition of ridership and (state) funding after Keolis's takeover of operations



Following the launch of operation by Keolis, ridership has risen and maintained a high level (compared to before the change of operational entity). Accordingly, state funding has decreased, albeit with some variations.

(Source) Compiled by the presenter based on the Virginia Rail Express Financial Statements

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Customer satisfaction after the launch of Keolis operation

Following the launch of Keolis operation, the level of customer satisfaction has also improved in addition to ridership.



VRE and Keolis have <u>renewed their agreement twice</u>, with the current agreement expected to cover up to 2025.

(Source) Compiled by the presenter based on the Virginia Rail Express Financial Statements

Keolis's market entry case (2) **Boston MBTA**(commuter rail)



MBTA (Massachusetts Bay Transportation Authority)				
Operating commuter rails as well as subways, busses and ferries				
Boston				
14 routes, 140 stations, with the total traveling distance of approx. 1,250km				
19 million people / year (2022) 5 th highest among U.S. commuter rails				
(1964) B&M >> (1987) Amtrak >> (2002) MBCR [Veolia, etc.] >> (2014~) Keolis				



(Source) TRB, Contracting Commuter Rail Service (2018) https://www.trb.org/Main/Blurbs/178089.aspx

Investment

Management improvement measures implemented by Keolis



Boosting transporting capacity <u>Increasing train services</u> (Increasing the number of available train cars per day by 25%)

Improving convenience through the introduction of apps, etc.

Ticket purchase app

Automated tap-and-go ticket gates

Use of QR code for on-board ticket verification

Improving services

Generating demand with marketing capability

New special tickets

Others

<u>Reinforcing communication</u>(delivering information in a timely fashion and increasing the number of channels)

Introducing digital technology to rolling stock depots

Streamlining operations

Wage calculation system, asset management system



(Image source) Photographed by the presenter



(Image source) Keolis Website https://www.keolis.com/en/boston-commuter-railnetwork-s-great-transformation/

Keolis KCS CEO Using the marketing capability and data analysis know-how, fostered through railway operation experiences around the world, to work on service improvement (Source) Mass Transit https://www.masstransitmag.com/rail/article/21089555/a-new-stan

(Source) Mass Transit https://www.masstransitmag.com/rail/article/21089555/a-new-standard-shapescommuter-rail-in-boston



Initiatives using marketing and data analysis

Introduction of special tickets (2018)

• Offering a \$10 weekend pass to boost weekend ridership

Buying with the app and having the electronic pass stored in the app



Use of the data analysis tool "Keolis Evolve" (under consideration)

• <u>Considering to use GPS to analyze patterns</u> of human movements in order to identify potential needs

Example of busses in Las Vegas



Extending an existing route by just several miles to boost ridership

By 2022, the pass ends up **representing 41% of all** weekend fare revenues.

Data is utilized also for railway operations to optimize the number of rail services and improve the quality of first-mile / last-mile connection.



Major results of Keolis's operation

Main results Immediate moves Execution of the contract extension 2015 20% ridership increase option for railway operation in 2020, due ~20 to last until 2026 25% revenue increase 11 Acquiring administration and maintenance contracts for approx. 100 car parks owned by MBTA by 2022* *For Keolis, first car-park administration and Punctuality improvement from 11 maintenance contracts in North America 84% to 93% Railway station Cancellation decrease from 11 1,613 to 388 cases Lowest mechanical failure rate 2018 Digitization of over 2,000 hardcopy forms Image supplied by) Keolis Website https://www.mbta.com/parking

Private-sector insight is utilized also in areas other than railway operation.



Comments by the public entity MBTA's official

Presenter's interview with MBTA's former Executive Director (February 2023)

- Importance of public entities' on-going support for the operator rather than merely assigning railway operation to the private sector
- MBTA has provided appropriate <u>financial support</u> while <u>persistently coordinating</u> with the state government
- In order to accelerate the pace of service improvement and revenue increase, a mutual <u>Revenue Risk Share Agreement</u> was signed.
 ※In principle, Keolis receives fixed revenues based on the Contract Operation agreement. However, if the business revenues exceed a specific line, Keolis is given a greater share proportionate to the revenue increase. (= An incentive for introducing new measures)

For the success of management improvement, it is important to not only ensure the quality of the private-sector operator but also secure on-going support and system design by the public sector.



[Reference] Other matters to note

Looming operational budget shortfall

- Suffering from a <u>looming operational budget shortfall</u>, similarly to other cases, despite being operated by the private sector
- VRE's ridership has not recovered to the pre-pandemic level, causing them to consider the first fare increase in 5 years.

(Source) The Washington Post https://www.washingtonpost.com/transportation/2023/10/27/vre-commuter-trains-saturday-service/

Cases where contract operation by the private sector has ended

- Southern California's commuter rail METROLINK was operated by Amtrak (government-owned) but was handed to the private-sector operator VEOLIA (France) in 2006.
- In 2008, they suffered a collision accident resulting in 25 fatalities. This led to the end of VEOLIA's operation.
- The operation was <u>re-assigned to Amtrak</u> in 2010.

(Source) Progressive Railroading https://www.progressiverailroading.com/rail_industry_trends/article/Transit-operations-Service-providers-compete-for-passenger-rail-business--25975



Answer to Research Question 2

Research Question

2. In the United States, are there any cases whereby private-sector lead in running railway operations have led to improvement in urban railway management? What improvement has been achieved?



- While it is difficult to fully resolve operational fund shortfall with private-sector involvement, the case of Keolis, which has powerful presence in the North American market, shows that their strengths (marketing data analysis, etc.) can be utilized to promote initiatives, achieving improvement in management indicators.
- Additionally, in order to achieve successful management improvement, it appears important to adopt schemes such as securing continuous support, primarily funding, from public entities, and offering the private sector with incentives (to implement new measures).



Conclusion of today's presentation

- U.S. transit agencies for urban railroads are facing a looming operating budget shortfall dubbed "<u>Fiscal Cliff</u>."
- State governments are providing additional funding while also_imposing obligations to transit agencies, such as ridership increase and cost cutting measures, to fulfill accountability primarily to the opponents of relief funding.
- Transit agencies <u>must adopt double-tiered management improvement to</u> <u>produce results</u>, in order to avoid funding reduction (=substantial service cutback).

- As a means of promoting management improvement, this study focused on "private sector operation" to examine the private-sector involvement in urban railroad operations and its outcome in the United States.
- Even in the United States, which has a different positioning of railway to other countries, there are cases whereby private-sector insight was used to improve management indicators, albeit to some extent.

Conclusion of today's presentation (continued)



- In the future, there is low likelihood of rapid operational handover to the private sector, judging from U.S.'s unique positioning of urban railroads and from the perspective of worker protection.
- At the same time, the introduction of the private sector may become a means of producing quantitative improvement results, considering the immediate need to achieve management improvement (to avoid funding cuts).
- Since the pandemic, the business environment surrounding urban transit agencies in the United States has become difficult. We hope this change of environment triggers the establishment of sustainable business administration (without excessive reliance on funding), and further debates on reviewing the operational schemes.



Latest report by a local think tank

<u>On March 15</u>, a U.S. think tank on transportation issues (Eno Center for Transportation) released a report "Success Factors in Private Contracting for Public Transportation."



Success Factors in Private Contracting for Public Transportation



- Transit agencies can collaborate with the private sector to bring service improvement and cost reduction to transit systems, thereby mitigating the "Fiscal Cliff."
- While many are considering to scale back services for cost reduction, it is worth considering to put transit operations to tender and see if the private sector could achieve management improvement.
- Handing over rail operation to the private sector is not the only way to deal with imminent transport issues, but this could be a <u>powerful option</u>.

(Source)Eno Center For Transportation, Success Factor in Private Contracting for Public Transportation(2024.3) https://enotrans.org/eno-resources/success-factors-in-private-contracting-for-public-transportation/



Thank you for listening.