

SECTION 305 FINANCE SUB COMM

MINUTES

JUNE 29, 2011

3:00 PM EST

CONFERENCE CALL

FACILITATOR	<i>DJ Stadtler, Treasurer S305 NGENC Committee Executive Board, and Chair of the S305 Finance Subcommittee</i>
ATTENDEES	<i>DJ Stadtler, Brent Thompson, Bill Bronte, Ken Uznanski, Rob Edgcumbe, Steve Hewitt, Nancy Greene, David Ewing, Shayne Gill</i>
ABSENTEES	<i>Paul Nissenbaum, Whitney Phend, Juli Salvi, Scott Witt, Leo Penne, Jim Donlin, Amy Arnis, Chad Edison</i>

DECISIONS MADE

DJ Stadtler called the meeting of the Finance subcommittee to order and the roll call was taken.

On a motion by David Ewing and a second by Rob Edgcumbe the minutes of the past two conference calls (May 4, 2011 and June 15, 2011) were approved without objection.

Agenda items:

1. Review of the Technical subcommittee meeting and Executive Board Meeting held June 22 and June 23, 2011
2. Discussion: NGENC Moving Forward Letter to Appropriators – DJ Stadtler
3. Update: Structure and Finance Working Group – Rob Edgcumbe
4. Other discussions

Item 1 – Review of the June 22 and June 23 meetings of the Tech sc and the Exec Board – Bill Bronte:

Bill Bronte, Steve Hewitt and Rob Edgcumbe provided a general review of the highlights of the two meetings held in Chicago on June 22, 2011 and June 23, 2011.

Technical subcommittee trainset review and approval meeting: The meeting took place on June 22, 2011 in Chicago. The primary purpose of the meeting was to finalize changes and vote for Technical subcommittee approval of the trainset specification.

The specification was approved, but was unique in that it is the first of four specifications developed, to date, that did not receive unanimous approval.

The FRA had requested that CEM language, contained in the specification, be removed and replaced with language providing CEM as an option. There was a great deal of discussion and many concerns regarding liability issues with a spec that does not call for CEM, as well as various legal issues (one attendee called it a "Tort lawyer's field day").

As discussion continued, Chairman Bergeron pointed out that the current CEM language was identical to the language in each of the first three PRIIA specs adopted by the S305 NGENC Executive Board; and that the Requirements document for this spec (trainsets), as approved by the Executive Board, called for the current CEM language. Mr. Bergeron noted that the subcommittee cannot vote for a change that is against what is called for in the Requirements document. Only the Executive Board can modify its requirements.

At this point, a vote was called for and all members were polled. In the first vote taken, the states (8 states represented) and Amtrak voted to approve, but FRA voted to disapprove. Chairman Bergeron, in accordance with the subcommittee's voting procedures, determined that due to the strong dissent from FRA, consensus had not been achieved. Therefore, the Chairman called for a Block vote, (also in accordance with the voting procedures). The results of the block vote were: 8 states voting for approval; Amtrak casting an equal number of votes for approval; and FRA casting its block of 8 votes for disapproval. As a result, the specification was approved by a count of 16 to 8.

The Chairman asked FRA to provide a position paper on its reason for requesting the change and asked that the paper address issues relating to the technical and legal implications of making CEM optional. Once the position paper has been submitted to Chairman Bergeron, he will turn it over to the Executive Board and request that the Board take up the issue.

At the June 23rd Board meeting the CEM issue was discussed, and the Board agreed to take up the issue upon receipt of the FRA position paper. The Board recognized that a change to this specification would likely impact the previously approved PRIIA specs as well. CEM will be an agenda item for the July 5, 2011 Executive Board conference call; and will remain on the agenda until the position paper has been received and a decision has been made.

Executive Board Meeting: The Executive Board held a half day meeting on June 23rd, also in Chicago. While the CEM discussion was a hot topic, there were other key issues discussed as well.

DJ Stadler had submitted a PowerPoint presentation on a proposal and template for funding the NGECC going forward. The presentation was well received by the Board, and DJ's plan for action was accepted by Board members:

- DJ will provide a draft letter to appropriators for Board review by June 30, 2011. (attached)
- Each subcommittee Chair and the Chair of the Administrative Task Force will submit to DJ their high level goals and funding requirements by June 30th.
- DJ will incorporate those proposals into a final draft of the letter and will re-distribute the letter in advance of the July 5, 2011 Executive Board conference call.
- The intent of the Board is to vote on approval of the letter July 5th if a quorum is present. (if not, the Board will go to an electronic vote)
- The Board agreed that once approved, all members will sign the letter, rather than simply having Chairman Bronte sign on behalf of the NGECC.
- It was also agreed that additional letters of support will be sent separately by AASHTO SCORT Chair, Gene Conti, NCDOT and AASHTO Intercity Passenger Rail Leadership Group Chair, Paula Hammond, Washington State DOT. The States for Passenger Rail Coalition (S4PRC) also intends to send a support letter.

At the June 23rd Board meeting, procurement issues were the primary focus. The Board established a Procurement Task Force comprised of representatives of the procuring states (California, Washington, Illinois, Missouri, Iowa, and Michigan) and Amtrak and FRA. The efforts of the Task Force will help to provide a model for future states to enter into joint procurements. The Procurement Task Force will provide a progress report to the Board as a standing agenda item for Executive Board conference calls/meetings beginning July 5, 2011.

DJ asked if FRA gave direction at the June 23rd meeting and do the states have desire to own their equipment?

Bill Bronte responded that California intends to purchase to own and the mid west states are in a position to own as well.

Nancy Greene commented that the FRA stated that they would look to provide flexibility – and would not require states to own the equipment. In order to obligate the funding, FRA wants the states to have an agreement in place to structure the procurement.

It was noted that, although there are issues facing the states in regards to joint procurements, it is believed that there are options. California staff is preparing a white paper in advance of the first call of the Procurement Task Force, including a description of a "participating agreement".

DJ asked what role the Finance subcommittee wants to play in the Procurement task Force. Bill Bronte welcomed DJ to join them in Chicago for the "kick off" meeting of the Task Force - scheduled for July 19-20 - and/or to join in the weekly conference calls which will begin July 7th. DJ agreed that he would participate on the Task Force in two roles: as Finance subcommittee Chair and on behalf of Amtrak. If he is unable to make it to the July 19-20 meeting, he will have a representative there.

Nancy Green commented that she intended to attend conference calls as much as possible and that she has "experience with procurements".

Ken Uznanski had previously informed the Task Force that he would like to participate as well.

Item 2 – Discussion: NGECC Moving Forward Letter to Appropriators – DJ Stadler:

The subcommittee began to discuss its goals and funding requirements to be included in the letter to the appropriators.

Bill Bronte suggested that the Finance subcommittee provide support to the Procurement Task Force effort. He asked that the subcommittee help the Task Force to identify "where they are going and where they want to go". He also noted that the Task Force will need the continuation of the Structure and Finance Working Group's

(SFWG) efforts as well.

Rob Edgcumbe noted that the FRA gave a message at the Board meeting that they would like to see the NGEC become some sort of an entity and this may refocus some of the work of the SFWG which will be providing a draft proposal in a few days for Finance subcommittee review. The SFWG had been "leaning" towards something less than an "entity" structure in its proposal.

After continued discussion, it was agreed that the Finance subcommittee and its subgroup – the SFWG – should work closely "in careful coordination" with the Procurement Task Force.

Rob noted that if we move towards creating an entity, there will be legal costs associated with the effort and that staffing may well be needed.

In determining the future goals and funding requirements of the Finance subcommittee, it was agreed that the Finance subcommittee is responsible for developing the structure, financing and management of the NGEC and should, therefore, funding requirements to develop the structure and to work with the Task Force should be budgeted in the Finance subcommittee's plans moving forward. It was also noted that the Administrative Task Force would likely need to budget for the out years once a structure has been established.

DJ summed it up: Finance subcommittee – Development; Administrative Task Force – Execution.

A rough budget estimate for the Finance subcommittee activities which would include continuation of relevant efforts already underway in its current work plan was noted as approximately \$500,000.

Based on today's discussion, DJ will draft the Finance subcommittee goals and funding requirements for inclusion in the appropriations letter, and send it to Steve Hewitt for distribution to Finance subcommittee members on June 30th.

Item 3 – Update: SFWG – Rob Edgcumbe:

Rob reported that the SFWG draft proposal, as it currently has been developed, will be ready for circulation to the Finance subcommittee on Friday, July 1, 2011. He again expressed concern that the FRA's comments indicated they were going in a "bit of a different direction", so he will "try to work out the FRA position".

Steve Hewitt noted that a report/update from the SFWG is also a standing agenda item on the Executive Board conference calls and this may give FRA an opportunity to elaborate on its position.

Item 4 – Other discussions:

With no other business to come before the subcommittee at this time, the meeting was adjourned at approximately 3:45pm Eastern

**Next Finance subcommittee conference call: July 13, 2011 at 3:00pm Eastern
866 209 1307 access code: 8597804#**

Action Items Update (New and Current)

Carryover Action Item: Leo Penne, AASHTO, has sent out a request for states to provide contact information of state attorneys who work with their state's rail program. Purpose is to establish a states legal pool as a resource to the Committee. Leo will provide a list of the 20 states that have responded and send it to Steve Hewitt for distribution.

Carryover Action Item: Nancy Greene to provide DJ Stadler with proposed voting procedures for the Finance subcommittee to consider. (It will be based on the procedures adopted by the Technical subcommittee)

Action Item: DJ Stadler to prepare the Finance subcommittee draft goals and funding requirements for inclusion in the proposed appropriations letter. The draft will be circulated to Finance subcommittee members on June 30th

Action Item: Rob Edgcumbe to provide the SFWG draft proposal to Steve Hewitt for distribution to the Finance subcommittee members on Friday July 1, 2011.

Action Item: Rob Edgcumbe to provide a revised FSWG program to Steve Hewitt for Finance subcommittee member distribution on June 15, 2011. **Task completed – revised program distributed on June 28, 2011**

Action Item: Bill Bronte to provide Procurement Task Force schedule to DJ Stadtler following the subcommittee call.

ATTACHMENTS

Agenda

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July XX, 2011

House and Senate Appropriations Committee Chairs / Ranking Members
House and Senate Authorizing Committee Chairs / Ranking Members

Dear XX:

As you know, Section 305 of the Passenger Rail Investment and Improvement Act (PRIIA) of 2008 created the Next Generation Corridor Equipment Pool Committee (NGEC). As members of the Executive Board of the NGEC, we would like to update you on our progress to date, and also outline our planned activities.

The NGEC first met in January of 2010. Since then, it has been actively working to develop specifications for new equipment, as well as approaches to acquiring that equipment and supporting it in service. The first PRIIA specification, for bi-level corridor cars, was adopted by the Executive Board of the NGEC in August of 2010. A specification for standalone single level cars was adopted in February of 2011 and the diesel-electric locomotive specification was adopted in March, 2011. We feel these are significant accomplishments achieved in less than a year and a half.

While it is true that Standardization goals have been set, manufacturers still have significant opportunity for innovation. In fact, in February, 2011, the Executive Board approved the establishment of a Standardization Working Group under the direction of the NGEC Technical Subcommittee. This Working Group is comprised of members of the equipment and supply industry as well as the states, FRA and Amtrak.

This committee has been a true example of multiple interested parties coming together for a common goal and achieving consensus in a very short period of time--a credit to the focus and commitment of all involved. It should be noted that the rail equipment and supply industry has invested significant time and effort in the work of the NGEC and has played a major role in the development all of these PRIIA specifications. They are to be commended for the commitment that they have shown to the process, particularly in light of an uncertain financial return for those efforts.

The next specification in process at the moment is for a trainset designed to operate at speeds of up to 125MPH. This is on schedule for NGECEC Executive Board adoption by August 2, 2011. Again, these specifications have been developed with broad industry involvement in the same process that created the previous three PRIIA specifications. All specifications will be in place to support any equipment acquisitions when required.

In addition to the work completed on specifications, we have done a great deal of work evaluating the various structures under which the committee could support multi-state procurements of fleet.

In order for us to continue this work, it is imperative that we continue to receive appropriated funds. In FY 2012, we intend to continue adding to our successes by

[More discussion of potential FY 2012 activities]