

AGENDA ITEM 9-B
ACTION ITEM

TO: CHAIRMAN KAUFFMAN AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: DECEMBER 21, 2007

SUBJECT: AUTHORIZATION TO EXTEND AMENDED OPERATING/ACCESS AGREEMENT WITH CSXT

RECOMMENDATION:

The VRE Operations Board is being asked to recommend that the Commissions authorize the Chief Executive Officer to execute an extension of the existing Amended Operating/Access Agreement with CSXT to July 31, 2008.

BACKGROUND:

The VRE has an Operating/Access Agreement with CSXT related to VRE operations in the Fredericksburg to Washington corridor. That agreement, entered into in 1994, has been amended and extended several times, most recently this past May, with an agreed upon extension to January 31, 2008. A further extension is being requested at this time to provide sufficient time to complete negotiation of a new agreement.

Since December 2005, numerous negotiation sessions have been held with CSXT representatives on the terms of a new, long-term agreement. Preliminary agreement was achieved in a number of areas to include:

- Term of the agreement
- Change in method of calculating the annual escalation
- Incentive agreement for improved on time performance
- Additional CSXT supervision in the VRE operating territory
- Approval of infrastructure improvements at VRE facilities

Progress has slowed, however, due to a failure to reach an agreement on the level of liability coverage. CSXT continues to insist on including a higher level of liability and terrorism coverage in the new agreement. Although we were able to cap commuter rail liability at the state level, the legislation does not provide protection from gross negligence claims or claims of third parties, i.e. nonpassengers. Therefore, CSXT and Norfolk Southern continue to press for higher liability insurance coverage. Currently, VRE has \$250 million in coverage. An extension of the current agreement is needed while this issue is resolved.

FISCAL IMPACT:

Funding for the CSX track access fees has been included in the FY 2008 budget, including an escalation of 4% annually.

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RE: AUTHORIZATION TO EXTEND AMENDED OPERATING/ACCESS
AGREEMENT WITH CSXT

RESOLUTION
9B-12-2007
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD

WHEREAS, the Commissions currently have an amended Operating/Access Agreement with CSXT relating to VRE operations in the Fredericksburg to Washington corridor, with said agreement extension ending on January 31, 2008; and,

WHEREAS, staff is currently engaged in ongoing discussions with CSXT concerning a new agreement and does not anticipate conclusion of these discussions prior to the expiration of the Amended Operating/Access Agreement; and,

WHEREAS, a proposal to extend the existing agreement to July 31, 2008, without any changes to the current agreement is expected from CSXT; and,

WHEREAS, the purpose of this extension is to allow time to negotiate and resolve the outstanding liability issues relating to a new agreement; and,

WHEREAS, necessary funding has been incorporated into the FY 2008 budget to allow VRE to continue its operations over CSXT tracks via this contract extension.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board recommends that the Commissions authorize the Chief Executive Officer to execute an extension of the existing Amended Operating/Access Agreement with CSXT to July 31, 2008.