

AGENDA ITEM 9-E
ACTION ITEM

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD

FROM: DALE ZEHNER

DATE: MARCH 21, 2008

**RE: AUTHORIZATION TO ADVERTISE THE SALE OF KAWASAKI
RAILCARS AND ISSUE AN RFP FOR THE PROCUREMENT OF
GALLERY CARS**

RECOMMENDATION:

The VRE Operations Board is being asked to authorize the VRE Chief Executive Officer to advertise the sale of thirteen Kawasaki railcars and to issue a request for proposals (RFP) for the procurement of 10 Gallery-style cars.

BACKGROUND:

VRE was recently approached by two agencies regarding the potential sale of our Kawasaki cars. While not actively in the market to sell the cars, this interest presented an opportunity that VRE staff felt was important to consider. As such, a request to advertise the sale of the Kawasaki cars is being requested. In addition, because offers cannot be fully considered without information on how (schedule and price) the cars could be replaced, the Operations Board is also being asked to allow for the issuance of a procurement for replacement cars.

Sale of Kawasaki Cars

There are several reasons the sale of the Kawasaki cars are being considered and are as follows:

1. Fleet standardization - by the end of 2008, VRE will be operating 61 Sumitomo Gallery cars, 30 Pullman Gallery cars, and 13 Kawasaki Bi-level cars. The majority of the core parts for the Pullman Gallery cars are interchangeable with those for the Sumitomo Gallery cars. With the exception of the underlying air brake systems, the Kawasaki cars required wholly different parts.
2. Upcoming Kawasaki Investments - VRE faces four notable expenses with the Kawasaki cars.
 - a. Window Repairs - all of the windows are Lexan and have been etched by years of washings. The average replacement time for this material is between four and five years. The estimated cost to replace the windows with glass is \$275,000, parts and labor, and is currently budgeted in the FY 2008 capital program.
 - b. Truck Re-qualification - the car manufacturer recommends that trucks be fully re-qualified after seven years. The cost to re-qualify the trucks on all 13 cars is estimated to cost between \$1,950,000 - \$2,600,000, parts and labor, and is not fully funded.
 - c. Arm Rest Replacement - the aisle armrests have worn to the point where the underlying metal frame is exposed. This situation has resulted in snagged clothing claims and could result in a personal injury. The estimated cost to replace the aisle arm rests is \$70,000, parts and labor, and is currently budgeted in the FY 2009 capital program. If the window arm rests are also replaced, it is estimated to cost an additional \$60,000, which is currently not budgeted.
 - d. Repair Seat Head Pads - the seats are designed with what is known as a crash pad on the back of each head rest. This is to provide cushioning in the event of a crash, if a passenger is thrown forward. Each crash pad has a ticket holder sewn onto it that has been damaged over the years when passengers use them as hand holds to pull themselves up from their seats. The estimated cost to repair the seat head pads is \$120,000 and is currently not budgeted.
3. Timing - it is a unique market circumstance that has caused two different agencies to approach us about our willingness to sell these cars. It is unlikely that this type of competitive environment will exist again in the future.

Purchase of 10 Gallery style cars

VRE's fleet management plan requires 77 cars for current daily service, including spares. As projected in the budget, future service changes between now and July of 2010, including lengthening trains and adding up to four additional trains,

require a maximum of 100 cars, including spares. As such, information must be gathered on the potential for establishing a fleet sized at 100 cars. Assuming the Kawasaki cars are sold, 10 additional Gallery cars would be required to maintain this fleet size. In any scenario, the 30 Pullman Galleries must remain in service until 2011.

Next Steps

If approved, VRE will advertise the sale of the 13 Kawasaki cars as well as issue a procurement for new Gallery cars. Once proposals for both efforts have been received, VRE will return to the Operations Board with a recommendation regarding the sale, acquisition of new cars, fleet management planning, defeasance of bonds and potential debt financing. At this time, no recommendation can be made as the decision is contingent on both proposals.

FISCAL IMPACT:

None at this time.

TO: CHAIRMAN JENKINS AND THE VRE OPERATIONS BOARD
FROM: DALE ZEHNER
DATE: MARCH 21, 2008
RE: AUTHORIZATION TO ADVERTISE THE SALE OF KAWASAKI RAILCARS AND ISSUE AN RFP FOR THE PROCUREMENT OF GALLERY CARS

**RESOLUTION
9E-03-2008
OF THE
VIRGINIA RAILWAY EXPRESS
OPERATIONS BOARD**

WHEREAS, VRE has been presented with a unique market opportunity to sell its Kawasaki fleet; and,

WHEREAS, such a sale could unify VRE's car fleet and avoid costly repairs; and,

WHEREAS, the demands on the size of VRE fleet can be sustained through the acquisition of ten more Gallery style cars to replace the Kawasaki cars.

NOW, THEREFORE, BE IT RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to advertise the sale of thirteen Kawasaki railcars; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board authorizes the Chief Executive Officer to issue a request for proposals (RFP) for the procurement of 10 Gallery-style cars; and,

BE IT FURTHER RESOLVED THAT, the VRE Operations Board directs VRE staff to gather information necessary to perform a cost benefit analysis which will be presented to the Operations Board with any recommendation for action.