



February 18, 2014

Mary Fallin
Governor
State of Oklahoma

Mike Patterson
Director, Oklahoma Department of Transportation
State of Oklahoma

VIA ELECTRONIC TRANSMISSION

Dear Governor Fallin and Director Patterson:

As you know, Iowa Pacific is the operator of the Eastern Flyer demonstration trains in Tulsa-Oklahoma City rail corridor. The trains are highly successful operationally and with our customers, who are your citizens and visitors to your fine State. We operated these demonstration trains to validate our assumptions regarding passenger service in the corridor which we have proposed to operate at ***no cost to the State of Oklahoma***, unlike the Heartland Flyer which costs the State of Oklahoma over \$2 million annually.

Now that the demonstration runs have given us both data and experience, and some exceptionally positive customer feedback, we are prepared to begin regular service at once, with phased improvements to come over the next one to two years. The attached Heads of Terms specifies how we will begin regular passenger train operations connecting Tulsa with Oklahoma City.

Iowa Pacific formally requests that you direct the Oklahoma Department of Transportation to immediately name Iowa Pacific as "Passenger Operator" on the Sooner Sub, including the ODOT-owned rights into downtown Tulsa, and engage with Iowa Pacific in developing a contract for passenger train service on the Sooner Sub.

We request that the contract development begin independently of any potential sale of the line, since the line is presently owned by the State, since no decision has been made on a buyer, and since the State retains complete rights to contract for passenger service at this time.

Oklahoma purchased the Sooner Sub from BNSF in 1998. The people along the Sooner Sub corridor have been waiting patiently for rail passenger service. We have given them a taste of what can be done if ODOT simply makes an agreement with Iowa Pacific to start running the trains your citizens deserve. We can have the trains running by Memorial Day. Let's get started!

I should add that our final Eastern Flyer demonstration trip is next Sunday. If either of you would like to experience firsthand the kind of service Iowa Pacific offers, we would be happy to accommodate you. Please contact my assistant Judy Hogan at 312-348-6077 or hoganj@iowapacific.com to make arrangements.

Finally, I would like to request a meeting between Iowa Pacific, both of you, and Transportation Cabinet Secretary Gary Ridley, Denise Northrup, Chief of Staff, Steven K. Mullins, General Counsel, House Transportation Committee Chairman Rep. Charlie Joyner, Senate Transportation Committee Chairman Senator Gary Stanislawski and key House members including Representatives Morrissette, Smalley, Newell, Scott and Perryman. I think it would be worthwhile for you to hear what we have available for Oklahoma, and to be able to ask questions about how we can do the impossible, provide great passenger service at NO COST to the State.

Sincerely,

Edwin Ellis
President

CC: Rick Westcott, Tulsa Rail Advisory Council
Representatives Joyner, Morrissette, Perryman, Smalley, Newell, and Scott
Senators Stanislawski, Crain
Transportation Commissioners Fidler, Burrage, Overland, Love, Huckabay, Alexander, Burgess, Regan
Transportation Cabinet Secretary Gary Ridley

Proposed Heads of Terms for Immediate Implementation of Regular Passenger Train Service on the Sooner Sub between Iowa Pacific and the State of Oklahoma

1. State of Oklahoma will name Iowa Pacific as “Passenger Operator” as that term is defined in the 1998 Sooner Sub Asset Sale Agreement
2. Term of contract between Iowa Pacific and the State of Oklahoma - 5 years, renewable for 3 successive 5 year terms
3. Service
 - a. Phase I - Initial Service, beginning May 1, 2014 – 2 daily round trips between Sapulpa and Midwest City – running time of 2 hours, 50 minutes
 - b. Phase II – beginning September 1, 2014 – 6 round trips between Sapulpa and Midwest City – running time of 2 hours, 25 minutes (5 round trips on weekends)
 - c. Phase III – beginning October 1, 2014 – (assumes BNSF notified by March 31, 2014) – 6 round trips between Sapulpa and Midwest, AND two round trips between Tulsa and Midwest City - running time between Tulsa and Sapulpa to be determined with BNSF. (5 round trips on weekends).
 - d. Within nine months of startup, reduce running time to 2 hours, 15 minutes through improvements to curve elevation and improvements to main track speed.
 - e. Dedicated shuttles will be provided from Sapulpa and Midwest City to downtowns, universities, airports and Bartlesville.
 - f. Intermediate stops will be established at Bristow and Stroud
 - g. Running times will be determined jointly with Stillwater Central
 - h. Iowa Pacific will endeavor to provide on time performance of 95%, subject to joint efforts with Stillwater Central.
 - i. Iowa Pacific will run and the State will permit additional special event trains as may be warranted for sports, entertainment and special events.
4. Cost to State of Oklahoma
 - a. Iowa Pacific will take all revenue risk for operation of these services, and there will be no purchase-of-service cost to the State of Oklahoma.
 - b. Iowa Pacific will pay the train-mile cost (as adjusted for inflation) for use of the trackage rights between Sapulpa and Tulsa (\$9.00 in the sale agreement).
 - c. Iowa Pacific will be responsible for all costs to develop, operate and maintain train stations along the route.
 - d. The State of Oklahoma will use its best efforts to secure funds for additional upgrading of the Sapulpa-Midwest City line.
 - i. Iowa Pacific will work with Stillwater Central to determine a capital plan for track upgrading that will result in the best possible running times, and Iowa Pacific will participate with the State and the Stillwater Central in funding the capital plan

- ii. Iowa Pacific expects to be a key funder of Positive Train Control for the corridor when an effective system is available for purchase and installation.
 - e. The State of Oklahoma will use its best efforts to secure funds to provide access for all trains between Tulsa and Sapulpa
 - i. Iowa Pacific will work with BNSF to determine a capital plan for additional capacity that will result in the best possible running times, and Iowa Pacific will participate with the State and BNSF in funding the capital plan
 - ii. The State will ensure that access is available for the I-244 bridge across the Arkansas River, which was built to accommodate these trains.
 - f. The State of Oklahoma will work with Iowa Pacific and the City of Oklahoma City to secure rail access between Midwest City and the Santa Fe station in Oklahoma City, so that all trains can operate from downtown Tulsa to downtown Oklahoma City
- 5. Safety and Liability
 - a. Iowa Pacific will meet all Federal and State safety requirements for all aspects of the operation
 - b. Iowa Pacific will develop and implement an emergency response plan and will train all local responders.
 - c. Iowa Pacific will provide \$200 million in commuter railroad liability insurance (equal to the nationwide cap on liability) in a form acceptable to the State, Stillwater Central and BNSF.
 - d. Iowa Pacific will agree to the usual and customary language for liability in rail contracts.
- 6. Exclusivity - In recognition of the benefits provided to the State through the assumption of all revenue and liability risk by Iowa Pacific, the State shall make Iowa Pacific the exclusive Passenger Operator over the line for the duration of the contract.
- 7. Sale of Sooner Sub – In the event that the State sells the Sooner Sub at some point in the future, it will ensure that all the provisions of the Iowa Pacific Passenger Operator Contract pass to the buyer.

Questions and Answers about the Iowa Pacific Eastern Flyer Proposal

Q. How fast will the train go?

A. The maximum speed at the start will be FRA Class III which is 59 mph, and the average speed will be 40-45mph, which is comparable to the highly-successful Downeaster running between Boston, MA and Portland, ME. The Downeaster carries over 550,000 passengers a year, demonstrating that it isn't necessary to run at high speeds in order to attract people to rail transportation.

Q. Why will Oklahomans ride the Eastern Flyer when they can go much faster between Tulsa and Oklahoma City on I-44?

A. Highway time is non-productive time, or it's unsafe. If you're driving and texting, driving and computing, driving and talking on your cell phone, driving and eating, or doing anything other than paying full attention to driving, you're a safety hazard to yourself and others. Computing, phoning, texting, eating, drinking and talking are all safe activities on the train. So you can work, socialize, stay in touch and even enjoy food and drink on the train, all while traveling between Tulsa and Oklahoma City.



Image courtesy of Siemens Industry, Inc.

Q. But the train doesn't go to Oklahoma City, and not all the trains will initially go to Tulsa. How will people get to where they want to go?

A. The Eastern Flyer proposal includes dedicated shuttles to take people to downtowns, universities, airports, and to Bartlesville. Iowa Pacific expects to work on shared shuttles and other methods of making the Eastern Flyer work for everyone, creating seamless, personalized transportation with the train as the common link.



Q. There is a high-speed-rail study underway. Will this service get in the way of developing high-speed-rail?

A. In most corridors with high-speed-rail, including the US Northeast Corridor, slower-speed services similar to the Eastern Flyer were developed first, and after the user base grew, there was a demand for faster services. So the Eastern Flyer is likely to hasten the day when high-speed-rail comes to Oklahoma.

Q. Oklahoma pays about \$2.5 million to Amtrak for its share of just one Heartland Flyer train between Oklahoma City and Fort Worth. How can Iowa Pacific promise to run several Eastern Flyer trains each day without asking for a big check from the State of Oklahoma?

A. Iowa Pacific's passenger division is profitable. Iowa Pacific has designed the Eastern Flyer service to attract sufficient riders to avoid the need for operating support. And Iowa Pacific is skilled at providing value-added services, such as the shuttles and first-class services, which increase the average fare, further solidifying the financial performance of the trains.

Q. The Eastern Flyer excursions are pricey. How much will it cost to ride the proposed Eastern Flyer regular trains?

A. The average coach fare is expected to be around \$15, and the first-class fare will average around \$39. Shuttles will add an average of about \$6 for those whose use them. The tickets will be priced to be affordable to students and seniors, but first-class is always available to those looking for upscale transportation.

Q. It sounds like the food service on the excursion trains is great, but will you offer full meals on the regular trains?

A. Iowa Pacific's Saratoga and North Creek Railroad is also roughly a two-hour trip, and full meal service is available. Part of the reason for food and beverage service is to save time for our guests at destination – you can go straight to a meeting or an event without having to stop and eat first. Another reason is because it's fun.



Q. The excursion trains offer connecting shuttles to a museum and a ball game. Will that be part of the regular service?

A. Iowa Pacific's marketing department works hard to get people on the train, and event-driven travel is one of the main things they focus on, so there will opportunities just like those on the excursions.

Q. The State of Oklahoma wants to sell the line the Eastern Flyer would use for this service. Is that good or bad?

A. Sale of the line would delay and possibly prevent this service from operating. The State should first allow us to start this service before considering the sale of the line.

Q. How soon can regular service begin?

A. Regular service between Sapulpa and Midwest City can begin as soon as ODOT and Iowa Pacific sign a contract. For access to downtown Tulsa, the 1998 Sooner Sub sale agreement provides for six months notice to BNSF once a Passenger Operator is designated by ODOT, so six months after ODOT notifies BNSF that Iowa Pacific has been designated as Passenger Operator, service can begin into downtown Tulsa.

Q. Will more trips be offered and if the answer is yes when?

A. The trips being offered in February are "demonstration" trips and the next step is regular service.

Q. Will bike racks be included onboard?

A. Bicycles will be handled on the Eastern Flyer.

Q. I need wheelchair access. Are Iowa Pacific cars ADA accessible?

A. ADA accessible cars are provided on each train, and upon request an ADA accessible connecting shuttle can be provided.

Q. It has been asserted that the railroad is too curvy for passenger trains. How much will it cost to straighten the curves?

A. It isn't necessary to straighten the curves before passenger service begins. The same alignment hosted passenger trains from the time it was built until 1967. Improvements in curve elevations and track condition can eventually provide running times of under two hours from downtown Tulsa to downtown Oklahoma City.

Q. Too many intermediate stops will make the train too slow. How many stops will there be?

A. Brief stops will be made at Bristow and Stroud. This need not unduly delay the trains.

Q. Depots do not exist in smaller communities and in Tulsa. Does this present a problem?

A. Iowa Pacific expects to provide loading locations and stations, and will work through that with each community to determine the best solution.

Q. Passenger trains are just for nostalgia. Who will use this train?

A. A substantial number of young people do not have drivers licenses or cars. A substantial number of seniors have lost some skill at driving. Both groups are flocking to trains in record numbers.

Q. Will it be possible to rent a whole car for parties/ charters?

A. Groups and charters will definitely be a part of the Eastern Flyer.

Q. What kind of passenger equipment will run on this train?

A. Iowa Pacific owns 170 railcars and will match the coaches and first-class cars of the Eastern Flyer to demand. The cars owned by Iowa Pacific include some of the finest railcars ever built in America, including full-length dome cars and comfortable coaches. As part of the process of developing the contract with the State, car capacity and configuration can be jointly agreed.

