



**NATIONAL ASSOCIATION OF
RAILROAD PASSENGERS**

TRAINS: A TRAVEL CHOICE AMERICANS WANT

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Statement of

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to the

**Senate Banking, Housing and Urban Affairs Committee
Subcommittee on Housing, Transportation & Community Development**

**In reference to the July 7, 2009 hearing:
*Public Transportation: A Core Climate Solution***

Submitted for the record July 14, 2009

Thank you for holding the hearing on this important subject and for the opportunity to submit these comments.

The National Association of Railroad Passengers (NARP) has worked since 1967 for improvements in public transit (particularly light rail, streetcars, subways and commuter rail), intercity passenger trains and the linkages among these and all other forms of transportation. We also support land-use planning consistent with pedestrian- and transit-friendly real estate development. Generally, rail transit has an unmatched ability to promote the kind of development that allows Americans to lead the kind of low-carbon urban lifestyle that is increasingly in demand.

A major part of our work has been calling attention to the many forms that transportation subsidies take and responding to claims that “highways pay for themselves.” We have long argued that a transportation system that relies exclusively on fly/drive is not sustainable, environmentally or economically. The Highway Trust Fund’s problems are well known. What is less commonly remarked is the long list of subsidies, some of which are relatively new.

Some argue that passenger rail and transit are unique amongst modes of travel in not covering capital and operating costs through user fees and relying on government subsidy. However, the following are examples of the tremendous degree to which automobile travel is subsidized by taxpayers:

1. Even before the recent financial meltdown, the Highway Trust Fund did not cover the full, narrowly-defined costs of building and maintaining highways. This is reflected both

**Our Mission: A modern, customer-focused national passenger
train network that provides a travel choice Americans want**

in the well-advertised fact that highway spending is not adequate to keep existing roads in satisfactory shape, as well as the structuring of federal funding to encourage massive gaps between user-fee payments and actual highway spending at the state and local levels. Public policy that underprices expensive and limited infrastructure capacity to give people “cheap mobility” effectively puts us in the position of eating our “seed corn.”

2. In 2001, 41% of the \$133 billion spent on highways came from payments other than the gas tax, tolls, and vehicle taxes and fees, as follows: 15.3% general fund appropriations; 9.5% bond issue proceeds; 5.8% investment income and other receipts; 5.6% other taxes and fees; 4.8% property taxes. These gaps are primarily at the state and local levels. Federal policy encourages this by offering states generous funding matches for highway (and aviation) investments but until recently no match for intercity rail investments. These statistics are from *Improving Efficiency and Equity in Transportation Finance* by Martin Wachs [The Brookings Institution Series on Transportation Reform (April 2003)], which states: “Revenues from fuel taxes have for three decades been rising more slowly than program costs as legislators become ever more reluctant to raise them to meet inflation. As a result, the burden of raising the funds for transportation programs is gradually being shifted to local governments and voter-approved initiatives that are, in most instances, not based on user fees.”
3. A 2006 analysis by the Texas Department of Transportation’s Government and Business Enterprises Division indicates that “there is not one road in Texas that pays for itself based on the tax system of today. Some roads pay for about half their true cost, but most roads we have analyzed pay for considerably less.” This is from “Do Roads Pay for Themselves?” which appeared in the November 20, 2006, issue of the newsletter *Keep Texas Moving*. www.keeptexasmoving.com/index.php/enews/57

“Narrowly-defined costs” discussed above are not full costs. Additional costs are discussed in the following numbered paragraphs; new subsidies related to the automobile industry crisis begin at number 11.

4. Extraordinary social costs are involved with relying on a transportation system that is not appropriate either for young people or the growing proportion of seniors who would benefit from pedestrian-friendly—rather than auto-dependent—real estate development. It is also not appropriate for teen-agers’ parents, who constantly face the practical choice between parents as chauffeurs and giving car keys to ill-prepared, young drivers. A large number of seniors live in relative isolation because our system does not let them travel.
5. A transportation system with extreme private-motor-vehicle dominance is weak on safety. Accidents impose tremendous costs, emotional and economic (medical, legal, damage). It is telling that 37,261 fatalities in 2008 is a major improvement. Compared with 2007, this is a 6.6% reduction in fatalities per vehicle-mile driven (9.7% in absolute numbers). Less reported but at least as important: an estimated 2.35 million people were injured in motor vehicle traffic crashes—a 2.4% decline from 2007 in injuries per mile driven (14% in absolute numbers). Sadly, the statistics for bicycles worsened, with the number killed up 2.1% and injuries up 21%. <http://www-nrd.nhtsa.dot.gov/Pubs/811172.pdf>
6. One aspect of this problem: lack of practical alternatives to the automobile for so many trips creates a strong incentive for someone whose license has been suspended to keep driving. In the aftermath of a tragic July 7 Michigan railroad/highway grade crossing

accident that took the lives of five teen-agers, the media reported that the young driver had a long history of driving violations and his license was suspended (again) two days before the accident. Reports indicate that he never slowed down, but drove around a car stopped for the gates and right into the path of the train. One of our board members, a retired Michigan police officer, commented, “I can’t tell you how many times I have encountered people who keep driving without a valid license. Lectures, fines, even jail time doesn’t deter them. I remember one man from Belleville—with over 250 points on his record, numerous stays in jail, and countless fines—who just kept driving until he killed himself and two others in an accident.”

7. Highway congestion means lost productivity.
8. There are national security costs associated with over-reliance on a transportation system that is energy-intensive by virtue of the degree of dominance of private motor vehicles. This is reflected both in the relative inefficiency of buildings and other facets of sprawl (e.g., automobile trips just to get a workday lunch) and in the comparative performance measures of the different transport modes as reported annually in Oak Ridge National Laboratory’s Transportation Energy Data Book, produced under contract to the Department of Energy. The newest Data Book, released last month (June, 2009), has these energy-intensity figures for 2007 [BTU = British Thermal Unit; PM = passenger-mile, that is, one passenger transported one mile].

Mode	BTUs/PM 2007	% change from 2006*
Amtrak	2,516	-5.1%
Rail transit	2,577	-7.4%
Commuter rail	2,638	-12.0%
Domestic Certificated Route (Commercial) Aviation	3,103	-5.1%
Cars	3,514	0% (was 3,512)
Personal trucks	3,946	0% (was 3,944)
Buses (local transit)	4,315	+1.9%

*Negative number indicates improvement, since energy efficiency improves as BTUs/PM decline.

This table requires two comments: first, intercity bus is not shown because intercity bus travel statistics are notoriously hard to come by. Thus, claims about volume of intercity bus compared with Amtrak in any given market must be viewed with skepticism. Second, the relevant inefficiency of transit buses overall should not obscure both their importance in feeding traffic to rail lines and in providing mobility in less developed areas desperately in need of that mobility.

9. Environmental costs roughly parallel energy inefficiency and also create health problems, including deaths associated with air pollution, as well as more general hindrances to the high quality of life that is enjoyed by communities with genuine transportation choices for a high proportion of trips. Motor vehicles and highways are a major source of water pollution.
10. Closely related to item 9 are both the economical and environmental impacts of land consumed by highways and parking lots. When highway departments take valuable land for roads (and roads require enormous amounts of land compared to railroads), “users” do

not pay state and local property taxes on land that was taken for public use and removed from property tax rolls. This represents an enormous, hidden subsidy that increases the burden of providing public services (including education, police and fire) on the remaining property owners. Further, over-reliance on private vehicles also means over-reliance on large amounts of land consumed by parking lots. In developed areas, this use takes valuable land and converts it to low value use, which further erodes property tax revenue and increases the burden on other property owners. To the extent that users do not pay extra for parking, they are subsidized by the rest of the community.

11. Under the “cash for clunkers” provision included in the recently enacted war supplemental, a consumer gets a subsidy towards a new vehicle with as little as two miles per gallon improvement over the pre-2001 vehicle being retired. The voucher is \$4,500 if the improvement is 10 mpg or more, but \$3,500 if at least four mpg (or just two mpg for sports utility vehicles and personal trucks). The provision, promoted to bolster the auto industry, ignores the environmental costs associated with prematurely retiring vehicles. Also, used-car dealers say the provision “will divert business from them while not helping many owners of old cars who cannot afford new ones” (Financial Times, July 7). In Germany, electronics retailers and others have complained that a similar program diverted business from them to car sales.
12. The 2009 Recovery Act makes state and local sales and excise taxes on new cars purchased this year tax deductible. On June 11, the Obama Administration announced that it was interpreting this law to include certain fees charged to new car buyers in six states without sales taxes.
13. The General Motors restructuring has left in place pension plans for both hourly workers and salaried employees, writes John Rolfe, “an independent pension consultant” in an opinion column in the July 6 Financial Times. Thus, the “new [GM] is still liable to fund the huge pension deficit [Rolfe says \$9 billion annual pension payments, \$100 billion pension liabilities, \$14 billion deficit at December 2008], so its pension problems will continue...As long as GM’s pension plans continue, the Pension Benefit Guaranty Corporation (PBGC) remains on the hook to insure them.” After PBGC takes over a pension plan, retirees generally are paid less. Thus, Rolfe calls GM’s government-backed pension plans “a hidden transfer of \$3.5 billion a year from the federal government, backing the PBGC, to GM’s 670,000 plan members.” This of course materializes as an actual subsidy only if the new GM fails.
14. The US and Canada have provided about \$60 billion in loans to GM; the US now owns 61% of GM. Among the other owners: the governments of Canada and Ontario. For the Chrysler revamp, the US provided \$6.6 billion in financing, paid to the “old Chrysler.”
15. The U.S. Treasury has supported GMAC with purchase of \$5 billion in senior preferred equity with an 8% dividend announced December 29, 2008. In addition, Treasury announced June 3, 2009 an investment of \$7.5 billion in preferred equity to “support GMAC's ability to originate new loans to Chrysler dealers and consumers and help address GMAC's capital needs as identified through the Supervisory Capital Assessment Program (SCAP).”

Though not taxpayer subsidies, substantial corporate losses—“shareholder subsidies”—are an indicator that a business is not sustainable. In 2008 alone, GM lost \$30.9 billion and Chrysler lost \$16.8 billion. The airline industry also has seen pervasive, large losses. Warren Buffett is

famously quoted as saying, in 2002, "if a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favor by shooting Orville down...I have an 800 number now that I call if I get the urge to buy an airline stock. I call at 2 in the morning and I say: 'My name is Warren, and I'm an aeroholic.' And then they talk me down."

Claims that public transportation is not as energy-efficient or low-carbon as automobile use can only be made when data are taken out of context. Running buses and trains through sprawling metro areas designed around automobiles does result in lower ridership and hence higher energy use per passenger than through well-planned areas. This underlines the need for pedestrian-friendly development going forward, and for rail lines to precede development where possible. When transit systems are combined with development that makes it easy for people to get around on foot and on transit, transit's efficiency soars. For this reason, comparing auto trips to transit trips without factoring in other modes can be misleading. Those who live in areas that rely more heavily on transit service also make many trips on foot or by bicycle. Although transit's share of the overall travel pie may appear to be low, the pedestrian and bicycle-accessible neighborhood design that transit enables helps to reduce pollution overall. Also, many of the statistics we rely on discriminate against transit and over count autos, for example, counting three person-trips if I drive my son to school in the morning: two people to school and one person going back home, or counting only the auto leg of a commuter trip that also involves transit.

Rail transit (heavy rail, light rail, and streetcars), thanks to its use of fixed guideways, is uniquely capable of being the foundation of more livable, less auto-dependent communities in ways that buses (including bus rapid transit systems) are not. Among the cost savings associated with less land-intensive development patterns is that buildings sharing common walls are considerably less costly to heat and cool than stand-alone buildings, and denser neighborhoods are more easily (and therefore less expensively) served by utilities and municipal services like police and fire protection. Many communities, even ones that are ahead of the curve, like Portland, still have a long way to go to undo the transit-unfriendly development patterns put in place 10 to 60 years ago.

More robust alternative travel modes and more enlightened planning and zoning practices at the local and regional levels will go a long way towards reducing vehicle miles traveled, but in order to achieve an even greater decline in miles driven, it is important to provide more mobility options between cities. A multi-modal network based on fast, frequent and reliable passenger trains that go from city center to city center and connect to each city and town's transit system (as well as to airports and waterways) will afford many Americans the freedom to get from A to B without the hassle and expense of driving and parking, and further shrink transportation's carbon footprint in the process.

Both intercity passenger rail and public transit, and the federal incentives for smart growth that must accompany them, require a stable, dedicated source of funding in order to advance without being saddled with long-term debt to private lenders. There are many potential ways to fill such coffers, and the greater the variety of methods used, the less any single source has to pay. One particularly appropriate source is revenues from the auction of carbon emissions credits under a cap-and-trade system, and NARP applauds the work of Senator Menendez on this front. Another appealing option is the establishment of a National Infrastructure Bank that would receive both public and private contributions. On the rail side, private railroads are open to government investment in improved track conditions, new technologies, and increased capacity that would benefit the timely operation of both passenger and freight trains.

The challenges ahead are vast, but the work of this Committee, along with others in both chambers of Congress, has begun to move us towards a more mobile, prosperous, safe, and green American future. Thank you for your efforts and for your attention to our concerns. If you have any questions, please do not hesitate to contact us.