

Statement of

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Submitted to the

Subcommittee on Transportation, Treasury, and Housing and Urban Development, The  
Judiciary, District of Columbia and Independent Agencies  
The Honorable Joseph Knollenberg, Chairman

Committee on Appropriations, U.S. House of Representatives

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Fiscal 2006 Amtrak Funding

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April 28, 2005

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The National Association of Railroad Passengers believes that the right Fiscal Year 2006 funding level for intercity passenger rail is \$2.3 billion, consisting of:

- \$1.8 billion for Amtrak. This is what the Amtrak board approved last week, and is consistent with the five-year plan a slightly different Amtrak board—but with the same chairman—approved last year ago, and
- \$500 million for a capital program for states investing in rail passenger development. The federal match would be 80%.

### **I. Why Trains are a Good Investment**

**Polls** have consistently shown that the public wants the rail choice, and that is consistent with Amtrak's ridership statistics in recent years, including FY 2004.

**Ridership:** As of the end of FY 2004, Amtrak had posted ridership increases in seven of the last eight years; the only exception was a tiny (0.04%) decline in FY 2002 when the economy was reeling from the 9/11 tragedy. FY 2004 ridership was 28% above the Fiscal 1996 level.

Amtrak ridership increases have come in spite of fare increases and airline fare reductions. Amtrak's yield (average fare per passenger-mile) has increased every year

since at least FY 1994 with the sole exception of FY 2003. (A passenger-mile is one passenger traveling one mile.) FY 2004 yield was 62% above that in FY 1994.

[For airlines reporting financial data to the Air Transport Association (Southwest and JetBlue are among those not reporting), yields fell each year starting in calendar 2001, with the 2004 level 12% below the 1994 level, and 20% below the peak level in 2000. Even Southwest’s yield fell in calendar years 2001, 2002 and 2004.]

The success of state-sponsored rail passenger corridors is well known; these successes are not confined to the two coasts. Here, for example, are the ridership percentage changes posted in FY 2004 (compared with FY 2003) on the corridors radiating from Chicago:

Chicago-Grand Rapids	+19.6%
Chicago-Port Huron	+16.7% (1)
Chicago-Detroit-Pontiac	+12.2%
Chicago-Carbondale	+10.3%
Chicago-Milwaukee	+10.3%
Chicago-St. Louis	+ 8.1% (2)
Chicago-Quincy	+ 4.8 %
Chicago-Indianapolis	- 6.7% (3)

(1): Ridership jumped significantly when Amtrak, responding to a request from the State of Michigan, rescheduled this train on April 24, 2004. Thus, for example, the ridership growth in July, August, and September, was, respectively, 36.8%, 22.8% and 22.1%

(2): After lengthy negotiations between Amtrak and the city of St. Louis, ground is expected to be broken this year for a new intermodal terminal that will serve Amtrak, Greyhound and the city’s highly successful light rail line. When this terminal, originally funded in the 1991 ISTEA law, finally opens, Amtrak ridership at St. Louis should improve dramatically.

(3): The “Hoosier State” is a four-day-a-week train (running on days when the “Cardinal” does not run) whose primary purpose usually is to ferry cars to and from Amtrak’s Beech Grove shops.

However, the long-distance trains also have shown strength. In Fiscal 2004, the long-distance trains carried an average 364 passengers per run, and the number on board at any one time (passenger-miles-per-train-mile) was 171.

**Other Justifications:** Items (1) through (6) are specific to long-distance trains; quotations are from Amtrak’s new plan.

- (1) “Providing an important transportation link for many underserved rural communities and regions across the country;”
- (2) Providing important transportation for people who cannot fly, who prefer not to fly, or who have medical equipment and/or conditions that make flying difficult;
- (3) “Serving as a foundation of a future rail development program;”
- (4) “Forming the basis for, and connections to, emerging state-supported corridors;”

- (5) On many routes, the best way to see the nation's natural beauty; the only practical way for those who can't take long automobile trips.
- (6) In many states, the only intercity passenger rail service. (If all long-distance trains disappeared, the surviving system would serve just 21 states, and the network would consist of four, isolated mini-networks.)
- (7) Providing needed transportation capacity with minimum impact on the environment. Except in a few key corridors already at capacity, rail can increase its capacity through-put with relative ease, by increasing train length or running more trains on existing infrastructure.
- (8) The safest mode of transportation in bad weather, and often the most reliable.
- (9) Trains enhance national security both by giving passengers another travel option—most dramatically illustrated immediately after 9/11—and by reducing the nation's energy dependence.

Related to (3) and (4) above, development of new commuter rail or intercity corridors is more cost-effective where passenger trains already operate. Consider, for example, the creation of Virginia Railway Express, or Amtrak's extension of some Northeast Corridor trains to Richmond (and Newport News). Both efforts benefited because Amtrak's New York-Florida and New York-New Orleans services were already in place, preserving useable tracks under Capitol Hill south of Union Station, and adequate track capacity through Alexandria station.

**Long-distance economics:** It is frustrating to our members to hear continual discussion that pits long-distance trains "against" short-distance trains. Both are important; they complement each other and other parts of our transportation network. Certainly, 3.9 million people—the FY 2004 passenger-count on long-distance trains—is significant. Moreover, on a passenger-mile basis, corridor and long-distance trains require similar levels of operating support. [A passenger-mile is one passenger traveling one mile.] In fiscal 2004, the farebox recovery (passenger revenues as percent of costs) for short-distance trains outside the Northeast Corridor was 46%; long-distance trains were at 39%. The "fare box loss" per passenger-mile was almost identical for short-distance trains (22.47 cents) and for long-distance trains (21.82 cents).

DOT Inspector General Kenneth Mead has noted on many occasions that the capital needs of for corridor development (especially in the Northeast) are much larger than the operating grant requirements of the long-distance trains.

It is sometimes said that "it would be cheaper to buy everyone a plane ticket than to run the long-distance trains." However, this ignores the markets long-distance trains serve which have no affordable air service or, in many cases, no airline service at all. It also ignores some of the other numbered points above.

## **II. Federal-State Partnership Needed *in addition to, not in place of* Amtrak**

While we agree with Secretary of Transportation Norman Y. Mineta that the "federal-state partnership" is badly needed (second bullet at the beginning of this statement), such

a partnership would be worthless absent the foundation or platform provided states by Amtrak's federal funding and Amtrak's rights.

Secretary Mineta depicts federal funding for Amtrak as money down a rat hole. His February 23 *New York Times* op ed column said, "The federal government can do little to support [state] projects directly, because all of its money goes to Amtrak." In reality, a lot of the money that goes to Amtrak supports and makes possible the very state projects that Mineta has praised.

- Amtrak funds overhead costs for all U.S. intercity passenger trains—including those of "state-supported" trains.
- Amtrak has provided major assistance in planning state services.
- Amtrak funds direct operating losses of several corridor services, as follows:
  - (1) Empire Corridor (New York-Buffalo) – 100%
  - (2) Chicago-Detroit-Pontiac – 100%
  - (3) Chicago-St. Louis – 66%
  - (4) Seattle-Portland – 33% (50% if *Coast Starlight* is included)
  - (5) *Pacific Surfliners* (southern California) – 30%

With regard to the Pacific Northwest, Mineta's column claimed that "Amtrak's role is reduced to running the trains under contract," clearly implying that Amtrak provides no funding. In fact, as just noted, the federal government through Amtrak funds direct operating losses of two of the three daily Seattle-Portland trains (three of four if counting the Seattle-Los Angeles *Coast Starlight*.), plus overhead costs for all of the trains.

**Access to Tracks, Parking Lots, Stations:** Amtrak has the right to access tracks and stations on an incremental cost and a "package deal basis," while others would have to negotiate arms' length deals (driving up the price of service). Moreover, with stations, this could involve lengthy and costly negotiations on an individual property basis. While many stations now are city owned, the private railroads generally own the platforms, and in many cases the parking lots. Even in California, there are still 13 stations owned by Union Pacific or BNSF, and several more owned by local transit authorities.

**Ability to Indemnify Railroads:** The railroads accept indemnification only from Amtrak. Several states with rail passenger corridors have indicated they would not be able to offer such indemnification. If they were, it is not clear that railroads would accept it. It appears that the DOT's recent attempt to respond to this concern is inadequate. The new DOT bill simply proposes to make "the cost of 'first dollar' liability insurance eligible for capital investment grants."

**DOT's Plan:** Zero funding is provided for FY 06, along with ever-increasing estimates of funding that would be provided for intercity passenger rail in FY 07 and beyond contingent on "reforming" Amtrak. However, there would be no Amtrak—and no passenger rail—to reform if federal funding ceases on September 30, 2005. OMB Director Joshua Bolten reaffirmed the Administration's zero request at an April 21 Senate

appropriations hearing. So it appears that the Administration essentially has said to the Congress, “You figure it out and take the hit for whatever programs you cut to make room for intercity passenger rail in your FY06 budget.”

### **III. Amtrak’s Plan**

The request for \$1.8 billion from a board all of whose members are appointees of President Bush is significant. Also important is their finding—contrary to DOT’s—that, due to cost and complexity, the risk of removing Amtrak as Northeast Corridor owner “simply outweighs the benefit,” to quote Amtrak Chairman David Laney. An Amtrak official has noted that it would have been impossible to quickly “backfill” Acela Express schedules with Metroliners if infrastructure and carrier had been separately managed.

Obviously, we also agree with their support for a federal-state partnership on rail corridor development, including “reliable” federal funding with an 80% match.

As rail passengers, our fundamental interest is in the quality and quantity of rail passenger service. However, we are concerned about the passion which the board shows for development of competing *carriers*, since the freight railroads whose tracks Amtrak generally uses outside the Northeast Corridor are firmly against giving Amtrak’s access rights to others. Rhetoric about addressing railroads’ concerns “by making franchises exclusive over defined routes” and time-limited is not new to the railroads, and—unless Amtrak knows something we do not—the railroads are not impressed. Also, the effective capacity of today’s limited fleet of rolling stock—and the ability to respond to a crisis like the Acela Express withdrawal—would be reduced if the rolling stock ownership was divided among a number of different carriers.

We agree that a more competitive supply industry would benefit the entire railroad industry, but that likely would flow from an adequately funded rail program (including Amtrak and corridor development) and does not require specific legislative changes.

It is important that progress be made on specific contract issues whose relevance to productivity is generally acknowledged, including those mentioned in the Amtrak report (pages 17, 20, 27). Such progress must not be “derailed” either by Amtrak’s discussion of changes in Railroad Retirement and the Railway Labor Act, which has already produced angry releases from the unions, or by the discussion of competing *carriers* which both the freight railroads (as just noted) and rail labor oppose.

Thank you for considering our views.

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