

Post-September 11: "The Marketplace Effect"

The public's increased preference for intercity passenger rail shows clearly in Amtrak and Air Transport Association data for October, the first full month after the September 11 attacks. The comparisons are with the year-earlier month, since seasonal variations make consecutive month comparisons less useful:

October 2001 compared to October 2000

| | Ridership/ enplanements | Passenger revenues |
|-------------------|----------------------------|-----------------------|
| Amtrak | - 1% | + 13% |
| Domestic airlines | - 22% | - 38% |

As to sleeping cars, Amtrak reports that 40% of departures were sold out in either or both deluxe and standard accommodations, that some trains have less capacity than a year ago, and that many rooms last year occupied by couples on leisure travel are occupied this year by single business travelers paying higher fares. The *Pacific Surfliners* posted their best October in eight years, with track construction projects largely completed—allowing good on-time performance for the first time in months—and attractive new equipment.

Looking at September as a whole produces similar results, although it may be less useful because of the changes which took place during the month—the pre-attack economic downturn; the aviation shutdown starting September 11; the renewed interest in rail travel during the last week:

September 2001 compared to September 2000

| | Ridership/ enplanements | Passenger revenues |
|-------------------|----------------------------|-----------------------|
| Amtrak | - 6% | + 6% |
| Domestic airlines | - 34% | - 45% |

Airline ridership declines occurred in spite of sharp fare reductions. Normalized for a 1,000 mile trip, average airfares fell 19% in both September and October, according to the Air Transport Association (ATA) Office of Economics. (ATA's web site is the source of all the airline numbers in this article; their fare data excludes Southwest.) Amtrak yields have continued to rise. Airline load factors fell 4%, despite of a 16% drop in capacity ("available seat miles").

Amtrak said that 50% of sleeper departures were sold-out, or nearly sold-out, the last week of September. But Amtrak's September 11-22 ridership—while up sharply on several long-distance trains—was down 15% overall. "Amtrak spokesman

Bill Schulz said...that the railroad's early projection of a 17% boost in ridership the week following the attacks was based on an established formula based on tickets sold. As it turned out, an unusually high number of prospective passengers canceled their plans or traded in their tickets, he said." That is from a November 30 Associated Press which also quoted NARP's Ross Capon comparing October Amtrak and airline results (shown above). Amtrak has actual travel data for a given month several days after that month ends. ■

ARC Pulls "Trigger"

The Amtrak Reform Council on November 9 voted 6-5 to report formally to Congress that it believes Amtrak will continue to require operating grants after December 2, 2002; that is, miss the 1997 law's requirement for operational self-sufficiency. DOT Secretary Mineta's representative, Mark Yachmetz of the Federal Railroad Administration, voted against the finding, as did the Council's Republican chairman, Gilbert Carmichael.

The finding triggered a requirement that, within 90 days, Congress receive a restructuring plan from the ARC and a liquidation plan from Amtrak. It also triggered a November 16 letter to President Bush from 21 Senators stating flatly they had no intention of liquidating Amtrak. Also in reaction, Standard & Poor's on November 13 placed its ratings on Amtrak debt on "CreditWatch," a sort of probation while information is gathered to see if actual ratings should be downgraded.

Although ARC (and NARP) Member Paul Weyrich, who pushed the finding stated that "no trains will stop running," the finding did create a major new task for Amtrak—"holding

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"This will end the status quo for Amtrak. What we don't know is if passenger rail will be expanded or curtailed."

—Railroads Subcommittee Chairman Jack Quinn (R-NY), Wall Street Journal, November 12

"Last year, Washington lavished \$12.5 billion on air travel, \$33.4 billion on highways and a mere \$520 million on Amtrak. This is a ridiculous imbalance, all the more so when you factor in the \$15 billion that went to prop up the airlines after Sept. 11. It's also dangerous. Relying so much on air travel is what military planners call a lack of necessary redundancy."

—Alex Marshall, New York Times Magazine, November 11

Unfortunate Fight: Bombardier vs. Amtrak

A \$456-million disagreement arising from a contract for which the original price was \$717 million is a big disagreement, indeed. That's the situation with Bombardier and Amtrak regarding production of 20 Acela Express train sets and 15 high horsepower, electric locomotives. Bombardier filed suit against Amtrak in federal court on November 8, seeking "at least" \$200 million in damages.

The first train sets were delivered for revenue service late in 2000, over a year behind schedule. Amtrak and the Bombardier-Alstom production consortium have been in talks since then trying to resolve disagreements over contract compliance issues. Alstom is not party to the suit, but obviously could be called as a witness if this case winds up in court.

Bombardier alleged that Amtrak is responsible for cost overruns associated with indecision. In a stinging news release, Bombardier President Peter Stangl said, "Had Amtrak delivered the quality of tracks required for high-speed service, we could have avoided costly and time-consuming testing and the trains would now be running at full speed." A significant delay in train testing came in the summer of 1999, when wheelwear and truck-hunting problems were identified. The lawsuit accuses the Federal Railroad Administration's Office of Safety of making key decisions too late in the process.

In response to Bombardier's action and release, Amtrak issued its own stinging release. Amtrak said the 1996 contract—based mostly on performance specifications including a three-hour Boston-New York running time—allows Amtrak to assert \$250 million in claims against Bombardier.

Bombardier says Amtrak delayed decisions about various changes, but does not note that most changes were agreed to and paid for as the project progressed. Bombardier was willing to submit to binding arbitration, a process that often produces a "split-the-difference" result. However, Amtrak said Bombardier—before suing—failed to submit claims to a dispute resolution board, as outlined in the contract.

Meanwhile, there is word that Amtrak and the consortium finally are moving to solve train set reliability problems rather than blaming each other while delays continue.

The experience here does lend support to the notion that a future U.S. high-speed efforts would do well to stay as close as possible to a proven design, that is, a design already in service which then would be modified to meet our world's-toughest safety-design standards.

Of the proven designs best known in 1996, the Swedish X2000—in the view of the late W. Graham Claytor, Jr., then Amtrak chairman/president/CEO—lacked the acceleration

needed to meet Northeast Corridor performance requirements. Others felt the German ICE ride quality was not good. Another alternative was the TGV.

Bombardier built Amtrak's Superliner II cars. In that contract, Amtrak questioned costs totaling \$384 million, prevailing on over \$370 million or 96% of the questioned costs.

Bombardier's lawsuit notes that it produced Amtrak's Horizon cars on budget and ahead of schedule. ■

Passenger Rail Funding Update

Soon after September 11, prospects seemed bright for both a "safety/security" funding package for Amtrak and for the High Speed Rail Investment Act (HSRIA). The latter would be the first significant move towards making the federal government a reliable funding partner with states on intercity rail passenger improvements.

The Senate Finance Committee passed an economic stimulus package on November 8 with a \$7-billion HSRIA (tax-credit bonds) for one year with a two-year carryover for unexpended balances. It compares favorably with the \$12 billion, 10-year approach in S.250/H.R.2329. Significantly, details of the version the Committee passed closely parallel those in H.R.2329.

Moreover, there have been serious talks between the staffs of Chairman Young and Rep. Oberstar, raising prospects that the Senate, Chairman Young, and Oberstar will reach agreement on a high speed rail bill.

Besides the \$7 billion, Senate Finance also included \$2 billion in tax-credit bonds towards new Hudson rail tunnels.

At this writing, the stimulus package was in danger of dying amid partisan disagreements.

Meanwhile, the safety/security package morphed from \$3.2 billion to \$1.77 billion (McCain/Biden agreement, Oct./Nov. News)—without any funds to return to service any of Amtrak's modern-but-sidelined cars that await repairs. John McCain (R-AZ) fiercely resisted Kay Bailey Hutchison's (R-TX) efforts on this. The amount fell further to \$1.2 billion, and then \$760 million in Appropriations Chairman Robert Byrd's (D-WV) homeland security package.

What the Senate actually approved for Amtrak safety/security was \$100 million, as part of the fiscal 2002 Defense appropriations bill, December 7. That still has to survive a House-Senate conference. In the same bill, the Senate approved \$1.06 billion for aviation items (on top of the airlines' September emergency bailout—\$5 billion in grants, \$10 billion in loan guarantees).

The Senate Commerce Committee attached S.1550 (the Hollings/McCain safety/security authorization bill with \$1.77 billion for Amtrak) to S.1214, the Port Security Bill. Events have overtaken this bill in the sense that the \$100 million in the aforementioned defense bill is all the safety/security money Amtrak will get, other than the \$5 million which the Bush Administration programmed out of the first \$20 billion emergency bill that was enacted shortly after the terrorist attacks.

A number of senators offered amendments when the Commerce Committee approved S.1550 on October 17. Several are likely to be adopted, though with modifications. ■

FY 2001—FIFTH STRAIGHT RIDERSHIP INCREASE

Amtrak ridership in fiscal 2001 (ended September 30) was up 4.3%, and passenger revenues were up 8.1%, from 2000. These were the fifth and sixth straight annual increases, respectively, with ridership rising one million to a record 23.5 million.

Amtrak also posted its fifth straight passenger-mile increase—1%—to 5.6 billion. (A passenger-mile is one passenger carried one mile.)

FRA Chief Addresses NARP Board

Allan Rutter, the new Federal Railroad Administrator, addressed the NARP Board at its meeting in Dallas. He hailed the Dallas-Fort Worth area as leading "a renaissance in rail," and setting "an example for the rest of Texas."

Rutter noted the success of DART light rail, which continues to expand, and of Trinity Railway Express, which then was looking forward to the December 3 extension to Fort Worth. He said Gov. Rick Perry (R) sees the need for a truly intermodal system, and noted that there is even some talk in Texas again about high speed rail, suggesting that current efforts on that front could benefit from mistakes of the past.

Speaking to NARP on October 19, Rutter said he joined Amtrak President George Warrington in saying we need a debate about our fundamental policy. "It's time to take a radically fresh look at passenger rail nationally. What can we afford? What institutional arrangements are best?"

He said two events forced DOT to examine Amtrak's financial condition—the Penn Station mortgage, and the events of September 11. With more capital needs than resources, there is a need to see if service can be provided at lower cost, and to consider the scope of future operations.



Federal Railroad Administrator
Allan Rutter

deputy executive director of the Texas High-Speed Rail Authority, and was transportation policy director to Texas governors (including President Bush) after 1995. Bush nominated him to the FRA post on April 3, and the Senate confirmed him on July 19.

Also on the bill in Dallas was Joy Smith, Amtrak's Southwestern Business Group General Manager. She said the *Texas Eagle* is performing well in terms of ridership and revenue, despite ongoing lateness problems. She also said Amtrak is working on ways to connect Phoenix with the new station at Maricopa, AZ, where *Sunset Limited* service began October 28. ■

CORRECTION—The October story, "RIDE-21: Doubts About Impact" (p. 2), should have said the dollar total in H.R.2950 was \$71 billion (not \$71 million).

PASSENGERS SALUTE RESCUERS

Amtrak's westbound *Southwest Chief* derailed in Kansas on March 15, 2000, possibly due to a broken rail. Volunteers from the Carbondale Volunteer Fire Department, as well as officers from the Kansas Highway Patrol and Osage County Sheriff's Department, worked through the night to evacuate the 155 passenger on board, of whom 29 were injured, many in six cars that derailed on their sides.

A year later, on March 21, 2001, members of the Missouri-Kansas Rail Passenger Coalition went to Carbondale to thank the town and fire department for their efforts, on behalf of the *Chief's* passengers. NARP Director John A. Mills, of Topeka, presented a plaque to Carbondale Mayor James Buchholz.

ARC Pulls Trigger

(from page 1)

hands" with uneasy lenders and other business partners. These people, particularly foreign bankers, understand "liquidation" very clearly but do not understand why anyone would order Amtrak to write a liquidation plan for no reason.

Those voting against the November 9 finding offered several reasons. James Coston said, "If the airlines are unprofitable, it is disingenuous to require that of passenger rail. It is the wrong time to destabilize something like Amtrak." Lee Kling said, "This is an issue of national interest and national defense. The Administration and Congress are saying, 'Give us a breather.'"

That conformed with what Federal Railroad Administrator Allan Rutter told the Senate Commerce Committee November 1. He said the Department of Transportation is working on a "new vision" for passenger rail, to be the core of the Administration's authorization and funding proposals next year.

The 2002 defense funding bill passed by the Senate December 7 prohibits the use of any Amtrak funds to create a liquidation plan. That is one of 1,400 differences between House and Senate versions of the huge bill, but at press time it was unclear whether it would survive to become law. ■

SENATE FLOOR STATEMENTS

"I am, as the saying goes, tired of getting stiffed around here. I have been a Senator for 28½ years. I have tried over that 28½ years to put Amtrak in a position where it can run safely, securely and efficiently. I have gotten promise after promise after promise of support and cooperation, and always procedurally I end up being in a position where Amtrak gets left out."

—Joseph Biden (D-DE), aviation security, Oct. 3

"When we adjourned last year, we had everybody running around—Republican, Democrat, leader and plebeians like myself—saying: Oh, the first thing we are going to do next year, the first thing we are going to do is take up Amtrak. It is now October."

—Commerce Chairman Ernest Hollings (D-SC), aviation security, Oct. 11

TRAVELERS' ADVISORY

Train to Maine—Four-times-daily *Downeaster* service, Boston-Portland, begins December 15 (see also story at right). Trains will use North Station in Boston, not South Station or Back Bay where all other Amtrak trains go.

Unless you need a cab, the best way to travel between North Station and the rest of Amtrak is to use MBTA's Orange Line, which runs North Station-Back Bay direct. NARP has urged Amtrak to make this information easily accessible to potential customers.

A shuttle bus had been planned, as part of Massport's downtown DART bus system. But Massport recently ended that service due to budget problems. Work continues on alternate plans for a shuttle.

Bicycle carriage will be offered for a \$5 fee.

Louisville extension—Amtrak's daily *Kentucky Cardinal* began serving downtown Louisville, KY—at Union Station, 1000 W. Broadway—December 4. The train started running Chicago-Indianapolis-Jeffersonville, IN (across the Ohio River from Louisville) in December 1999.

A new Thruway bus connects in both directions (with layover in Louisville lasting 0:45 southbound and 2:55 northbound) with Elizabethtown, Bowling Green, KY, and Nashville, TN.

Transit—Trinity Railway Express was extended December 3 from Dallas and Richland Hills to downtown Fort Worth. It serves the Intermodal Transportation Center at 9th & Jones (grand opening January 12) and the old T&P terminal on Lancaster Ave.

Salt Lake City's TRAX 2.5-mile University (East-West) light-rail line opens December 15, from downtown to the University of Utah.

MARC opens a 13.5-mile branch of the Brunswick commuter-rail line to Frederick, MD, December 17. Frederick trains branch off the main line at Point of Rocks, but do not stop there.

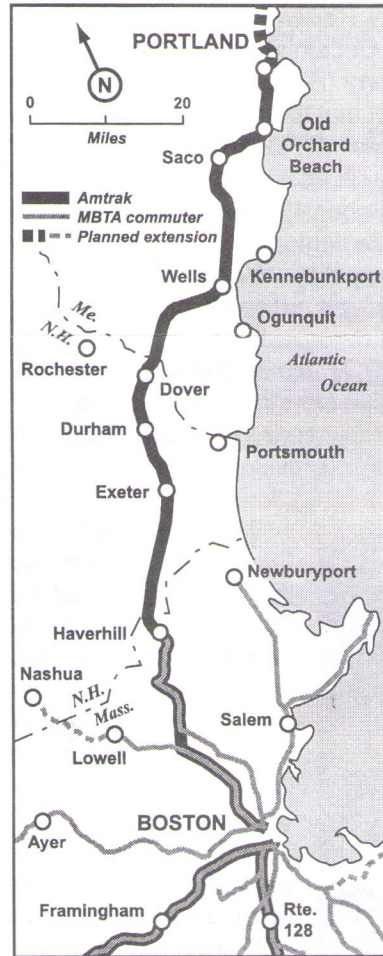
A Long Road to Maine

It was 1988 when Wayne Davis, then a mortgage banker, walked into the NARP office to discuss the possibility of trains coming to Maine. At last they are coming, with an inaugural special December 14 and revenue service the next day (see column at left), thanks in large part to the strong support of Gov. Angus King (I-ME).

The local media observed that it took longer to bring trains to Maine than to build the transcontinental railroad. We don't dare ask Davis—now a NARP vice president and the longtime president of TrainRiders/Northeast—if he would have done this knowing in advance what he was in for.

This is the first-ever Amtrak service in Maine, and the first passenger service north of Dover since Jan. 3, 1965. (The last Boston-Dover, NH, trains ran June 30, 1967; commuter service south of Haverhill ceased briefly in the 1970's).

A major turning point was in 1991, when Maine voters approved a citizen-initiated law (with TrainRiders/Northeast leading signature collection) to require the state to "seek and use" at least \$40 million needed to restore the service.



—Scott Leonard



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