



Gunn Speaks on Amtrak's Future

"I like my job and I'm optimistic about the future of Amtrak...This is the last day of my first, full fiscal year at Amtrak...We have gone through fiscal '03 without a budget crisis. We haven't borrowed any money, and we have some working capital in the bank...This is the first year since 1995 that we haven't had to borrow money or have a fiscal crisis tied up with borrowing money..."

"We know how to fix the railroad. The organization is coming out of a deep sleep and actually doing it. We can get the railroad to a state of good repair. The reason I'm optimistic is I think we'll do it."

—David L. Gunn, addressing National Press Club, September 30

In a talk as part of the National Press Club (NPC) Speakers Luncheon series, Amtrak President David L. Gunn continued to impress Washington with his accomplishments and his straightforward manner in reporting Amtrak's results. He repeated many of his comments two days later in testimony before the Senate Commerce Committee (page 3).

The NPC calls its Luncheon Speaker Series "one of the most prestigious and influential news venues in America. More Heads of State appear at the NPC than at any forum in the world outside the Oval Office." Speakers since mid-June have included four senators, two cabinet secretaries (Rumsfeld, Defense, and Paige, Education), heads of six major agencies including the FBI and FDA, and former President Gerald Ford.

In other words, this talk was a bit more conspicuous than Gunn's May 23 appearance before the NPC's Transportation Table. The audience of about 150 included reporters from the leading newspapers, as well as key Capitol Hill and Administration staff. Amtrak Chairman David Laney was at the head table.

He said ridership "will probably set a record," and emphasized that "it's all of our service, not just the Northeast Corridor...The long-distance trains and a lot of the Western Corridors are doing better...Revenues were weak at the beginning of the year, but in July they started to outpace last year and in August they were 4.8% ahead of last year.

"We like to think we have costs somewhat under control. I never want to declare victory on that scene, but...if you look at the things we can control, which would be basically labor costs, salaries, wages, overtime and fringe benefits, Fiscal '02 came in under Fiscal '01. Fiscal '03 will be under Fiscal '02. And we're basically flat going into Fiscal '04, despite inflation..." Amtrak has about 2,500 fewer employees than a year ago, half due to eliminating the MBTA commuter rail contract, "but the other half is basically just tightening up the operation."

Gunn said Amtrak is controlling capital costs and starting "to underrun project budgets but still get the work done."

Mechanical (Rolling Stock)

"We have rebuilt over 20 wrecked cars...By the middle of October, we will have completely rebuilt three Heritage dining cars..."

Amtrak acquired its workhorse fleet of AEM7 electric locomotives in the 1980's, but only this year for the first time rebuilt some (seven; May News). "They were taking themselves out of service spectacularly by burning up." As for the dining cars noted in our opening quotation, Amtrak could rebuild them because all the needed components were found in Amtrak's warehouse.

Gunn emphasized that the inspection cycle on equipment has been returned to 90 days (from 120 days), so it is "gradually moving back to a proper cycle of maintenance. Inspections on the railroad are really a euphemism for maintenance. It's not just looking at it; you actually fix it."

Engineering

"As of last week, we had installed 100,000 concrete ties. By today, we will have converted approximately 37 miles of track from wood ties to concrete ties. In the case of that track, the speed has been raised. For example, between Davis and Bacon [between Newark, Del., and Perryville, Md.], we've gone from 60 mph to 125 mph on 22 miles of third track..."

GUNN ON CORRIDOR DEVELOPMENT

Asked about prospects for developing corridors outside the northeast, Gunn cited these requirements;

- "First...a willing railroad. In other words, like the BNSF, they're a willing railroad. They will work with you to build a corridor."
- "A commitment from the state governments at a high level, not a rail fan in the highway department; the governor to actually participate in the funding of the project."
- "A city pair that makes sense, like Chicago-Milwaukee, Portland-Seattle, even Chicago-St. Louis..."
- "People who are willing to do

it incrementally. In other words, you use diesels and you use fairly conventional equipment. Because as soon as you start talking high speed, 150-mile-an-hour-plus trains, the price tag is enormous. And you immediately get sticker shock and everybody goes away."

He concluded, "So I think that...in a number of corridors—it may be Chicago-Milwaukee, Portland-Seattle, could be Boston-Portland—you will see attempts to make incremental improvements. But, in my opinion, you're not going to see really super-high-speed, electrified service in those corridors for quite a while."

We've also put in 33,000 wooden ties on the Harrisburg line.

"The most impressive thing that's happened" is getting the track-laying machine back into operation (TLM, June News). Also, Amtrak has "started undercutting—it's very important on a high-speed railroad [to] keep your ballast clean. We had really stopped that except in emergency cases...We will have undercut this year over 60 miles if you include what the undercutter did and what the TLM did."

Labor

"We have negotiated a contract with our biggest union, and we're hopeful that we'll negotiate contracts in the fall with our remaining organizations."

Reform

"The nature of reform depends upon your objective...I believe that the goal is to run the national passenger rail system efficiently...Reform for me is a lot of small steps...putting in the fiscal controls, putting in good accounting practices, having the proper organizational structure...

having one passenger car livery for the system.

"It means cleaning up the property. We scrapped five miles of junk equipment—locomotives and cars—and also raised about five million bucks doing it. [Reform is having] cash registers on cafe cars instead of cigar boxes."

He said those advocating more dramatic reform need to know that Amtrak does not have a "profitable core," and their plans ought to "have a detailed set of objectives...in terms of what service will actually run...what it will cost and what the financing will actually be."

The reform plans he has seen do not make clear "how you get from where we are right now to where they want to go. All these reform packages introduce some degree of chaos into management." They divert management's focus from running an efficient railroad to "creating new structures...I'm not saying it's all bad [but] it's something you have to be careful with or you can tip the place over."

He questioned whether the U.S. has the "technically skilled human capital" needed to support the competing companies that some reformers envision. The

U.S. has "no vast pool of talent outside the existing [railroads]." Also, "the supply industry for passenger rail...has nearly collapsed. We couldn't even buy couplers this summer in the U.S. Now they've propped up a company...selling couplers on a cash-and-carry basis."

Looking Ahead

Gunn brought two props to underline the importance of adequate investment, symbolic of, respectively, "annoying breakdowns in service" and "a catastrophic failure":

- A hanger which is attached to an insulator that in turn supports the catenary (overhead electrification). It was located between Newark and the tunnel into Penn Station. "It broke at around noontime [September 24], and it took four hours to get back into place." During this time, perhaps the busiest double-track railroad in North America was reduced to less than half normal weekday capacity.

- A piece of the 12,000-volt feeder cable that broke during the August power blackout, one of three, 68-year-old cables in the East River tunnels that fed electric power from Queens to New York Penn Station.

The first cable failed about four years ago. After the second failed in August, operations depended on the sole surviving cable. If it had broken, "we were out of business," that is, Amtrak and New Jersey Transit trains could not have moved in the station. Amtrak bought new cable four years ago, but "it just never got put in." Thus, Amtrak was able "to splice the failed cable and we got it back."

"Every week we get a reminder of how fragile things are." The operating deficit with debt service (principal and interest) "is over \$800 million a year. So if you give us [the House's] \$900 million, you have absolutely no money for heavy maintenance—none, zero. It doesn't work."

Asked if he would quit under that scenario, he replied, "Do I sound like I quit easy? No, I go down with the ship."

Asked what lines would stay in operation "if Amtrak is dissolved within the next year or two," he said he thought "the system [would] rise and fall together...the system will and should remain whole."

Looking ahead, he said "the more we can demonstrate that we run a tight ship, that we are wise stewards of public funds and that we get good bang for the buck in the capital program, I think we have a good chance of getting adequate funding. It's not certain until you get it." ■

COMPETITION NO PANACEA

Contrary to what many people may think, "competition" in the railroad context does not mean the passenger goes to the station and chooses between trains of Company A and Company B, as if at an airport. Competition here is for the right to replace Amtrak as the sole provider of service on a route or set of routes. Ousting a new provider who is unsatisfactory can be disruptive and difficult. Nonetheless, some view this type of competition as a surefire method for cutting costs and improving service.

But Max B. Sawicky, an Economic Policy Institute economist, said at a June 4 news conference, "You don't save money or get competition just by virtue of using private vendors. Private vendors need profit margins. Thin markets can mean few bidders. And vendors can open with lowball bids, then—after they've won—raise costs over time." (We covered EPI's release of its Amtrak report in our June issue, but did not include this quotation.) He might have added that the

price for labor endorsement of a switch in carriers could be a significant wage increase.

Then, on October 2, Oregon DOT Rail Division Administrator Claudia Howells, testifying before the Senate Commerce Committee, had this to say about this summer's Portland-Astoria train (June News): "We did not save any money using a private operator. We had expected to, but we didn't. Running a railroad costs pretty much the same thing no matter who runs it." She added that Oregon did contract with Amtrak for use of its reservation system, and that "worked extremely well. Most of our passengers came to us that way."

Switching providers also assumes overcoming the strongly held views of most freight railroads that Amtrak alone should have legal access to their tracks, and—moreover—overcoming those views in a way that does not result in drastic increases in what the railroads charge passenger operators for track access.

Senate Hearing: Long Distance Confusion

The Senate Committee on Commerce, Science and Transportation held an October 2 hearing on S.1501 (July News), the Administration's passenger rail bill.

Most committee members gave the bill a cool reception; the only kind words were from Chairman John McCain (R.-Ariz.). He called the plan a "commendable start," but even he said it was "far from perfect" and some parts of it may not work. He and others complained the bill lacks dollar amounts.

DOT Inspector General Ken Mead was asked how much Amtrak needed for 2004. He said \$1.5 billion—achievable with the \$1.346 billion approved by the Senate Appropriations Committee plus the \$200 million in working capital with which Amtrak began the fiscal year.

Amtrak President David L. Gunn confirmed Amtrak could "make a real dent" in deferred maintenance this fiscal year if Amtrak gets the funds the Senate committee approved.

National System Debate

Sens. Ernest F. Hollings (D.-S.C.), Kay Bailey Hutchison (R.-Tex.), Conrad Burns (R.-Mont.), Byron Dorgan (D.-N.Dak.) and witness Oregon DOT Rail Administrator Claudia Howells strongly supported a national system. Gunn: "I've ridden most long-distance trains. To my observation, they are used, the ridership is growing, including in the rural areas."

Federal Railroad Administrator Allan Rutter said "not all long-distance routes are equal...The BNSF runs the *Empire Builder* 80-90% on-time." But then he suggested cutting up the route into shorter coach segments and ending

"costly sleeping cars."

The only break-point Rutter suggested was the Twin Cities: "few people travel through there." But turnover at the Twin Cities is under 50%, and average trip length in fiscal 2002 was 841 miles, more than twice the 418-mile Chicago-Twin Cities distance.

Mead called the long-distance issue "overblown" because "very substantial parts of what people think of as long-distance routes are parts of corridors that the Administration is interested in."

A Mead attachment showed 34% of long-distance train passengers riding within designated high-speed corridors—100% on *Auto Train*, 55% *Coast Starlight*, 48% *Silver Star*. But many high-speed route designations will lead to no—or no near-term—investment.

- Considering only *existing* corridors, the right *Starlight* number is not 55% but about one-third.
- There are no state plans to run Auto

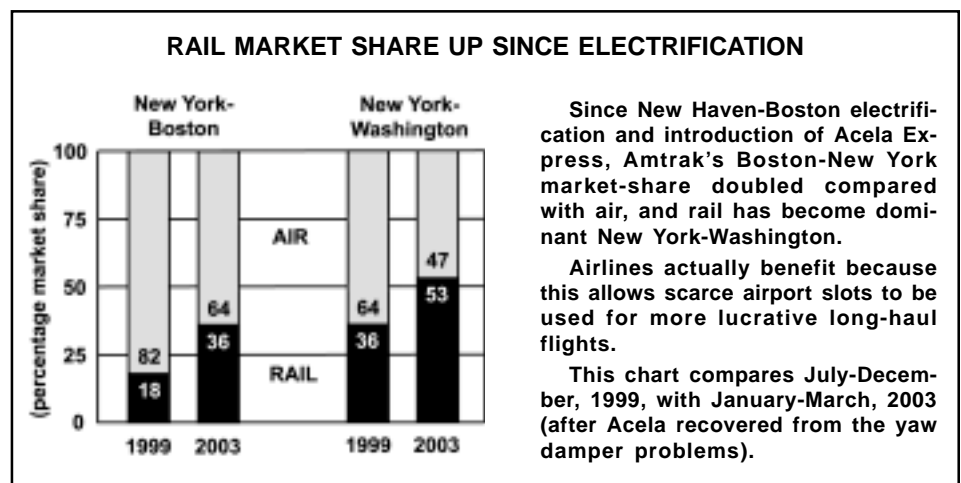
Train-type service, and no state trains at all on 70% of the 855-mile *Auto Train* route (Selma-Sanford, 601 miles).

• Rutter said Gov. Rick Perry (R.) is dusting off plans for high-speed rail in Texas. But the airline opposition that killed earlier Texas efforts is alive and well (see Robert Crandall's comments, Sept. News).

Dorgan challenged the blurring of long-distance and corridors. He said S.1501 would end "federal support for long-distance trains. [That is] exactly the wrong direction. You can talk about the long term all you want, but this railroad will live or die in the short term."

In the past, Mead has made clear that infrastructure cost is a far bigger challenge than the cost of long-distance trains. ■

Mead's complete statement with attachments is at <http://www.oig.dot.gov/show_pdf.php?id=1181>. All witness statements are at <<http://www.senate.gov/~commerce/hearings/witnesslist.cfm?id=951>>.



Short-Distance Segmenting Failed in Bus Industry

People who look at Amtrak and think the long-distance trains lend themselves to being chopped into short segments—"because that's where rail is most competitive"—should consider former Greyhound chief Frank Schmeider, who thought the same thing about buses when he got to Greyhound.

Under Schmeider, most trips didn't go much more than 400 miles. A New York-Miami trip might involve two transfers.

He wound up as the subject of the lead story in a *Wall Street Journal* article, "How Greyhound Lines Re-Engineered Itself Right Into a Deep Hole...Computer

System From Hell" (October 20, 1994).

Schmeider did not understand the importance of Greyhound's revenues from passengers taking long trips. He over-emphasized the short markets because they had the highest yields (revenue per mile).

He charged over \$200 for coast-to-coast, walk-up fares (vs. \$159 today for same-day New York-Los Angeles ticket).

Schmeider's overall approach, and a strike, landed the company in bankruptcy, and much of Craig Lentzsch's work (and success) at Greyhound involved undoing Schmeider's. Hopefully, Washington

won't try to put Amtrak's network through the same meat grinder.

To be sure, realistic rail corridor development is badly needed, but such development is unlikely to happen if the existing long-distance network is mismanaged into extinction.

Also damaging would be failing to realize that the cost of readying just one corridor for solid, 80 mph operation far exceeds the annual operating cost of the long-distance trains. The cost of losing those trains, however, is to leave 29 states without intercity passenger rail, or any direct reason to support funding it. ■

TRAVELERS' ADVISORY

October 26 timetable—For the first time since Spring 1993, Amtrak will print a single national timetable book. It has three pages of sample fares and sleeping car charges, something not in Amtrak timetables in many years.

Acela Express—see item at right.

Cardinal is extended to New York, as urged by NARP. Departs New York 9:25 am (except 9:05 am on Sunday), arrives New York 11:30 pm. It runs 25 minutes faster westbound.

Vermont southbound runs about four hours earlier than present, at the request of the State of Vermont (which requested the later schedule last time).

Capitol Limited is 23 minutes faster westbound...**Sunset Limited** runs 2:30 hours faster eastbound between New Orleans and Jacksonville.

Carolinian runs faster through the Greensboro, N.C., area, due to state-paid track work.

Southwest Chief westbound has 22 minutes removed from its dwell at Albuquerque, and arrives 25 minutes earlier at Los Angeles (at 8:15 am).

Sleeper space—Amtrak now offers eight rooms in the transition-dorm car for public sale on the *City of New Orleans*. A similar program that started in June on the *Texas Eagle* has been deemed a success.

ACELA EXPRESS CHANGES

Certain October 26 changes are meant to improve reliability. Some schedules south of New York are lengthened slightly. Acela Express drops either Metropark or BWI Airport on an alternating basis. Nearly all Acela Express/Metroliners drop New Carrollton.

New York-Washington Acela Express service is reduced on weekends (largely replaced by Metroliners), but there is one additional weekday round trip. Some Acela Express trains no longer stop at New Haven.

JOINING THE NARP BOARD

To become one of NARP's 70 regional directors, send a candidacy statement (75 words or less) with name, address, phone number(s), e-mail address. Candidates must have been NARP members at least a year. First-time candidates must send recommendation letters from three other NARP members living in their region. Directors serve two-year terms.

Send to "NARP Candidate," 900 2nd St., NE, #308; Washington, DC 20002 (not to P.O. box on our reply envelopes!), postmarked by December 31, 2003—or hand-carried, faxed, or e-mailed by January 2, 2004.

Ballots containing the statements will be sent to each NARP member. Elections will take place at regional meetings and by mail. Future board meetings include Washington, D.C., April 22-24, 2004 (and April 2005); Denver, Colo., October 2004.



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