ASSOCIATION HIGHLIGHTS

MARCH-APRIL 2005 Volume 28, Number 3

INSIDE

GUEST COLUMN
REGARDING AMTRAK

James E. Coston
Coston & Rademacher
Chicago, Ill.
(312) 235-0198
jc@corrcap.com

AMTRAK: ORANGES AND APPLES

DOT Inspector General Kennth Mead last November warned that Amtrak, the federally owned rail passenger carrier, was failing financially.

Unlike earlier studies arguing that Amtrak's funding was too low to produce a commercially competitive service, Mead hinted at a massive service failure.

The Boston-Washington Northeast Corridor, which Amtrak owns but lacks the budget to maintain, is in critical condition due to deferred maintenance, Mead said.

Century-old moveable drawbridges could fail at any time, forcing a service suspension that would throw the Northeast's mobility into turmoil.

"Continued deferral brings Amtrak closer to a major point of failure," Mead wrote, "but no one knows where or when such a failure could occur."

Two months later the Bush administration, tired of Amtrak's perpetual operating losses, asked Congress to end the federal operating subsidies it has provided since Amtrak's founding in 1971.

Amtrak's numerous critics immediately began rushing to co-sign the railroad's death warrant.

The *Wall Street Journal* went first. In a Feb. 10 editorial, "No Way to Run a Railroad," it cited a recent study by DOT's Bureau of Transportation Statistics (BST) alleging that between 1990 and 2002, Amtrak trains required a subsidy of $186.35 per 1,000 passenger- miles, while commercial airlines required only $6 for the same output (private autos, bizarrely, were said to return a profit of $1.91 per 1,000 passenger-miles to the highway system).

On Feb. 16, the *Chicago Tribune*

published a me-too editorial that recycled the *Journal's* figures.

What's going on here? How could the numbers for passenger trains be so far out of whack with the ones for airplanes and cars?

Answer: An apples-to-apples comparison broke down because some oranges found their way into the barrel.

In other countries, air, auto and passenger rail can be compared because all are funded with government capital. But in the U.S., passenger rail is still treated as a business, while highways and civil aviation are considered government transportation programs.

What that difference adds up to is lots of federal infrastructure money for highways and airports, but none for passenger rail.

As far back as 1992, University of Denver Professor Stephen Paul Dempsey estimated the current replacement value of the highway system and the airports to be about $1 trillion each. Yet the net asset value of the entire U.S. rail industry is only about $300 billion, virtually all of it devoted to freight hauling.

This "infrastructure gap" explains the apparent low productivity of Amtrak's trains in the BTS study. BTS was doing what any good economist does in comparing systems: It tried to find economies of scale.

When it looked at the nation's monster highway and civil aviation programs, it found plenty. But when it looked at Amtrak, it couldn't find any – *because it couldn't find any scale*.

The U.S. rail infrastructure – and particularly the part of it devoted to carrying passengers – is simply too puny to generate low unit costs.

Rail is a form of mass transit: It is efficient only when it carries masses of people on masses of trains. America has the masses of people that need to be moved, but it lacks the trains to move them because its rail system is disastrously underbuilt.

The editors of the *Journal* and *Tribune* should have consulted an earlier BTS study, the "End Points Analysis," published in 1995. It showed that since the end of World War II, the heaviest intercity travel corridors in the U.S. have developed in places where adequate passenger-train tracks never were built or from which they were removed when the hapless U.S. rail industry began to buckle under the triple assault of federal regulation, federally funded superhighways and federally funded airports.

Critics of an expanded and better-funded passenger-train system often state as fact that only the Northeast Corridor has the "European-style" demographics that favor train travel.

But the BTS found that the heaviest demand for corridor travel occurs nowhere near the Northeast Corridor. More people travel each day between Los Angeles and San Diego by all modes of transportation – car, airliner, bus, train and motorcycle – than between any other metropolitan pair in the nation.

The problem is, most of them can't take a train. Single track and obsolete signaling limit the L.A.-San Diego corridor to 11 Amtrak round trips per day and an average speed of 50 miles per hour.

And the nation's second-busiest travel corridor – L.A.-Las Vegas? It has no

passenger trains at all – just a single Union Pacific track overwhelmed by freight traffic.

Yet the nation's third-busiest travel corridor, New York-Philadelphia, has 51 Amtrak round trips per day. Why aren't more trains running where the people are?

Simple: The U.S. government never committed itself to chasing population growth with modern passenger-rail infrastructure as it did with modern highways and airports.

Instead, it permitted a downsizing of rail plant while population was growing. Booming Sun Belt cities such as El Paso, Dallas, Las Vegas, Orlando and Albuquerque are struggling with antiquated, freight-congested single track built to serve 19th-century cow-and-cotton economies. Older Eastern and Midwestern cities that continued to grow actually have less track than they did 50 years ago.

Result: Most Americans couldn't ride a train if they wanted to. Either no passenger train serves their city, or those that do are too few and too slow.

Columbus, Ohio (population one million), has no passenger trains at all. Neither does Phoenix, (population three million). Neither does Nashville, which Amtrak names as the most-requested destination it does not serve. Grand Rapids, an area one million, has one train a day, and only to Chicago -- not Lansing or Detroit.

At the heart of industrial economics lies economy of scale. In U.S. transportation, economy of scale is driven by federal investment in infrastructure.

Only a large, modern infrastructure assures the scope, the depth, and the technological and networking capability that enables each mode to realize its economic potential. The United States has made that investment in roads and airports, but not in passenger rail.

That failure is why the economic potential of U.S. passenger trains remains unrealized.

(James E. Coston served on the Amtrak Reform Council from 2000 to 2003. A Chicago attorney, he is chairman of Corridor Capital, LLC, Chicago.)