

PRIVATE CARS, CHARTER TRAINS, AND AMTRAK: A BACKGROUNDER
American Association of Private Railroad Car Owners

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Introduction: Privately-owned passenger cars usually run singly or in pairs on regular Amtrak trains, usually on the rear. There are occasional “charter trains” composed of private cars, with Amtrak locomotives and Amtrak train and engine crews (see page 4). A century-old, positive relationship between private car owners and passenger railroads recently ended. Report language expressing concern about this accompanied both the House and Senate FY 2019 and 2020 transportation/housing appropriations laws.

In early 2018, Amtrak management turned against both private cars and the long-distance trains, abruptly canceling long-planned charter trains, eliminating many private-car access points, and on May 1, 2018—with just 13 days' notice—hitting private-car owners with a 12.41% rate increase. The 13 days' notice was harsh: most private cars are small businesses; many had to choose among running long-planned trips at a loss, confronting customers with last-minute increases, or cancelling trips.

The challenge to the long-distance trains began with Amtrak arguing in effect that it was safer to cross Raton Pass on a bus than on a train without PTC—even on a freight-free segment where only the *Chief* ran. This culminated in bipartisan support for appropriations law language mandating continuation of the train at issue, the Chicago-Los Angeles *Southwest Chief*.

The new, 2018 policies appear to be part of an overall Amtrak plan to eliminate many operations and amenities in order to simplify operations—allowing staff and cost reductions, while sacrificing revenue sources, good will and public service. In addition to the private-car issues, Amtrak first class services were reduced (Pacific Parlour Cars eliminated) and some dining car services downgraded, and the Long-Distance Network in general came under attack.

At an April 11, 2018, appropriations hearing with Secretary Chao, Sen. Joe Manchin (D-WV) attributed to former Amtrak President & CEO Richard Anderson the phrase “these very wealthy people with private cars.” Until Amtrak ruled out Huntington WV as an access point, Huntington was Exhibit A that private cars are relevant to people of almost all incomes—private cars offered reasonably priced trips to Washington DC for school children. Even today, the many owners who have put the lion's share of their wealth into their cars don't qualify as “wealthy,” and much of the value of their investments have been reduced by Amtrak's new policies. Some cars are owned by chapters of not-for-profit historical societies.

How Private Cars Benefit Amtrak

- 1. Revenues**, especially for the long-distance trains. A private car yields the equivalent of an Amtrak car with about 32 passengers, but Amtrak does not shoulder private-car ownership and maintenance costs. Our consultant found that Amtrak had a 100% profit margin carrying private cars on regularly scheduled trains at \$2.90/mile in 2017; the current rate of \$3.74 is 30% higher. Since fuel is a major cost driver and fuel prices have declined sharply, it is likely that the profit margin even at the old rate would be higher now. [The rate rose 12.41% to \$3.26 on May 1, 2018; another 12.58% to \$3.67 January 1, 2019, and 1.91% to \$3.74 October 1, 2019.] There are many other charges that contribute to Amtrak's profit margin, including parking charges [overnight range from \$178 to \$689 (Chicago); monthly from \$1,836 to \$3,586].
- 2. Introducing future passengers to the Amtrak network.** People whose first long train ride is as a private-car passenger may be inspired to travel more on regular Amtrak trains.
- 3. Good will** from a politically diverse community of people and whose meetings bring Amtrak-associated economic benefits to the location cities. Likewise, private cars employ on-board services and mechanical staff for AAPRCO and other meetings and for general travel. These cars have a multiplier effect, purchasing goods and/or services wherever they go.

Access Points: In early 2018 Amtrak dramatically reduced the number of locations (“access points”) where private cars can be added and removed from Amtrak trains. The justification has been “delays” handling cars at intermediate points, but the supporting data has been spotty. Only recently, in response to FY 2020 House T-HUD appropriations report language, has Amtrak begun to alert car owners when they are blamed for certain delays, thus giving owners the opportunity to correct the record where warranted. The overwhelming majority of Amtrak delay minutes are from train interference (freight, commuter, other Amtrak) and mechanical problems with Amtrak's own equipment. Even before 2018, private cars did not merit an entry on Amtrak's standard reporting list of 21 delay causes [frame 4 at <https://www.amtrak.com/content/dam/projects/dotcom/english/public/documents/corporate/HostRailroadReports/April-2019-Amtrak-Host-Railroad-Report.pdf>]

Nor were private cars mentioned in several external reports about Amtrak on-time performance:

- CRS, September 28, 2017, "Amtrak Overview," <https://fas.org/sgp/crs/misc/R44973.pdf>
- GAO January, 2016, "Better Reporting, Planning, and Improved Financial Information Could Enhance Decision Making" <https://www.gao.gov/assets/680/674520.pdf>
- BLS, Amtrak On-Time Performance Trends and Hours of Delay by Cause <https://www.bts.gov/content/amtrak-time-performance-trends-and-hours-delay-cause>
- FRA CR-2008-047, March 28, 2008, Effects of Amtrak's Poor On-Time Performance https://www.oig.dot.gov/sites/default/files/effects_of_otp_report_FINAL.pdf

Taking Amtrak's rhetoric literally, private cars should not ever cause one minute of delay, which is akin to saying private cars provide no value to Amtrak. It also ignores that only a relative handful of trains actually handle private cars. For example, in the last year of operation, Orange Park Station (Jacksonville, FL) dispatched an average of 1.5 cars per month. Finally, it ignores problems of private cars being wrongly blamed for delays.

Key Access Points for Restoration

Arizona: Tucson: Amtrak lists Tucson as an access point but it is not workable because Union Pacific won't allow switching at the station, and Amtrak won't allow switching at Wilmot, about 12 miles east, where UP *will* permit this and where it has been done in the past.

California: Oakland/Bay Area: The only departing train that accepts private cars is the Chicago-bound *California Zephyr* originating there. Thus, to reach the Pacific Northwest or southern California, a private car must travel via Chicago. The Los Angeles-Seattle *Coast Starlight* will drop cars for an extraordinarily high special charge of \$2,106 per occurrence but will not add cars at any price.

District of Columbia: Washington: This key location currently handles private cars only on weekends, a **construction-related restriction which must be temporary**. Now, for example, a Miami-Chicago trip usually must go via New York City/Albany; the more direct Washington-Chicago *Capitol Limited* can only be used when transiting Washington on a weekend.

Florida: Jacksonville: This is the home of Orange Park Station (OPS), an excellent, private facility for storing and maintaining private cars. Handling of cars here has been very efficient. Also, this is a crew-change point and passenger smoke stop. The OPS owner was always on hand to make sure things went well, and often helped train crews minimize smoke-stop-related delays by helping to round up passengers. When Amtrak eliminated Jacksonville as an access point, five full-time and four part-time employees lost their jobs along with related vendors; some work could be returned if Amtrak restores Jacksonville. Within the past few months, CSX—having wondered why it was no longer earning revenue by transferring cars between OPS and the Jacksonville Amtrak station—offered an improved method for handling private cars. Amtrak still said “no.”

Florida: Tampa: Another popular destination. Amtrak backs into this station so, if one or two private cars are parked at the bumper, it would be straightforward to couple/uncouple them.

Montana: Whitefish: A desirable destination with excellent fixed facilities.

New Mexico: Lamy: This has particular value because a cooperative short line railroad provides local, on-call switching service at Lamy and a link with downtown Santa Fe. As well, there is about 26 minutes' recovery time in Amtrak's Lamy-to-Albuquerque schedule and a 50-minute dwell time in Albuquerque (which *is* an access point).

West Virginia: Huntington: Amtrak's move forced closure of the private facility for maintaining private cars, which likely would not return. But Amtrak also forced a “solution” to the popular New River Train fall foliage specials which was costly both economically and to the environment. Rather than permit cars to arrive and depart on the *Cardinal* which could use the revenue, Amtrak requires operation of an extra, special-purpose charter train all the way from Chicago. This sharply drives up costs to car owners, especially for cars based on the East Coast.

Reporting of Private-Car Revenues: When a private car is attached to a scheduled Amtrak train, that train's economics are improved, especially at the rates Amtrak currently charges. Yet private-car revenues go to a special, apparently “proprietary” accounting line. The revenues are not credited to the trains carrying those cars and so are not included in the “Operating Revenue” column on the “Route Level Results” tables. [See, for example, the last page at https://www.amtrak.com/content/dam/projects/dotcom/english/public/documents/corporate/mont_hlyperformancereports/2020/Amtrak-Monthly-Performance-Report-March-2020.pdf]

Basis for Private-Car and Package Express Charges: *If Amtrak indeed is charging “fully allocated costs” both for private cars and package express, Amtrak is sacrificing price-sensitive business that would be profitable even though not covering all allocated costs. These policies are most harmful to the long-distance trains, where most of these revenues are earned. As noted by Robert Menzies, a private-car owner who also is the Aberdeen, Carolina and Western Railway’s owner and board chair, “We carry sand even though it might not cover full cost like chemicals and plastics, but sand does cover variable cost and contribute to our fixed costs.”*

Charter Trains: [This refers to trains composed of private cars, not to trains Amtrak runs with its own equipment such as for sports teams and the New Jersey Chamber of Commerce.] Amtrak now bars operation of charter trains outside the regular Amtrak network and requires charter trains to be repetitive, that is, at least three trips making the same run. From 1996 through 2017, AAPRCO ran safe, successful special trains once or twice a year which current restrictions would have prevented. Management at the time said running “off-line” had educational value for Amtrak regarding possible reroutes when regular routes are blocked. As well, Amtrak has rights to use most U.S. rail lines and it is prudent to exercise those rights from time to time. For AAPRCO members, use of “freight-only” trackage has been key for attracting passengers. The need to repeat trips—combined with the big reduction in the number of private cars operating—likewise reduces demand. The “stay-on-network” restriction is particularly galling in North Carolina, where Pinehurst, an ideal destination, sits just six miles off the route of Amtrak’s *Silver Star* and is connected to it by a friendly short line whose owner/chairman also owns two private cars.

Inspector General’s Report: I have attached separately AAPRCO’s response but show here two key excerpts:

First, the IG said Amtrak “charged a private railcar owner its regular prices during the [New Orleans Jazz] Festival, which totaled \$17,326. In contrast, the owner charged customers prices as high as \$5,990 per bedroom – potentially grossing up to \$59,000 at full capacity.” Contrary to what the IG implies, owners’ costs far exceed trip-specific payments to Amtrak and include food, on-board services staff, ground tours, positioning moves, property/liability insurance, parking at about \$20,000/year, mechanical service, capital repairs such as \$12K wheel sets, and inspections.

Second, the IG said Amtrak “does not know the extent to which its billing and pricing cover its costs.” Amtrak’s response suggests management assumed the IG intended Amtrak to raise tariffs. Report language accompanying the House’s FY 2020 T-HUD bill stated, “The Committee agrees...that Amtrak cannot accurately assess and make informed decisions about the private car program until Amtrak properly identifies the costs of the program. These conclusions are particularly concerning considering that Amtrak implemented two price increases for the private car program prior to the report’s release.” Amtrak has created a profit-and-loss statement for private cars which apparently is proprietary.

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www.AAPRCO.com, May 15, 2020