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April 30, 2018

Mr. Anthony R. Coscia, Chairman
Amtrak Board of Directors
Mr. Richard H. Anderson, Amtrak President & CEO

Dear Chairman Coscia and Mr. Anderson:

We are concerned that current Amtrak leadership does not support Amtrak's mission to run the nationwide network. We also believe that recent, abrupt, negative changes in Amtrak's policies towards special trains and private cars impose unreasonable economic costs on Amtrak, car owners, their employees and vendors, and the communities these cars and trains visit. We ask you to review these changes and carefully consider whether they are in the best interests of Amtrak and the nation.

At the April 19 California Rail Summit, Richard Anderson reportedly cited:

1. "only 4% of passengers travel end to end" on the long-distance trains,
2. the long-distance trains cost $750m to operate, and
3. the subsidy per passenger is $145.

Items 2 and 3 are particularly alarming because heretofore they have been talking points for Amtrak's critics.

End-to-end travel: The low share of travelers who ride the entire length of a specific route is meaningless. It has been cited by supporters of the long-distance trains as a short-hand way of emphasizing the importance of these trains to intermediate points in rural America. But it is not useful if one assumes that the other 96% of passengers make very short trips, perhaps most of them within sub-corridors that are rumored to be under consideration for breaking up the long runs – sub-corridors defined, for example, by Kansas City and Albuquerque or Denver and Salt Lake City.

***Average* trip lengths are very long**—839 miles on the *SW Chief* per Amtrak's report (304.6 million passenger-miles divided by 363,000 passengers) and even longer if one considers actual trip lengths of the many passengers who change trains. Chicago to San Bernardino is part of that 96% but is 2,193 miles. Likewise, Sacramento to Pittsburgh would not qualify as end-to-end on either the *California Zephyr* or the *Capitol Limited* but is longer than the *Zephyr's* entire Chicago-Emeryville run.

Cost of operating long-distance trains: Whether using $750 million as Mr. Anderson did, or $500 million per Amtrak's published report, there is an implication that Amtrak would save this much money by eliminating the long-distance trains, which is not true. Moreover, if these trains actually disappeared, some of their allocated overhead costs would shift to the state corridors, threatening the willingness of states to continue them. Some state routes also would suffer from loss of connecting revenue.

Subsidy per passenger: Since passengers on these trains have above-average trip lengths, it would not be surprising for them to have higher per-passenger subsidies. Net cost per *passenger-mile* would be a better measure. In any event, Anderson's $145 per passenger seems high, since Amtrak's own published FY 2017 numbers yield $106.54 ($500.3 million divided by 4.7 million riders).

Why have a federally-supported national system?

- The public wants it.
- The network is a critical component for economic development in many of the served communities. This is partly reflected in the funds local governments have invested in upgrading their stations.
- It is unrealistic to expect states to fund long-distance trains, given the many states involved in each route, and the inability of a single schedule to be ideal for every state.
- **A short-distance-only system would leave 29 states (vs. four today) unserved and a Balkanized "network" in four, isolated pieces. This would lead to a drop in federal support far exceeding the true costs of the long-distance network.** (Per Amtrak's web site: long-distance trains are the only presence in 23 states; add Texas and Oklahoma because the *Heartland Flyer* would not likely outlive the *Texas Eagle*.) Sen. Kay Bailey Hutchison's (R-TX) "national or nothing" slogan from the 1990s would return in full force.

The decision to **eliminate dining car service and hot food on two Chicago-East Coast trains** marks an unprecedented service-quality decline that threatens to drive passengers away. As we understand it, sleeping car passengers can pick up their cold entrees in the dining car and eat there or back in their rooms, but coach passengers will be restricted to the cafe menu, another major service downgrade. Since meals are included in the sleeping-car ticket price, this policy change may not reflect the crediting of an appropriate amount of transportation revenue to the dining cars' existence.

If Amtrak believes existing law makes dining car service impossible, Amtrak should request a change rather than dramatically downgrade the service. The June 9, 2005, Amtrak testimony before the House Railroads Subcommittee included this: "Food service in the travel industry is not meant to make a profit. The business model, price elasticity, and regulatory and statutory hurdles are too great for Amtrak, or any other entity of the size and reach of Amtrak, for that matter, to ever break even on a consistent basis, let alone make a profit. Food service in the travel industry was never designed to be a profit center, but instead, it was intended to maximize ticket revenues."

https://www.scribd.com/document/334172238/HOUSE-HEARING-109TH-CONGRESS-AMTRAK-FOOD-AND-BEVERAGE-SERVICE

Should Amtrak reconsider the policy adopted in 1986 of including meals in the sleeping-car ticket price? Does this policy encourage people to eat more than they otherwise would and/or reduce the ability to serve coach passengers who *are* paying specifically for their meals?

It certainly would be unfortunate if, as we have heard, most of the brand-new CAF dining cars are in mothballs rather than in service.

Southwest Chief. The Trump Administration's approval of a third TIGER grant to address infrastructure issues between Newton, KS, and the Albuquerque area was very good news. Reports that Amtrak may fail to deliver its portion of the non-federal share are deeply concerning. For Amtrak to kill this project after so much state and local money from so many jurisdictions has been committed would send a terrible message to interests locally and around the nation, break Amtrak's "run-for-20-years" commitment in the last *Southwest Chief* TIGER grant, and render useless BNSF's commitment to maintain much of the upgraded track for 20 years.

Safety: Amtrak management's statements raising doubt about whether services will operate next year in the absence of Positive Train Control are concerning because of the number of segments at issue, the implied threat to the system's integrity, and the negative impact on revenues since many of your highest-revenue passengers have long planning horizons. It is important that Amtrak offer assurances soon that service will not end December 31. The board needs to follow risk assessments closely to make sure that we don't have a public policy disaster that needlessly sends would-be Amtrak passengers into less-safe automobiles and undermines support for Amtrak by making its very skeletal network even smaller.

Private cars and special trains -- public/private partnerships: Amtrak needs revenue and it needs friends. It is hard to fathom Amtrak's recent, abruptly implemented decisions regarding private cars and special trains. This is not just about "these very wealthy people with private cars," the phrase that Sen. Joe Manchin (D-WV) attributed to Mr. Anderson when, at the April 11 appropriations subcommittee hearing, the Senator raised this issue with Secretary of Transportation Elaine Chao. Some owners have put the lion's share of their wealth into their cars, the value of which has been reduced by Amtrak's new policies. As well, car owners and their vendors—most of both are small businesses—have employees who are losing employment and work. Some private cars, like those run by the Huntington WV-based Collis P. Huntington Railroad Historical Society, are regular coaches used for Huntington-Washington trips for students.

These are not as well known as the Huntington-Hinton New River fall foliage specials which got considerable publicity when Amtrak's new policies were revealed to threatean the future of these trains. Amtrak is paid about $500,000 but the trains are reported to have a $5 million impact on West Virginia.

That is but one example of the significant economic impacts special trains have on the communities they serve. Attached are articles from Roanoke, Virginia and Galesburg, Illinois reflecting concern about the loss of rail-related economic activity due to Amtrak's new policies.

At an April 11 Appropriations T-HUD Subcommittee hearing, Rep. David Young (R-IA) asked Amtrak Executive VP Stephen Gardner about the March 28 special employee advisory on special trains and the wisdom of foregoing associated revenues. From that advisory: "Generally, Amtrak will no longer operate charter services or special trains [but] there may be a few narrow exceptions. Otherwise, one-time trips and charters are immediately discontinued."

Gardner, however, testified, "Actually, our policy is not to stop running all charter or special moves. It is simply to constrict the number of routes that we operate over and the type of services we run." Indeed, an Amtrak spokesman on April 24 reportedly said Amtrak expected to run about 40 specials a year compared with 70 before the new policy took effect.

The fact that Gardner also referred to trips "where we can use equipment that we are confident in" implies that most of the 40 surviving specials will use Amtrak's own equipment and disregards the excellent safety record of private cars and the economic benefit for Amtrak from earning revenue without putting miles on its own cars.

Young ended the exchange by specifically asking Gardner to "work with those non-profit groups and those historical societies" who "bring in a new generation of those who have appreciation for trains."

The March 28 advisory also cited "failure to cover fully allocated marginal profits." But why would special trains be expected to cover fully allocated costs? If services in general were really priced too low to give Amtrak a reasonable profit, the logical answer would be a different pricing strategy.

Private Cars on Regular Trains: On April 18, Amtrak made official what it had already put into practice, that is, a hostile, new policy towards handling private cars on regular Amtrak trains. This included reservation of the right to refuse without notice to add or remove cars at intermediate points, significant reduction in the number of such points, and the requirement of cars by September 30 to make a one-way trip away from locations not on the short, new list of switching points. This was effective so "immediately" that at least one private car trip already in progress was forced to accept an alternate route.

Also April 18, Amtrak gave just two weeks' notice for a surprise, unusually big increase in charges for private cars (including increasing the mileage rate 12.4% from $2.90 to $3.26). Such short notice shows disrespect for car owners who must plan trips (and set rates for their paying customers) months in advance both because of Amtrak's own requirements and customers' need for a reasonable planning horizon. The May 1 tariff comes on top of several aggressive increases in recent years.

For years, a new tariff has taken effect at the October 1 start of Amtrak's fiscal year and has included the following statement: “The rates in this Addendum will be adjusted annually based on the AAR Quarterly Index of Charge-Out Prices and Wage Rates (Table No. C), using the 4th Quarter United States, 'Materials prices, wage rates and supplements combined (excl. Fuel)'. The rate adjustment will be effective on October 1 of each year.”

Amtrak's erratic approach to special-train pricing can be seen in the death of the historic annual round-trip to Galesburg, Illinois, from Chicago, bringing over 100 executives to Galesburg for the day (324 miles round-trip). Even though this did not involve travel off the Amtrak network, the $100K estimate offered this year seemed a clear indication that Amtrak did not want the business. The train included one Amtrak locomotive and six private cars.

2011	$14,000		
2013	$16,000	+14.3%	
2014	$18,005	+12.5%	
2017	$22,531	+25.1%	
2018	$100,000	+343.8%	(initial estimate; trip did not operate)
2018	$36,000	+59.8%	(revised offer came too late to restart trip plans)

After years of Amtrak not providing transparency regarding the basis for pricing of special trains or private cars on regular trains, it was deeply disappointing to see an Amtrak spokesman implying that these charges were too low: "Diversion of [Amtrak's federal operating grant] to support something that is not our core business — which is running daily scheduled passenger trains — it was certainly part of this evaluation."

There should be consistent policies for charters and excursions that Amtrak's Inspector General can use to verify that management is following policy.

Successful Special Forbidden by New Policy?: The January 2018 Whitefish special used Minneapolis-based private cars to bring people from Seattle to Whitefish for a conference; the passengers included representatives from Amazon and the Bill and Melinda Gates Foundation – people that Amtrak should want to become aware of its network. The operator paid Amtrak a total of $98,000, including $31K to carry the cars on the rear of Amtrak's *Empire Builder* Twin Cities-Seattle and Whitefish-Twin Cities; $15K in regular sleeping car fares to accommodate the Minneapolis-based private crews; and $52K for the Seattle-Whitefish special itself. The cars and a locomotive were added to the eastbound *Builder* at Whitefish and the train arrived on-time at the next station. This reflected that Whitefish has excellent facilities. As well, it is a top destination for private car passengers. Nonetheless, it was not included on Amtrak's recently issued list of acceptable switching locations.

The new policy also drops Oakland as a switching point, so private cars must travel between southern and northern California by way of Chicago—4,703 miles instead of 464 miles direct! Ditto Bay Area-Seattle – 4,643 miles via Chicago, not 913 direct.

Jobs and Revenues at Risk: Besides directly making money for Amtrak, special trains and private cars help draw new customers. After riding on private cars, some passengers go on to become passengers on regular Amtrak trains. This also happens during a tour which spends a few days in one location. For example, some private-car passengers laying over in Washington take the Acela to visit New York City.

As well, many individuals who have been employed by private car owners are losing their jobs. The inscrutable decision to eliminate Jacksonville, Florida, as a switching point for private cars means loss of employment for nine full-time workers at the nearby Orange Park facility where cars are stored; ripple effects will negatively impact part-time workers and vendors that work on the private cars that now must move elsewhere.

Amtrak cannot afford to continue to act as if it doesn't need friends. Yes, Congress provided more for Amtrak this year than it had requested. However, it is widely expected that FY 2020 funding will be very tight. As one appropriator said, "funding will drop off a cliff" after the two-year budget deal expires.

Sincerely,

W. Roger Fuehring

Robert G. Donnelley, President
American Association of
Private Railroad Car Owners

W. Roger Fuehring, President
Rail Passenger Car Alliance

cc: Other Members of the Amtrak Board of Directors:
Mr. Christopher R. Beall
Ms. Yvonne Brathwaite Burke
Mr. Thomas C. Carper
Mr. Albert DiClemente
The Honorable Elaine Chao, Secretary of Transportation
Mr. Jeffrey R. Moreland, Vice Chairman of the Amtrak Board
David Kutrosky, Chair, States for Passenger Rail Coalition
The Honorable James P. Redeker, Chair, AASHTO Rail Council
The Honorable Susan Collins, Chair, Senate Appropriations T-HUD Subcommittee
The Honorable Jack Reed, Ranking Member, Senate Appropriations T-HUD Subcommittee
The Honorable Mario Diaz-Balart, Chair, House Appropriations T-HUD Subcommittee
The Honorable David Price, Ranking, House Appropriations T-HUD Subcommittee
The Honorable Jeff Denham, Chair, House Railroads Subcommittee
The Honorable Michael Capuano, Ranking, House Railroads Subcommittee
The Honorable Deb Fischer, Chair, Senate Commerce Surface Transportation Subcommittee
The Honorable Gary Peters, Ranking, Senate Commerce Surface Transportation Subcommittee
Other Members of the T-HUD/Railroads/Surface Transportation Subcommittees