

Statement of

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Before the

Committee on Transportation and Infrastructure, U.S. House of Representatives  
The Honorable John Mica, Chairman

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Hearing: "A Review of Amtrak Operations, Part III: Examining 41 Years of Taxpayer Subsidies"

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September 20, 2012

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Thank you for the opportunity to testify at this hearing.

We have strongly supported the federal government's investment in Amtrak since its inception and believe that the investment has been worthwhile and brought important benefits to the nation, including both to passengers and to others.

A key indication of the value that riders place on Amtrak is that the railroad has seen record ridership in eight of the last nine years, and that ridership through 11 months of FY 2012 is 3.4% above the same period in FY 2011. This ridership growth has occurred even as passenger revenues have risen faster than ridership. From FY 2003 to FY 2011, ridership rose 26% and revenues 56%. The growth is across all types of Amtrak services. On the long-distance trains, ridership growth is up 13% since 2000 and 18% since 2007, even though capacity has not increased and some services were eliminated.

Here are some of the ways riders benefit from Amtrak:

- Passengers can travel when other modes are paralyzed. On Wednesday evening, January 26, 2011, I traveled on an *Acela Express* train from Washington to New York in order to honor your kind invitation to participate in your round table. There was a driving blizzard the entire way but we left Washington at 7:04 PM, four minutes late, and arrived New York at 10:19 PM, 31 minutes late. News reports indicated that at least 19 inches of snow accumulated in New York City in this storm, and that, for just the ninth time in the city's history, all public schools were closed. All area airports were also closed. Also, Philadelphia, through which my train traveled, got almost 15 inches of snow after the storm ended.
- Similarly, the long-distance routes like the *Empire Builder* across northern Montana and North Dakota are generally more reliable in bad weather than other modes.
- Passengers can avoid congested highways and airports.

- Passengers can reach airports while avoiding congested highways. Providing intercity passenger train service directly to airports is standard in Europe, but has begun to take hold here in the U.S.
- Passengers can avoid driving, a particular concern for the growing senior population and others who shouldn't be driving, who are unable to drive, or who need to make their car last longer by avoiding its use on long trips.
- Passengers can avoid flying for medical reasons, whether temporary or permanent.
- Passengers can travel to many points without train service thanks to the network of "Thruway buses" for which Amtrak offers through ticketing, while minimizing the length of travel on buses which offer less space per passenger than trains.
- Looking forward, trains will be an increasingly vital answer to the question: how will people travel as the population grows by about 100 million by 2050?

And here is how non-riders and the general economy benefit from Amtrak:

- Amtrak employs over 20,000 people in reasonable paying jobs that can't be exported.
- Intermodal transportation centers inspired by the existence of even minimal Amtrak service have strengthened local transit systems by creating attractive public spaces where people can wait for and transfer among different bus routes.
- Similarly, such centers also have strengthened intercity bus carriers and benefitted passengers, by providing attractive facilities—often easy-to-find landmarks—and by making it easier to transfer among modes (including local bus/intercity bus).
- Finally, these centers have helped rejuvenate urban neighborhoods. In Meridian, MS, the existence of a single, daily, Amtrak round-trip—the New York-New Orleans *Crescent*—was catalyst for Mayor John Robert Smith's (R) successful effort to transform Union Station into a multimodal transportation facility. He reported to me, "The city invested \$1 million in a \$6 million facility (the rest was ISTEA funds and pre-paid leases). This project leveraged \$135 million in additional public/private sector investment within three to four blocks of the facility and led to the rebirth of our historic downtown. Our station is served by Amtrak, Greyhound, city transit and cab service. We now have people living in our downtown in market rate apartments and upscale condos, the first such residences in my lifetime. Mississippi State University's conference center and performing arts center in our restored Grand Opera House is within an easy walk of Union Station." In Normal, IL, \$80 million in public investment in the new transportation center has attracted \$200 million in private investment.
- Congestion is reduced on other modes, so users of those modes benefit.
- Businesses and individuals benefit from the package express service which Amtrak offers at most staffed stations. This is particularly important in smaller communities where other options are limited or non-existent or provide much slower service.
- Smaller freight railroads place a special value on having a customer like Amtrak that provides a steady source of revenue even when the economy is weak.
- Bus companies benefit from handling Amtrak passengers, whether or not particular routes are part of Amtrak's Thruway network. Last week, as my Amtrak train was arriving in Portland, Maine, an announcement was made that the Concord Trailways bus for points east would be departing soon. This announcement served both as information for connecting passengers, and as a bus advertisement for passengers who might make the connection in the future. Our Association in October, 2010, presented a special award to Indian Trails, Inc., the Michigan bus company, honoring it "for 100 Years of Service to Travelers and for pioneering work in intermodal service, with connections to trains, airlines, and other bus lines."

- Group moves on Amtrak bring good business to tour buses, including trips that can last a week or more. Jason Briggs, Vice-President—Business Development, with V.I.P. Charter & Tour Bus Company, in Portland, Maine, told me Amtrak benefits his company on the order of \$60-80,000 a year in revenues.
- Amtrak spends a lot on goods and services. In FY 2011, Amtrak put a total of \$3.9 billion back into the economy. Much of this spending goes where Amtrak provides limited or no service. Amtrak's procurement of badly-needed electric locomotives from Siemens is estimated to generate 250 private sector jobs in California, Ohio and Georgia.

## I. Energy Consumption

All of the benefits in both categories serve to increase the energy efficiency of the U.S. transportation system in general, and reduce the nation's dependence on imported oil. The most recent, annual *Transportation Energy Data Book* released July 31, 2012, by Oak Ridge National Laboratory—which does the report under contract to the U.S. Department of Energy—shows further improvement by Amtrak relative to air and motor vehicles: in 2010, the year covered by this edition, on the basis of energy consumed per passenger-mile, Amtrak was 41.0% more efficient than personal trucks, 34.1% more efficient than automobiles and 17.0% more efficient than domestic commercial aviation [derived from British Thermal Unit figures in Table 2.12 on page 2-14]. Due to lack of data, the *Data Book* does not include intercity bus efficiency statistics; buses are discussed further in my section II and near the end of VI. Oak Ridge requests that users of the *Transportation Energy Data Book* rely on their web site for up-to-date figures as the print edition has some errors in Table 2.14 (not the source of my numbers).

## II. The Long-Distance Trains and the decline of rural air and bus services

As part of our strong, continuing support of Amtrak's national system, on September 17 we released, jointly with Midwest High Speed Rail Association, *Long Distance Trains: Multipurpose Mobility Machines*. Since critics often say "no one wants to ride from Chicago to Los Angeles," the following statistics regarding Amtrak's *Southwest Chief* are significant:

- 35% of trips are over 1,000 miles
- 34% of trips are 501 to 999 miles
- 31% of trips are 500 miles or less
- People who choose coach seats for trips under 750 miles account for 54% of passengers but less than 37% of revenue
- People traveling over 750 miles account for 63% of revenue
- Sleeping-car passengers account for 17% of ridership and 44% of total revenue
- Passengers traveling all the way between Chicago and Los Angeles account for just 8% of ridership.

Similarly, on the *Empire Builder* which runs between Chicago and both Portland and Seattle,

- 55% of riders travel between major cities and small stations
- 22% of riders travel between major cities (e.g., Chicago-St. Paul; Chicago-Seattle; Chicago-Portland; Portland-Spokane)
- 23% have small stations as both origin and destination.

*The above statistics refer only to travel on the Southwest Chief and Empire Builder. Because many passengers connect with other Amtrak trains in Los Angeles, Kansas City, Chicago, Seattle or Portland, their actual trip-lengths are longer.*

The role of long-distance trains has become increasingly important as air and fixed-route bus service is withdrawn from rural America. According to a U.S. DOT report, “An estimated 3.5 million rural residents lost intercity transportation access between 2005 and 2010. An additional 3.7 million, who still had intercity transportation service in 2010, lost access to at least one transportation mode during the 5-year period” [*The U.S. Rural Population and Scheduled Intercity Transportation in 2010: A Five-Year Decline in Transportation Access*].

The following passages are from a July 18, 2011, *New York Times* report on rural air service: “Rural America, already struggling to recover from the recession and the flight of its young people, is about to take another blow: the loss of its airline service...Nationally, all major airlines have been reducing and sometimes eliminating flights altogether in small cities, as the industry concentrates much of its service in 29 major hubs, which now account for 70% of all passenger traffic, according to the Federal Aviation Administration... Airlines say that simple economics are driving them out of small-town America. With fuel prices high, carriers have been reducing domestic routes and seating capacity to focus on the flights that bring in the most revenue per plane — typically those in larger cities, especially major hubs. At the same time, airlines are removing less fuel-efficient aircraft from their fleets, including the 50-seat regional jets that have been the backbone of air service in small- and midsize markets.”

The above-referenced report says intercity bus coverage declined from 89% in 2005 to 78% in 2010. There also can be great difficulty in learning what service exists, since it is no longer provided under the umbrella of one or two major bus companies. One of my bus-riding members notes, with particular reference to rural service, “You are basically on your own in finding bus service—Google it, make phone calls, make your own connections. We have largely gone back to pre-1948 Greyhound unification with scattered, uncoordinated independents all over the place that are not very discoverable.”

The growth of intercity bus service that many tout is confined primarily to major markets where trains would be ideal but Amtrak either has no service, or lacks capacity or speed. In the Northeast Corridor, for example, Amtrak trains generally are limited to eight cars, and—even with that restriction—places like Washington Union Station are jammed to capacity. The ability to add trains is limited to non-existent because “in the New York City vicinity, some areas are operating at 100% capacity, resulting in significant delays from even minor operating disturbances” (*The Amtrak Vision for the Northeast Corridor: 2012 Update Report*, page 4). The very high fares Amtrak charges in the Northeast Corridor, which dismay us, are partly a response to these severe capacity limitations.

Presenting “subsidy per passenger” figures for intercity routes gives a distorted view.

- The standard measure for intercity travel is the passenger-mile, that is, one passenger traveling one mile. This takes into account wide variations in trip lengths of different passengers.
- Thus, to a large extent, ranking Amtrak’s routes by “subsidy per passenger” really means ranking them by trip length, not economic performance. In this context, it is no surprise that the number is high for the *Sunset Limited*, even before considering the problems associated with running just three times a week. This train serves many important, growing markets—including Houston, San Antonio, Tucson, Phoenix, Los Angeles and New Orleans—but also has long stretches with little population. [The distance between El Paso and the first stop to the east, Alpine/Big Bend National Park, is 218 miles. In the 605-mile stretch between San Antonio and El Paso, there are just two other intermediate stops.]

A further distortion results from the use of fully allocated cost figures. When someone looks at a table which shows the *Southwest Chief* lost \$63 million, it is natural for them to conclude that eliminating this train would reduce Amtrak’s operating grant requirement by that amount. This is not true because that

figure includes costs associated with the operation of shared facilities and systems and company departments that would still be needed even if one (or many) trains were discontinued. These systems include maintenance shops, reservation systems, and other facilities and services that are vital to Amtrak operation—including, as examples, the finance department, office of the President, and much of the marketing budget.

One obstacle to improvement of the *Sunset Limited* is the Union Pacific's exorbitant \$750 million demand for infrastructure improvements related to increasing service on the New Orleans–Los Angeles line from thrice weekly to once a day.

### III. Private Investment

It has been suggested that private companies might run Amtrak routes. That is highly unlikely. After all, Amtrak was created because the private sector wanted to exit the business. Private investors need profits. Moreover, the host railroads generally oppose giving Amtrak-type access rights to other operators. This is partly rooted in bitter experience—the money owed to CSX Corporation's predecessors when Auto-Train Corporation went bankrupt and ceased operations in 1981. There are also the economies of scale that come with operating a nationwide system. While this is sometimes portrayed as “overhead,” the systems noted in the previous paragraph would be needed for any carrier that went into the business.

Unquestionably, there is a role for the private sector in developing high speed rail, particularly in station area development. However, it is important not to overstate the private role in developing infrastructure, and most experts agree there will be no such role if the government does not take the lead and the heaviest investment burden. Speaking at the 8<sup>th</sup> World Congress on High Speed Rail in Philadelphia, Andrew McNaughton of UK's HS2 noted that risks are better defined “in the middle of projects.” At the same conference, Martha Lawrence of the World Bank said, since the 2008 financial crisis, “private companies are refusing to take demand risk. If you insist on that, either you get no bids or exorbitant ones.” At this Committee's January 27, 2011, roundtable in New York City, Kent Rowey of Freshfields Bruckhaus Derringer said public funding of the Taiwan bullet train was 95% while private participation was only 5%, which the government either has repaid or will repay.

### IV. Food and Beverage Service

At the Railroads Subcommittee's June 9, 2005, hearing on Amtrak food and beverage service, Amtrak's then-Senior Vice-President—Operations William L. Crosby said in his prepared testimony, “Amtrak's food and beverage service is a fundamental part of the service that we offer on board the majority of the trains that we operate on a daily basis. Its primary purpose is to enhance ticket sales and ridership, not serve as a profit center.” Put differently, if no food service is provided, many people would stop riding.

Comparing Amtrak's food service costs with land-based restaurants or fast-food chains is misleading partly because Amtrak costs include the full cost of maintaining and operating rolling stock totally dedicated to serving food, and a part of the costs of cars which are partly dedicated to food. An example of the latter would be a café car which has revenue seats in one end.

Also, on-board employees must be knowledgeable about safety issues specific to train travel. Many such employees work long, challenging hours and are away from home days at a time.

Some have suggested that, since Amtrak has a “captive audience” for buying food, it should be easy to at least break even. It would be more accurate to say that the market for selling food is limited to those passengers who are on the train and who want to buy food on board. It has also been suggested that Amtrak is violating the law by not breaking even with food sales. In 1981 when Congress passed the break-even mandate, committee reports urged Amtrak to attribute up to 10% of ticket revenues to food service for purposes of determining compliance with that provision, on the ground that Amtrak would lose that amount of ticket revenue if food and beverage service were to cease, adversely impacting Amtrak’s bottom line.

In our view, it would be much better for Congress to ask management what steps could improve Amtrak’s overall performance rather than to micromanage the company with restrictions such as those relating to food service and to what fares can be charged.

#### V. Definition of subsidy

One of the most frequently expressed frustrations of our members, and of some academics, is the propensity of critics to call federal grants to Amtrak “subsidies”—even those devoted to infrastructure—while calling grants to other modes “investments.”

It has been suggested that the Amtrak subsidy represents a cost of nearly \$50 per passenger, based on dividing Amtrak’s FY 2011 federal grant (\$1.486 billion including \$20 million for the Amtrak Inspector General) by its 30.17 million intercity riders. However, to show this as a “per-Amtrak-passenger” subsidy is to ignore Amtrak’s big role as host to commuter railroads where it owns infrastructure, including the Northeast Corridor and the Chicago terminal. Also, this exercise is a rear-view mirror analysis, leaving unanswered this question: “What would highways and airways look like if we attempt to handle future traffic growth only on those already-crowded forms of transport?”

#### VI. Subsidies to Highway and Air Travel

The mode-specific trust fund itself constitutes a huge “subsidy” because it directs investment into modes based on their current dominance rather than on their usefulness in solving problems our children and grandchildren will face. Those problems include environmental impact, energy consumption, quality of life and social equity issues. The growing senior population needs, and the younger generation prefers, alternatives to driving.

Reliance on mode-specific trust funds means, for example, that someone flying in a short-distance market where rail would be the stronger alternative nonetheless is paying to enhance the air network. To put it another way, if I fly somewhere because that’s the only alternative, my ticket tax is automatically interpreted as a vote for more aviation investment. A consolidated, multimodal transportation trust fund such as some states have is worth considering.

Discussion of Amtrak subsidies invariably is accompanied by understating or ignoring huge subsidies to other modes. In 2001, 41% of the \$133 billion spent on highways came from payments other than the gas tax, tolls, and vehicle taxes and fees, as follows: 15.3% general fund appropriations; 9.5% bond issue proceeds; 5.8% investment income and other receipts; 5.6% other taxes and fees; 4.8% property taxes. While most of this is at the state and local levels, federal policy encourages this by offering states generous funding matches for highway investments but no match (until recently and then only temporarily) for intercity rail investments.

In 2003, citing a trend which has intensified in recent years, Martin Wachs wrote, "Revenues from fuel taxes have for three decades been rising more slowly than program costs as legislators become ever more reluctant to raise them to meet inflation. As a result, the burden of raising the funds for transportation programs is gradually being shifted to local governments and voter-approved initiatives that are, in most instances, not based on user fees" [*Improving Efficiency and Equity in Transportation Finance*, by Martin Wachs in The Brookings Institution Series on Transportation Reform, April 2003].

Since 2008, \$53.5 billion in general funds have been transferred or approved for transfer to the Highway Trust Fund, including \$18.8 billion authorized in the recently-enacted two-year MAP-21 law, but not including \$2.4 billion that MAP-21 transfers from the LUST [Leaking Underground Storage Tank] account to the Trust Fund.

See "Aviation Subsidies: Obvious and Otherwise," on our web site. Our list goes well beyond the fact that FAA Operations are partly funded out of general funds, and the Essential Air Services subsidy program. [At [www.narprail.org](http://www.narprail.org), click on "Resources" and then "Fact Sheets."]

Curbside bus operators enjoy another subsidy—shelter and rest rooms for their passengers that the carrier does not provide, and which Amtrak sometimes does. One of my Council members writes, "I find it very curious that in many of the communities receiving the new 'cheap bus' service, the buses will have their boarding/departure point somewhere with easy walking distance of the Amtrak station. Indeed in New York City, they are practically strangling the sidewalks to and from Penn Station. And yes, I have heard individual reports that when a passenger of this service needs to use the 'facilities,' they are directed to the Amtrak station by bus service personnel on duty."

Another form of "subsidy," arguably, is inadequate safety regulation. The National Transportation Safety Board in October, 2011, released a report showing that the buses "which typically pick up passengers curbside rather than at a bus station, are seven times more likely to be involved in deadly crashes than traditional terminal bus lines like Greyhound and Peter Pan. In the report, the NTSB says that curbside carriers had the highest overall accident rate and death/injured passenger rate of the three categories - curbside, conventional and non-scheduled - in which buses are organized" (WJLA/ABC7, Feb. 15, 2012). An ABC7 reporter clocked one Megabus at 76 mph and another at 81 mph on I-95 north of Baltimore, although Megabus issued a statement claiming it monitors bus speeds 24 hours a day and saw nothing above 68 mph on the day in question.

The environmental, energy and social costs of highways and aviation are rarely cited but are important, as are the countervailing benefits of rail.

The transportation future that we need is a balanced one that includes buses and planes but also includes a greatly expanded train network.

Thank you for considering our views.

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**COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE**  
*Truth in Testimony Disclosure*

Pursuant to clause 2(g)(5) of House Rule XI, in the case of a witness appearing in a nongovernmental capacity, a written statement of proposed testimony shall include: (1) a curriculum vitae; and (2) a disclosure of the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by the witness or by an entity represented by the witness. Such statements, with appropriate redaction to protect the privacy of the witness, shall be made publicly available in electronic form not later than one day after the witness appears.

**(1) Name:**  
Ross B. Capon

**(2) Other than yourself, name of entity you are representing:**  
National Association of Railroad Passengers

**(3) Are you testifying on behalf of an entity other than a Government (federal, state, local) entity?**

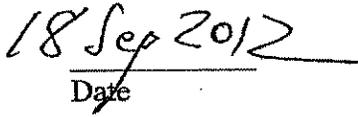
**YES**      If yes, please provide the information requested below and attach your curriculum vitae.

**NO**

**(4) Please list the amount and source (by agency and program) of each Federal grant (or subgrant thereof) or contract (or subcontract thereof) received during the current fiscal year or either of the two previous fiscal years by you or by the entity you are representing:**

We have a contract to provide administrative support to Amtrak's Customer Advisory Committee. In 2011, total payments received under this contract were \$43,666.

  
Signature

  
Date

C.V. of Ross B. Capon, President and CEO, National Association of Railroad Passengers

Ross Capon joined the staff of the National Association of Railroad Passenger (NARP) in 1975, and became executive director in 1976. In 2008, his title was changed to president and CEO. Mr. Capon's duties as President of the only national organization advocating for the users of passenger trains and rail transit include testifying before Congress and working with members of Congress to increase funding for passenger rail service; briefing the media on passenger rail issues; and coordinating among state and regional associations of railroad passengers on local issues that affect passenger rail.

Under Mr. Capon's leadership, NARP's membership has grown to over 23,000, and the organization has achieved a level of recognition and credibility that results in frequent invitations to comment on railroad policy at Congressional hearings, administrative proceedings, and public conferences. Mr. Capon helped establish the Dr. Gary Burch Memorial Safety Award that the family of Dr. Gary Burch presents annually to a railroad employee judged to have done the most to improve the safety of railroad passengers. Capon also helped establish Amtrak's Customer Advisory Committee.

A recognized expert on passenger rail, Mr. Capon is a member of the Federal Railroad Administration's Railroad Safety Advisory Committee, the Transportation Research Board's Committee on Intercity Passenger Rail Systems, and the board of Travelers Aid International. His many speaking appearances have included such forums as Midwest Intercity Passenger Rail Commission; Business Case for Passenger Rail 2012 Symposium (Kansas City; Amtrak's Customer Advisory Committee; Railway Supply Institute; American Association of State Highway & Transportation Officials' Standing Committee on Rail Transportation; American Public Transportation Association Rail Transit Conferences; Society of Government Economists; and the Transportation Research Forum. He was a presenter at the 3rd World Congress on High Speed Rail in Berlin.

Previously, Mr. Capon served as special assistant for Railroad Operations in the Executive Office of Transportation and Construction for the Commonwealth of Massachusetts where he helped save the commuter rail network of Eastern Massachusetts. He also worked in Philadelphia for the Religious Society of Friends.

He received the Association's George Falcon Golden Spike Award in 1985. In 2000, the Intermodal Passenger Institute honored Capon by presenting him its second annual Robert K. Pattison Partnership Award. In 2007, Railway Age Magazine awarded him the W. Graham Claytor, Jr. Award for Distinguished Service to Passenger Transportation.

Mr. Capon received his B.A. from the University of Illinois (Champaign-Urbana) in 1969. A native of Newton, Massachusetts, he lives in Bethesda, Maryland, with his wife Louise and two sons. Another son lives in College Park and a married daughter lives in Arlington, Virginia.