

New Jersey Association of Railroad Passengers

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July 10, 2018

Mr. Anthony Coscia
Chairman of the Board
National Railroad Passenger Corporation
Amtrak
60 Massachusetts Avenue, NE
Washington, DC 20002-4285

Dear Mr. Coscia:

The New Jersey Association of Railroad Passengers has grave concerns over the future of Amtrak under the stewardship of President and CEO Richard Anderson.

Despite Amtrak being granted the largest appropriation ever by Congress, directed at both the Northeast Corridor (NEC) and National Network accounts, President Anderson's six months of behavior and action on the job belies what appeared to be a promising signal that Congress was ready to invest in its national rail network. President Anderson has missed no opportunity to display negativity and contempt for long distance trains, which serve intermediate stations. In many cases, such service is the only public transportation available in numerous regions. President Anderson's proposed course of route dismantling, station agency abolishment, and food service downgrades will ensure that long-distance passenger rail service, as we have known it, will come to an end. His actions are out of the playbook of the 1960's Southern Pacific and Penn Central, which ended in failure and the U.S. having to nationalize the rail network.

Let us examine a number of issues to illustrate President Anderson's inconsistent approach:

LONG DISTANCE TRAIN "SOUTHWEST CHIEF"

Despite the fact that the long-term shape of our rail National network is determined by Congress, Mr. Anderson has made up his mind on the Raton Pass issue and believes he can intimidate Kansas, Colorado, and New Mexico elected officials into providing inferior service that would be ineffective, too costly, and the route segmented with unsafe bus bridges on old, unmaintained, remote highways that only have a 14 hour per day window for snow-plowing, despite Mr. Anderson's professed safety concerns on PTC issues.

The commitments made by former Amtrak Presidents Joe Boardman and "Wick" Moorman, are being made to be no more reliable than if written on a dry-erase board. There are ramifications to such behavior as noted in the June 26, 2018 issue of *"The Hutchinson News"*:

"Senator Moran noted there are two pending appointments to the Amtrak Board of Directors which require Senate confirmation, and they have placed a hold so they can't be considered. We're trying to figure out ways to get leverage. Senator Udall and I are members of the Appropriations Committee

and we've inserted language in the appropriation bill requiring Amtrak's financial commitment with communities and states on the route. After our conversations with Mr. Anderson, we intend to do more." He found the CEO's attitude toward long-distance passenger service "incompatible with the purpose of Amtrak, which is to provide service to places not likely to earn a profit doing so,"

Amtrak's credibility has been seriously compromised as it is now viewed as untrustworthy to engage in any state partnerships. Mr. Anderson's refusal to spend Amtrak's \$3 Million TIGER grant share also effectively wastes prior TIGER grants of other entities and kills a match of a \$16 Million Federal transportation infrastructure grant won by Colfax County, NM. According to the June 25, 2018 "The Kansan":

- In 2014, the Kansas Department of Transportation (KDOT) pumped \$3 Million into a grant which was matched by \$2 Million from BNSF with \$4 Million to come from Amtrak,
- In 2015, \$15.2 Million was awarded to La Junta, CO, with an additional \$300,000 furnished by municipalities,
- \$9.3 Million was to come from the Federal government to improve tracks in western Kansas,
- In 2016, KDOT committed \$1 Million, and Colorado and New Mexico both contributed \$1 Million each with Amtrak committing to \$4 Million.
- The Federal Government committed \$9.2 Million to make improvements in Colorado and New Mexico,
- The total estimated capital costs and improvements are \$30 Million over the next five years.

We know Mr. Anderson came out of the airline industry and we assumed he had a working knowledge of rail operations. However, his misuse of metrics displays limited knowledge of rail. Here are some examples of Mr. Anderson's misunderstanding of rail:

1. "Subsidy Per Passenger" This type of statistic is a misused measure of rail revenue efficiency. "Subsidy Per Passenger" is useful only as an indicator of the typical distance traveled. Proper accounting would have fare box recovery based on avoidable cost. When hostile House floor amendments are offered to kill Amtrak, such as by Representatives Brooks and Sessions, they use "Subsidy Per Passenger" as their technique to prove their argument. Note that only in rail is financial aid viewed as a "subsidy" whereas with roads and airports, such aid is an "investment". Congressional representative's use of "Subsidy Per Passenger" has now seemingly been embraced by your own corporate officer, who has shown time and again his being philosophically opposed to his own product.
2. "Loss" This is a misleading word. It is extrapolated from "Fully Allocated Cost", which overstates the benefits of taking a train off, as opposed to "Avoidable Cost", which is 59% as large. However, Mr. Anderson classifies most NEC maintenance costs as "Capital" so as to make the NEC appear profitable. This is because \$23 Million of the \$56 Million he claims the "Southwest Chief" loses annually represents costs that are either fixed or shared with other routes and would **NOT** cease with the Chief's demise; rather, they would be reallocated to other routes.
3. "Load Factor" 61% Portrayed as "Half Empty". Very few riders travel the "Southwest Chief" end to end. On a multi-stop train there are segments that are nearly fully booked. In fact, our personal experience reveals segments of the route where you cannot purchase a ticket because it is sold out. That rivals well with Acela's 63% "load factor" which is deemed "profitable". Apparently, a 61% load factor is deemed "unprofitable". Do we shut down a service because we have 2% to make up? That makes no sense. The "Southwest Chief" Load Analysis shows:

- 35% of riders travel over 1,000 miles, 34% travel between 500 and 1,000 miles, and 31% travel fewer than 500 miles
 - There are 31 intermediate stops with 528 end-point permutations. This is a golden opportunity to tap a vast market if Amtrak were to market its product properly.
 - 44% of revenue emanates from just 17% of riders in pricey sleepers. These are riders who travel the farthest and are therefore the passengers most likely to cease using this service due to other downgrades Mr. Anderson has both announced and has planned.
4. Failure to do any Financial Analysis of Bus Bridging the La Junta - Albuquerque segment. While stating that Amtrak would have to absorb \$3 Million in annual maintenance costs on the 216 miles of track between La Junta, CO and Albuquerque, NM, it would exclusively use but not own, Mr. Anderson failed to consider the cost of buses for the 348 mile segment despite only minimal reduction in train route miles and no consideration to revenue loss of passengers making single or double transfers across bus segments. Studies have shown that each transfer likely means an approximate 50% loss of through passengers. We believe it safe to assume the bottom-line impact would be far worse than \$3 Million. Mr. Anderson also fails to consider a projected \$1.5 Million in new ticket revenue, covering half of that, from a route diversion via Pueblo at Colorado's insistence. It is dismaying to see an inability or refusal to grasp incremental accounting.

Mr. Anderson's statements regarding PTC issues in many ways contradicts what he is trying to do to the Amtrak network. The entire route segment in question is legally exempt from PTC due to insufficient train volume as Amtrak is the only user. Only the portion owned by NMRX for the Railrunner commuter train operations near Albuquerque requires it. While they won't be compliant by 12/31/18, that is Railrunner's responsibility, not Amtrak's. We note that Mr. Anderson doesn't make an issue of other routes lacking PTC: a portion of the Vermonter route, Cardinal route, Adirondack, and Cascade routes into Canada. Thus, this appears to us a ploy to rid Amtrak of the "Southwest Chief".

To further force his narrative of declining ridership of the "Southwest Chief", which is not true (ridership in 2015 had actually achieved record levels), Amtrak refused to increase its consist beyond the winter season two coaches during the busy 2018 Passover/Easter period when space was sold out one week ahead of time and high fares prevailed. They could have easily filled a third coach, and a fourth coach east of Kansas City. It shows a lack of bottom-line focus. Mr. Anderson is appears obsessed with cost, again displaying a disregard of incremental accounting.

STATION AGENCY DESTAFFING

Mr. Anderson seems to regard Station Agency staffing as nothing more than human turnstiles for a commuter railroad with riders holding monthly passes. To the best of our knowledge, he has not analyzed de-staffing viewed through the prism of the average number of system-wide online ticket sales and placing an arbitrary average daily use of 40 passengers as criteria. This is done without regard to:

- Seasonal fluctuations (as with Havre and Shelby, MT),
- Revenue impacts (proven to have slashed Huntington, WV usage by 35%),
- Train frequency (as with tri-weekly routes like the Cardinal),
- Lack of rural internet or cell phone access (West Virginia and Montana),
- Volume of checked baggage (Montana),

- Need for short-term baggage storage (with very late in day train service and earlier hotel check out times),
- Leave entire states with no agencies (Kansas, West Virginia),
- Poor adherence to ADA and safety with ongoing construction activities at the multi-level, city-owned station Cincinnati,
- Done on short notice without regard to concerns and pleas from state Congressional delegations and Mayors to negotiate a solution (Havre, Cincinnati).

Again we see unacceptable behavior in refusing to dialog and form alliances with local and state officials.

Station Agencies serve a multiplicity of purposes besides handling tickets:

- Checking baggage,
- Servicing station restrooms,
- Providing riders with advice on local taxis, car rentals, hotels, and transit services,
- Selling boxes to passengers who have non-compliant luggage
- Saving dwell time prior to boarding on host railroads of passengers with issues or informing conductors regarding issues ranging from readying ADA equipment to under-age children, and too much carry-on luggage,

Senator Joe Manchin's (D-WV) amendment to the 2019 Senate Appropriations bill with criteria to require restoration of some agencies that had them in 2017 is just a start. Congress will increasingly have to micro-manage Amtrak because Amtrak has proven to lack the current ability at the top level of management to fend for themselves.

Now, let's examine another of Mr. Anderson's actions, the downgrading of food services:

FOOD SERVICE DOWNGRADES

We find it ironic that Mr. Anderson wishes to be a strict constructionist with regards to the 2015 PRIAA Food and Beverage deficit requirements, but had no problems opposing:

- PRIIA Section 210 – The Long Distance Routes Performance Improvement Plans, which were also ignored by prior management. Amtrak has now expunged all 15 such reports from its own website.
- PRIAA Section 216 - Special Trains, that produced \$3 Million in net revenue each year, and were partially reinstituted on a very limited basis after much political involvement, and only if they run on a recurrent basis, hence the "Fire Anderson" billboard in North Philadelphia for all passing Amtrak and SEPTA patrons to see, sponsored by a former charter train operator.

Lake Shore Limited and Capitol Limited ticket revenues are about \$30 Million and \$20 Million per year respectively. All that has to happen is for those numbers to fall by 5% on the Lake Shore Limited and 7.5% on the Capitol Limited due to the unacceptable fast food service for passengers paying premium dollar for same. Thus, the anticipated \$3 Million savings will have been nullified. The result will be angry passengers unlikely to utilize Amtrak anytime soon.

What now passes as a meal for a sleeping car passenger, at **NO** discount in the sleeper fare, is nothing more than a high carb, sugary snack without any option to go to the snack car for something heated. For those who had purchased sleeping car tickets prior to June 1, 2018, that represents a shameful retail practice of "bait and switch".

Coach passengers on the Lake Shore Limited have been relegated to 6 tables in the café car. The consist has been cut from 6 to 4 coaches due to work on the Hudson Line. What happens when the consist goes back to normal with up to 360 coach passengers? Or will the 6 coaches ever return?

CONCLUSION

President Anderson wrote that Amtrak officials are, "thinking carefully about how to attract the largest number of customers with an approach that is relevant, fresh, and financially sustainable." So what does he do behind these corporate slogans?

- Slashes ticket agencies,
- Abolishes dining service on the Lake Shore and Capitol Limited, offering sleeper car passengers cold meals,
- Refuses to operate a cut coach on the busier portion of the Empire Builder route between St. Paul, MN and Chicago,
- Refuses to operate a cut coach on the busier portion of the "Southwest Chief" route between Kansas City and Chicago,
- Removes the long distance Performance Improvement Plans from the website.
- Cuts the senior citizen discount.
- Eliminates the student discount fare.
- Imposes a strict penalty for changing a sleeping car reservation.

We ask "Is this any way to run a railroad?" The answer should be a resounding no. It is an American embarrassment that we lag behind every civilized Western nation in our rail service. In fact, we dare say some third-world countries have better rail service than the U.S. Mr. Anderson was considered to have done an "excellent" job in the airline industry. However, by what measure? If measured by an increase in stock price, then he did do a good job. However, the airlines serve passengers and when Mr. Anderson left Delta, many a tear was shed. Many will a tear be shed when he is given his walking papers by the Amtrak Board of Directors. We suggest that Amtrak replace Mr. Anderson forthwith, with a happy meal in hand.

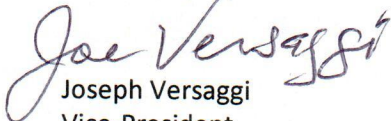
Sincerely,



Leonard Resto

President

New Jersey Association of Railroad Passengers



Joseph Versaggi

Vice-President

New Jersey Association of Railroad Passengers