



Demographics, Development Impacts, Market Research & Urban Policy

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To: Tom Till
Executive Director
Amtrak Reform Council

Re: Proposed Option 4: Competition and Local Accountability

Dear Tom:

I know that the members of the Amtrak Reform Council appreciate the hard work that staff is performing in the important process of drafting a new vision for passenger rail in the United States.

Having reviewed the staff drafted options, I am concerned that too much of passenger rail policy would remain in Washington. A principle purpose of the ARC plan should be to depoliticized passenger rail. Inasmuch as the potential for self-sustaining passenger rail service is overwhelmingly in the existing and emerging corridors, there is an opportunity to end any continuation of the present failed policies that have relied on government operation and federal administration. Two factors would improve the prospects for self-sustaining passenger rail services.

Competition: In passenger rail, like the economy in general, sustainable passenger service can be maximized only where competitive forces are employed to ensure unit costs that are no higher than market rates. All services should be subject to competition, after a transitional period.

Accountability: Governments that are closer to the people are more accountable. Decisions should be made by level of closest level of government to the people that is feasible.

These two factors, competition and local accountability, are critical to the accomplishment of the Amtrak Reform Council's principal mission, development of a plan for self-sustaining passenger rail (as defined in the Amtrak Reform and Accountability Act).

I have attached a proposed Option #4, "Competition and Local Accountability," which would address these issues.

Please distribute this document to all ARC members as soon as possible.

Sincerely,

Wendell Cox
Member,
Amtrak Reform Council

Option 4:
COMPETITION AND LOCAL ACCOUNTABILITY

Purpose:

To maximize operationally self-sustainable passenger rail service by minimizing bureaucracy, placing policy decisions as close to the people as feasible, distributing capital funding based upon preferences as expressed by customers and injecting competition to obtain market based unit costs.

General

The national passenger rail system would become network of operationally self supporting corridor services administered by Regional Rail Operating Corporations (RROC).

Consistent with the intent of the Amtrak Reform and Accountability Act, there would be no operating subsidy for passenger rail.

The national passenger rail system would be marketed and coordinated by a National Passenger Rail Marketing Association (NRPMA).

Transition to the new organizational structure would occur over a five year period, under the administration of an Passenger Rail Transitional Board (PRTB).

National Passenger Rail Marketing Association (NPRMA)

NPRMIA would market and coordinate services and fares as a national network and to facilitate establishment of intermodal arrangements with airlines and bus companies.

NPRMA would adopt such national marketing

Board of Directors: One representative of each RROC. PRTB would serve as an ex-officio member.

Regional Rail Operating Corporations (RROC)

With respect to identified high speed corridors (including the Northeast Corridor), RROCs would be a state agency designated under state law (for corridors in a single state) or interstate compacts.

RROCs would assume such former Amtrak services as they are prepared to administer during the five year transitional period administered by the Passenger Rail Transitional Board (PRTB).

RROC's would contract for services with freight railroads or passenger railroad companies.

Contractors would be required to give priority of employment consideration to qualified GROC (former Amtrak) employees.

Board of Directors: To be determined by state law and interstate compacts. Generally there should be no identified "interest group" seats, such as members specifically appointed to represent organized labor or freight railroads.

Federal Capital Subsidies

Distribution to RROCs based upon a user fee-passenger mile ratio (percentage of passenger miles weighted by the ratio of fares to total operating and capital expenses). During the 5 year transition period, PRTB would be considered an RROC for the purpose of federal operating

Passenger Rail Transitional Board (PRTB)

Purposes: To administer the transition to the new operating framework.

Transition of public assets (former Amtrak assets) into new operating framework, to be completed within five years.

Administer PRTB rail passenger services (former Amtrak) until transfer to RROCs. Operating subsidies for PRTB services not permitted for any particular route after 3 years. 6 month notification to states with respect to any cancellation of service under this provision, which would permit their assumption of services through RROCs. Authority to operate or administer passenger rail services would expire in 5 years.

Wind down Amtrak, which would be known as the Government Rail Operating Corporation (GROC). GROC could be sold to the private sector, sold to its employees or liquidated.

Provide labor protection, consistent with existing labor contracts and law.

Operating Company Options		
#	Issue	Option 4: Competition & Local Accountability
Note: Issues #15 and 16 have been added below		
1.	New High-Speed Corridors	Passenger Rail Transitional Board (PRTB) under transitional authority (up to 5 years), then franchisees selected through competitive bidding to operate under contract to Regional Rail Operating Corporations (RROC)
2.	Existing Corridor Trains	PRTB under transitional authority, then franchisees selected through competitive bidding to operate under contract to RROCs
3.	Long-Distance Trains	PRTB under transitional authority, then franchisees selected through competitive bidding to operate under contract to RROCs or agreements between RROCs. Commercial operations could be provided at any time by private firms under contract with railroad infrastructure owners.
4.	Mail and Express	PRTB under transitional authority, then through competitive bidding.
5.	Commuter Operations	PRTB under transitional authority, consistent with the terms and conditions of current contracts.
6.	Right of access to freight railroad rights-of-way at incremental cost with operating priority.	Access and rate arrangements to be commercially negotiated.
7.	Shops	PRTB, to be sold.
8.	Equipment Ownership	Existing equipment transferred to RROCs. Equipment could be leased or sold to franchises. New equipment could be owned by RROCs or train operators.
9.	Labor Protection and Labor Contracts	Provided by PRTB.
10.	Insurance and Liability	National Passenger Rail Marketing Association (NPRMA) insures operators or train operators obtain their own insurance, at the election: liability limited as under current law (Issue #16, below).
11.	Status of Amtrak	Transitional. The organization would be wound down during transition by PRTB..
12.	Time to Implement	Conversion to be completed in 5 years. No PRTB administered route to receive operating subsidies after three years.

13.	Funding Requirements – Operating Subsidies	Consistent with the Amtrak Reform and Accountability Act (ARAA), no federal operating subsidies. Federal subsidies would be phased out over three years. States could subsidize services.
14.	Funding Requirements – Equipment Capital	RROCs, using federal capital subsidies or state subsidies. Equipment could be owned by RROCs or train operators.
15.	Funding Requirements – Capital Subsidies	ARAA anticipates continuation of federal capital subsidies. Capital subsidies would be distributed based upon a fare weighted passenger mile formula. (Such a formula would reward usage and reliance on passenger fares).
16.	National System	Marketing, coordination and intermodal arrangements administered by a National Passenger Rail Marketing Association (NRPMA), composed of the RROCs.