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Book Review: New Departures: Rethinking Rail Passenger Policy in the Twenty-First Century
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New Departures: Rethinking Rail Passenger Policy in the Twenty-First Century

by Joseph J. Warren

This is a policy book written for a wide audience: students who want an accurate and succinct record of passenger rail in the United States and high speed rail in Japan and Europe, policy makers, advocates, and skeptics. Perl strongly suggests structural change in Amtrak and VIA Rail Canada. Because of the continued policy stalemate since the book was published, it is especially useful for advocates and policy makers. The text is very well supported by 30 pages of footnotes and a 20-page bibliography.

The book is logically organized into six chapters. Chapter 1 examines public policies that hold the "key" to rail passenger renewal. Perl reviews problems in passenger rail in North America that ultimately came to the point of crisis. He analyzes various groups that have an interest in rail policy: "advocates" see the success of passenger trains as an end in itself and are those with a direct interest in rail success, unions, management and suppliers, and consumer associations. "Proponents" are open to departing from business-as-usual practices because of their interest in other objectives, such as less congestion. "Skeptics" see passenger trains as technically outmoded and economically unpromising. Perl notes that public-private partnerships that assisted Amtrak's creation often involve inconsistencies, and policy solutions are likely to be pursued on an incremental basis. "Policy itself is up for grabs." This is an accurate description of VIA Rail's and Amtrak's history.

The policies of rail renewal in Japan and Europe demonstrate a difference for the North American approach. Japan was able to start the first post W.W.II rail renewal in the 1950's. Because the rail market was not mature there was little opposition. However, high-speed development in Europe as in North America was done to reverse industrial decline. In France, the TGV is "the best example of post W.W.II revitalization in the world." In Germany regional interests played a much larger resistive role than in France. As a result, ICE trains travel over long segments of rehabilitated rather than new rail lines, and ICE's share of total rail passenger miles in 1999 was 15% compared with 80% for TGV. Perl believes that success of ICE trains is evidence that innovation and change can be pursued under less-than-a-fully supportive policy environment.

The "New Model" railroad (NMR) is explored in depth in Chapter 2. He uses France, Germany and Britain to demonstrate different approaches to the NMR and how they developed out of the "Regulated Public Monopolies" (RPM). RPM's showed little innovation, labor forces that were too unproductive through restrictive work rules, and they were dependent on political patrons for their protection. But, Britain in the 1980's and other governments in the 90's began selling off utilities, airlines, and public infrastructure. As a result, RPM's started redefining themselves. Managers acted like those in private enterprise; labor came to see their prosperity was based on satisfying customers, not pressing for better legislation; and governments saw spending, not as a political plum, but as a means to growth.

The NMR in France (SNCF) demonstrated organization and management changes such as partnerships with auto rental companies and airlines. SNCF was able to integrate

public interest objectives of shaping urban and regional land use, and since there were no job reductions, labor was more willing to implement work rules changes. The German NMR was a balancing act between technical change and organizational change. In Perl's view, Germany hasn't demonstrated either the success of France or the failures of Britain—ICE reflected limited innovation and organizational change. The need to rehabilitate, with massive amounts of capital, the severely run-down lines of the former East German railway limited new ICE lines. Perl's explanation of the division of the combined German system into five entities is easy to follow. In the German rail reorganization there was no privatization. Technical efforts failed to spark a comeback in the 1980's in Britain. The Advanced Passenger Train failed, Perl believes, primarily because of the unwillingness of the government to put money into infrastructure improvement. Later, the 1993 Railways Act advocated privatization of all aspects of British Rail. He points out problems with the privately owned Railtrack, but recognized the success of operating companies.

"Amtrak was fundamentally compromised by the need to compromise," Perl says in Chapter 3, which reviews how "North American Rail Passenger Renewal Got Delayed." He goes into the background of Amtrak's creation in 1971 and VIA's in 1977. Both "were organized around the principle that focusing new managerial resources…would enable a reversal of fortunes for this mode." It didn't happen, Perl states, because the 1958-71 period created an intensely adversarial climate that "constrained the search for a more effective rail passenger policy." The 1958 Transportation Act shifted jurisdiction over abandonments to the ICC from the states, using a new standard of "public convenience and necessity." By 1971, 75% of 1939 passenger mileage had been abandoned. While Perl states the railroads lost incentive to renew passenger business, he assumes the railroads would have been *willing to fund* expensive improvements for higher speed operation needed to keep passengers. This is questionable: during the 1960's railroads were losing high-value traffic to trucks using the interstate highways. The most pressing need was to keep the freight traffic they had. Arch foes Pennsylvania Railroad and New York Central were in such bad financial and physical condition they applied to merge in 1966. Federal attention was understandably focused on the freight railroad problem.

Perl summarizes several states' efforts to overcome the gridlock at the federal level in Chapter 4. The Metroliner and follow-on Acela are North America's "sole successes" with high-speed rail. The Metroliner was a direct outgrowth of federal contracting with the Pennsylvania RR and other private partners to develop self-propelled electric vehicles. The whole project from start to finish took four years because of limited infrastructure upgrading. Penn-Central's bankruptcy in 1970 ended further improvements.

In 1982 the American High Speed Rail Corporation, a spin-off from Amtrak, proposed a high-speed line between Los Angeles and San Diego. The project committed to Japanese Bullet train technology at an estimated cost of $2.9 billion. The entire amount would come from private sources, and there were no government guarantees or federal participation. The project collapsed in 1984 when $50 million in private capital couldn't be raised. Perl's review of the high-speed plans in Texas and Florida capture the essentials of each project. In Texas two competing consortia—TGV and "Fastrac"—attempted to get approval from the Texas High Speed Rail Authority to build high-speed lines from Dallas to Houston and from Dallas to San Antonio. The TGV plan would build new track throughout in contrast to some upgrading of existing lines as proposed by Fastrac. This project was also a totally private venture. It ended in 1994 when one of the partners withdrew a guarantee for $75 million in notes. Perl believes the Texas failure was a (sic) "delegitimating" event for proponents of market-led renewal. Florida's project, known as the Florida Overland Express, could count on $70 million in tax revenues for a minimum of 30 years for infrastructure. However, serious questions were raised about ridership and estimates of "social benefits," and the project was cancelled in 1998. Perl concludes that (1) trying to leapfrog the limitations of Amtrak and VIA was not effective, (2) a carrier was needed that would manage the planning of the technology and infrastructure, and (3) there had

to be a translation of national policy to regional travel markets.

Chapter 5 reviews the push for Amtrak to become commercially self-sufficient. The "Claytor commitment" had gotten Amtrak to 80% cost recovery by 1989. But by the early 1990's it was apparent that even "using best practices from railroad tradition" Amtrak would not close the gap between revenues and operating expenses. Tom Downs, who became Amtrak's President in December 1993, continued efforts to reduce costs by cutting some routes and about 2,000 employees by the end of 1995. Downs decentralized the decision making by establishing strategic business units, but his efforts to get changes in work rules bogged down. Perl clearly ties the labor issue to loss of Democratic support for Downs, but doesn't mention the lost support of Republicans as well. George Warrington pursued a growth strategy of adding some new routes, extending others and greatly expanding express operations. But, by 2000, the revenue goals were not being met and costs were rising fast. The DOT's Office of Inspector General in a 2000 report pointed out that new contracts had boosted labor costs $248 million above the cost of living, and a review of the 2000-04 business plan showed that Amtrak was likely to be $1.44 billion short of projected results. The IG was uncannily accurate about the revenue shortfall. Amtrak was nowhere near the requirement of the Amtrak Reform and Accountability Act (ARAA) that federal operating subsidies end by FY 2003. Perl states "Amtrak's *reinvention* from within has not resolved the political differences on the costs of restructuring operations between rail labor, taxpayers and states."

Perl's characterization of Down's and Warrington's initiatives as "reinvention" however, is questionable. Failures in traditional cost cutting and commercial business expansion do not fit his own description of renewal, and Amtrak was not reinvented the way SNCF, Deutsche Bahn or British Rail was.

Perl presents a framework for a "more productive outcome for passenger service" in Chapter 6. VIA and Amtrak are so "organizationally encumbered" that management will have to pursue more flexible operations. The key parameters are where government authority, i.e., national, state and local should be located, and whether trains should be run primarily by the private or public sector. Major partnerships are needed, and the freight railroads offer the best promise of developing major partnerships. There is a "need for expanded and modernized rail infrastructure across the nation" supported by federal funding. He cites Norfolk Southern's (NS) proposed government participation in the $900 million cost for a double-tracking project in Virginia. Network franchising could work at the national level to "return leadership to private enterprise" such as that in Britain.

Some troubling details to national upgrading are left out. A major program to upgrade freight lines would most likely be needed in the East. But NS has stated they would not permit passenger trains to go faster than 79 mph without improved signaling, and would not allow passenger trains to go faster than 90 mph in mixed traffic.

Perl concludes that "incremental improvements do little to enable significant policy transformation," but he acknowledges California's successful incremental upgrading of Amtrak service. He concludes "governments must make commitments to rail renewal rather than putting options to a vote," and that "policy changes are needed that enable states to spend transportation trust fund revenues more flexibly." However, there is a problem here. Building new high-speed systems doesn't just depend on organizational and financial arrangements. It also depends on its operating and construction costs. The Commercial Feasibility Study (September, 1997) provides important guidance here. It compared benefits, including estimates of savings to passengers and airlines from lower congestion costs to total life cycle costs for several corridors where airport congestion was forecast by FAA. For proposed high-speed systems, total benefits only slightly exceed costs in California and Texas and they were equal in Florida.

Since the book was published, Amtrak entered a financial crisis in FY 2002. Amtrak received $300 million in emergency funding to avoid bankruptcy and David Gunn became president in May 2002. Amtrak could not tell him how many employees it had, but it did have

84 Vice Presidents. He terminated the expanded express service and made consistent reductions in staff. From the end of FY 2001 to the end of FY 2005 Amtrak had reduced staff by about 5,700 including loss of the Massachusetts Bay Transportation Authority (MBTA) contracts. Gunn, himself, was fired in early November 2005. The Bush administration's proposals to open Amtrak to competition from other carriers are consistent with Perl's conclusion about the need for more flexibility in Amtrak.

Joseph J. Warren *is a transportation economist. He was formerly with the Government Accountability Office's transportation section for 15 years. His analyses include: the effects of railroad and trucking deregulation, ICC's maximum rate decisions, Amtrak's economic impact on segments of the intercity bus industry, and Amtrak's system revenue forecasting methodology. He is the author/co-author of three articles on Amtrak. He has consulted on freight movements and light rail ridership demand and is currently a member of the Arlington, Virginia Transit Advisory Committee. Warren earned an M.A. from the University of Pittsburgh and a B.A. from John Carroll University.*