

Sustainable Business Strategies for National Passenger Rail:

THE "TMACOG PLAN"



A national passenger rail system is a key component of our country's transportation system. It helps insure our national security and personal mobility for all Americans. To be successful, it must provide modern, quality service at affordable prices. Such a system will address significant needs for more travel capacity, reduced air pollution, and improved traveler safety.

The Toledo Metropolitan Area Council of Governments, working through its transportation committees, has prepared this outline for a successful national passenger rail system. The "TMACOG Plan" presents strategies for three core areas of concern: providing federal leadership; providing a modern rail infrastructure; and providing reliable funding to sustain and grow a successful and sustainable national system. TMACOG urges Congress and the Administration to consider this plan of action and to use it to move forward to preserve this essential form of transportation.

In Conclusion

Thirty years ago, national leaders recognized the vital importance of retaining a national passenger rail system by creating Amtrak. In the 21st century, this transportation mode is increasingly important for mobility and national security, in light of the September 11, 2001 shutdown of air service. And as airports and highways become increasingly congested, the benefits to air quality and travel capacity offered by passenger rail are essential to maintaining our economy and quality of life.

TMACOG, representing the input and interests of the governments, business community, and citizens of Northwest Ohio and Southeast Michigan, urges our federal leaders to work with energy and creativity to create a new era for our national passenger rail system. We offer the "TMACOG Plan" as a set of basic, sustainable business strategies to accomplish this goal.

For more information please contact
The Toledo Metropolitan Area
Council of Governments at:

419-241-9155

300 Dr. Martin Luther King, Jr. Drive
P. O. Box 9508
Toledo, Ohio 43697-9508
public.info@tmacog.org
www.tmacog.org



A. Federal Responsibility and Oversight

Passenger rail is a federal responsibility, and a national system must be maintained as a vital part of the basic transportation system of the United States. Congress must look to continue funding for and propose innovative mechanisms to provide modern passenger rail service.

We assert that the basic existing structure of the national passenger rail system is essentially sound. It is flawed only in that it is underfunded, lacks an administrative agency to set direction and interface with Congress, and has inherited antiquated labor agreements. Our proposal addresses these shortcomings.

Railroad Administration:

Create a federal rail management administration (Railroad Administration) within the USDOT with specific responsibility for the oversight of a national passenger rail service:

- The federal government should create a full-fledged independent federal regulatory and administrative agency on a par with other modal agencies within USDOT (Federal Highway, Transit and Aviation Administrations) to manage passenger rail and, as appropriate, freight rail issues. This agency would perform the same core functions for rail that the FAA and FHWA do for their respective modes- funding and broad oversight.
- The Railroad Administration (RRA) must have full management oversight for all aspects of the rail passenger business, including distribution of funds for the national passenger rail system, fiscal oversight, and general operational policies (including routes and level of service).
- The current Federal Railroad Administration is largely focused on regulation and auditing of safety issues. Under the new RRA, Rail Safety would be included among other core oversight responsibilities.



- The rail passenger system should be provided with a set subsidy level and bonuses for quality of service.
- A single qualified national operator needs to be responsible for day-to-day management and operations of the system. The advantages of maintaining Amtrak (a private company) as that national operator include existing trackage rights agreements with the freight railroads, which would be lost if a new entity took charge.
- Labor and management need to partner to create a world-class labor-management system, including addressing outdated labor agreements, some dating to the 1940s.

State and Local Participation:

State and local governments must be allowed a significant role in the planning, funding, and implementation of national passenger rail service within the national context. Current cooperative and collaborative models for other modes could be utilized for this.

Modal Subsidy Study:

USDOT should be required to quantify differences in modal subsidies and evaluate the impact of these differences on the US transportation system.

No Unfunded Mandates:

Federal requirements on rail infrastructure must be adequately funded. There should be no unfunded mandates on freight railroads. If national policy requires rail and equipment updates, federal resources should assist in paying for these updates.

C. Funding

A national passenger rail system cannot survive without adequate funding. The current system (Amtrak) has insufficient funds to adequately maintain rolling stock (cars and engines) and provide for quality service. As outlined above, the trackage infrastructure, owned mostly by the freight railroad companies, is in need of improvement and modernization. New, reliable, and more comprehensive funding streams are essential as we make it a priority to partner publicly-funded passenger rail and private freight rail interests to provide an improved national rail system.

Create a Rail Infrastructure Trust Fund with Rail Fuel Tax Revenues:

Both air and highway modes fund infrastructure improvements out of dedicated trust funds. The current 4.3-cent fuel tax levied on rail (diesel) fuels should be redirected into a separate Rail Infrastructure Trust Fund. This would help fund the public portion of rail infrastructure investments to improve the efficiency of the rail system for freight and passenger movement.

Based on annual miles traveled by passenger and freight trains, the estimated revenues from this tax are at least \$170 million/year. While additional funding would be needed for a fully operational trust fund, this amount would provide the baseline starting point.

This new Rail Trust Fund would allow public partnering in rail line and right-of-way improvements. Projects could include rail-rail grade separations (like the CSX/NS separation proposed for Vickers crossing in northwest Ohio); in-cab signals; third track construction to relieve rail congestion and facilitate modern higher-speed passenger service; and special crossing improvements beyond those fundable under current federal lights-and-gates programs.

Create a Separate Passenger Rail Trust Fund for Rolling Stock Capitalization with Former and New Ticket Tax Revenue:

During World War II and into the 1960s, a passenger rail ticket tax (10%) generated 3.9 billion dollars (arguably worth \$30 billion in today's dollars). The tax revenue went into the general fund, where some of these dollars helped build highways and airports. This previous ticket tax revenue should be placed into a new Passenger Rail Trust Fund. A new ticket tax should be instituted to sustain and grow this fund. This fund would provide exclusively for passenger rail system capital needs - primarily passenger rolling stock.



Establish a local ticket surcharge for Station Improvements:

Congress must look to new and innovative public/private partnerships for rail financing. This should include authorizing a modest surcharge per ticket to fund capital improvements at locally owned passenger rail facilities.

A similar surcharge exists for the air passenger industry. The permitted Passenger Facility Charge is \$4.50 per person enplaning at the particular airport. The funds are primarily for improving the physical facilities at the airport, and both the airlines and the FAA must approve projects. A similar surcharge would improve and update rail passenger facilities. At the Toledo station, approximately 36,000 passengers boarded during 2001, which would have generated \$162,000 at this surcharge level. Nationally, there were approximately 23.5 million boardings, potentially providing nearly \$106 million annually for station improvement.

Fare Box Revenues and Public Support to Cover System Operating Costs:

Passenger fares will be applied toward recovery of operating costs for the overall system. While high-volume routes like the Northeast Corridor can expect to cover their operating expenses, the system as a whole will be unable to do so. This is the experience throughout the nation and the world. In order to provide this essential transportation service, the federal government will need to make a multi-year long term commitment to covering the shortfall remaining after the best operating efficiencies are obtained. Current highway legislation covers a six year period and provides a level of stability in programming improvements.