

**Before the Subcommittee on Transportation, Housing and Urban  
Development, and Related Agencies  
Committee on Appropriations  
United States Senate**

---

For Release on Delivery  
Expected at  
9:30 a.m. EDT  
Thursday  
April 3, 2008  
CC-2008-061

# **Amtrak's Future Outlook and Budgetary Needs**

**Statement of**

**David Tornquist**

**Assistant Inspector General**

**Rail and Maritime Program Audits and  
Economic Analysis**

**U.S. Department of Transportation, Office  
of Inspector General**



Chairman Murray, Ranking Member Bond, and Members of the Subcommittee:

I appreciate the opportunity to present the views of the Office of the Inspector General on Amtrak's Fiscal Year (FY) 2009 financial needs and the future of intercity passenger rail. My statement today will draw upon the work we have ongoing for your subcommittee on Amtrak's financial performance and labor agreement costs, its efforts to achieve operating reform savings, and the causes of its on-time performance (OTP) problems, as well as other work we have ongoing on Amtrak's capital plan.

***Despite Recent Progress, Amtrak Still Faces Challenges.*** Once again, Amtrak's 2007 ridership and ticket revenue records set new records. Amtrak also improved its OTP on about two-thirds of its routes, implemented an expanded capital program, and continued to pay down its debt. In addition, the labor agreement now in the ratification process holds the promise of allowing both Amtrak management and employees to focus on the business of running a passenger railroad.

At the same time, Amtrak is seeking to increase its Federal subsidy by 35 percent in a very difficult budget environment while continuing to incur unsustainably large and potentially growing operating losses. We believe Amtrak can do more to minimize its costs and dependence on Federal subsidies and that its spending initiatives need to make a demonstrable contribution to its bottom line.

***Amtrak Requires a Modest FY 2009 Funding Increase.*** We believe that Amtrak's FY 2009 legislative and grant request understates Amtrak's likely FY 2009 revenues, overstates its costs, and ignores its significant cash balance. As a result, we believe that Amtrak needs \$475 million in FY 2009 for operations, \$675 million for capital, and \$266 million for debt service. Furthermore, the FY 2009 share of retroactive wages included in the pending labor agreement<sup>1</sup> can be accommodated within Amtrak's projected cash balances without additional appropriations.

Our recommended operating grant level would allow Amtrak to operate a nationwide system. When combined with Amtrak's likely increase in FY 2009 revenues, our recommendation would cover an approximately 3.5 percent increase in Amtrak's operating expenses. Regarding these revenues, we believe that Amtrak's forecast is understated because it was arbitrarily reduced below the levels projected by its econometric models. The expense forecast is likely overstated because it includes the cost of significant hiring in FY 2008 and 2009

---

<sup>1</sup> This agreement would grant full retroactive pay raises back to 2002 to all agreement employees onboard on December 1, 2007. The payment would be split, with 40 percent being paid in FY 2008 and 60 percent in FY 2009.

and other cost increases which Amtrak need not incur, and no additional operational reform savings.

**Table 1. Federal Appropriations**

(\$ in millions)	FY 2007	FY 2008		FY 2009	
	Appropriated	Appropriated	Forecasted Use	Request	Recommend
Operating	\$485	\$475	\$454	\$525	\$475
Capital	495	565	564	801	675
Debt service	277	285	285	345	266
Retroactive wages for labor settlement				114	0
<b>Total</b>	<b>\$1,257</b>	<b>\$1,325</b>	<b>\$1,303</b>	<b>\$1,785</b>	<b>\$1,416</b>

Source: Amtrak data and OIG analysis.

The \$675 million for capital would allow Amtrak to fund legal, safety, and security requirements and continue to make progress towards a “state of good repair”. The \$266 million for debt service is the minimum needed to fund Amtrak’s FY 2009 debt obligations. Amtrak’s proposal to pay off debt early is linked to a plan to borrow funds in the future for rolling stock replacement. However, significant issues still need to be resolved regarding states’ willingness to pay the full costs of state services not covered by ticket revenues which may impact the overall demand for new rolling stock.

Finally, Amtrak could fund the unbudgeted \$114 million in FY 2009 retroactive wage costs and \$11.3 million in other planned pay-related costs within its anticipated \$269 million end of FY 2008 cash balance. The resulting \$119 million cash balance would be less than Amtrak’s preferred \$150 million level, but consistent with the \$103.9 million cash balance that would have resulted in FY 2007 from Amtrak’s spending decisions.

***Achieving Reliable On-Time Performance Could Substantially Improve Amtrak’s Finances.*** We recently reported that improving OTP to 85 percent on all routes outside the Northeast Corridor in FY 2006 would have generated a net gain of \$136.6 million for Amtrak. However, there is little agreement between Amtrak and the host railroads on whose track Amtrak operates regarding the cause of this poor OTP, and, therefore, no consensus on how to improve it.

In work we have ongoing at the request of this subcommittee, we have found that Amtrak trains are delayed by insufficient track capacity; host railroad operating

practices, including dispatching; and external factors beyond the host railroads' control, such as weather and derailments. Amtrak's data on delays does not allow us to quantify the relative share each cause contributes to delay. Disagreement also exists regarding the precise nature of Amtrak's right to "preference over freight transportation in using a rail line, junction, or crossing".<sup>2</sup> We believe the issue of improving Amtrak's OTP can best be addressed through collaboration between Amtrak, the host railroads, and the executive branch which balances the enforcement of rights with incentives for cooperation. The state capital matching grant program can play an important role in this effort.

***Reauthorization Remains Key to Amtrak's Long-Term Outlook.*** As we have testified previously, we believe that Amtrak's long-term outlook would be improved through a reauthorization that focused on three goals: (1) continuous improvements in the cost-effectiveness of services provided, (2) devolution of the power to determine those services to the states, and (3) adequate and stable sources of Federal and state funding.

Absent a reauthorization, it will continue to fall to the Appropriations Committee to maintain fiscal discipline at Amtrak while providing the tools to improve their performance. At the same time, as we reported last year in our audit of the Amtrak Board's activities, the Board plays a key role in setting a strategic direction for Amtrak within the statutory parameters set by Congress. The Board and Amtrak management currently are developing a new strategic plan, which, if accompanied by implementation plans, will be very helpful in guiding Amtrak's decision making.

I will now discuss these issues in greater detail.

## **Despite Recent Progress, Amtrak Still Faces Challenges**

### ***Operating Losses***

Amtrak ended FY 2007 with a net operating loss of \$1.0 billion and a cash operating loss, excluding interest and depreciation, of \$486.3 million.<sup>3</sup> Amtrak currently projects a cash operating loss of \$454.3 million in FY 2008,<sup>4</sup> \$21 million below its original budgeted loss, and \$525 million in FY 2009. The increase in

---

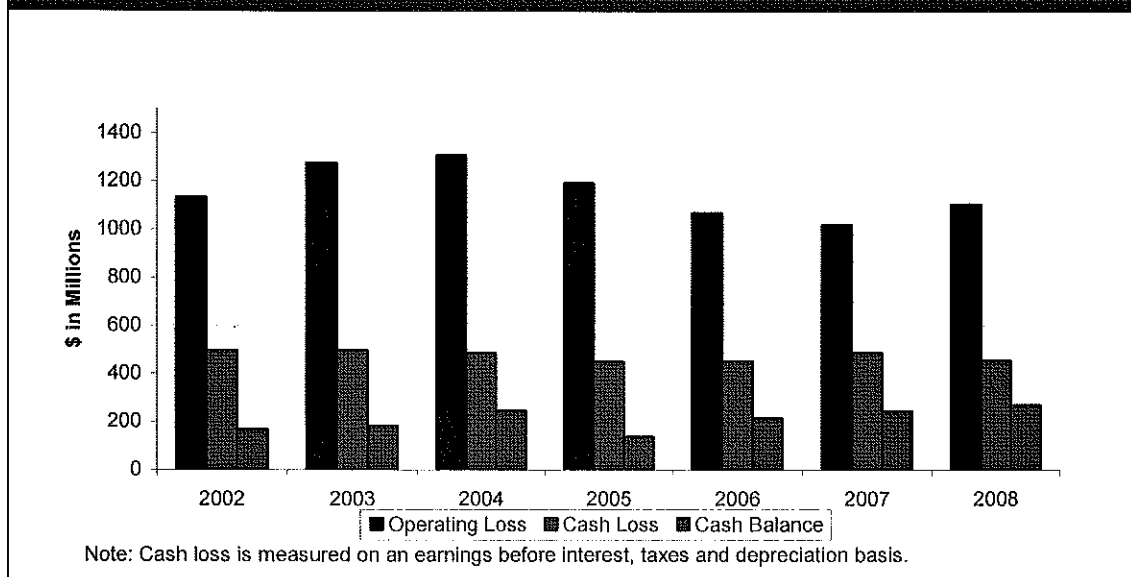
<sup>2</sup> Section 24308c of Title 49 of the United States Code.

<sup>3</sup> Amtrak's FY 2007 cash operating loss includes \$190 million in accrued expenses from the pending labor settlement.

<sup>4</sup> Amtrak originally budgeted for a \$475 million cash operating loss in FY 2008. However, based on actual revenues and expenditures through January, this loss has been revised downward by \$21 million to \$454.3 million.

FY 2009 is due largely to fuel, benefits, and labor settlement costs, and the impact of a projected economic slowdown on revenues.

**Figure 1. Amtrak's Operating and Cash Losses and Cash Balances**



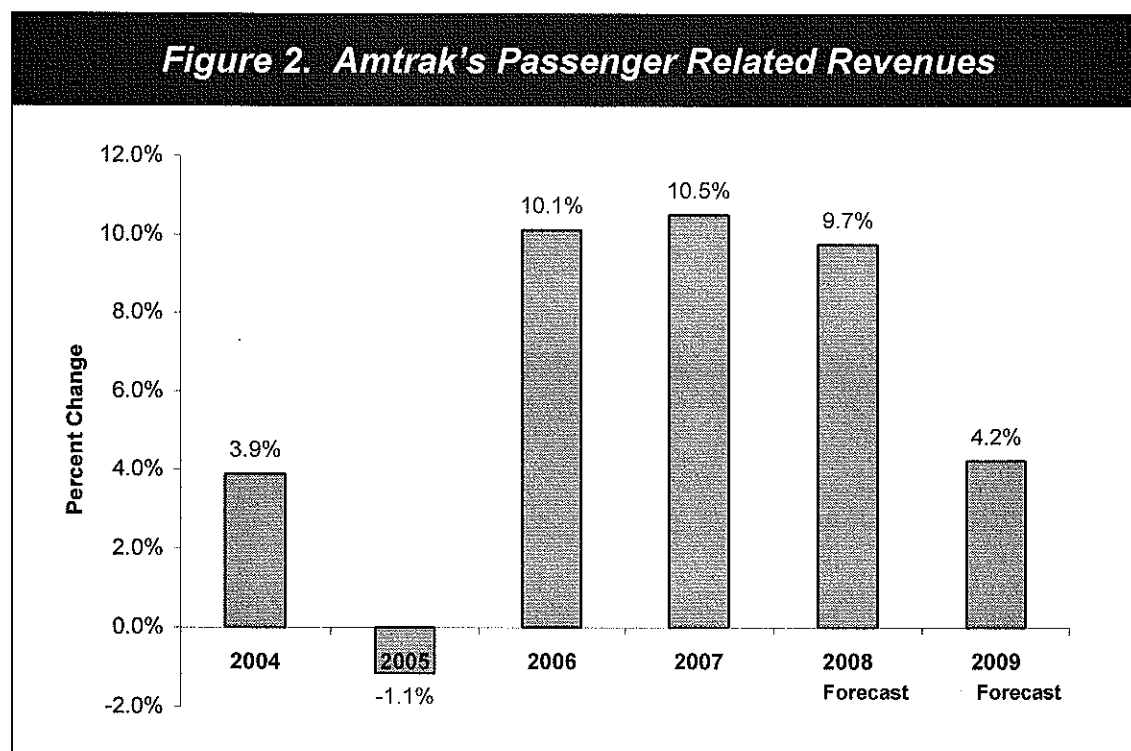
Source: Amtrak.

Based on the information available today, we believe Amtrak could manage with \$475 million for its FY 2009 operating subsidy instead of the \$525 million requested. We differ with Amtrak's estimates of likely FY 2009 revenues, expenses, and operating reforms. Our recommended operating grant level would provide Amtrak with an increase of almost \$100 million and cover an approximately 3.5 percent increase in operating expenses as a result of likely revenue increases. We strongly urge the Subcommittee to reexamine Amtrak's funding requirements after Amtrak completes its more detailed, bottom up budget projection in July.

We are concerned about the seemingly arbitrary manner in which Amtrak management revised its FY 2009 revenue estimates developed using their econometric models to reflect a potential recession. While we understand the desire to be conservative in light of economic uncertainty, we believe that the tight budget environment calls for a more scientific and supportable approach to revenue forecasting.

In this regard, we note that both the Federal Reserve's Federal Open Market Committee and the Blue Chip consensus forecast call for economic growth in FY 2009 at a level commensurate with that in FY 2007, not a decline as Amtrak projects. Growth in the gross domestic product, a measure of overall economic

activity, began to slow in 2007, and projected to slowdown further in 2008 before picking up in 2009. Despite the current slowdown, Amtrak's FY 2008 passenger related revenues are projected to be \$170 million above FY 2007 and \$71 million above the level Amtrak originally projected in its FY 2008 budget.



Source: Amtrak.

In addition, we believe that Amtrak should take a more restrained approach regarding expenditures given the large uncontrollable cost increases Amtrak anticipates for wages, benefits, and fuel costs. Amtrak's budget estimates anticipates hiring about 200 employees which might be aggressive considering the tight budget environment. Finally, since Amtrak forecasts its FY 2008 cash operating loss will be about \$21 million below the amount it used as a starting point to build its FY 2009 request, its FY 2009 expenses are likely to be less than reflected in Amtrak's budget request.

Finally, Amtrak anticipates achieving no savings from operating reforms in FY 2009. Amtrak saved \$61.3 million from operating reforms in FY 2006, \$52.8 million in FY 2007, and anticipates saving \$40.3 million in FY 2008. The current estimate of FY 2008 savings is just half of the amount Amtrak originally anticipated it would save. The Amtrak Board of Directors, in the FY 2008 Action Plan, established as one of its seven corporate goals, to "contain cost growth through productivity and efficiency improvements". We strongly support this goal and believe it should be reflected in the FY 2009 budget.

As shown in Table 2, Amtrak anticipates achieving \$17.0 million in FY 2008 savings through revenue enhancements and \$23.3 million through expense reductions. The revenue enhancements include improvements to both *Acela* and long-distance services and additional food and beverage sales. The expense reductions include reducing energy costs, increasing use of credit cards on-board trains, and implementing several productivity improvements in Amtrak's Environment, Transportation, Mechanical, and Engineering departments. Through January, Amtrak has achieved \$6.3 million of these projected savings.

**Table 2. Amtrak's FY 2008 Cost Savings From Reform**

<i>(\$ in millions)</i>	<b>Annual</b>	<b>Budget YTD</b>	<b>Actual YTD</b>	<b>YTD Variance</b>
<b>Revenue Enhancements</b>	<b>\$17.0</b>	<b>\$4.5</b>	<b>\$4.4</b>	<b>\$(0.1)</b>
Food and Beverage	0.9	0.9	0.5	(0.4)
Overhead Functions	2.4	0.4	0.4	0.0
Customer Service	1.3	0.4	0.9	0.5
Marketing and Sales	1.8	1.2	0.2	(1.0)
NEC Operations	7.6	1.4	2.3	0.9
Long Distance Services	3.2	0.2	0.2	0.0
<b>Expense Reductions</b>	<b>23.3</b>	<b>5.3</b>	<b>1.9</b>	<b>(3.4)</b>
Mechanical	(7.2)	(2.1)	(1.7)	0.4
Overhead Functions	11.0	0.7	(0.1)	(0.8)
Customer Service	17.7	6.2	4.9	(1.3)
Ongoing Efficiencies	1.8	0.5	(1.2)	(1.7)
<b>Total</b>	<b>\$40.3</b>	<b>\$9.8</b>	<b>\$6.3</b>	<b>\$(3.5)</b>

Columns may not sum due to rounding.

Source: Amtrak.

### *Labor Settlement Costs*

Amtrak anticipates the FY 2008 and FY 2009 cost of the labor agreement currently in the ratification process will be \$412.2 million for both the operating and capital accounts. As shown in Table 3, Amtrak's estimate of \$148.9 million in FY 2008 costs includes \$52.4 million for the prospective FY 2008 pay raise, \$94.4 million for the FY 2008 share of the retroactive FY 2002-2008 pay raise, and \$2.1 million for management pay raises to supervisors to maintain an appropriate pay differential relative to their employees. The \$263.3 million in FY 2009 costs include \$117.4 million for the prospective FY 2009 pay raise, \$141.6 million for the FY 2009 share of the retroactive pay raise, and \$4.3 million for management pay raises.

We believe that Amtrak does not require a separate \$114 million appropriation in FY 2009 to cover the partial costs of the retroactive wages resulting from the pending settlement ratification. Based on actual revenues and expenditures through January, Amtrak forecast that its cash balance at the end of FY 2008 would be \$268.7 million. According to Amtrak, paying off the unbudgeted labor settlement costs would reduce this cash balance to \$118.7 million. While this cash balance is below the \$150 million level Amtrak stated they prefer to have on hand, it is 14 percent more than the \$103.9 million cash balance that would have resulted in FY 2007 from Amtrak's spending decisions. Amtrak is currently refining these estimates as it determines the amounts due on an employee-by-employee basis.

**Table 3. Estimated Labor Settlement Costs**

<i>(\$ in millions)</i>	<b>Due in FY 2008</b>	<b>Due in FY 2009</b>	<b>Total</b>
Retroactive Wage Payment (2002-2008)	\$94.4	\$141.6	\$236.0
Management Pay Raise	2.1	4.3	6.4
Prospective Pay Raises	52.4	117.4	169.8
<b>Total</b>	<b>\$148.9</b>	<b>\$263.3</b>	<b>\$412.2</b>

Source: Amtrak.

### *Capital*

Amtrak's infrastructure continues to suffer from the effects of years of underinvestment, and its estimated backlog of infrastructure projects needed to attain a "state of good repair"<sup>5</sup> is \$4.8 billion. The \$675 million recommended for capital would allow Amtrak to fund legal, safety, and security requirements and continue to make progress to achieving a "state of good repair".

Amtrak initiated a new capital planning process in FY 2008 that prioritizes capital projects across different departments. We believe this planning process is an important step forward. As it matures, we would like to see greater reliance on return on investment analyses for projects, when appropriate. This analysis would facilitate the comparison and prioritization of projects and would demonstrate how projects contribute to meet Amtrak's business goals, i.e., increasing ridership and revenues, reducing costs, improving OTP, and reducing trip times.

<sup>5</sup> Amtrak uses a component life cycle replacement approach to defining "state of good repair". Amtrak defines being in a "state of good repair" when each of its infrastructure assets is maintained and replaced within the design life of that component.

### *Debt Service*

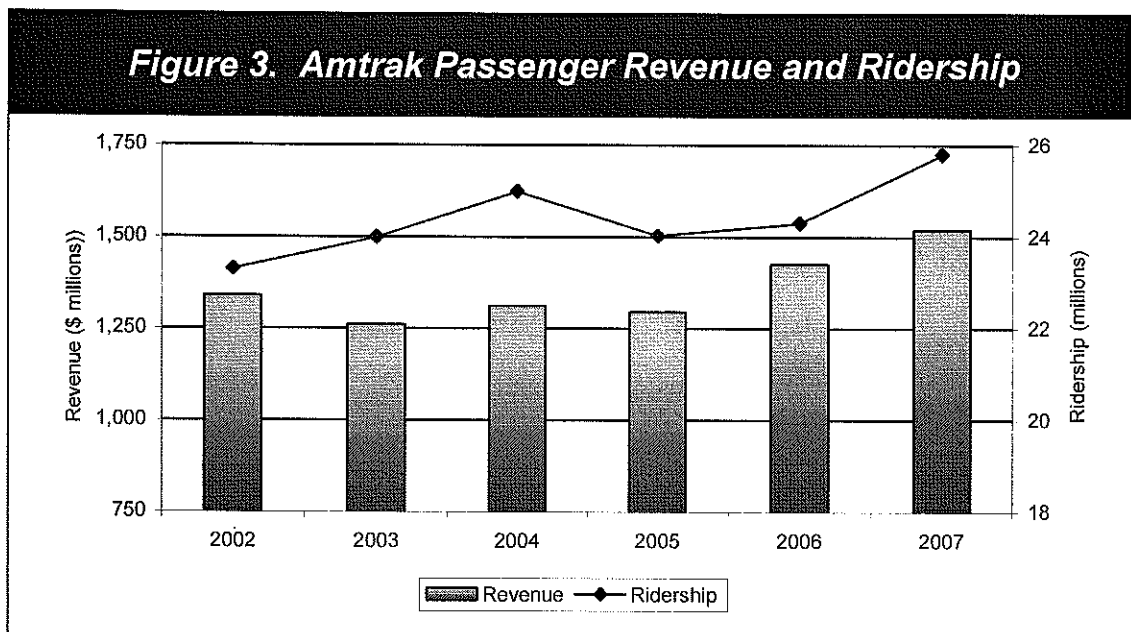
The \$266 million for debt service is the minimum needed to fund Amtrak's FY 2009 obligations. This amount reflects Amtrak's minimum debt payment schedule adjusted for Amtrak's pre-payment of the \$21 million on its Railroad Rehabilitation and Improvement Financing (RRIF) loan. Amtrak's proposal to pay off debt early is based on the economic benefits of paying off higher interest debt and a desire to reduce its overall debt burden to facilitate new borrowing in the future for rolling stock replacement.

We have previously testified that from an economic standpoint, the taxpayer would benefit by the Federal government paying off Amtrak's \$3.3 billion in long term debt and capital lease obligations. Currently, this debt is being paid off with Federal appropriations. Because portions of Amtrak's debt were financed at higher interest rates than what the Federal government can borrow, it would be less costly for the Federal government to payoff the entire debt at once. However, in this tight budget environment, we believe Amtrak has higher funding priorities at this time than repaying debt, such as infrastructure investment.

In addition, significant issues still need to be resolved which will affect Amtrak's rolling stock needs. In particular, Amtrak needs to develop a more equitable method of charging states for state corridor services and determine whether the states will pay the fully allocated operating costs and, over time, a growing contribution to capital costs for new and existing service. In addition, the higher labor rates resulting from the pending labor agreement will increase state costs and may affect their willingness to pay for current services, let alone expand into new services. The impact these issues will have on states' demand for new service and the need for additional rolling stock needs to be incorporated into a comprehensive fleet plan.

### *Revenue and Ridership*

Passenger revenues increased to a peak level of \$1.52 billion in FY 2007, primarily as a result of revenues from *Acela* service that were \$56.7 million above budget projections. Amtrak attributed increases in *Acela* revenues and ridership to reduced trip times, improved OTP, deteriorating airline service, increased highway congestion, and higher gasoline costs. Systemwide ridership increased to 25.8 million in FY 2007. For the first 4 months of FY 2008, passenger revenues were \$71.1 million higher than the same period in FY 2007, supported by strong demand for corridor trains, particularly for *Acela* and *Regional* services. Ridership grew 11.2 percent during this period.



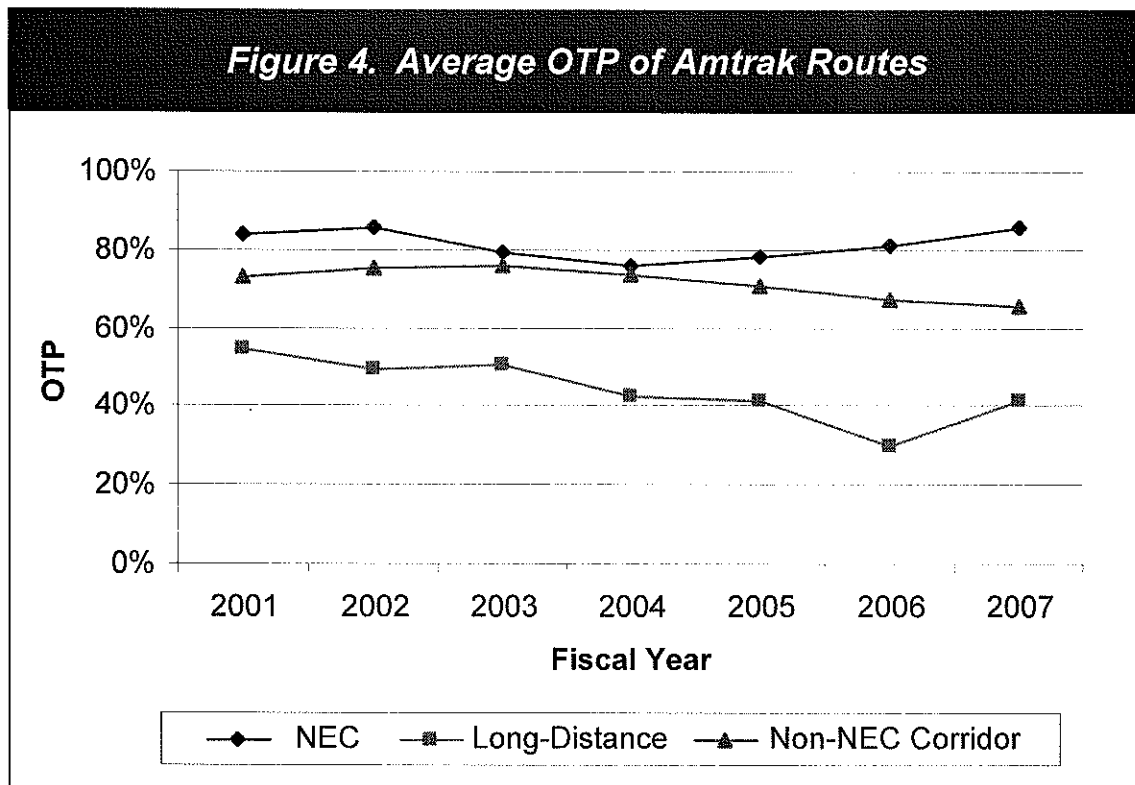
Source: Amtrak.

### **Achieving Reliable On-Time Performance Could Substantially Improve Amtrak's Finances**

Amtrak's OTP had been declining steadily since FY 2002, from 77 percent to 68 percent in FY 2006. However, the OTP increased in FY 2007 to 69 percent and to 72.7 percent through January 2008. In FY 2006, average OTP across Amtrak's long-distance routes was only 30 percent. For Amtrak's corridor routes, average OTP was much higher, but still only 67 percent (excluding the NEC). In FY 2007, the OTP of a number of long-distance routes increased substantially, but only enough to raise the average for long-distance routes to 42 percent. Through January 2008, long-distance OTP increased to 59.7 percent.

We recently reported that improving OTP to 85 percent on all routes outside the Northeast Corridor (NEC) in FY 2006 would have generated a net gain of \$136.6 million for Amtrak. This total net gain includes increased Amtrak revenues of \$111.4 million and reduced fuel and labor costs of \$39.3 million. Revenue would increase as customers become more confident in Amtrak's ability to arrive on time. Labor expenses would be reduced in part by fewer overtime hours required to staff late trains. Fuel costs would also fall with a reduction in delays as less time would be spent idling or accelerating and decelerating. The improved OTP would also require an increase in net performance payments paid to the host railroads. We estimated these would total \$14.1 million. Achieving an OTP of 75 percent outside of the NEC in FY 2006 would have generated a net gain of \$122.1 million and an OTP of 100 percent would have generated a net savings of

\$136.4 million. This latter estimate reflects higher performance payments that exceed the revenue increase and cost reductions.



Source: Amtrak.

However, there is little agreement between Amtrak and the host railroads on whose track Amtrak operates regarding the cause of this poor OTP, and, therefore, no consensus on how to improve it. In work we have ongoing at the request of this subcommittee, we have found that Amtrak trains are delayed by insufficient track capacity; host railroad operating practices, including dispatching; and external factors beyond the host railroads' control, such as weather and derailments. The available data does not allow us to quantify the relative share each cause contributes to delay.

The capacity of the freight rail network is insufficient to handle the mix of fast (passenger and inter-modal freight) and slow (bulk commodity freight) trains operating according to different business models, i.e., scheduled versus unscheduled or loosely scheduled service. In this network, passenger trains frequently catch up with slower moving freight trains, or other passenger and commuter trains. In addition, most Amtrak trains outside the NEC operate over single tracks with bi-directional traffic, which requires trains to be held on sidings until they can pass each other. Capacity is also reduced by temporary speed restrictions, or slow orders.

Host railroad operating and dispatching practices also can delay Amtrak trains. Dispatch operations are focused on maintaining network fluidity, sometimes at the expense of Amtrak's OTP. It is difficult to determine how individual dispatching decisions impact delays simply by observing day-to-day dispatching operations. Nevertheless, we found certain practices intentionally delay Amtrak trains. In addition, a lack of management attention by a host railroad to Amtrak's performance can increase delays. Amtrak and the host railroads largely attribute recent OTP improvements on the *Auto Train* and other Florida services, the *California Zephyr*, *Crescent*, *Capitol Limited* and *Lake Shore Limited* trains to more focused and cooperative management efforts. Each of these root causes contributes to Amtrak's delays, often in combination with each other. As delays accumulate, it can be difficult to separate the relative impact from each other.

Disagreement also exists regarding the precise nature of Amtrak's right to "preference over freight transportation in using a rail line, junction, or crossing".<sup>6</sup> Amtrak views the legislation as granting an absolute right to run unimpeded on the freight network and, as such, considers all freight train interference a violation of its right of preference. In Amtrak's view, host railroads need to proactively manage operations on their rail lines to avoid interference-related delays. The host railroads we met with did not offer us a legal definition of preference, but generally viewed their responsibility to grant preference relative to their ability to manage congestion levels and maintain "fluidity" in the overall system.

We believe the issue of improving Amtrak's OTP can best be addressed through collaborative interactions between Amtrak, the host railroads, and the executive branch which balances the enforcement of rights with incentives for cooperation. The state capital matching grant program can play an important role in this effort in terms of providing an incentive to freight railroads for cooperation. In addition, the quarterly reporting requirements regarding host railroad OTP Congress established last year will also focus the Department and host railroad management's attention on this issue.

## **Reauthorization Remains Key to Amtrak's Long-Term Outlook**

As we have testified previously, we believe that Amtrak's long-term outlook would be improved through a reauthorization that focused on three goals: (1) continuous improvements in the cost-effectiveness of services provided, (2) devolution of the power to determine those services to the states, and (3) adequate and stable sources of Federal and state funding.

---

<sup>6</sup> Section 24308c of Title 49 of the United States Code.

Absent a reauthorization, it will continue to fall to the Appropriations Committee to maintain fiscal discipline at Amtrak while providing the tools to improve their performance. At the same time, as we reported last year in our audit of the Amtrak Board's activities, the Amtrak Board of Directors plays a key role in setting a strategic direction for Amtrak within the statutory parameters set by Congress. The previous Board set a strategic direction for Amtrak with its April 2005 *Amtrak Strategic Reform Initiatives and FY 2006 Legislative Grant Request*. However, this plan's broad long-term objectives were not fully translated into a detailed plan with outcomes, milestones, and performance measures. As a result, the Board and Amtrak management lacked a comprehensive standard against which to evaluate how Amtrak's day-to-day activities are addressing the Board's strategic vision for Amtrak.

The current Board and Amtrak management are developing a new strategic plan, which if accompanied by implementation plans, will be very helpful in guiding Amtrak's decision making.

Madam Chairman, this concludes my statement. I would be happy to answer any questions at this time.

**Addendum:**

The following 2 pages contain textual versions of the graphs and charts contained in this document. These pages were not a part of the original document but have been added here to accommodate assistive technology.

**Figure 1: Operating and Cash Losses and Cash Balances FY 2002 - FY 2008 (Amtrak Data)**

	<b>Operating Loss</b>	<b>Cash Loss</b>	<b>Cash Balance</b>
<b>2002</b>	<b>1132</b>	<b>497</b>	<b>169</b>
<b>2003</b>	<b>1274</b>	<b>496</b>	<b>182</b>
<b>2004</b>	<b>1308</b>	<b>486</b>	<b>247</b>
<b>2005</b>	<b>1192</b>	<b>450</b>	<b>138</b>
<b>2006</b>	<b>1068</b>	<b>452.3</b>	<b>215</b>
<b>2007</b>	<b>1019</b>	<b>486.3</b>	<b>244</b>
<b>2008 (forecast)</b>	<b>1104</b>	<b>454.3</b>	<b>268.7</b>

**Figure 2: Amtrak's Passenger Related Revenues**  
**Percentage Change in Passenger Related Revenues (from previous year)**  
**for Fiscal Year 2004 through Fiscal Year 2009 (Amtrak data)**

Fiscal Year	Percent Change in Passenger Related Revenues (from previous year)
2004	3.9 %
2005	-1.1%
2006	10.1%
2007	10.5%
2008 Forecast	9.7%
2009 Forecast	4.2%

Note: The percentage change in Amtrak's passenger related revenues for Fiscal Year 2008 and 2009 are based on forecasted numbers.

**Figure 3. Passenger Revenues and Ridership Fiscal Year 2002 through Fiscal Year 2007 (Amtrak data)**

Year	Revenue	Ridership
2002	1.340 billion	23.3 million
2003	1.261 billion	24.0 million
2004	1.311 billion	25.0 million
2005	1.295 billion	24.0 million
2006	1.426 billion	24.3 million
2007	1.519 billion	25.8 million

**Figure 4. Average On-Time Performance of Amtrak Routes FY 2001 to FY 2007 (percent)**

	Fiscal Year						
	2001	2002	2003	2004	2005	2006	2007
NEC	83.76	85.52	79.29	75.78	78.17	81.00	85.51
Long-Distance	54.38	49.51	50.84	42.56	41.38	29.99	41.60
Non-NEC Corridor	73.25	75.49	75.65	73.51	70.44	67.33	65.50

Source: Amtrak

NEC: Northeast Corridor

# The Virginia NEWS LETTER

## Can Public Investment in Freight Rail Deliver the Goods?

By Richard L. Beadles

Rail transportation is gradually emerging from the shadowy recesses of policy deliberations after decades of indifference to its potential. But just how much relief of overburdened highways can be expected from public investment in freight rail enhancement? The answer is, probably not much in the near term.

A recent *Wall Street Journal* article speaks of a freight "railroad renaissance under way across much of the U.S."<sup>1</sup> Yet not many transportation planners, or even rail advocates, seem to fully appreciate the negative ramifications of the radical transformation that has occurred over the past forty years in the U.S. rail infrastructure network. Today the rail freight network is smaller in size, less flexible, and focused on serving fewer, but larger customers, often with slower, and less frequent, service. There are, of course, some significant exceptions to this assertion and some railroads are indeed making large new investments, but overall it is a fair characterization.

The explanation for this dramatic shift in business strategy is that it was a matter of survival. Faced with intense highway competition, a changing industrial base in the nation, and numerous other challenges, not the least of which

<sup>1</sup> Daniel Machalaba, "New Era Dawns for Rail Building," *Wall Street Journal* (February 13, 2008).

was public policy indifference, self-help dictated draconian steps.

Yet rail transportation has some clear advantages over highway transportation in reducing highway congestion, promoting public safety, conserving energy, and protecting the environment. To reverse this freight-rail retrenchment process will likely be a difficult, long-term, and costly undertaking. The private freight-rail companies have stated clearly that they cannot do it alone and that public funding will be necessary.

Providing public funding may be a matter of necessity for the general welfare of the nation. The Commonwealth of Virginia appears to think so, having put in place a regular, albeit very limited, funding program for rail-freight infrastructure. An example is the Virginia Department of Rail and Public Transportation (DRPT)'s recent announcement of a \$40 million grant to Norfolk Southern for infrastructure improvements and modernization on its line between Manassas and Front Royal.

But such public grants alone are likely to disappoint the general public, because they are unlikely to result in a dramatic drop in the number of big, long-haul trucks on our interstates. Success will require much more contentious policy and funding shifts to place rail on, or near, the



Richard L. Beadles



WELDON COOPER  
CENTER FOR PUBLIC SERVICE

University of Virginia

*...the potential for rail dominance of the total transport market is quite limited. In most cases, railroads are at a significant disadvantage relative to highway transport.*

same competitive basis as highway transportation of freight. And that's not likely to happen soon, if ever.

The "railroad renaissance" mentioned above refers primarily to railroads' investment in profitable long-haul and ocean-container shipments, to the neglect of improving service for highly important domestic mid-range shipments of 200 to 500 miles. Medium-distance freight now carried by millions of trucks in our interstate corridors might be well served by high-performance rail lines.

### **Moving Freight: Rail and Trucks**

In almost all cases, freight railroads own and maintain their basic rights-of-way, tracks, bridges, signal systems, and equipment. They also pay local real estate taxes on this transportation infrastructure.

Truckers generally have unlimited access to roads built, paid for, and maintained by the general public. While there are numerous and substantial taxes and fees paid by truckers, most studies have concluded that large trucks, the principal competitors of rail, do not pay the share of highway costs for which they are responsible.<sup>2</sup>

These points raise a key question relevant to emerging public efforts to provide financial assistance to private rail operators. Initiatives providing for assistance of rail operators are deemed to be justified if such action is clearly found to be in the public interest. This usually means that a determination must be made that rail development assists in providing some measure of incentive to convert some portion of cargo movement from highway to rail, in order to minimize congestion and to reduce publicly-funded highway construction and maintenance expense.

### **Some Economic Comparisons for Consideration**

Freight railroads are capital intensive, starting with the basic right-of-way, tracks, bridges, signal systems, and train equipment. Barriers to entry are daunting. But once in place, railroads can dominate certain segments of the freight transportation market. Pricing power can be

<sup>2</sup> Federal Highway Administration, *Addendum to the 1997 Federal Highway Cost Allocation Study Final Report* (Washington, D.C. May 2000) Table 7.

<http://www.fhwa.dot.gov/policy/hcas/addendum.htm> (2/8/08); Virginia High Speed Rail Development Committee, *Virginia Rail Plan* (Richmond: September 2001), pp. 38-39. <http://www.vhsrc.com/RailPlan> (2/11/08)

brought to bear on certain shippers who have limited alternatives, with lucrative financial results to the railroad companies. But the potential for rail dominance of the total transport market is quite limited. In most cases, railroads are at a significant disadvantage relative to highway transport.

Trucking, on the other hand, is a business that is relatively easily entered with minimal capital investment, at least in comparison to railroading. Highway users have a great advantage over their rail competitors in both access to infrastructure and cost of using public roads. But this very circumstance makes for fierce competition among commercial motor carriers, and such cutthroat competition usually severely constrains revenue and profit margins. Consider how difficult it is for rails to compete with truckers in this environment.

As of March 2007, the eight largest rail freight railroads in the country had total annual revenue of \$62.6 billion, generated on assets of \$155.2 billion, according to an analysis by Stifel, Nicolaus and Co., Inc., a regional investment firm in St. Louis. Thus it required \$2.48 of rail asset capital to generate \$1 of rail revenue. However, rail's earnings margin before taxes was an impressive 32.3 percent.

In contrast, sixteen of the largest publicly traded highway carriers had revenues of \$18.5 billion, generated on assets of only \$10.9 billion. Thus only \$0.59 of assets were required to generate \$1 of revenue. However, these truckers' mean earnings margin was only 9 percent.

The 2006 annual report of Heartland Express, a respected publicly traded motor carrier, describes the trucking industry as "... highly competitive and fragmented, with thousands of carriers of varying sizes."<sup>3</sup> Only a small portion of highway freight is transported by publicly traded commercial truckers. Far more is moved by private truckers, manufacturers and distributors, owner-operators, and others. Think of Wal-Mart and Food Lion, whose trucks are ubiquitous. There is no rail equivalent.

The \$62.6 billion of rail revenue, and the \$18.5 billion of truck revenue, cited above, would represent only 8.5 percent and 1.5 percent, respectively, of the total domestic freight transportation market. These percentages, even if approximate, cast doubt on claims that even a multiple expansion of U.S. rail freight infrastructure could absorb any significant frac-

<sup>3</sup> *Heartland Express 2006 Annual Report*. <http://yahoo.brand.edgar-online.com/fetchFilingFrameset.aspx?dcn=0000799233-07-000016&Type=HTML> (1/30/2008)

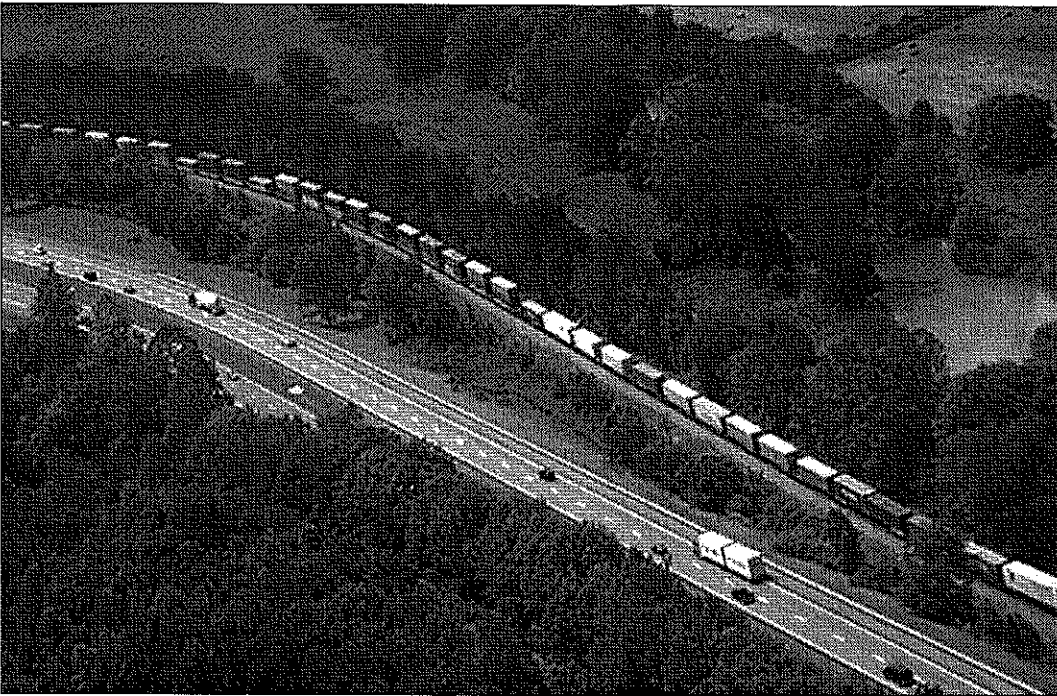


Photo courtesy of Virginia Department of Rail and Public Transportation.

tion of the domestic cargo business, which is today largely moving via highway. This is not to suggest that rail cannot do more, nor that policy makers should back away from their current interest in facilitating the diversion of some freight from highway to rail.

Rails loom larger in comparisons when cargo handling is quantified in "revenue ton-miles" (the equivalent of one ton of freight moved one mile). In 2003, the last year such a comparison was made, railroads handled 42.3 percent of such transportation, with trucks at 33.2 percent, Great Lakes and inland waterways at 8.6 percent, and oil pipelines at 15.5 percent. Air came in at less than 1 percent by this measure.<sup>4</sup> Why rails rank so high by the revenue-ton-mile measure is partially explained by the fact that in 2006, coal accounted for 43.5 percent of tons originated.<sup>5</sup>

The rail freight industry's growing strength in tonnage is largely explained by the growth in long-haul movement of low-sulfur coal from the Powder River Basin in Wyoming to electric power generating stations in the Midwest and the East. Prior to the 1970s, most coal movements were 200 to 300 miles in length. Today's

Wyoming coal often moves 1,000 miles and more. Revenue-ton-mileage statistics are driven up proportionately.

The other great driver of rail revenue-ton-miles in recent years has been the handling of international shipping containers from Asia, mostly imported through West Coast ports. Many of these boxes are transported 2,000 miles or more across the American continent.

Truly remarkable has been the growth of intermodal (IM) traffic, the term now applied to what used to be called "piggyback," or the movement of truck trailers and containers on rail cars. In 2007 intermodal units accounted for 43 percent of all railroad freight units (carloads plus trailers and containers).<sup>6</sup> About one half of these involved international traffic handled to, and mostly from, ports.

### **Can Public Financial Assistance Make Rail More Competitive?**

Recalling the question posed at the outset of this paper—to what extent can we expect public financial assistance to freight railroads to result in any significant shift in the movement of cargo from highway to rail—what preliminary conclusions can we draw?

<sup>4</sup> Association of American Railroads, *Railroad Facts, 2007 Edition* (Washington, D.C., November 2006), p. 32.

<sup>5</sup> Association of American Railroads, *Railroad Facts, 2007 Edition*, p. 29.

<sup>6</sup> Association of American Railroads press release, January 3, 2008, "U.S. Rail Freight Traffic Second-Highest in History in 2007" [http://www.aar.org/ViewContent.asp?Content\\_ID=4132](http://www.aar.org/ViewContent.asp?Content_ID=4132) (2/7/08)

*The rail freight industry's growing strength in tonnage is largely explained by the growth in long-haul movement of low-sulfur coal from the Powder River Basin in Wyoming to electric power generating stations in the Midwest and the East.*

*Relatively few markets have lost freight-rail access, but most rail routes have lost capacity by shearing off multiple trackage...*

First, since the 1980s deregulation, railroads have shrunk their capacity to the point where they have, in the face of growing demand, created scarcity of supply of rail infrastructure, yielding an unprecedented pricing power. This has been reflected in recent years by the stock prices of the major freight rails. It should be noted that rail management's drastic abandonment and removal of infrastructure has largely occurred outside public view, and without much public participation, as a result of deregulation. Whether this was in the best interest of the public, from a broad national transportation perspective, is an open question.

Relatively few markets have lost freight-rail access, but most rail routes have lost capacity by shearing off multiple trackage, which is what, like multiple highway lanes, provides the capacity to accommodate more traffic on a particular route. "Redundancy" became a bad term in the minds of those making rail business decisions from 1980 forward. But now the lack of redundancy is constraining not only the volume of freight (and passenger) traffic on the rails, but equally important, the quality, reliability and consistency of such service.

The rail capacity situation, while good news in the short term for rail executives and shareholders, has adverse public-interest ramifications, which extend far beyond the reduction in rail mileage. Freight rail operations and maintenance practices, which have evolved over the last twenty-five years, each in the name of greater efficiency, have often been achieved at a cost in available rail network capacity. One example is track maintenance. With more freight traffic and heavier car loadings concentrated on fewer miles, the need for major track maintenance increases. Yet the methods now generally used by the freight rails often result in long "curfew" periods of hours, or even days and weeks, when essential trackage is not available for service.

The Association of American Railroads reports that railroad freight traffic density is now more than double the 1991 level, based on ton-miles per mile of track.<sup>7</sup> This is one proxy for the intensity of track utilization, or congestion, affecting the track maintenance requirement and track time available for freight service.

The big freight rails detest the term "captive shipper." And in theory, perhaps there is almost no such thing. But the term suffices to describe those cargo shippers for which there is no readily available, economically feasible, transportation

alternative to rail. This segment of the domestic surface transportation market is dominated by coal, grain, construction aggregates, chemicals, paper, forest products, and long-haul lumber. It is the largest, and arguably the most profitable, component of the freight rail business. This is the transportation segment which has been pursued and served by the freight rails in the recent past. It generally tolerates the downsized rail infrastructure network better than other major components of the market. However, the "captive-shipper" group is increasingly unhappy with the current state of rail industry capacity and pricing. Yet it is vital to the national economy that the rails continue to offer this traditional service, and that they earn a sufficient return on this business to sustain their plant and equipment needs. Railroads may already control most of the market in this sector. Consequently, public money, or tax credits, for rail infrastructure may not be as effectively utilized for public benefit as would funding for intermodal capacity enhancements.

Another key point here is that a large component of the transportation market is containerized international cargo. The freight rails have done a remarkable job of gaining a major share of international cargo arriving at and departing from U.S. ports, moving it in high-volume lots over long distances. Although revenue derived from the international containerized cargo business is generally less than for domestic cargo, the rails compete for it and apparently find it to be profitable because of the efficiencies in large trainload movements. While the growth of this rail business has been nothing short of spectacular, it is quite possible that this international-cargo segment is being handled by the freight rails at the expense of having much larger flows of domestic cargo.

Meanwhile, the overwhelming share of U.S. domestic cargo transportation occurs in corridors, often shorter than 100 miles, and certainly within a range of 500 miles or less. And here the rails are almost out of the game, because they are non-competitive in speed, service, and cost. This is due in large part to their public-policy-driven economic disadvantages, as well as their own operating practices. Even if the rails could come close to being competitive, they are currently disinclined to pursue such business because of their deliberate creation of infrastructure scarcity. Why bother seeking to compete in these short-haul corridors when you have all the business you can handle in easier, more lucrative, longer-haul corridors?

<sup>7</sup> Association of American Railroads, *Railroad Facts*, 2007 Edition, p. 6.

## Truck and Rail Transport in Virginia

Virginia's truck flows are predominantly north-south, not east-west, a fact that has long captured the public's attention. Reducing or at least limiting the growth of truck traffic on I-95 and I-81 is of great concern to the general population. However, both the railroads and transportation policy-makers have been slow to respond. The issue of truck congestion is a national concern in other corridors as well. In 2006, the Harris Polling Organization monitored public opinion about who should have an increased share of cargo movements. The respondents favored freight trains at 63 percent over trucks at 24 percent.<sup>8</sup>

There is obvious justification for public rail initiatives in the short-haul eastern Virginia Urban Corridor, but this is a challenging situation because of a lack of continuity of rail corridor ownership, especially in interstate connections, as well as capacity issues. Success will require innovation and creativity. Yet for resulting public benefit, this tough challenge warrants our attention.

The Virginia Department of Rail and Public Transportation took a significant step forward in January with the announcement of an agreement for I-81 rail corridor improvements. The project was made possible through \$40 million in one-time general fund support. The contract signed with Norfolk Southern will help divert trucks from highway to rail by increasing capacity for freight rail service and providing the potential for passenger rail capacity improvements in the Gainesville/Haymarket area. It requires Norfolk Southern to deliver specific public benefits, including an increase in freight rail shipments that would replace a substantial number of long-haul trucks on highways. In 2009, an estimated 7,000 trucks would be diverted to rail, which currently carries about 300,000 truckload equivalents per year in that area. By the conclusion of the project's performance period in 2023, some 76,000 trucks per year would be diverted, on top of current levels.<sup>9</sup> The project also promises to yield substantial

cost-savings to Norfolk Southern in its handling of existing freight traffic.

Most ambitiously, Norfolk Southern wants to improve its network from the New York metropolitan area to New Orleans, mitigating congestion on highways such as I-81. It is seeking funding from the federal government and states along the corridor for much of the proposed \$2 billion project.<sup>10</sup>

## The Role of Rail Passenger Service

Running parallel in the minds of the general public are twin goals: to see rail used to constrain the growth of truck traffic and to have access to high-performance, inter-city passenger train service in major urban corridors. Polls have indicated strong public support for passenger rail, both for commuting as well as longer-haul. And more importantly, the public is demonstrating its support of passenger rail in numerous corridors around the country. Most of these emerging corridors, although operated by Amtrak, are financially sponsored by the states they serve. Among the urban corridors where intercity rail passenger service is growing:

Eugene-Portland-Seattle-Vancouver  
 Sacramento-Oakland-San Jose  
 San Diego-Los Angeles-Santa Barbara  
 Milwaukee-Chicago  
 St. Louis-Springfield-Chicago  
 Detroit-Chicago  
 Albany-New York City  
 Portland-Boston  
 Harrisburg-Philadelphia-New York City

An important question is whether it is possible to accommodate short-haul rail freight and high-performance inter-city passenger trains in the same corridor. Some Virginia rail advocacy groups, including Rail Solution and Virginians for High-Speed Rail, apparently believe that the characteristics of high-performance rail passenger service operating in urban corridors are, or should be, operationally compatible with short-haul freight operating in the same corridors. Neither group necessarily is suggesting that traditional rail freight trains, carrying coal for example, nor even extraordinarily long, heavy, intermodal trains, are likely to be able to co-exist with high-performance passenger trains on the same tracks, during the same time window of operation. This is not so much a function of safety as it is the incompatibility of resulting

*An important question is whether it is possible to accommodate short-haul rail freight and high-performance inter-city passenger trains in the same corridor.*

<sup>8</sup> Respondents were permitted multiple responses so the percentages so the percentages for rails, trucks, and other categories add to more than 100 percent. "Americans Would Like to See a Larger Share of Passengers and Freight Going By Rail in Future," The Harris Poll® #14, February 8, 2006 [http://www.harrisinteractive.com/harris\\_poll/index.asp?PID=638](http://www.harrisinteractive.com/harris_poll/index.asp?PID=638) (2/4/08)

<sup>9</sup> Phone conversation with Kevin B. Page, Chief of Rail Transportation, Virginia Department of Rail and Public Transportation (2/21/08).

<sup>10</sup> Daniel Machalaba, "New Era Dawns for Rail Building," *Wall Street Journal* (February 13, 2008).

*The public has the largest stake in transportation issues... If citizens want transportation policy changes, they will have to organize and articulate their message.*

service-quality standards. The advocates assume that the infrastructure required to sustain corridor intermodal service is much the same as for passenger service, and that public investment in such rail infrastructure can, or should be able to, satisfy unmet needs of both services.

Others, particularly in the freight community, have reservations. The concept has never been adequately tested, nor objectively monitored, in a pilot project. Given the projections regarding the future need to move cargo as well as people, a demonstration rail project in the Hampton Roads-Richmond-Washington, D.C. corridor would be an ideal test of a mixed-use—both freight and passenger—project using the same rail lines.

### **Hurdles to Increasing Rail Service**

There are numerous hurdles, some quite large, on the path to improving freight rail services.

#### **1. Wall Street**

Major freight railroads live and die by the market price of their publicly traded shares. Financial analysts who follow railroads do not applaud the making of big bets of a speculative nature. Each chief executive officer is in a position of having to demonstrate that his latest proposal for capital investment is fully justified. Therefore railroads generally will not anticipate the need for much additional capacity, and they will seem to be always behind the curve. If rail is going to play a larger role in U.S. transportation, only the public sector can make it happen.

#### **2. Little Voice for Public**

The public has the largest stake in transportation issues. Yet special interest groups, including airlines, ports, truckers, and railroads, consistently manage to have greater access and influence in public-policy decisions. If citizens want transportation policy changes, they will have to organize and articulate their message.

#### **3. Federal Policy Neglect**

No other mode of transportation, except perhaps pipelines, operates without a federal mandate or funding formula. Rails will not likely achieve their full potential without a strong federal role. There are currently some encouraging legislative proposals awaiting action by Congress, but the outcome is, at best, uncertain. The National Surface Transportation Policy and Revenue Study Commission's recently released report calls for better integration of highway and rail planning and more investment in freight and passenger rail, pointing out that on a per-ton

basis, trucking uses more than 10 times as much energy to transport freight than rail does.<sup>11</sup>

#### **4. State Policy Neglect**

Official neglect has led to an absence of adequate state transportation agency organization, staffing, and funding, often without a clear mandate to promote and develop intercity rail infrastructure and services. In addition to strengthening Virginia's Department of Rail and Public Transportation, the commonwealth needs a statewide Rail Development Authority. Airports, ports, toll roads, bridges and tunnels all have authorities, but publicly-sponsored intercity railroad projects do not, at least in Virginia. Past efforts to obtain legislative approval for a statewide Virginia rail development authority have failed due to—among other reasons—DRPT apprehension about “turf” issues, as well as sincere, but misplaced, concern by General Assembly finance committee leadership about debt-capacity issues. But in the long run, a rail authority will be required for the very same reasons that the highly successful Virginia Port Authority was created years ago. The sooner it is created, the better for the public.

#### **5. State Funding Methods**

Virginia appears at first glance to have a public-policy commitment to raise the necessary revenues from users of highways via fuel taxes, supplemented by other fees and charges. In 1986, a landmark transportation funding package brought the “half-cent for transportation” supplement to the state sales tax. With the effect of inflation over two decades, the “half-cent” has become a major component of highway funding revenue. Thus even a senior citizen in a retirement community, without an automobile, is now paying something on each purchase that finds its way into the state transportation revenue pot. And now, with the 2007 General Assembly “solution” to future transportation requirements, part of the funding package includes General Fund money.

This practice means that everybody in the commonwealth is pitching in to pay for highways, whether he or she uses them directly or not, ultimately helping trucks (and to a much lesser extent railroads). The practice of using the General Fund for transportation financing

<sup>11</sup> National Surface and Transportation Policy and Revenue Study Commission, *Transportation for Tomorrow*. Vol. II (Washington, D.C., December 2007), pp. 3-21.

<http://www.transportationfortomorrow.org/> (2/5/08)

further distances our society from the user-tax principle, and if carried to its ultimate extreme, it could someday place most of the burden on the public. If that becomes the case, policy makers could, conceivably, have more latitude in distributing funds where they might do the most good.

#### 6. State Lack of High-Level Discussion

Virginia has shown little commitment to high-level transportation “diplomacy” between the public sector and the private freight rails or with Amtrak. In contrast with other states, such as North Carolina, Pennsylvania, and Maine—to name just a few East Coast examples—discussions between the commonwealth and the railroads have generally been at a low level of authority. None of the participants have had the clout to resolve the really tough issues such as liability, long-term financing commitments, governance, and accountability. In contrast, governors in several other states have taken steps, personally, to forge principles of agreements with railroads, leading to major public investment and mutually beneficial commitments.

#### Alternatives for Policy-Makers

Transportation policy-makers face two broad options with regard to freight rail: respond to requests or initiate and lead.

##### Respond to Requests

Simply responding to grant requests from private railroads will allow them to set the priorities and enjoy most of the economic benefits from investment of public funds. In such cases there may be limited, and possibly inadequate, public benefit. Some, if not all, of the first-round grants recommended by the Virginia Rail Advisory Board, and subsequently approved by the Commonwealth Transportation Board in 2005, fit this pattern.

##### Initiate and Lead

If the public agency having full responsibility for inter-city rail is empowered and endowed with appropriate resources, it could function as the master rail-planning organization for the use of public funds in its region. The only satisfactory alternative to having public funding nibbled away by non-strategic grant applicants is for the responsible public agency to take the initiative. Not all public initiatives will be sound, particularly those that are motivated more by political reasons rather than solid economic or social justification. A process will be required to systematically reduce the public sector “wish list” projects to those which meet rigid tests of prac-

ticality and demonstrable public benefit. While the private railroads should be able to do things better, faster, and with greater cost-effectiveness, the history of great public-works projects, including the interstate highway system, argues in a most compelling way for a strong public role in rail infrastructure and service planning, augmented with commensurate public funding. Virginia’s early rail development in the 19th century was largely financed with state funding.

If society decides that an extraordinary amount of rail development is desirable for meeting the transportation requirements of the nation and Virginia, then substantial public funding is inevitably going to be essential. This public funding requirement is, to a major extent, the direct result of transportation policy decisions carrying over from the previous decades. To accomplish sound, clearly communicated, and beneficial public purposes involving the private railroads, that effort should be organized, funded, and monitored by a public-sector body. That group must possess the professional competence and financial resources to get the job done and to vigilantly protect the public interest. Although there are some hopeful signs, we are not there yet.

#### Summary and Conclusions

In recent years there have been major changes in railroading associated with deregulation and new technologies. Today’s freight rail network is smaller than in the past and focused primarily on serving large, long haul customers. Although the rail business requires tremendous capital, it can serve certain shippers easily, profitably, and with less environmental impact than trucks. But today’s rail is generally not competitive with trucking for short hauls, and in its zeal to reduce the amount of track redundancy and idle equipment, the industry has complicated future steps to enhance freight and passenger rail. There are many hurdles to success, but sound master planning and commitment of substantial public funding can strengthen our state and national transportation network.

Many people feel intuitively that our rail network could and should be more fully developed and utilized. To do that will require large capital investment in rail by both the private and public sectors. But to achieve any significant degree of shift of freight and passenger traffic from highway to rail will require much more than building new tracks.

A major change in public transportation policy at all levels of government will be

*If society decides that an extraordinary amount of rail development is desirable for meeting the transportation requirements of the nation and Virginia, then substantial public funding is inevitably going to be essential.*

necessary to enable the service qualities of rail freight to resemble that of our publicly-sponsored highway freight model. Equally critical to the success of any such shift would be the role of the private rail-freight operators. Today, expensive privately owned infrastructure in the rail system is often under-used because of business strategies that place more emphasis on train crew cost-control than on overall asset utilization. To effectively compete with the highway freight, more and better rail service will inevitably have to be delivered in the marketplace.

The rail enhancement issue is not only complex; it is highly sensitive to political ramifications, as well as boardroom concerns at private rail corporations. It is an issue that affects the widespread concern with highway congestion, sprawl, the environment, energy efficiency,

economic competitiveness, public safety, and quality of life. As with all such challenges, exceptional leadership will be required on both sides, public and private. Taking some progressive steps to meet this challenge could be of lasting benefit to the nation and the Commonwealth of Virginia.

*ABOUT THE AUTHOR:* Richard L. Beadles is a former railroad executive who has maintained an active interest in rail and transportation issues for more than 50 years. He is a founder of the Virginia Rail Policy Institute, a non-profit group dedicated to enhancing public understanding of inter-city rail as a cost-effective and environmentally friendly mode of transportation for both people and cargo. He currently serves as a member of Virginia's Rail Advisory Board and lives in Richmond.

To subscribe, request reprints, or reproduction permission, write or call the Weldon Cooper Center for Public Service at 434-982-5704. Readers who would like to receive an electronic version of each edition should email us at [cps-pubs@virginia.edu](mailto:cps-pubs@virginia.edu) and indicate if you also wish to receive a paper copy.

ENTERED AS  
PERIODICAL  
Charlottesville, Virginia

*The Virginia NEWS LETTER*  
WELDON COOPER  
CENTER FOR PUBLIC SERVICE  
*University of Virginia*



VOL. 84 NO. 2 MARCH 2008  
Editor: William H. Wood (on leave)  
News Letter Coordinator: John L. Knapp  
Consulting Editor: Robert Brickhouse  
*The Virginia News Letter* (ISSN 0042-0271) is published by the Weldon Cooper Center for Public Service, University of Virginia, P.O. Box 400206, Charlottesville, Virginia 22904-4206; (434) 982-5704, TDD: (434) 982-HEAR.  
Copyright © 2008 by the Rector and Visitors of the University of Virginia. The views expressed are those of the author and not the official position of the Cooper Center or the University.  
Periodical postage paid at Charlottesville, Virginia.  
Postmaster: Send address changes to the Weldon Cooper Center for Public Service, P.O. Box 400206, Charlottesville, Virginia 22904-4206. 83M 0308