STATE OF PLAY FOR PRIVATE RAIL PASSENGER OPERATORS

- Total number of private intercity rail passenger operators in the US: 1
- Total number of trains per week: 8
- Total number of railcars in service: 4
WHAT ARE THE COMPONENTS OF PRIVATE OPERATION

• Access to the infrastructure and facilities needed to run services
• Rolling Stock
• Compliance with all applicable regulations
• A business plan
• Funding
ACCESS TO INFRASTRUCTURE AND FACILITIES

• Only Amtrak has compelled access
• Private operators must negotiate access
• Amtrak controls many, but not all major stations
• PRIIA 217 gives access to states
Amtrak owns a lot of rolling stock

• Newest Amtrak passenger-carrying equipment is 20 years old

• Amtrak rolling stock is high mileage, and has high failure rates

Private operators have several options

• State-supplied rolling stock

• Heritage rolling stock upgraded to be compliant

• New rolling stock
COMPLIANCE WITH APPLICABLE REGULATIONS

- FRA enforces many regulations
  - 238 – passenger rolling stock
  - 223 – windows
  - Many others including locomotive, operating crews, drug and alcohol, etc.
  - Also enforces ADA.
- FDA – Food service, water, commissary
- OSHA – worker safety
- States – Liquor license, public health
BUSINESS PLAN

• But passenger trains don't make money!
• Analyze revenues and expenses
• Key items include rolling stock maintenance cost, insurance, fuel, labor
• How do you make the numbers come out?
FUNDING

• State-supported trains
  • 19 states support intercity services
  • Many are looking for improvements vs what they have now
  • Indiana was the first to move private services

• Fast Act provision for private operation of long-distance routes
  • Up to three routes can be privatized
  • Private operator has to make agreement with track owner
  • USDOT provides up to 90% of the subsidy Amtrak receives
WHAT HAPPENS NEXT?
SOME POSSIBLE OUTCOMES

• Amtrak realizes that private investment can help them leverage their assets to provide additional train services, grow the network, and improve their financial situation

• States continue to look for alternatives that provide better service

• Private operators make direct access arrangement with track owners
THE SKY IS FALLING!
(NO, REALLY, IT IS...)  

• The national rail network is in serious danger  
• Railroad management has been lulled to sleep by the need to move energy  
• Truckers are eating our lunch  
• The idiots running the government for the past twenty years have made it worse, and are about to really muck it up.  
• Unless the leadership in the railroads and the government embrace radical change, parts of the rail network will soon become as unmaintainable as our highway system.
THE NATIONAL NETWORK IS IN SERIOUS DANGER

- The railroads spent $25 billion in capital last year, and only grossed $65 billion in revenue, most did not earn their cost of capital. And capital needs are going up:
  - New, more expensive locos to meet regulatory requirements
  - PTC cost overruns
  - Need for customers to rebuild entire crude oil fleet
- Grave threat to fundamental traffic base
- Almost half rail tonnage is energy-related
- Intermodal has taken all the long-haul, high-volume market share available, can’t grow much more as currently structured
- So our response is to buy back shares with scarce cash…
“Coal powered the railroads, whose killer app was moving coal.” – Bruce Sterling, “Ten Technologies that deserve to die.”

- Much of the network exists to support coal, without coal the network withers.
- A great deal of throw-weight is aligned against coal and will be for some time.
- Oil will not replace coal, except maybe in the short run.
- Coal was 41% of rail tonnage and 21.6% of revenue in 2012.
- What if steam coal goes away entirely?

RAILROAD MANAGEMENT HAS BEEN LULLED TO SLEEP BY THE NEED TO MOVE ENERGY

[Map of rail routes in the United States]
TRUCKERS ARE EATING OUR LUNCH

• Truck and rail move about the same ton-miles each year
  • Truck revenue = $200 billion
  • Rail revenue = $65 billion
• Shipment growth is oriented to trucks, not railroads
  • Shorter hauls
  • Smaller quantities
  • Just-in-time
  • Not located on rail
  • Not in intermodal lanes
• Railroads lose, big time….
• And what will the driverless truck do to this mix?
THANK YOU

Questions?