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TESTIMONY OF

DJ STADTLER

VICE PRESIDENT, OPEATIONS

AMTRAK

BEFORE THE

SURFACE TRANSPORTATION BOARD

THURSDAY, SEPTEMBER 4, 2014

8:00 A.M.

HILTON GARDEN INN

4351 17TH AVENUE SOUTH, FARGO, NORTH DAKOTA

(cover slide)

Good morning, and on behalf of Mr. Boardman and our Board of Directors, thanks very much for the opportunity to testify today. As you know, we at Amtrak like to call ourselves America's Railroad. We operate a 21,300 mile system that provides service to 500 communities in 46 states. As bus and airline services have contracted in recent years, focusing more and more on urban corridors, Amtrak has come to play a progressively larger role in serving America's heartland. Our network reaches about 40% of America's rural population.

Amtrak owns very little trackage outside of the Northeast, and we operate most of our traffic – a total of about 70% of our train-miles – on tracks owned by other railroads, our "host" railroads. I'm here today to discuss the performance of Amtrak's services on those host railroads, which has deteriorated significantly over the last year. As delays from host railroads mount, Amtrak On-Time Performance (OTP) declines. Here in North Dakota, we offer a single train a day in each direction, our *Empire Builder* service which is run on tracks owned by BNSF Railway. I know this is an issue that has concerned the Board, and I very much regret that I have to start this conversation by telling you that the performance of our long distance trains in general, and this train in particular, has continued to deteriorate since the last hearing.

(slide 2)

The long distance (LD) trains are a core Amtrak public service, and a vital part of the interstate passenger rail network. They generate a substantial portion of our ridership. These fifteen services are the only Amtrak trains on about 70% of our system, and the only services at half of our stations. In most places – such as North Dakota – the service is a single daily train in each direction; some run only three times a week. They provide essential service to many areas that increasingly lack mobility choices. On average, they are as full as our *Acela* service. On-time performance closely correlates to customer satisfaction. This affects ticket revenues and costs. It also affects connecting revenue, which is important, since these trains generate many through passengers. We are just starting to feel the financial impacts of poor host railroad performance, as costs rise and revenues drop.

(slide 3)

Section 213 of the 2008 Passenger Rail Investment and Improvement Act authorized the STB to investigate if an Amtrak train's on-time performance falls below 80% for two consecutive quarters. Today, ***not one*** of our long distance services has attained an on-time performance level of 80% for the fiscal year to date, and most of them aren't even close.

(slide 4)

Not only are delays increasing; the magnitude of those delays is increasing. It would be bad enough if we had more trains that were late, but they're now missing their scheduled arrival time by progressively greater and greater margins. This chart captures the total minutes of delay for which each Class I host

carrier is responsible. It has risen across the board, and the *Empire Builder* in particular has been seriously affected.

(slide 5)

There are numerous indications that the situation is worsening, not improving. Long distance trains are particularly hard hit. The long distance services OTP are currently down 21.4 percentage points in this fiscal year vs FY13. In July, our Washington-Chicago *Capitol Limited* arrived on time 1.6% of the time at the endpoint terminals, and 19.6% of the time at intermediate stations. The *California Zephyr* managed an 8.1% endpoint on-time performance in the same month. Both the delays and the overall magnitude of the delays are increasing. As the situation worsens, word spreads, and our ridership falls off; the *Empire Builder's* revenues, for example, are fully 18% lower than they were at this time last year, by far the biggest decrease among our long distance services.

We have already added time to the schedule of the *Empire Builder* to help the railroads recover, but despite some improvements on Canadian Pacific, the train is still arriving late more than 70% of the time. This has substantial negative effects on Amtrak:

- Our service is less trip-time competitive
- This reduces our revenue
- It leads to missed connections to other Amtrak trains
- It drives away customers and damages our brand,
- It forces Amtrak to “steal” cars and locomotives from other routes around the country to add an equipment set to the *Empire Builder*, because we can't make the train's equipment turn times anymore. This means that other services feel the pain, too

(slide 6)

These trends show little hope of reversing themselves, and some kind of action will be required to address them. If they aren't addressed, the quality of the transportation we provide to our customers will continue to deteriorate. That's an issue for them. It's an issue for the 19 state partners who work with us, and fund Amtrak operations on many host railroads. It's an issue for the Federal government, which will have to meet Amtrak's operating costs when – not if, when – they start to rise.

Amtrak will gladly join the hosts if they seek funding for additional capacity, but the hosts must demonstrate that they have made the decision to take Amtrak passenger train performance seriously and address the operational and maintenance issues that impede Amtrak trains on their lines. We previously urged the STB to require each Class I host to report to the STB on the steps it was taking to reduce delays to Amtrak trains whose monthly on-time performance fell below 80%. Since we made that request in April, the situation has only worsened, and I want to close by reiterating the importance of STB oversight and monitoring of Amtrak performance on host railroads. Amtrak urgently needs your assistance on this matter, and we believe that an STB reporting requirement will both demonstrate attention and focus, and provide all parties with a clearer understanding of the challenges we face.



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LD quick facts page



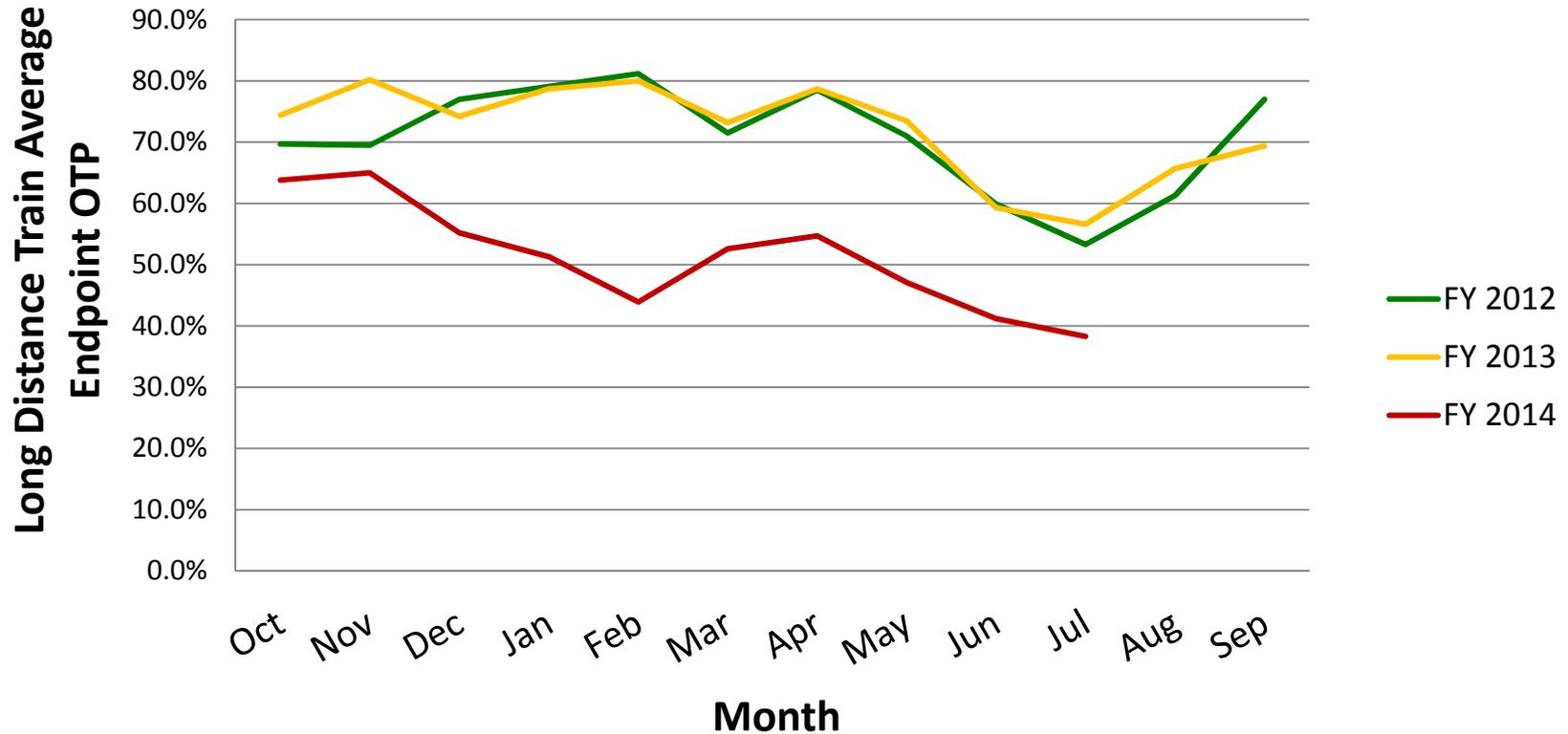
- 15 routes, carrying more than 4.7M riders in FY 2013
- A vital public service:
 - 15% of ridership
 - 11% of frequencies, but 43% of passenger-miles
 - 43% of identified passengers with disabilities who use Amtrak
 - Only Amtrak trains in 23 of the 46 states we serve
- Two trains carry a **fifth** of all LD passengers:
 - *Empire Builder* (11.3%)
 - *Coast Starlight* (10.1%)
- 2008 DOT IG study estimated that an 85% average OTP would save \$136M (in 2006 dollars)
 - About \$160M today
 - In FY 2006, LD OTP was 30%

FY 2014 endpoint OTP for the year to date is 51.4%

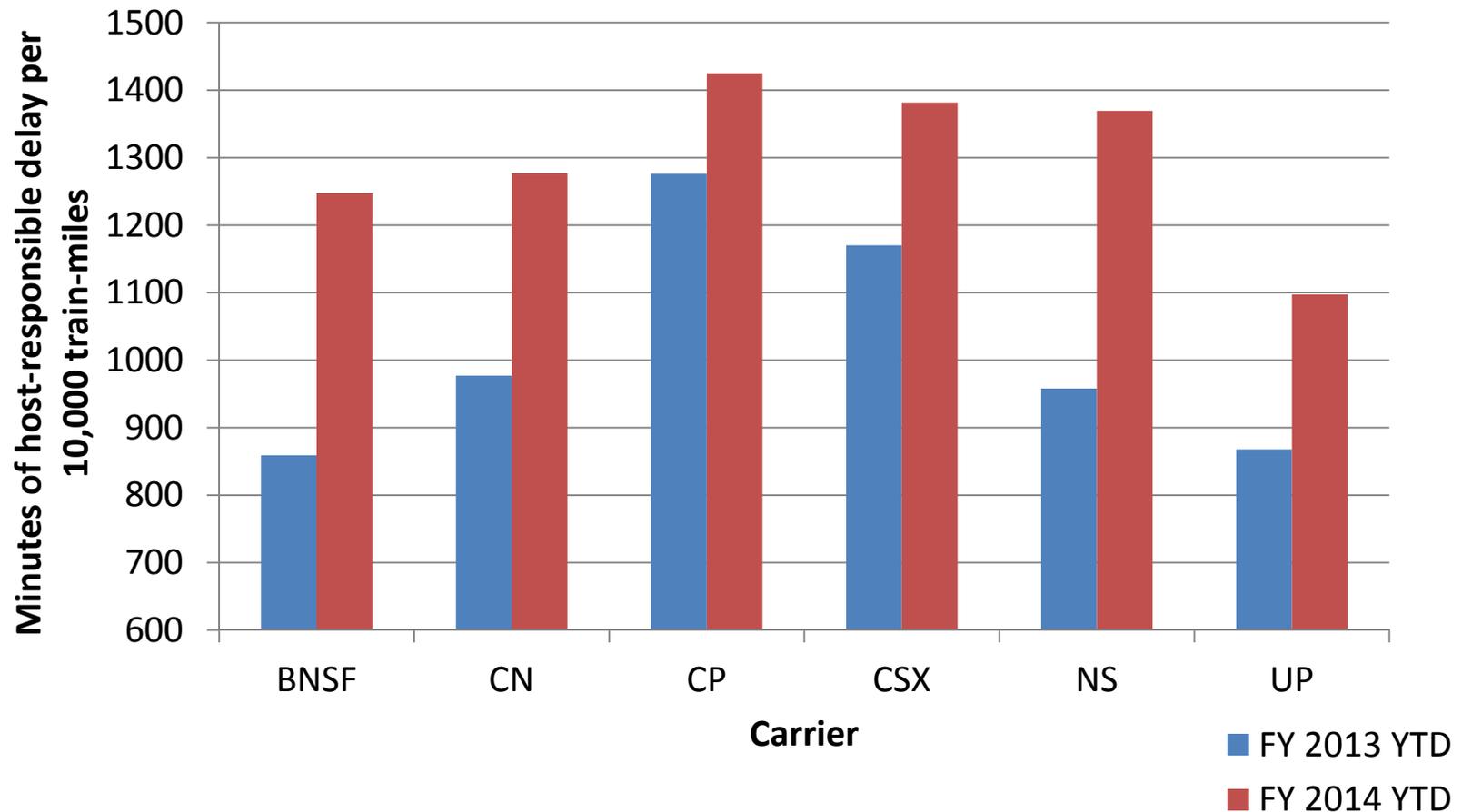
LD train performance is bad and getting worse



Long Distance Endpoint On-Time Performance by month, FY12-14



Not just more delay – *longer* delay



“YTD” is year to date

OTP has declined to unacceptable levels



SERVICE, Year to date	All Stations OTP	Endpoint OTP
State Supported	78.7%	73.8%
Capitols	96.5%	95.5%
Carolinian	62.4%	62.5%
Cascades	72.6%	76.7%
Downeaster	79.2%	54.8%
Empire Corridor	69.2%	70.1%
Heartland Flyer	73.5%	51.6%
Hiawatha	93.5%	86.4%
Hoosier State	62.5%	52.3%
Illinois	60.7%	61.0%
Michigan	51.0%	35.6%
Missouri	83.1%	82.2%
Pacific Surfliner	87.4%	77.2%
Pennsylvanian	85.2%	91.0%
Piedmont	87.9%	69.5%
San Joaquins	77.5%	75.5%
Vermont	70.8%	77.8%

SERVICE, Year to date	All Stations OTP	Endpoint OTP
Long Distance	40.7%	51.4%
Auto Train	74.7%	72.0%
California Zephyr	36.6%	38.8%
Capitol Limited	38.9%	38.0%
Cardinal	41.2%	42.1%
City of New Orleans	52.9%	72.9%
Coast Starlight	57.9%	78.8%
Crescent	56.6%	56.8%
Empire Builder	19.9%	24.5%
Lake Shore Ltd	28.1%	40.3%
Palmetto	64.5%	65.4%
Silver Meteor	44.6%	52.3%
Silver Star	47.2%	52.5%
Southwest Chief	47.7%	63.8%
Sunset Limited	48.2%	64.2%
Texas Eagle	33.8%	48.5%

Addressing the problem



- More than half of our long distance passengers now arrive late
- Lost revenue and higher operating costs, increases Amtrak's federal and state subsidy need
- Congress, the FRA, and the states are increasingly concerned
- The STB is empowered to act – regardless of the outcome of the Section 207 case