

The Virginia NEWS LETTER

Fueling the Renaissance: Public Policy and Intercity Passenger Rail in Virginia

by Meredith Martin Richards

This article is Part 2 of a two-part series. Read Part 1 here.

Virginia has been a leader in a national revival of intercity passenger rail, but critical policy questions must be resolved if a decade of progress is to continue.

A key to ongoing progress is the Commonwealth's relationship with Amtrak, the nation's public passenger rail carrier. Amtrak now operates three business lines of services defined by their location (Northeast Corridor routes), length (National Network long-distance routes) and funding source (State-supported, short-distance routes). Together they provided intercity transportation for 32 million passengers in FY2017.

Virginia is one of 18 states that partners with Amtrak to provide funding, equipment, and infrastructure support for intrastate and interstate routes of 750 miles or less. The results in Virginia are impressive: restored intercity rail service to two of Virginia's largest cities (Norfolk and Roanoke) and expanded Northeast Regional routes that have increased ridership by 75 percent since 2006.

So where do we go from here?

Future Expansions for Virginia's Intercity Passenger Rail

Having established intercity passenger rail to its largest population centers, Virginia can now concentrate on extending routes to cover more regions,



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increasing the speed and reliability of existing routes, and improving service frequencies.

Southeast High-Speed Rail

A recent report by the American Public Transportation Association reviews developments in high-speed rail around the world.¹ It is striking that most of the world's developed nations are in advanced stages of planning, building, and/or operating true high-speed intercity passenger rail, which several countries have had for decades.

The I-95 corridor between Jacksonville, FL, and Washington, D.C., is one of the Federal Railroad Administration's (FRA) designated High-Speed Rail Corridors of which Virginia is an essential link. Virginia has received two federal grants to study the environmental impacts and route alternatives for high-speed rail and is working collaboratively with North Carolina to develop the Raleigh-Richmond segment of the route.² For the Washington-Richmond segment, Virginia's draft plan calls for building sections of third track as well as a bypass around the large switching yard (CSX Acca Yard) between Richmond's Main Street and Staples Mill stations.³ This will reduce a major bottleneck, increasing the speed and reliability of passenger trains. As a match for this project, CSX is donating its abandoned S-line between Petersburg and North Carolina for



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state ownership. The S-line will enable the operation of higher-speed (110 mph) passenger trains on a dedicated passenger rail line between Richmond and Raleigh.

Washington-Richmond-Hampton Roads

Serving Virginia's most populous and fastest growing region, the Hampton Roads-Richmond-Washington corridor is the key to Virginia's future economic prosperity. Fundamental to the region's success will be the ability to move people and products quickly and unimpeded along the corridor. Virginia is improving the CSX line between Petersburg and Richmond and at Acca Yard to accommodate two additional frequencies of the Washington-Norfolk *Northeast Regional*. At the northern end, the expansion or replacement of Long Bridge across the Potomac will add capacity to the two-track Potomac River rail crossing, an improvement that is vital to Virginia's ability to expand passenger rail services to Washington and the Northeast Corridor.⁴ Station improvements include additional parking at Richmond's Staples Mill Station, a pedestrian tunnel connecting Metro and passenger rail at Alexandria, upgrades at Quantico, a new Bland Boulevard multimodal center to replace the passenger rail station at Newport News, and a controversial proposal to relocate the Petersburg-area Ettrick Station to Colonial Heights.

Washington-Lynchburg-Roanoke Corridor

The western region has more than proven its enthusiasm for the return of intercity passenger rail. Virginia's 2018 Statewide Rail Plan has this to say about the future prospects for the region:

The strong ridership and revenues achieved by Virginia's regional passenger service to Lynchburg points to the value of the investments made so far and provides evidence that suggests additional expansion opportunities will generate more benefits for travelers and communities in Central and Southwestern Virginia.⁵

Following on the heels of the recent extension of the *Northeast Regional* to Roanoke, the state plans to add a second daily frequency of the Washington-Lynchburg train. The new train would run southbound from New York in the mornings and return northbound from Lynchburg in the evenings. A second Washington-Roanoke *Northeast Regional* is included in the long-term plan for the corridor, as is expanded passenger rail to other Southwest Virginia communities.

Extension to Christiansburg and the New River Valley

The long-term plan also calls for an extension west from Roanoke to Christiansburg and the New River Valley and beyond to Bristol, and the required study is now being conducted. Passengers have not been able to board a train in Christiansburg since 1979 when the Norfolk and Western *Hilltopper* between Boston and Kentucky ceased service. This situation has prompted a vigorous public campaign, joined by Christiansburg and Virginia Tech, to restore service to the area.

Lynchburg-Danville-Charlotte, NC

Danville city planners have promoted a long-term service addition linking the Washington-Lynchburg corridor to Charlotte, NC, through Danville. A connection to North Carolina's most populous city and international banking center would provide obvious economic benefits to the Danville region. The service would add another daily train to Danville's restored historic Amtrak station, already a stop on the Amtrak *Crescent* route.

Lynchburg/Charlottesville to Richmond

East-West rail connections from Lynchburg or Charlottesville to Richmond's Staples Mill Station would provide convenient options for travel to destinations in Florida and North Carolina. The Lynchburg-Richmond rail corridor suffered a significant loss in 2003 when Norfolk Southern abandoned the old Norfolk and Western mainline through Farmville and donated the right-of-way to the Commonwealth for a rails-to-trails project, creating High Bridge Trail State Park. The Charlottesville rail connection would use the line operated by the Buckingham Branch railroad to Richmond. Currently, Charlottesville passengers travelling to destinations not available from their local station may use Thruway buses that make several daily trips between Charlottesville and Richmond Staples Mill.

Federal Rail Policy: Funding Battles Reflect Differences Over Passenger Rail Subsidies

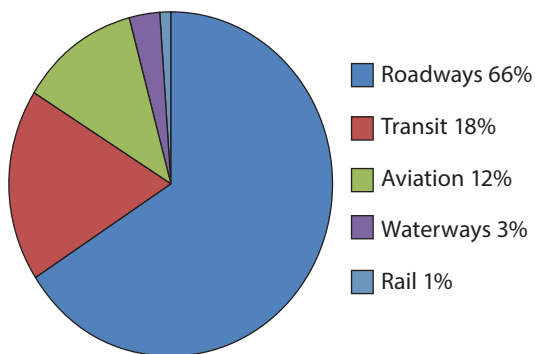
Public policy at both the federal and state levels has had, and will continue to have, a powerful impact on Virginia's ability to expand and improve its intercity passenger rail services. The success and growth of the state's passenger trains depend on several critical elements—funding for Amtrak, the ability of passenger trains to maintain reliable schedules, the condition of infrastructure in the Northeast Corridor, and new methods of collaboration with the freight railroads.

For 45 years, while Congress set six-year funding levels for every other mode of transportation, it required Amtrak to publicly report its annual budget requests to Congress. This gave detractors ample opportunity to publicly criticize Amtrak and inveigh against subsidies for passenger rail, leaving Amtrak with no guarantees of adequate funding from year to year.

While there are notable exceptions, conservative political orthodoxy holds that passenger rail should either be privately funded or the responsibility of state or local jurisdictions served. This position was articulated recently by a Virginia congressman in reply to a constituent who asked him to oppose cuts to Amtrak. “I recognize the importance of Amtrak connecting long distance routes and the jobs that it brings to the Fifth District. While Amtrak is valuable to our district, I do not believe that federal funds are the appropriate way to support it. State and local government have the ability to be the best stewards of money as it pertains to specific allotments.”⁶ This is an oft-heard refrain in the halls of Congress and state legislatures alike. It represents a public policy that singles out rail, starves it of funds, and has historically limited rail’s chances of competing effectively with other modes of transportation in the intercity-passenger marketplace.

Even as government spending on passenger rail remains a tiny fraction of subsidies for every other modality, including roads, aviation, transit and waterways (Figure 1),⁷ Amtrak is often singled out for substantial cuts. In December 2015,

Figure 1: Transportation Funding 1971-2014



Note: Percentage of combined federal, state, and local subsidies for different transportation modalities, 1971-2014
Source: Compiled from Congressional Budget Office Data by Virginians for High Speed Rail

Congress passed the FAST (Fixing America’s Surface Transportation) Act,⁸ which, along with many reforms for transportation, authorized six-year spending levels for different modalities. Its passage marked the first time in history that funding for Amtrak was included in a federal transportation bill. While the FAST Act authorized

major new spending for Amtrak, as well as grant programs that fund rail projects on a competitive basis, Congress still determines Amtrak’s yearly support through budget appropriations, effectively perpetuating the instability inherent in annual funding cycles.

President Trump submitted budgets for FY2017 and 2018 that cut all funding for Amtrak’s national network of long-distance trains, pushing the burden of funding these routes onto the states that they serve, including Virginia. Pledging to “... build gleaming new roads, bridges, highways, railways and waterways across our land,”⁹ Trump also outlined a \$1.5 trillion infrastructure plan that contained only \$200 billion in actual federal spending—all of it coming from cuts to existing programs, including grant programs for transit and rail—and eliminated Amtrak’s 15 long-distance trains. The remaining \$1.3 trillion in the plan would come from state and local governments and private sources.

Galvanized by these budget proposals to eliminate Amtrak’s long-distance trains, advocates responded with thousands of emails, phone calls, and letters to Congress protesting the cuts. “Save Our Trains” rallies were held around the country, including in Richmond and Charlottesville. Governors and state legislators called on Congress and the president to preserve the Amtrak routes serving their states. In Virginia, 52 members of the State Senate and House of Delegates from both parties, including the Speaker of the House, signed a letter to Virginia’s Congressional delegation asking members to oppose the cuts. “It’s clear to us,” the letter said, “that Virginians want more passenger rail, not less, and the administration’s efforts to eliminate federal funding will substantially undermine these efforts.”¹⁰ Of the 140 delegates and senators in the Virginia General Assembly, 111 represent districts within a 20-mile radius of an Amtrak station; many smaller communities along the routes, including cities like Danville, Staunton, and Clifton Forge, do not have airports nearby, only train stations.

Apparently, Congress got the message. The FY2018 federal budget included \$2.8 billion in new spending for Amtrak, including \$1.3 billion for the national network trains. This is almost double the level of funding appropriated in FY2017 and well above the authorized levels in the FAST Act. It is also more than triple President Trump’s proposed budget for rail and about \$1 billion more than House and Senate Transportation subcommittees had proposed. “Congress has shown real leadership, and now it’s up to Amtrak and the states to take this funding and go to work immediately,” said Rail Passenger Association (RPA)

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“[In 1973]... Congress passed the Amtrak Improvement Act, giving Amtrak trains precedence over freight in using the tracks... The law, unfortunately, failed to provide an effective mechanism for enforcing this provision.”

President, Jim Mathews. “That means purchasing new equipment for the National Network, addressing state of good repair, and addressing the critical chokepoints facing the Northeast Corridor and corridors across the US.”¹¹ It remains to be seen whether this represents a lasting redirection in federal funding policy for Amtrak and other passenger operators who benefit from federal grants.

Privatization

A little-known provision of the FAST Act will give private companies a chance to prove they can run Amtrak’s long-distance passenger trains better and at a lower cost. This provision directs the Federal Railroad Administration (FRA) to set up a pilot program in which private franchises can enter into agreements with track owners, leasing access to Amtrak resources to operate up to three of Amtrak’s long-distance routes for four years. The franchise operator would receive 90 percent of the annual federal operating subsidy previously provided to Amtrak for these routes. Every route outsourced to another operator would deduct that amount from Amtrak’s operating grant.

One closely watched example of privatization is the *Brightline*¹² in southern Florida, which focuses on hospitality and tourism. This is a privately owned service, operated and maintained by All Aboard Florida, a subsidiary of Florida East Coast Industries. Launched in early 2018, the *Brightline* is expected to remove three million cars annually from I-95. Another example is *Texas Central High-Speed Rail*, an ambitious 240-mile rail line that promises 90-minute service between Houston and Dallas. Under development by investor-owned Texas Central Partners,¹³ the high-speed rail aims to serve the nearly 50,000 “super commuters” who travel between Houston and Dallas/Fort Worth more than once a week, and others who make the trip less frequently. Since both of these services are in highly focused markets, their replicability to other locations or longer, cross-country routes may be limited; but the successful operation of these routes would be an incentive for more private investment and another way to move intercity passenger rail forward.

Federal Rail Policy: On-Time Performance and the Failure of the “Preference Provision”

Nowhere are the tensions between freight and passenger rail more evident than with the on-time performance of Amtrak trains. Trains that reliably arrive and depart on time according to published schedules are the hallmark of efficient and well-managed passenger rail transportation.

European, British, and Japanese passenger trains, famous for their punctual arrivals and departures, operate on track networks under the centralized control of the passenger operator. In contrast, Amtrak depends upon the disperse, external control of self-interested third parties to determine its on-time performance. It is no wonder that the on-time performance for Amtrak trains is highly variable and subject to changing priorities in the freight rail industry.

Three years after Amtrak was established in 1970, Congress passed the Amtrak Improvement Act, giving Amtrak trains precedence over freight in using the tracks and associated infrastructure: “Except in an emergency, intercity and commuter rail passenger transportation provided by or for Amtrak has preference over freight transportation in using a rail line, junction, or crossing.”¹⁴ The law, unfortunately, failed to provide an effective mechanism for enforcing this provision. Amtrak could initiate a complaint with the U.S. Attorney General to investigate a railroad’s persistent pattern of priority violations; but, at the same time, the Secretary of Transportation was authorized to grant a host railroad relief from the preference obligation if it was deemed to be detrimental to their business. Consequently, the preference mandate is often ignored in the day-to-day operations of the railroads; in fact, some railroads regularly flout it without apparent consequences.

A 2012 report by the USDOT Inspector General found that Amtrak delays outside the Northeast Corridor were due largely to freight rail effects.¹⁵ Much of the cause arises when a slow freight train fails to yield to a passenger train, forcing it to wait on a siding or follow the slow-moving freight train for up to 100 miles. In 2017, Amtrak’s *Crescent* service, which stops in Virginia, was late 67 percent of the time due to Norfolk Southern freight interference.¹⁶

A Congressional Fix and AAR’s Unrelenting Opposition

After decades of Amtrak’s poor on-time performance, Congress attempted to strengthen and quantify preference enforcement through the Passenger Rail Investment and Improvement Act (PRIIA) provisions that (a) authorized Amtrak and the FRA to develop standard metrics for on-time performance, and (b) gave the Surface Transportation Board¹⁷ (STB) authority to investigate complaints or initiate its own investigations and fine a railroad if it failed to maintain at least 80 percent on-time performance (a relatively rigorous standard) for a passenger train for two consecutive quarters (Sec. 213).

Between 2011 and 2013, the new regulations resulted in some of Amtrak's best years for on-time performance. But the PRIIA provisions to enforce passenger rail priority have been challenged in a steady and convoluted series of court actions and appeals initiated by the Association of American Railroads (AAR), which represents the rail freight industry. Amtrak's first efforts to use the new enforcement mechanisms have gone nowhere while they await the outcome of years of litigation.¹⁸

As Jim Mathews, RPA President, observed about this courtroom battle between freight and passenger rail:

For decades, rail passengers have been left waiting for freight trains to clear the rails. Even acts of Congress haven't been able to budge them out of the way.

We need the courts to now recognize and allow Congress' goal to be carried out. The law creating Amtrak in the early 1970s codified a deal these railroads made with the American taxpayer: we'll relieve you of your common-carrier responsibility for passenger service, and in exchange you'll ensure those passenger trains get where they need to go on time. It has been a battle ever since.¹⁹

Federal Rail Policy: Century-Old Infrastructure Holds Back Progress

The lynchpin of Virginia's successful intercity passenger trains is their connectivity to Washington, D.C., and the Northeast Corridor. Of 1.6 million trips to and from Virginia stations in 2017, eight of the top ten city-pairs in terms of ridership and nine of the top ten in terms of revenue involved connections to Washington, New York, or Philadelphia; only the *Auto Train* between Lorton, VA, and Sanford, FL, was more popular than travel to these cities.²⁰ It is vital that the portals to these top destinations remain open and in a state of good repair; yet the only rail bridge that crosses the Potomac is a congested bottleneck, while the crumbling Hudson River Tunnels between New Jersey and Manhattan are at imminent risk of failure.

Long Bridge: Virginia's Gateway to Washington Union Station

Long Bridge across the Potomac, constructed in the late 19th and early 20th Century, is owned by CSX Railroad and serves rail traffic for CSX, Amtrak, and Virginia Railway Express (VRE). As the only railroad bridge connecting Virginia

to Washington, it is so congested that CSX licenses specific daily time "slots" for Amtrak and VRE trains to use the bridge. Until the number of bridge lanes is increased, Virginia's ability to expand its Northeast Regional services or advance its plans for high-speed trains to Washington will be limited.

In 2013, the District of Columbia began an FRA-financed study to rehabilitate or replace Long Bridge²¹ and in 2016 the District was awarded a grant²² for an Environmental Impact Study of alternatives. Virginia received federal funds to build a fourth main line track from Alexandria to Long Bridge to relieve congestion leading up to the bridge and to finance engineering for rebuilding the bridge.²³ Funding sources for the actual rebuilding, which is "the key to unlocking the corridor,"²⁴ are yet to be identified.

Hudson River Tunnels: At Risk of Catastrophic Failure

The 106-year-old Hudson River Tunnels between New Jersey and New York Penn Station serve 450 trains per day, 24 trains per hour during peak hours. Each of the two Hudson River tunnels has only a single track, which offers no redundancy in case either tunnel should fail. When a train breaks down in one of the tunnels, the entire system grinds to a halt. In 2012, Superstorm Sandy inundated one of the tunnels with seawater, and the chemical residue left behind is quickly eroding key system components.

Despite the urgent need to make repairs, the Hudson Tunnel Project is mired in disputes about who will pay the estimated \$13 billion in repairs and build new tunnels for backup and added capacity. While the primary user of the Hudson River Tunnels is New Jersey Transit, the failure of the tunnels would bring Amtrak's robust *Acela* and *Northeast Regional* services to a standstill and would mean the loss of years of progress in state-supported intercity passenger rail for Virginia.

Virginia Rail Policy: From Vision to Execution for State Rail Plans

The success of Virginia's rail policy depends on having the financial resources necessary to fuel the state's partnerships with Amtrak and to pay for capital improvements required by the freight railroads for hosting passenger trains on their tracks. Virginia's first contemporary investment in rail was a one-time \$65 million grant for improvements on the Washington-Richmond corridor included in Governor Gilmore's Transportation Act of 2000. Since then, bipartisan support for the creation of two dedicated funding mechanisms—the Rail Enhancement Fund and the Intercity

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Passenger Rail Operating and Capital Fund—has made progress possible.

Rail Enhancement Fund

Prior to 2013, the Rail Enhancement Fund (REF) was the only source available for funding capital improvements to add or preserve capacity on freight rail lines used by passenger trains. The REF was created through legislation in 2005 following a recommendation from Governor Warner’s Commission on Rail Enhancement for the 21st Century. Funded by the state portion of vehicle rental taxes collected in the Transportation Trust Fund, the REF is used for the retention, maintenance, improvement, and development of freight and passenger railways. Capital projects supported by the REF require a 30 percent match from a non-state source—a condition that limited its use for passenger projects. An exception was the use of REF money for both capital and operating costs of extending passenger service to Norfolk through one-time legislation that also exempted Norfolk Southern from the 30 percent match.

IPROC: “The Nation’s First Dedicated Fund for Intercity Passenger Rail”

In 2010, I wrote, “One of Virginia’s most pressing issues is the lack of a stable, dedicated and sustainable source of funding to pay for the operating costs of state-sponsored trains.”²⁵ The REF did not fulfill this purpose because of its restriction to capital projects and the match requirements. Anticipating the October 2013 date by which Virginia would be responsible for the costs of its six regional Amtrak trains, the McDonnell administration sponsored successful legislation in 2011 to create the Intercity Passenger Rail Operating and Capital Fund (IPROC). This fund provides for operational costs, equipment upgrades, and capital improvements for intercity passenger trains (Virginia Code § 33.2-1602). In 2013, the General Assembly dedicated 40 percent of a 0.125 percent increase in the general sales and use tax to the IPROC fund, which amounts to approximately \$55 million annually. With the adoption and funding of IPROC, Virginia became the first state in the nation to have a dedicated revenue source for intercity passenger rail.

The Virginia Department of Rail and Public Transportation (DRPT) has used Virginia’s dedicated rail funds for capital improvements on CSX and Norfolk Southern rail lines as part of large-scale, multi-state projects (CSX *National Gateway*;²⁶ Norfolk-Southern *Heartland Corridor*²⁷) undertaken by the railroads to better serve the Port of Virginia and improve their market

positions, and other Virginia system corridors (CSX *I-95 Corridor*;²⁸ Norfolk Southern *Crescent Corridor*²⁹). These projects benefit passenger rail: they improve safety, add capacity to reduce operating conflicts with freight trains, and pay for access on the freight-owned rail lines. In the last five years, DRPT has also invested \$467 million toward passenger rail projects such as the Roanoke extension.³⁰ DRPT’s adopted six-year improvement program for FY2018–FY2023 includes another \$777 million to sustain the operation of its regional trains and pay for future improvements and service extensions.

Since 2010, Virginia has also been awarded \$248.1 million in federal grant funds for improvements related to joint freight and passenger projects on shared infrastructure, including \$75 million from the American Recovery and Reinvestment Act for third-track improvements between Washington and Richmond; \$165 million for the Atlantic Gateway project; and \$44.3 million from the FRA’s High-Speed Intercity Passenger Rail program to complete the Tier II Environmental Impact Statement for the Washington-Richmond High Speed Rail Project.³¹

Passenger Trains on Freight Railroads: Public Investment in Capacity Improvements

States and agencies that sponsor intercity passenger routes negotiate with railroads for terms and conditions under which they gain use of the rail lines. In 2009, DRPT explained Virginia’s approach to these negotiations: “In developing effective public-private partnerships, we must recognize the business models of the railroads in the development of ‘win-win’ situations where the railroads meet their responsibility to minimize risk and maximize profits for their shareholders, while at the same time the public need for effective and efficient rail service is provided.”³²

Each of Virginia’s four previous agreements with CSX and Norfolk Southern for passenger service have involved multimillion-dollar public investments in infrastructure designed to add capacity to the lines.

When Amtrak was established in 1970, Americans had all but deserted rail transportation in favor of federally subsidized highways and airlines. Rail’s share of the freight market began to shrink as competition from highway-based shippers grew dramatically. The railroads’ response was to lower their capital costs by systematically dismantling their own infrastructure. By 2007, the railroads had reduced their track inventory by more than half, from 207,334 miles in 1960 to 94,112 miles.³³

What the railroads did not anticipate was the resurgence of their industry following the deregulations of the Staggers Act of 1980, which relieved the railroads of their common carrier obligations, freeing them to enter into secret contracts with their customers. Competition, corporate consolidations,³⁴ and an era of prosperity for the railroads ensued. After decades of downsizing and neglect, they began to reinvest in infrastructure (\$630 billion since 1980),³⁵ but they did not lay new track. As the volume of freight began its sharp rise, the mileage of track did not rise with it. In fact, it continued to decline slightly.

The combination of a reinvigorated freight industry, reduced infrastructure capacity, and a network shared by freight and passenger trains created conflicts that were not anticipated when Amtrak was established.

How Much Rail Capacity Does a Passenger Train Need?

A 2007 study of future infrastructure needs conducted by the AAR³⁶ provides insight into the cost of adding passenger trains to existing traffic on the corridor. The study modeled the maximum number of trains that a corridor can accommodate, depending upon the mix of train types operating, the number of tracks, and the type of control system. A corridor with two tracks; a centralized traffic control system; and a mix of merchandise/bulk trains, intermodal/auto trains, and passenger trains would typically operate at a capacity of about 75 trains per day. In contrast, the same corridor, serving only merchandise trains, would typically operate at a capacity of about 100 trains per day.

In addition, the freight industry regards passenger trains as having the worst impact on capacity, as this paragraph from the AAR study explains:

Passenger trains operate at high speeds and on fixed schedules, similar to the speeds and schedules of intermodal trains. They require close control to ensure safe operation and stopping distances, especially when operating along corridors carrying merchandise

trains or a mix of merchandise and intermodal trains.

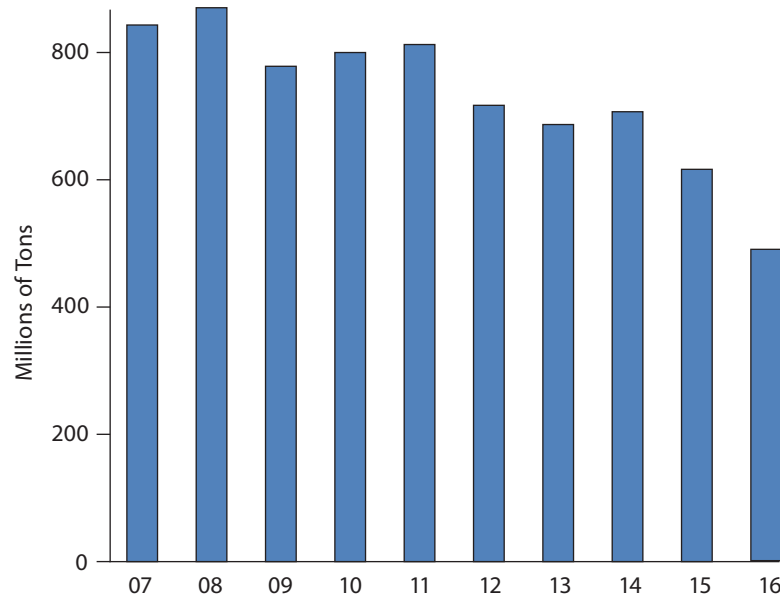
The United States is the only developed country with passenger trains operating on tracks that are overwhelmingly used for freight rail. In 2014, for example, American railroads carried 57 times more miles of freight than passenger miles.³⁷

Coal Losses Mean Hard Times for Freight Railroads

The days of robust growth in the freight rail industry ended abruptly with the rapid and unprecedented demise of global demand for coal. Most coal shipments in the United States are bound for electric power plants; about 70 percent of those shipments are by rail. The Class I railroads shipped 492 million tons of coal in 2016, down 44 percent from 2008's peak of 879 million tons, and the lowest annual tonnage for coal since 1979 (Figure 2).³⁸ Class I railroad gross revenues from coal in 2016 dropped by almost half from its peak in 2011.³⁹

“As the volume of freight began its sharp rise, the mileage of track did not rise with it. In fact, it continued to decline slightly.”

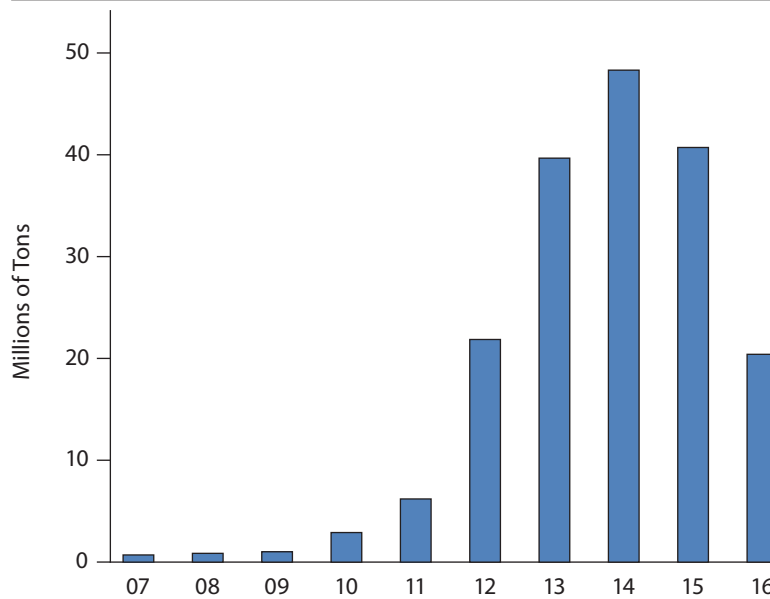
Figure 2: Tons of Coal Hauled by Seven U.S. Class 1 Railroads by Year, 2007-2016



Source: Data include the U.S. operations of CN and CP. © 2014-2017 Association of American Railroads

Shipments of crude oil, once considered a growth leader for the rail industry and a cushion against coal losses, have also dropped by almost 60 percent in the past five years (Figure 3). Rail intermodal (transporting shipping containers and truck trailers on railroad flat cars) is trending upwards across the industry, replacing coal as the single greatest source of revenue; yet intermodal shipments have not reached volumes sufficient to offset the losses from coal. The only

Figure 3: Tons of Crude Oil Hauled by Seven U.S. Class 1 Railroads by Year, 2007-2016



Source: Data include the U.S. operations of CN and CP.
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significant intermodal service originating in Virginia is between Hampton Roads and the Midwest. While both of Virginia’s Class I’s—CSX and Norfolk Southern—serve this market, they have experienced only modest gains in this service.

The Railroads Downsize, Rationalize, and Retrench

Virginia’s Class I’s are smaller and even more vulnerable to the loss of coal than their counterparts in the West and Canada. Their response has been to downsize, rationalize, and retrench. CSX and Norfolk Southern have taken actions to curtail and modify rail operations, reduce capital investment, cut employment, and reduce rail assets.

Operationally, both railroads announced plans to concentrate rail traffic and maintenance on those routes that can accommodate longer (two miles or longer), heavier trains while downgrading maintenance on the rest of their systems.⁴⁰ In addition, both railroads have reduced crew numbers to two, even on trains of two miles or longer, and are meeting resistance from regulators for their plans to reduce crews to a single member.⁴¹ By reducing operating expenses, the railroads’ corporate goal is to maintain the lowest possible operating ratios (operating expenses as a percentage of revenue)⁴² in order to keep stock prices and stockholder dividends from falling.⁴³ While the results may be good for stockholders, they can be hard on shippers⁴⁴ and even harder on passengers that have the misfortune of being delayed by a slow-moving, three-mile-long freight train. These policies have the

potential to affect Virginia’s ability to grow and enhance its regional passenger rail services.

Impact of Current Events on Virginia Passenger Rail Policy

Since both CSX and Norfolk Southern are paring down their capital expenditures, service frequencies, and track mileage, they have little interest in expanding capacity. Multimillion-dollar public grants for capacity-increasing projects have lost their incentive value, at least temporarily, for Virginia railroads. The impact is already being felt in the failure of DRPT to launch the promised second fre-

quency of the Washington-Lynchburg *Northeast Regional*. In four years of negotiation, the state has been unable to offer sufficient capital incentives to Norfolk Southern to advance an agreement for an additional train on the corridor. Another consequence is that the REF is accumulating large reserves of unused funds as the railroads, reluctant to commit the 30 percent match, cancel approved projects and curtail new ones. In FY15, the governor transferred some of this surplus from rail to non-rail uses in the state budget, and there is no reason to think this will stop as long as the REF is perceived by decision makers as being no longer needed.

The usual business relationship between the public and private sectors is no longer working. If the railroads no longer value contributions for large capital projects, what do they value and how might Virginia create “win-win” solutions?

A Better Alignment of Interests for Virginia Passenger and Freight Rail?

Virginia must consider the implications of current events on its rail-policy goals and objectives. This is a time of instability, downsizing, shedding of rail assets, and changing corporate priorities in the freight rail industry; transportation officials should undertake a thorough review of the present state of rail in Virginia and suggest steps the Commonwealth might take to protect the public interest in both freight and passenger rail for the future. The railroads want to operate the longest trains possible as infrequently as possible on reduced infrastructure. Virginia wants more

frequent, on-time, highway-competitive passenger trains serving more routes and more regions. How do we reconcile these conflicting interests?

One potential reconciliation involves Virginia's buying slots on freight lines for passenger trains at competitive market rates. Railroads have historically claimed that passenger access fees are not adequate compensation for revenues lost to passenger trains; competitive market rates for passenger access could be more appealing. In exchange, the state could (and should) invoke performance requirements as a condition of full payment. This would give the railroad an incentive to deliver the trains on time while giving the state leverage that it does not presently have.

Another option is for the state to become an owner of rail infrastructure. It is potentially feasible for the state to negotiate the purchase of certain corridors deemed critical to the public interest, granting the seller perpetual operating rights, and using these corridors for the maximum benefit of all concerned—freight, intercity-passenger, and commuter rail. The donation to the state of the abandoned S-line between Petersburg and Raleigh established a precedent, creating public ownership of a key corridor for Southeast High-Speed Rail.⁴⁵ In North Carolina, the state owns, maintains, and controls the track on which it operates the *Piedmont* passenger line between Charlotte and Raleigh while leasing access to Norfolk Southern. While CSX and Norfolk Southern divest themselves of hundreds of miles of track, opportunities may emerge for the state to purchase abandoned track and dedicate it for future passenger rail. There may also be opportunities for “joint facility” agreements with the railroads that establish terms for the cost sharing, operation, and management of publicly funded rail facilities. When rail facilities are constructed at public expense for public purposes, the state might also retain ownership, or joint control, of the line.

As a leader in devising public-rail policies, Virginia's goal has been to create a dynamic program of planning, funding, and expanding intercity passenger rail. A great deal has been accomplished in the past decade and more is coming. However, we would be wise at this juncture to reassess and revise the state's rail policy in order to protect our previous public investments and keep Virginia's development of passenger rail services on track. We should take a close look at the state's approach to funding passenger rail expansion and its business relationships with the freight railroads to see how well they align with current realities. We should also consider the costs, benefits, and

feasibility of enhanced public ownership and control of rail infrastructure.

Is the Renaissance Ready for America?

Rail historians tell us that the people who created Amtrak never expected it to survive. They were going through the motions of saving passenger rail, mostly for political reasons, with little expectation it would be around three years later. Most believed passenger rail would fade away.⁴⁶ But, like “the little engine that could,” Amtrak persevered. For decades, though people ignored rail travel and several generations grew up without ever having boarded a train, the National Railroad Passenger Corporation hunkered down, ran a decent operation, received its federal subsidies, and kept passenger rail marginally alive.

But the times changed. Disenchanted with our pervasive car culture, tired of bumper-to-bumper traffic, and concerned about the environmental effects of burning fossil fuels, millions of Americans began to board trains again. More and more of them boarded until even a small city like Charlottesville, Virginia, annually boards and alights more than three times its population at its tiny Amtrak station. Communities such as Charlottesville, Roanoke, Norfolk, and Christiansburg—long abandoned or underserved by passenger trains—began to clamor for their return. States like Virginia heard these cries and responded by funding new routes and frequencies to serve more citizens, who in turn rode the trains, prompting even more public investment in passenger rail.

This is the story of intercity passenger rail during the past decade. The Passenger Rail Renaissance has begun. It will grow and create a new way of life for America, but only if our leaders commit to doing what is necessary to secure its future. The renaissance won't be ready until our leaders in Washington and visionary states like Virginia correct course on the public policies that are holding up progress.

Amtrak needs huge new investments in equipment, infrastructure, and more trains on the tracks, all of which will create more customers and more revenue to offset the costs of modernization and improving service. A single year of generous federal funding (e.g., FY2018) is not enough. Policy makers must realize that America wants and needs passenger trains. If we can manage to change course and dedicate a steady, growing source of federal funding for intercity passenger rail; if more states dedicate public resources to expanding passenger rail; if we can engage in new partnerships between passenger and freight rail

“[The people who created Amtrak] were going through the motions of saving passenger rail...with little expectation it would be around three years later.”

that serve all interests well; if we make a strong commitment to reliable, on-time performance and a major renewal of the infrastructure, then Americans will embrace a true and lasting renaissance for passenger rail. And the renaissance will be ready for them.

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