

# Amtak's Gunn Displays A Disarming Honesty

# Coast Observations

**In two recent excerpts from public appearances, President David Gunn cleared the air by being candid about Amtrak finances and Acela's impact:**

I've always been a bit of a critic of the industry. ... My criticism is that too much of our activities are not focussed on the basic economics of the business. We spend an awful lot of time... [on] appropriations and legislative strategies and the like and there's precious little time we spend talking about improving revenue-cost ratio of our properties. That's an absolutely critical measure, because we're always running around... talking about expansion.

For years, we've been dreaming of the day when rail passenger service and transit will expand—double, triple, quadruple, the amount of transit and the amount of investment that's out there. And when you have an industry, and I don't know the current cost recovery figure but for say for the sake of argument that it's fifty percent, doubling tripling the size of these properties, because when you double or triple the size of these properties you go into lower cost recovery areas. I can tell you that the trouble with Amtrak and a lot of transit properties have with the politicians is they view us as a bottomless pit. And that's one thing that I don't think we do a good job at.

If you look at our cost recovery, a whole lot of different things drive it. It's the type of equipment we buy, it's our ability to control our labor cost, our absenteeism and the like, and our ability to generate and to utilize fuel efficient vehicles, and to make good use of capital. And we don't do a very good job on this score. We have big problems in all of these areas, but we tend to focus on trying to find somebody who will fund us.

And I remember at SEPTA, where I was General Manager, they went on this endless hunt for predictable funding. They figured that was the answer to their problem. They eventually got some funding but it immediately got chewed up and the cost recovery dropped from where it used to be, like Toronto in the high sixties, and it dropped. I think it got down to forty percent.

So what I'm trying to say is we're not focussing on the right... issue. Let's just look at for a minute—equipment. You all know that we have a new set of electric trains running between Boston and New York, Acela. I never understood why they did that change. It would be like Coca-Cola taking a good brand name, Metroliner, and changing it to "brown liquid in a bottle"

But anyway, what we now have is Acela. And actually what a cela is is the room before the first floor. (Laughter) I don't know why they did that. And anyway we have these new trains and they're really nice and they go like hell, up to 150 miles per hour. I rode one, I rode the head end in the 150 mile an hour territory up to Boston, and all of a sudden we see a headlight.

You know I didn't want to say anything, but I was thinking this could be a real problem and a short career... cause trains close really fast at 150 miles per hour, but in this case the train was stopped and we slowed down, and we went through a high speed turnout, and I pretended that I wasn't nervous at all.

Let me ask you a question. Between New York and Washington we can run Acelas or we can run the AEM-7, the Mighty Mite locomotive, which is an off-the-shelf locomotive from Europe. It's just a garden variety locomotive that we bought, and Amfleet cars, and we can run the same schedule as we can with Acela. Now I want

to ask you something. If I have a train of passengers in an AEM-7 and Amfleet coaches in good condition, I realize there aren't very many of them left but if they were fixed up, and if you got an Acela, which train has the better profit margin? This is a trick question.

It's the Amfleet! I mean we went and spent a bundle of capital, we sold debt, we put the debt on our balance sheet. We're up to 3.7 billion dollars of indebtedness. Last year alone we added \$700 million dollars of debt to our balance sheet. How do you pay for that? I don't know. And we put a train into service, which is good, it's a very nice train from a passenger's point of view, [but it] made our economic situation worse.

The only thing you can say is north of New York, we cut the running time from four and a half hours to about three hours and forty five minutes. That was the benefit. Now, we needed new equipment I guess, but what did we do? We went out and spec'ed equipment that is one of a kind. There'll never be another one bought, I think. At least there'll never be another bought anytime soon, I can tell you. They're one of a kind, they're very expensive to run.

I mean, you look at that train, it is five revenue cars, one cafe car, and two locomotives. There's enough power on that train to run a ten car train and make the schedule. But I mean it is overpowered. There's absolutely no sense to the amount of power we are consuming to the benefit we are getting on that train. So, what we have done to ourselves is that we have made our economic situation worse. Now, the only thing you can say is that now that we own them, we've gotta run them—it's better than not running them.

What I'm saying is in this industry, you always want to look at the net income impact on the bottom line. Why did this happen with the Acela? It wasn't just because Amtrak didn't push the numbers. But what happened is it got totally screwed up when the politicians got into it and the Buy America and the FRA rulemakers got into it, and we ended up with a train that had to be custom built and is much more expensive than a train that we bought off the shelf.

The point in all of this is I'm not sure we did ourselves any favors with what we've done because if Amtrak was viewed as a bottomless pit before and we just did something that cost us a lot of money, we've got the debt on our balance sheet, and we didn't improve our bottom line.

**On the MacNeil/Lehrer report, he managed to set things straight about long haul subsidies versus the Northeast corridor:**

**JIM LEHRER:** When you look at the long-range... I mean what you call intercity passenger service, particularly the transcontinental, I read something today that they only haul 18 percent of your passengers, but account for 75 percent of your loss?

**DAVID GUNN:** No. You've got to be very careful. There's a lot of mythology about Amtrak's economics. Everything loses money. In other words, people will say it's the long-distance trains, and if you got rid of them, the corridor would be a profitable company. Not so. The passenger movement or transportation market in the United States is thoroughly subsidized, whether it's highway airlines or rail. And what's happened, like the basic structure of Amtrak is the Northeast Corridor covers most of its operating costs, the costs of the train crews and maintenance of the cars and so forth, but it does not cover its capital expenses. And we have an enormous deficit in that area.

**THE SIGNS ON THE WINDOWS of San Joaquins and Capitols promoting cafe service may just be window dressing. Anyone who thinks new San Joaquin menus featuring Salisbury Steak and Macaroni and Cheese will save dining service, order up pronto. Informed sources say the decision already was made to drop the second cafe job and adopt a simplified menu. Given the \$1 million annual cost of that job, change is long overdue. A chronic absence of clear thinking has hobbled the food service for years. A recent furinstance: A RIDER IN LINE AT THE CAFE counter saw a Caltrans badge-wearer placing the signs, and asked what the purpose was. "To get people to visit the Cafe Car." Rider: "But this IS the Cafe Car." Caltrans: "Well, we don't know what order the cars are going to be in, any given day." Rider: "So you're telling me that when you change the cars around, you change the windows around?" Caltrans badge stomps off to resounding laughter... THE CHANGE THAT MAKES SENSE is to make some rational use of the non-revenue space in the Capitols and San Joaquins, which is upwards of 25 percent of the train, an even higher ratio than Acela. Caltrans has always claimed that there is no room for first class seats on the San Joaquins and Capitols. That room can be found in the 2/3 of the Cafe Car that is not needed for the food line or the server... AS THE GERMANS HAVE DISCOVERED, first class seating with free beverages, laptop hookups and meal service at the seat is a big seller and commands a great price. It's time to replace irrational non-revenue furniture in the Cafe Cars and start producing fares in the vast empty space... BART IS SHARPENING ITS PENCILS to penalize Caltrain riders to SFO with a pair of surcharges. First, a \$1.50 SFO premium, then a surcharge on top of regular prices for all new San Mateo stations. Nobody is saying how much the total is for Millbrae-SFO, but insider say it's the highest California transit fare per mile. The current SFO shuttle is FREE, guys... CAPITOL CORRIDOR PLANS to redesign its timetables. Current complaints include: "Difficulty using the schedule to plan trips from one point to another; Confusion identifying train vs. motorcoach segments... Distraction by the number of colors, shapes, lines and type treatments; Difficulty in understanding connecting motorcoach schedules; Difficulty [with] symbols throughout, including use of vertical lines to indicate "skipped" stations; Connections to other transit systems are confusing; Footnoted items are not noticed by users." It looks like passengers aren't buying the Caltrans marketing dogma that the current format is the best ever... UNION PACIFIC NEGATIVITY toward Amtrak has erupted again in a go-to-hell letter in response to a state offer of funding for a track capacity study of extension of one San Joaquin to L.A. Perhaps it's time for California to adopt a policy of only investing public funds in railroads that aren't involved in lobbying to kill Amtrak... CHECK OUT OUR REBUILT WEB SITE AT [www.calrailnews.com](http://www.calrailnews.com) and while you're there tell Congress to retain funding for Amtrak, especially long-haul trains serving California. E-mail Congress directly with a single click at: [www.calrailnews.com](http://www.calrailnews.com)**