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# ON IMPROVING AMTRAK

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(This is a summary of Dr. Sheck's speech at the NARP board meeting in San Francisco, Oct. 9, 1981.)

"What is wrong with Amtrak and what can be done about it?" This is the basic issue I have considered in a recently completed three-year study. To answer these questions and to identify Amtrak's most critical problems, I probed deeply into the operating and financial history of American passenger railroading and did a comparative analysis of current passenger train operations in other countries—in particular those of western Europe where per capita income and automobile ownership are high, yet where the train remains a significant means of intercity travel.

The overriding problem that Amtrak faces is clearly one of capacity—inadequate capacity to generate revenues sufficient to cover the costs of maintaining the necessary infrastructure for a nationwide system. While Amtrak trains earned about \$127 million more than direct operating costs in FY 1980, the corporation ran a deficit of some \$716 million because common costs of equipment, facilities maintenance, operation of reservations systems, administration, and other support services totaled some 62 percent of the \$1.1 billion budget. Diseconomies of scale are evident in Amtrak operations—too few trains, or trains too short, fail to offset the costs of staffing and maintaining stations and other support facilities. Some 256 stations out of a total of nearly 500 serve one train per day or less in each direction.

Although new passenger cars, locomotives, stations, and servicing facilities have produced dramatic increases in ridership, Amtrak's economic problems linger. Continued and growing subsidy needs are the direct result of a decade of inadequate capital funding that has only replaced old, worn-out rolling stock and physical facilities. In the summer of 1980, Amtrak officials estimated that they turned away more than 1.3 million potential riders because cars were not available to lengthen existing trains. Amtrak seems to be locked into a "Catch-22" situation. The corporation cannot break out of its deficit cycle unless revenues grow rapidly enough to offset fixed plant costs. Revenues can only grow when enough equipment is available to add more trains and strengthen capacity on existing ones operating over the present network. Niggardly capital appropriations are in large part responsible for the continued drain of operating subsidies on the federal budget. Ironically, the government solution has been to run fewer trains, which worsens the ratio of revenues to total costs and pushes up the per passenger subsidy requirements, thereby giving the appearance that trains are poor economic performers.

"What can be done about it?" was the second part of the issue I researched. My conclusion is that now is the time for Amtrak

to move ahead with an aggressive, upbeat program of growth that will put rail passenger service on a sound financial basis independent of government subsidies. Examination of highway, bus, and airline traffic on the various routes operated by Amtrak

### TRAVELERS' ADVISORY

On Oct. 25, all previously reported (Aug. News) Amtrak service changes took effect as expected. In addition, over 1½ hours were cut from the schedule of the New York-Florida "Silver Star," while smaller amounts of time were cut from various other inter-city schedules. All New York-Washington Metroliner schedules were shortened, and six express Metroliners (3 northbound, 3 south) were introduced on 2:59 schedules (stops only at Philadelphia, Baltimore). Rensselaer, IN, was added to the Chicago-Indianapolis "Hoosier State," while Rosenberg, TX, was dropped from the "Sunset Ltd." and Berlin, CT, was dropped from the "Montrealer" (Meriden, CT, was also slated to be dropped—but never was, contrary to what the timetable says).

Thrice-weekly slumbercoach service on the Chicago-Washington "Broadway Ltd." (Sep. News) was short-lived. Amtrak ended the service with the Oct. 1 start-up of the "Capitol Ltd." and reassigned the cars to begin running on the "Silver Star," once that train converts to electric-powered equipment in mid-Dec. Slumbercoaches may be added to the "Capitol" next year, once additional cars are converted from steam to electric power.

Amtrak's Oct. 25 timetable contains numerous errors in connecting bus schedules, including service between Los Angeles-Bakersfield, Stockton-Sacramento, Chemult-Bend, Tacoma-Bremerton, and Flagstaff-Grand Canyon. Errors also exist in San Francisco-San Jose commuter rail connections. Note correct times for LA-Bakersfield dedicated buses: buses depart LA 3:55 AM (to train #711) and 1:40 PM (#709); buses arrive LA 4:25 PM (from train #708) and 1:10 AM (#710). Sacramento-to-Stockton bus connection to train #708 departs Sacramento 8:40 AM (all other Sacramento bus schedules are okay). Amtrak's timetable also fails to mention the LA-Ogden "Desert Wind's" thru sleeper to/from Chicago, and fails to clearly indicate the thru coach and sleeper operated between Chicago and LA on the "Eagle" and "Sunset Ltd."

A new \$2 million intermodal transportation center should open in mid-Dec. in downtown Battle Creek, MI, adjacent to a new hotel and civic center. The facility, to be used by Amtrak trains, intercity buses, and transit buses, was funded by the Michigan Dept. of Transportation and the City of Battle Creek.



# Marketing—Amtrak's Point of View

William S. Norman, Amtrak's Vice-President—Marketing, spent about three hours speaking and answering questions before the NARP Board of Directors at its San Francisco meeting October 9.

He said that 1980 was Amtrak's best year and they had approached 1981 with optimism, only to be confronted with a weak national economic situation plus the challenge of new airlines charging fares "lower than anything that anyone had seen. . . . at which they could not make any money . . . at which they would simply buy market share," and major airlines forced in many instances to match those low fares. Nevertheless, Amtrak, for the second successive year, posted the largest growth in the passenger transportation industry, with revenues up 16% from 1980 (unofficially).

The marketplace, said Norman, is the driving force for Amtrak, and sales and marketing received more emphasis in the past two years (Norman started with Amtrak Oct. 31, 1979) than in the previous eight years of Amtrak's existence.

Two current features are decentralization of decisionmaking where possible—there are four regional directors responsible for sales and marketing functions—and route management focusing on individual city-pairs rather than simply the performance of the route as a whole. Amtrak analyzes the performance of its top 20,000 city-pairs monthly so that carefully targetted fare (sometimes schedule) changes can be made when necessary.

## ON FARES

**"We will price based upon the marketplace. If we have an . . . opportunity for increasing our fares between particular city-pairs faster than the rest of the system, that's precisely what we're going to do. If we have another situation in another part of the country where we find . . . no opportunity, we will not increase fares at all, or maybe we'll decrease them. . . .but the net effect is that we will get net, the best and largest overall increase and therefore improve our bottom line and revenue, and that's what business is all about. . . ."**

**"We're not going to price ourselves out of business. . . . We will continue to price our product(s) at a rate that's always greater than inflation but will allow us still to have the kind of historical growth that we always have, and will give us the most that we can get from the marketplace. . . . As long as we continue to get the kind of growth that we're getting, we'll continue. . . . If it didn't work, we'd try something else. But that's where we are now."**

**Advertising:** Amtrak spends "less than 3% of its transportation revenues," about \$18 million/year on advertising. By comparison, the twelve largest domestic airlines spend an average \$68 million/year per company, though only three handle more passengers than does Amtrak. Greyhound and Trailways together spend about \$30 million/year.

"So we have to make certain that we get as much leverage from (our advertising) as possible. The most important thing we can do, under the cardinal rules of advertising, is to get as much 'reach' as we can and try to have the frequency such that it leaves an impression, because what advertising does best is to elevate the level of awareness about a single product and at the same time give someone an incentive to follow up in some way as kind of a hook.

"What we try to do is to have a combination of things happening together, but the advertising is simply part of a total program . . . with specific goals and objectives. You decide what the field sales team is going to be doing; what we're going to be doing from a promotional point of view, what programs are going to be a part of it, and what media to use to get that across. . . . advertising must be targetted."

Norman noted that he has increased the amount of regional and route-specific advertising from less than 20% of the adver-

tising budget when he arrived, to 50% in FY '81, and his staff reports the plan for the current year calls for 83% (a considerable portion of which is Northeast Corridor advertising).

He noted that the change in the mix results from their improved ability to track individual city-pairs and build specific programs for them. He also reported that Amtrak has an outside company measuring the effectiveness of Amtrak's advertising.

"I know that some of you feel that the single best kind of advertising would be to plaster newspapers and radio . . . with train destination and timetable information, and there's some logic to that. . . . It is true that in some areas, you can make an impact. But we cover 44 states and . . . we have to try to project our advertisements in a way that's going to give us the best results."

Norman noted that airlines often advertise timetable information because their studies indicate most air travelers show "no preference as to an individual carrier." Amtrak, however, is often not even considered by people contemplating a trip. For intercity travel, auto is first choice, air second, and bus third.

"Therefore, in order to compete, (we must) change the perception of train travel in this country. It is not old, dilapidated equipment that doesn't run on time, that has an uncaring group of people on board . . . what has happened has been nothing short of kind of a miracle. . . . we have to position ourselves in terms of the way we are now, and turn to the comfort, and the convenience, and the civilized way to travel, and the scenic aspects. And that's why much of our advertising is devoted towards trying to give those kinds of features so that individuals can appreciate. . . . the beauty, the restfulness, the comfort, the safety of passenger train travel."

70% of long-distance train travel is "discretionary," people who don't travel often, so Norman is counting on passengers to recommend the service to their friends, "and that's what's happening."

**Reservations:** After Jonathan and Jennifer Hart boarded an Amtrak transcontinental train on the television show "Hart to Hart," *The Washington Post* reported: "One piece of information missing during the show was how they got their reservations. Did they get through on the phone? Did they go to the station and stand in line?"

Amtrak's ART System, removed from service Nov. 1, was "a magnificent system . . . that was built to handle the capacity that we reached in 1975 . . . . This past summer, this past year, we had to make some trade-offs because we were doing everything that we could to get our new system into place while still trying to hold the old one (together). Quite frankly, this summer there was nothing short of chaos. I know the problems that we had. I know that we lost money as a result of having them . . . situations . . . in which the reservation system would be down for as long as seven or eight hours."

On Nov. 1, Amtrak officially activated its new \$55 million computer reservation system, called Arrow, which features three IBM 3033 computers and over 2,700 terminals nationwide. (ARTS, installed in 1973, consisted of two computers and 988 terminals.)

Financially-strapped Amtrak decided against extensive personnel training on the new system before it became operational, so early November saw Amtrak losing up to 63.8% of "calls attempted," worse than the 45-50% losses during the last weeks of ARTS. As employees got their training "under fire," things improved. The loss rate on Nov. 8 was 46.3%. By Nov. 22, in spite of the approaching Thanksgiving holiday, the loss rate had dropped to 43%, better than ARTS of October but still far below the ARTS performance of one year earlier—10%.

In addition, number of calls handled steadily increased—from 17,169 on Nov. 1 to 28,503 on Nov. 22 (again much worse than 52,696 on Nov. 22, 1980), and the average talk time dropped from 6¼ minutes to 2:21. Your editor made a series of reservations early on three consecutive Thursday afternoons and was treated to 15 minutes of Muzak on Nov. 5, 6¼ minutes on Nov. 12, and 5½ minutes on Nov. 19. Even on the Monday before Thanksgiving, also around 1:30, the wait rose only to 6½ minutes—which nevertheless compared unfavorably with a 2:05 wait to get through to Greyhound and no wait at all to reach a United Airlines clerk. On two occasions, Amtrak yielded a busy signal on



# Caltrans Chief Addresses NARP

Adriana Gianturco, Director of the California DOT, as the luncheon speaker before the NARP Board on Oct. 9, summarized what may be the most progressive state public transportation policy in the U.S.

- Two services may be imminent: an arbitration panel is expected to rule soon on Southern Pacific's claim that extensive trackwork is needed before the "Coast Starlight" can be rerouted via Sacramento and Roseville, and the California Supreme Court will soon decide whether to hear SP's appeal of a state commission's order that SP must allow operation of an LA-Oxnard commuter train, to which Amtrak is already committed to provide equipment.

- In late Oct., the San Jose-SF commuter rail service was expanded from 22 to 23 weekday round-trips with better reverse commute possibilities. Other improvements involve stations, parking lots, and local transit connections along the line.

- Amtrak has vetoed a Caltrans request for extension of the state-supported Oakland-Bakersfield "San Joaquins" to LA, and Gianturco asked for NARP's support.

- Caltrans has requested, under Section 403b, an LA-Santa Barbara commuter train and two daily round-trips San Jose-Oakland-Sacramento that would, combined with existing service and a rerouted "Starlight," create a total of five Oakland-Sacramento and four Oakland-San Jose round-trips. Amtrak has these two requests on hold because of funding uncertainties and equipment limitations. Commuter rail service to southern Orange County is also a possibility.

- LA-Pomona-San Bernardino commuter rail service on Santa Fe tracks is a possibility. (Amtrak is awaiting confirmation of a request and anticipates Caltrans' own equipment would be used.)

- On the light rail transit front, Gianturco was optimistic about early work on an LA-Long Beach line, possibly in 1982, and expressed the hope that a Sacramento line would be operating in 1986.

- She cited declining ridership on the LA-San Diego line as a reason why the state wants an arbitration clause in its 403b contract with Amtrak, and the Oct. 10 *San Francisco Chronicle* story focussed on this. "Our contracts with Amtrak are completely one-sided—totally on the side of Amtrak as far as making changes in the basic features of services, for which we share in the cost." ■

*the first try, but redialing immediately got us into the system. There have been serious problems resulting from Arrow's double-selling of sleeping car rooms.*

The future, when Amtrak employees fully understand Arrow and the bugs are worked out of it, is bright. Norman claims Arrow "gives us the capability of answering 97½% of all the calls that come into our system nationwide even during peak periods in 20 seconds or less with an average response time of 3½ seconds." Arrow is expected to be in place no more than "7½ years which is generally the state of the art for this kind of equipment," and says that the reservation bureau personnel are in new or remodelled facilities with environments carefully designed to provide "the least stress" possible.

## AMTRAK'S NEW RESERVATIONS SYSTEM

Arrow possesses ten times the information capacity of ARTS. It will enable Amtrak to expand ticketing inventory from the former 180 days to 340 days, permitting customers to make confirmed reservations nearly a year in advance. Arrow's retrieval system can display 24 lines of train information three seconds after it is requested. The old system could display only 8 lines at a time, and in latter years required 40 seconds to respond. The new system is able to make speedy credit checks and can determine if an unused reserved ticket returned for refund is stolen or lost.

Now obsolete, ARTS was nonetheless quite an accomplishment in its day. Prior to ARTS, there had never existed in the United States one centralized, nationwide rail passenger reservation system—computerized or otherwise. As

was pointed out in the Dec. 1973 *NARP News*, "When Amtrak first went into operation, reservations were one of its most critical problems. . . . Nationally, Amtrak inherited 13 different manual systems designed in the '30s. In Chicago, there were six different numbers to call depending on which railroad had formerly operated the particular train the passenger wished to take."

**Dining Service:** Norman was painfully aware of passenger reaction to the modified food service introduced on four "guinea pig" long-distance trains, particularly as Amtrak simultaneously surveyed passengers on those routes and on two routes which still had the traditional dining service. "I'm not going to look anybody in the eye and say 'We're doing this because we think this is the world's greatest thing that we could do' because that isn't true. We're doing it because we have some legislation. . . ." (Sept. *News*, p. 2).

Norman said the food quality of the modified meals was good, but "we eat with both our mouths and our eyes . . . the ambiance makes a big difference, and it was a change. Almost anyone who's ridden the train has an expectation of what it's going to be to go in that dining room . . . the tablecloth and the flowers and all the things that go along with it. But it was not a case of to do this or not to do this. It was a case of how."

Learning from the summer experiments, we "have come out with a new system" (introduced Nov. 15) "that we think (will) serve us well. I think even most of you will be very pleasantly surprised by the results. It still won't come close to covering half of our costs. . . . we're looking at a number of other alternatives. . . . This is a learning process for all of us."

Starting Oct. 25 on the Metroclub service, Amtrak began testing inclusion of the price of food in the ticket charge.

For long distance trains, Norman looks forward to "serving real breakfasts that are cooked by chefs." (*This is being tested on the "San Francisco Zephyr," "Desert Wind," and, starting Dec. 7, on the "Lake Shore Ltd.," along with "pan foods" (food that is not cooked on the plate on which it is served) for all meals. Amtrak hopes to decide by April whether to extend it to dining cars nationwide. Already, convection ovens are used to cook all meals on long-distance dining cars—they handle larger quantities of food at once, and more reliably, than did microwave ovens.*)

**Domes:** "We all feel the dome car is a great marketing product," but its greatest attraction is in the West where it is not compatible with the Superliners that have occasioned a 15 to 28% increase in ridership. Because Amtrak could have filled 300 more revenue cars (coaches/slumbercoaches/sleepers) than were available last summer, Norman feels priority in converting more old cars must remain with revenue cars for now . . . and Amtrak has virtually no capital budget for the current fiscal year. He hopes something can be done with domes in the future.

## ON SLUMBERCOACHES (BUDGET SLEEPING CARS)

**"Every slumbercoach that (is available) is operating. . . . If we had some more, I could add 25 today."**

**Attracting Business Travel to Corridors:** It's now called "Metro-liner Service" NY-Washington (one round-trip now serves New



#### MAIL AND EXPRESS: "PURE PROFIT"

"We have probably the best relationship with the Post Office that we could have. Alan Boyd and I personally meet once a quarter with the Postmaster-General to indicate that we want to do more. Our problem is that every time we try to expand it, we run into something else.

"Some of you can explain better than I can the bolster problems that we have on the BN that (prevented us from getting) our mail cars on there and, as a result, we lost \$1.0 million in revenues. [Ed. And "Pioneer" lost its mail.]

"We can't have a mail contract on tri-weekly service, so on 'The Eagle' now we don't have any. (Ed.: Chicago-Texas service was downgraded from daily to tri-weekly on Oct. 1.)

"With the severe problems that we have on (passenger-carrying) capacity, it's hard to justify building mail cars. . . but the mail and express business . . . runs at a pure profit. I want more baggage cars not for baggage but because we can sell that space in there for mail and express. . . We are going to expand it. We're looking at innovative ways to try to get box-car conversions . . . to try to use any kind of space that we have to get it done."

Haven) because the older Metroliner cars have been replaced by AEM-7 locomotives and 60-seat Amcoaches—and because Norman hopes to expand "fast, upbeat, business-oriented" service under the same name to other corridors, including NY-Boston, Chicago-Detroit, and Los Angeles-San Diego.

"It seems to me that people like us, who have a commitment to rail travel in this country, should not be wasting our energy and trying to determine whether it is best to have a Northeast Corridor Improvement Program, or whether we should be trying to have travel here or travel there. . . . The commitment that we have is to run train service everywhere and as much as we can run it every place. . . .

"But . . . it is important that we understand (that) beginning in the 1960's, five administrations and the Congress made a commitment to the Northeast Corridor to put more than \$2 billion into its improvement, and Amtrak's management, who didn't make the commitment, clearly took up the banner. Because then we knew that, if this kind of commitment was going to be made with the densest corridor . . . , we had best, to the degree possible, have some ownership of it. . . .

"It is a moot question as to whether or not this is wise. . . . The point is, we own the Northeast Corridor, that is, we have a high mortgage on (it)! And the monies that are involved there are fixed, and if we pulled away from it today, there is nothing that is available to pull back to use elsewhere. . . .

"(The Northeast Corridor) is a very, very profitable part of our business, and when suggestions come in that we should change it. . . . I've told you that I have no reservations about taking risks, but when you've got something that's giving you great returns under all kinds of competitive pressures, that's not the time to change. You try to embellish it; you try to refine it." ■



#### NARP ELECTION TIME AGAIN

Any NARP member who wishes to be listed in NARP News as a candidate for election to the 1982-83 NARP Board should notify our office by Jan. 4. Directors will be elected at meetings held in each of our 12 regions. Most meetings will be on Saturdays between mid-February and the end of March. Regional boundaries have changed since last year. According to a recent decision by the NARP Board, Minnesota and North Dakota join Illinois/Wisconsin to form an expanded Region 7; Iowa, Nebraska, and South Dakota join Colorado/Utah/Wyoming to form an expanded Region 10; and Region 13 is renumbered 8.

## On Improving Amtrak (continued from page 1)

indicates that a large potential market exists—a market that trains have barely tapped. Limited train service means limited market penetration, particularly in short and medium distance routes that are time and frequency sensitive. If Amtrak were to develop the markets on the existing network where physical plant is already in place and then expand the system slowly from existing centers to provide additional destination choices and better network connectivity, the system could move into the profit column in a few short years.

Attainment of a profitable Amtrak system will require a hefty increase in capital funding for a several year period. However, this must be viewed as a long-term investment. Even more important, while continuation of the status quo would require a subsidy level of \$6.2 billion over the next decade, total capital and subsidy needs proposed in this plan will total only \$5.9 billion. For an expenditure of some \$300 million less, a profitable system carrying some 124 million passengers would be attained by 1990 and government subsidies would no longer be needed. The nation would then have a first rate rail passenger system contributed in a positive way to the economy. This expanded system, including the creation of some 45,000 new railway jobs, would also lead to the revitalization of rail passenger car manufacturing and have positive ripple effects on many supply industries.

(For a copy of Prof. Sheck's chart showing operating and capital federal funding requirements for the next ten years, send NARP a self-addressed, stamped envelope.) ■

#### CARDINAL'S FATE STILL UNCERTAIN

In just four years, the Chicago-Cincinnati-Charleston, WV-Washington "Cardinal's" passenger-miles-per-train-mile ratio was to rise 107%, from 58.9 in FY '78 to 122, Amtrak's conservative FY '82 projection. (For the first 11 months of FY '81, the PMTM was 103.3, up 16% from the same period one year earlier.)

150 would seem possible for FY '83 since the train would be among those stopping at a new Hammond, IN, station for which the groundbreaking took place Nov. 7. The Hammond stop will give Amtrak its first good crack at the huge northwestern Indiana market.

Nevertheless, "Cardinal" advocates have had a difficult time restoring Amtrak's authority to run the train. They won inclusion of "restore-the-Cardinal" language in the conference report on DOT appropriations approved Nov. 12, and defeated two attempts on the Senate floor to knock out the language (53-34 on Nov. 3 during consideration of the Senate appropriations bill; 49-47 on Nov. 18 as part of the continuing resolution debate). But the President vetoed the continuing resolution that incorporated the DOT appropriations conference report by reference, and the possibility loomed of a third roll call in early December with a different outcome.

#### ALABAMA, TENNESSEE ARP'S BORN

President of the new Alabama Association of Railroad Passengers is James W. (Bill) McFarland. Membership dues: \$10/year to Alabama ARP, 325 Skyland Boulevard East, Tuscaloosa, AL 35405.

Tennessee ARP coordinators: Sandra Pennington, Nashville; Bill Strong, Memphis; and Ned Williams, Sevierville. Membership dues: \$5/year for NARP members (\$10 for others) to Tennessee ARP, 2618 Old Lebanon Road, Nashville, TN 37214.

#### OMB'S DREAM . . .

We hear President Reagan's Office of Management and Budget is toying with the idea of proposing \$460 million for Amtrak in FY '83, a shutdown budget. Amtrak already has a \$788 million authorization for that year.

CORRECTION: Correct spelling of the new Wisconsin DOT Secretary's name is Owen Ayres. Our Aug. News reference to "news conference" was wrong. Ayres spoke informally with reporters at an Aug. 28 dinner sponsored by a state legislator.