

State Notes

TOPICS OF LEGISLATIVE INTEREST

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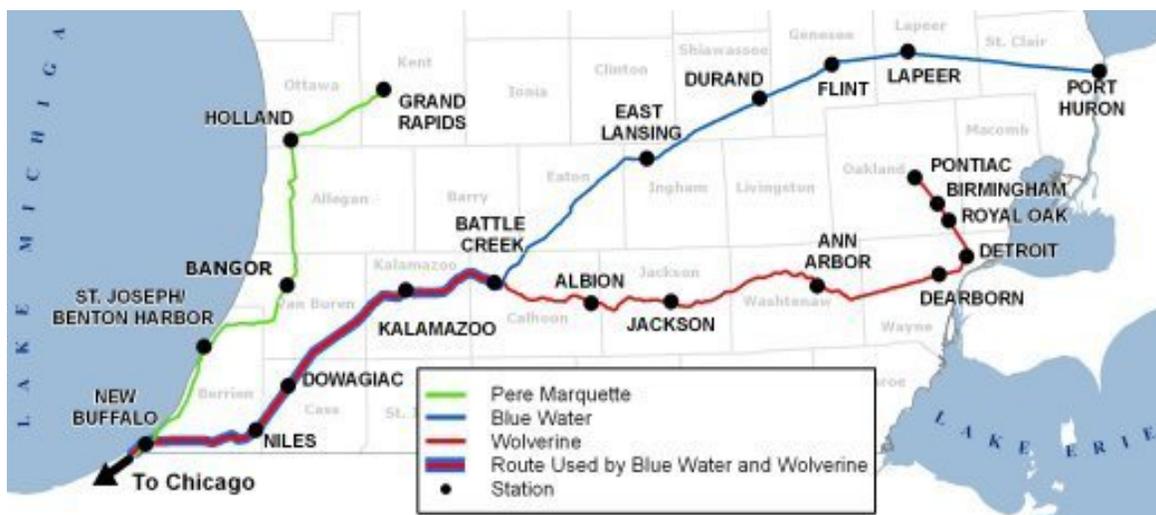
Passenger Rail Service in Michigan: Ten-Year Statistical Trends By Debra Hollon, Fiscal Analyst

Federal legislation passed in 1970 established the National Railroad Passenger Corporation (Amtrak) for the purpose of assuming passenger rail responsibilities from private freight railroads. The freight railroads maintained ownership of the tracks, while Amtrak took over the operation of the passenger routes.

Figure 1 provides a geographic summary of the Amtrak routes operated in Michigan. Amtrak established the Detroit-Chicago (Wolverine) line as one of its national corridor routes in 1971. The only section of rail line owned by Amtrak outside of the northeastern United States corridor is a 97-mile stretch from Kalamazoo, Michigan, to Porter, Indiana. In 1992, the U.S. Department of Transportation designated this section of track as a high-speed corridor. The maximum speed is currently 95 miles per hour and will soon be increased to 110 miles per hour.

In addition, Amtrak contracts to operate two State-supported routes in Michigan: the Port Huron-Chicago route (Blue Water - established in 1974) and the Grand Rapids-Chicago route (Pere Marquette - established in 1984). Beginning in 1982, the Port Huron-Chicago route extended to Toronto, Canada. Amtrak discontinued this Canadian portion in 2004 in an effort to increase schedule reliability for the route as a whole. The statistics outlined throughout this paper reflect the United States portion of the route.

Figure 1
Passenger Rail Routes



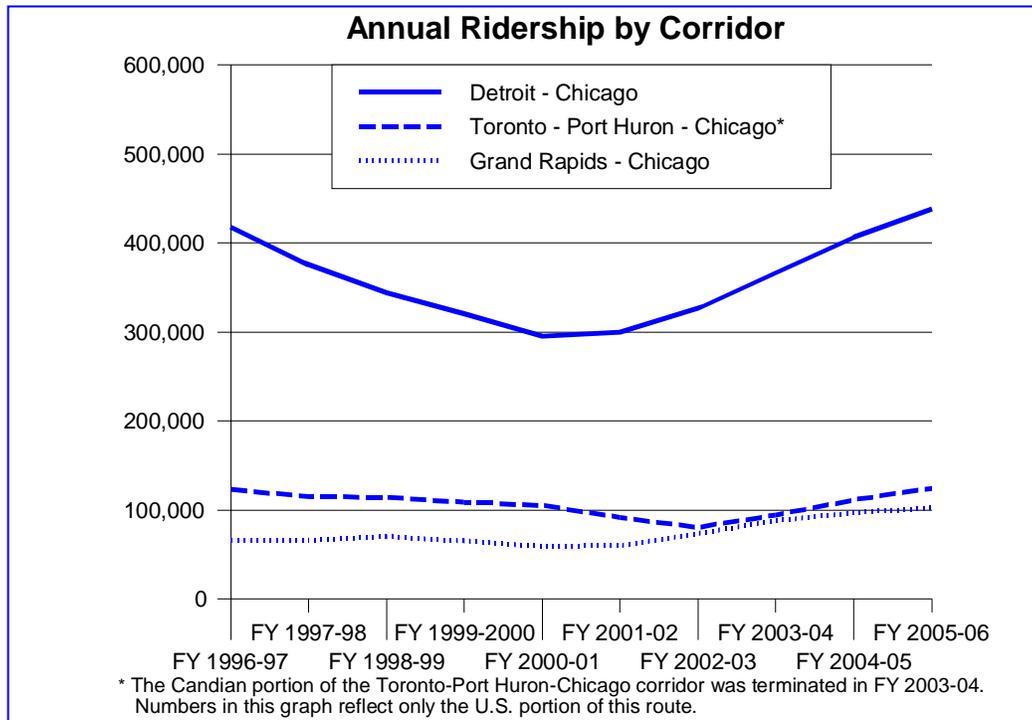
Source: Michigan Department of Transportation



Ridership

As evidenced in Figure 2, the annual ridership on all three passenger rail lines in Michigan has increased over the last several years.

Figure 2



Source: Michigan Department of Transportation

The fiscal year (FY) 2005-06 ridership on the Detroit-Chicago corridor was 438,529 passengers. This represents an increase of 32,030 passengers (7.9%) from FY 2004-05 and an increase of 20,038 passengers (4.8%) from FY 1996-97. The overall fluctuation in ridership on the Detroit-Chicago corridor over the past 10 years is due primarily to equipment adjustments by Amtrak to address capacity needs throughout the region. Other minor factors include gasoline prices and the relative cost of airfare.

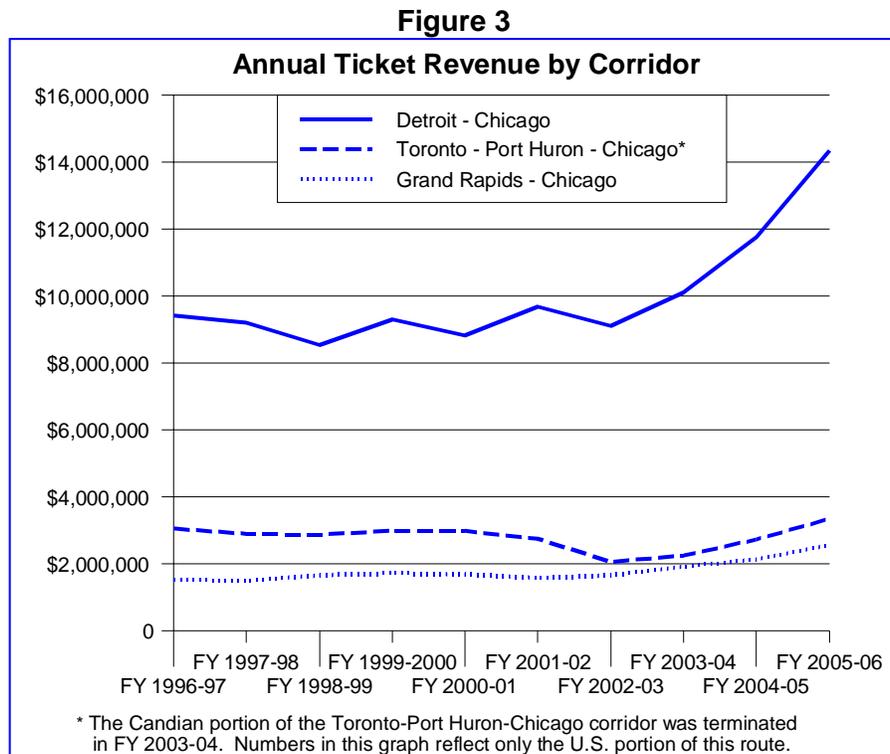
For the Port Huron-Chicago route, the FY 2005-06 ridership was 123,823 passengers. This represents an increase of 12,193 passengers (10.9%) from FY 2004-05 and an increase of 319 passengers (0.3%) over the last 10 years. A decrease in ridership on this line during FY 2002-03 was due in part to repair work that closed the section between Port Huron and East Lansing for three months. Intercity bus service was provided for that section during the service disruption, but there was a decrease in ridership nonetheless.

The FY 2005-06 ridership for the Grand Rapids-Chicago route was 101,932 passengers. This represents an increase of 5,461 passengers (5.7%) over FY 2004-05 and an increase of 36,760 passengers (56.4%) over FY 1996-97.



Ticket Revenue

Figure 3 reflects the annual ticket revenue for the three rail passenger routes. Like ridership, this revenue has increased in the past few years. Over the past 10 years, the average one-way fare (calculated by dividing ticket revenue by ridership) has increased on each of the three routes. For the Detroit-Chicago corridor, the 10-year increase was approximately \$10. For the Port Huron-Chicago route, the increase was approximately \$2.10 and for the Grand Rapids-Chicago route, approximately \$1.25. A fare increase of 5.0% was implemented for all three routes in mid-October 2006, for FY 2006-07.



Source: National Railroad Passenger Corporation (Amtrak) as compiled by Michigan Department of Transportation

Ticket revenue collected for the Detroit-Chicago corridor during FY 2005-06 was \$14.4 million. This amount represents an increase of \$2.6 million (22.1%) from FY 2004-05 and \$4.9 million (52.4%) from FY 1996-97.

For the Port Huron-Chicago route, \$3.4 million was collected in ticket revenue in FY 2005-06. This amount is an increase of \$598,972 (21.7%) over FY 2004-05 and an increase of \$270,630 (8.8%) from FY 1996-97.



The Grand Rapids-Chicago route saw ticket revenue of \$2.6 million in FY 2005-06. This represents an increase of \$428,971 (20.0%) over FY 2004-05 and an increase of \$1.0 million (64.6%) over FY 1996-97.

State Subsidy

Michigan is one of 13 states that contract with Amtrak to provide passenger rail service beyond Amtrak's national corridor routes. In Michigan, these additional routes are the Port Huron-Chicago and Grand Rapids-Chicago routes. Table 1 outlines the State subsidy paid to Amtrak over the past 10 years.

Table 1
Amtrak Operating Subsidy

Fiscal Year	Subsidy
FY 1996-97	\$2,050,000
FY 1997-98	2,050,000
FY 1998-99	2,050,000
FY 1999-2000	2,050,000
FY 2000-01	5,700,557
FY 2001-02	5,700,000
FY 2002-03	5,700,000
FY 2003-04	7,100,000
FY 2004-05	7,100,000
FY 2005-06	7,100,000

Source: Michigan Department of Transportation

The dramatic increase from FY 1999-2000 to FY 2000-01 reflects a change in the way the State subsidy is calculated to make the formula consistent across all states. The current formula is essentially a reimbursement of the direct costs of operating the route. As a result, the negotiated subsidy can fluctuate up or down based upon operational costs and route revenue. For example, additional capacity for a route (e.g., an additional car or daily round trip) would increase the operational costs for that route. If the revenue received did not meet those costs, the subsidy amount would increase. If the revenue received exceeded the operational costs, the subsidy amount would decrease.

Boilerplate language added to the Michigan Department of Transportation's budget for FY 2006-07 requires that the subsidy be limited to an amount equal to the amount of total revenue generated by the Port Huron-Chicago and Grand Rapids-Chicago routes, not to exceed \$7.1 million. As noted above, the combined FY 2005-06 ticket revenue for the two routes totaled \$5.9 million. To generate the required \$7.1 million in ticket revenue, the two routes would need 20.0% increases in revenue in FY 2006-07 similar to those seen from FY 2004-05 to FY 2005-06. This figure does not include additional amounts from concessions or other revenue streams.