Getting on Track: A Vision and Business Plan for High-Speed Rail in Indiana

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Not a great year for high-speed rail…

- States with high-speed rail plans
  - Wisconsin Milwaukee-Madison cancelled
  - Ohio Three “C”s cancelled
  - Michigan
  - Illinois
  - Florida $2 Billion returned
  - California

DON’T PANIC!
Always two sides to the coin

• Danger
  – Loss of funds
  – Loss of public interest
  – Loss of political support

• Opportunity
  – Chance to reinvent the concept
  – Chance to adjust to changes
  – Chance to redouble efforts

Let’s seize the opportunity!
Focus Points for High-Speed Rail

• We must solve a transportation problem to be relevant.
  – Rising fuel prices
  – Air travel congestion, inconvenience, and discomfort
  – Lack or inconvenience of other surface transportation options

• We must provide an economically viable solution to be seriously considered.
  – Not just benefits vs. costs
  – Cash flows, trickle-down effects, availability and reliability, expected returns on investment
  – Business and implementation plans

• We must supply a technologically feasible solution to have any chance at application.
Focus Points: The Transportation Problem

• What problem are we trying to address?
  – Fuel prices are going up
  – The volatility of fuel prices is increasing
  – No sign of a reversal of trends
  – Personal travel = higher cost!

Focus Points: The Transportation Problem

• What problem are we trying to address?
  – Air travel is frequently inconvenient
  – Air travel is frequently uncomfortable
    • Small seating space
    • Crowded aircraft
  – Air travel is expensive
    • Fuel surcharges
    • Bag fees
    • Security fees
  – Security can be a hassle at best and invasive at worst
Focus Points: The Transportation Problem

• **What problems are we trying to address?**
  – Airports are becoming congested
  – Expanding airports is difficult
  – “Regional flights” make up a significant fraction of total airport arrivals and departures
    • As of last year, 20% of O’Hare departures were regional flights for (only) American and United
    • American had 6 flights a day from O’Hare to Milwaukee
  – Airlines usually lose money on regional flights

Two for one solution: eliminate money-losers *and* gain airport capacity at the same time!
Focus Points: The Transportation Problem

- What problem are we trying to address?
  - Open access to new markets from Midwest
    - Growth occurring in new areas
    - How do we adapt to change?
  - Perception problem
Focus Points: The Business Plan

• Need a system that will work from a business standpoint
  – Ideally self-supporting
  – Adequate cash flow available
    • \textit{NOT} benefits to “whomever they may accrue”
    • Enough to pay for operations and (hopefully) debt retirement

– Public financing vs. public funding
  • Financing: government gets repaid (e.g., bonds)
  • Funding: government pays without expectation of repayment (e.g., subsidies)
Focus Points: The Business Plan

• Need a system that will work from a business standpoint
  – Routes, schedules, fare structure, operating frequency
  – Operator?
  – Equipment purchase and replacement schedule
  – Estimate of direct costs
  – Phased implementation
    • Probably cannot do whole system at once
    • Which routes and services should come first?
Focus Points: Technology

- **System must be technologically feasible**
  - **Conservative vs. progressive approach**
    - **Conservative: use existing technology only**
      - Low risk of technological failure
      - Usually lower initial cost
      - Risk of quick obsolescence and higher future costs
    - **Progressive: choose advanced technology that might not be completely “bug free” yet**
      - Less risk of future obsolescence (maybe)
      - More risk of technological failure
      - Can be far more expensive initially
  - “Turn-key” vs. modular approach
Focus Points: Technology

- **System must be technologically feasible**
  - Engineering must be practical
    - Route profiles
    - Right-of-way requirements
    - Station locations and amenities
    - Minimize large, expensive structures (e.g., Ohio River bridges)
  - Cost control and close inspections are essential
Focus Points for High-Speed Rail

• The *transportation problem* and *technical feasibility* work towards a *compelling vision* for the system.

• The *economic viability* helps provide a *sound business plan* for development.

• All of these will allow for the cultivation of *champions* to shepherd any plans through government.

We’re not quite there…yet…
What do we (Indiana) need?

- Compelling Vision
- Sound Business Plan
- Champion(s)

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Interrelated

Depend on vision and plan

NOT sequential!
Compelling Vision

- Something so obvious and necessary that support is virtually assured

- Combination of:
  - Transportation need
  - Technology
  - Organization
  - Economics
  - Opportunities
Is this a compelling vision?

VISION for HIGH-SPEED RAIL in AMERICA

KEY
- Identified High-speed Rail Corridor
- Northeast Corridor (NEC)
- Other Passenger Rail Routes

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Really?
YOU CAN TELL WHAT YOUR BOSS IS THINKING BY LEARNING TO READ THE SUBTLE, UNCONSCIOUS SIGNALS OF HIS/HER BODY.

THIS POSITION SAYS “I AM NOT OPEN TO YOUR SUGGESTION.”

THIS POSITION SAYS “I AM NOT LISTENING TO YOUR SUGGESTION.”

Oh when the saints go marching in... da da da da

BUILD A BETTER LIFE BY STEALING OFFICE SUPPLIES Dogbert’s Big Book of Business 55
Problems with the FRA-Proposed High-Speed Rail Network

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Our Vision

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Existing “Vision”

• **Issues in general**
  – Difficult to build in Chicago
  – Requires multi-state partnership and commitment to build, operate, fund, support
  – Lake Michigan

• **Issues in Indiana**
  – Chicago-centric
  – Indiana connections not particularly good
  – Nothing outside region
  – Nothing where national growth is
Existing Business Plan

• Request For Proposals (RFP) for developing a business plan for High-Speed Rail in Indiana

• Early stages of process
  – No proposals yet
  – Too early for selection
Champions

- One is okay
- More are better
- Bipartisan support even better (election-proof)
- Attitude and perceptions are critical!

A compelling vision and sound business plan will produce champions!

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Getting in Tune

• A well-tuned voice:
  – Sounds louder
  – Is more resonant
  – Takes less effort on the part of the performer

We need to be “in tune” with our message!
Getting in Tune

• What is “high-speed”, exactly?
  – Class 5 (90 mi/h)?
  – Class 6 (110 mi/h)?
  – Class 7 (125 mi/h)?
  – Class 8 (160 mi/h)?
  – Class 9 (200 mi/h)?
  – Beyond Class 9?
  – Multiple classes?

  Compelling enough?
  Realistically possible?

Who has to be “second class”? 
Getting in Tune

• Network configuration
  – Hub-spoke arrangement?
    • Do we need a “hub”?
    • Is Chicago the best place for it?
  – Net/grid/web configuration?
    • What pairs of cities does it connect?
    • How many lines?
    • Can we afford it?
  – Connecting to emerging markets and high-growth areas (e.g., the middle South)?
Getting in Tune

• Function
  – Basic transportation?
    • Coach only
    • No frills service
    • Inexpensive

Somewhere in between? Where?

– Premium service?
  • Amenities
  • Higher fares
  • Fewer riders
Getting in Tune

- **Service type**
  - Passenger only? Probably lower revenue
  - Passenger + mail? Realistic?
  - Passenger + high value LCL/LTL freight? Amtrak tried something like this…
  - Express (designated city pairs only)? Somewhere in between?
  - “All stops local”?
Getting in Tune

• **Access points/stations**
  – **Downtown?**
    • Often existing
    • May lack amenities
  – **Airports?**
    • New, or converted commuter/transit stations
    • Rail access may be poor
    • Location may be an issue
  – **Other?**
    • Transit hub?
    • Greenfield development?
Getting in Tune

- Technology
  - Steel wheel/Steel rail?
  - Maglev?
  - Monorail system?
  - Something else?
Getting in Tune

• Operations
  – Operator
  – Service frequency
  – Convenience
  – Schedules
  – Tickets
  – Boarding procedures
  – ADA compliance
  – Security

All of these considerations affect the business plan!
Getting in Tune

• Connectivity
  – High-speed rail must be part of a system!
  – Interface with:
    • Air travel
    • Highway travel
    • Transit systems
  – Deal with the “last mile problem”
    • The “backbone” is easy to provide
    • How do you collect/distribute trips from high-speed, high-volume mode to local area?
  – Who has to pay for improved connectivity?
A Cautionary Note

• Even with the best ideas, technology, operations structure, and so on, it’s still possible to end up with this:
Case in point…Amtrak’s SDP40F
Summary

• Focus Points
  – Solving a transportation problem
  – Solution must be economically viable
  – Solution must be technologically feasible

• For Indiana, we need:
  – A compelling vision for high-speed rail transportation
  – A sound business plan
  – Multiple, election-proof champions

• Maybe we can “re-envision” our plans to help our cause
Thank you!

Questions?

Vision

Champions

Business Plan