



QUESTIONS & ANSWERS

Using Information and Ideas to Transform Public Policy

UPDATED: Commuter Rail in New Hampshire

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This week, the Capitol Corridor Rail and Transit Study's final report was released. The study, which began in 2013, examined a number of transit options for the corridor, with most of the public and political attention focused on the possibility of extending commuter rail into the state. The final study looked at 7 transit options, three for commuter rail, three for bus and a 'no build' option. These options were reduced to 5 with the elimination of two of the bus proposals from further consideration. This piece details the commuter rail options presented in the report.

Q: What is the Capital Corridor Project?

A: It is a proposal to extend commuter rail service north from Lowell, MA to Concord, NH, with intermediate stops in Nashua, Manchester Boston-Regional Airport and downtown Manchester. The line would roughly follow the Merrimack River. Trains would run into North Station in Boston.

Q: What were the rail options looked at by the study?

A: There were three rail options that were explored:

Nashua Minimum: This would be an extension of the MBTA Lowell Commuter Rail line, with service identical to what is found elsewhere on the MBTA system. It would run from Boston north, with a single New Hampshire stop in South Nashua. The service plan would have 20 trains a day.

Manchester Commuter: This would be an extension of the MBTA Lowell Commuter Rail line, with service identical to what is found elsewhere on the MBTA system. It would run from Boston north, making stops in South Nashua, Downtown Nashua, Manchester Airport and Downtown Manchester. The service plan would have 34 trains a day to Nashua, with 16 trains a day continuing on to Manchester.

Intercity 8 (Concord): This would be an Amtrak style train service, similar to the Downeaster. It would run from Boston north, making stops in Downtown Nashua, Manchester Airport, Downtown Manchester, and Concord. As the name suggests, there would be 4 southbound and 4 northbound trains per day, for a total of 8 trains a day.

Q: How much would it cost to build?

A: Costs are highly dependent on the scope of the improvements, such as single or double tracking the line, how far the line would run and frequency of service. The study provided costs in 2014 dollars as well as 'Year of

Expenditure' dollars. Year of Expenditure dollars, which are estimates of the cost when building actually begins, are used below.ⁱ

Nashua Minimum: **\$148.6 million**
Manchester Commuter: **\$303.4 million**
Intercity 8 (Concord): **\$316.9 million**

Q: Will Massachusetts pay for the upgrades for the section of track from Lowell to the state line?

A: They could. New Hampshire did sign an agreement with Massachusetts in 2001, with New Hampshire taking responsibly for all capital improvements required for such a service, including those needed in Massachusetts.ⁱⁱ However, there are signs that the case may be different today. As part of a larger deal, the MBTA acquired the trackage rights from Pan Am Railroad to run commuter trains as far north as Concord.ⁱⁱⁱ

In addition, there is limited space for expansion at the Lowell station, and the lack of a layover yard on the line requires 6 trains a day to run without carrying revenue passengers so as to trains in the right place for rush hour. Expansion into New Hampshire could relieve pressure on the Lowell station, and find space for a layover yard. However, there is still the question where the MBTA can find the money for it.

Q: How much would it cost to run?

A: Operating expenses are the day to day costs, such as salaries for employees and fuel for the locomotives. A number of factors that go into projecting operating expenses, such as the number of trains in service and how many runs a day they are completing.^{iv}

Nashua Minimum: **\$4.1 million**
Manchester Commuter: **\$10.7 million**
Intercity 8 (Concord): **\$7.7 million**

Q: Would New Hampshire need to subsidize commuter rail?

A: Yes. Commuter rail service will require annual subsidies to maintain service. The study estimates that passenger fares will cover between 41% and 64% of operating and maintenance costs.

Nashua Minimum: **\$2.3 million**, with fares cover 44% of costs
Manchester Commuter: **\$3.9 million** with fares cover of costs 64%
Intercity 8 (Concord): **\$4.5 million** with fares cover of costs 41%

These percentages, called a 'Farebox Recovery Ratio' for the Nashua Minimum and Intercity 8 are reasonable. However, the 64% used by the study for the Manchester Commuter is out of line when compared to existing commuter rail lines.

Assuming a farebox recovery ratio of 64%, would make the Capitol Corridor route the best performing commuter rail line in the nation. For comparison, the Downeaster covers 55%, the MBTA Commuter Rail System as a whole covers 48%. The best performing in the country, MetroNorth, covers 62.4%.^v Given the experience of the MBTA and the Downeaster, a more reasonable ratio for the route would be in the 45%-50% range.

Subsidies required if Manchester Commuter farebox recovery ratio adjusted to:
45%: \$6.0 million per year
50%: \$5.4 million per year

Q: But isn't the Boston Express Bus Service subsidized too?

A: It is, but to a far lesser extent than rail would be. Like most public transportation, this service is subsidized by the Federal government, through CMAQ grants. The Everett Turnpike Route received a subsidy of \$119,000 in 2013, with fares covering 95% of costs. Each round trip rider on the route is subsidized to the tune of \$226.30 per year. Rail service on the other hand, would require subsidies of \$1,730.10 per rider, per year, more than 7.5 times higher than the bus.

Q: Where would New Hampshire get the money to pay for the train?

A: The study offers a rough layout for paying the capital costs, include Federal grants, which would cover roughly half the project. It assumes, as mentioned above, that Massachusetts will pay nearly \$96 million, for rolling stock, trackage rights, and improvements on the Massachusetts side of the border. That would leave New Hampshire with a balance of \$26 million in capital costs, or \$32 million in year of construction dollars.^{vi}

That money would likely come from bond proceeds, but after the explosion of state debt from 2007 to 2011 the state's borrowing capacity is limited. The last capital budget was roughly \$125 million, with a backlog of nearly \$400 million worth of other projects. Bonding for a rail would mean putting off other projects.

For the ongoing operating subsidies, the report offered a wide range of options, including an additional state wide property tax, increased car registration fees, or contributions from cities that have train stations, likely leading to increased property taxes. It also suggested using money from the federal highway program. However, using those dollars would mean other construction projects already in the 10 year highway plan, would go unfunded.^{vii}

Q: Could the state use money from the Gas Tax to pay for both construction and the subsidy?

A: No, Part II, Article 6-a of the NH Constitution^{viii} forbids the use of Highway Fund dollars on anything other than highways. In a particularly relevant case, the New Hampshire Supreme Court ruled unanimously in a suit brought by the New Hampshire Motor Transport Association (NHMTA v NHDOT 2004) that the state could not use highway funds to build a commuter rail extension into Nashua.^{ix}

Q: How does the *Downeaster*, which runs from Brunswick ME, through the NH Seacoast into Boston, address these costs?

A: The capital costs of constructing the rail line were financed by the federal government, with the balance made up by a bond issue, backed by the State of Maine. Those bonds were repaid with general fund tax dollars. Funding for the extension of service to Brunswick was paid for entirely by federal Stimulus money.

Federal CMAQ money is used to cover some of the operating losses. Under normal circumstances, CMAQ money is only allowed for the first several years of service, however, through special Congressional approval, Maine is allowed to use funds long after they would have otherwise been phased out. The remainder of the operating loss is covered by a state tax on rental cars. The *Downeaster* covers roughly 55% of its operating costs through fares.^x

Q: Won't bringing rail to New Hampshire 'pay for itself' by creating jobs and expanding the tax base?

A: Unfortunately no. The Federal Transit Administration^{xi} did an exhaustive study on rail stations' impact and found that they rarely create new growth. Instead stations typically just redistribute growth that would have taken place elsewhere. Likewise the Brookings Institution^{xii} found little evidence that transit impacts urban structures. They found that the only way to make transit have an impact, would be to make using private vehicles prohibitively expensive.

In layman's terms, a train station plays no role in whether or not an entrepreneur opens a business, but it does play a role *where* it opens. For example, rather than opening up in Londonderry, a business might opt to open up on Elm Street in Manchester.

ⁱ Appendix 3: Financial Plan, Page 6: <http://www.nh.gov/dot/org/aerorailtransit/railandtransit/documents/fr-app-3-financial.pdf>

ⁱⁱ “Joint Statement of Principles Concerning Proposed New Hampshire Capital Corridor Service” (2001)

ⁱⁱⁱ http://www.mbta.com/about_the_mbta/news_events/?id=21232

^{iv} Appendix 7: Technical Report, Appendix E, Pg 2: <http://www.nh.gov/dot/org/aerorailtransit/railandtransit/documents/fr-app-7-detailed-eval.pdf>

^v Data Table 26, National Transit Database (2013)

^{vi} <http://www.unionleader.com/article/20130108/NEWS06/130109259>

^{vii} Appendix 3: Financial Plan, Pages 7-13: <http://www.nh.gov/dot/org/aerorailtransit/railandtransit/documents/fr-app-3-financial.pdf>

^{viii} <http://www.nh.gov/constitution/formofgov.html>

^{ix} <http://www.courts.state.nh.us/supreme/opinions/2004/motor050.htm>

^x Data Table 26, National Transit Database (2013).

^{xi} Cervero and Seskin, “An Evaluation of the Relationships Between Transit and Urban Form” Pg 3.

^{xii} Urban and Regional Policy and Its Effects, Vol. 3, Pg 248.