

The Economic Impact of Amtrak's Southwest Chief Rail Service on the Colorado Economy.

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Revision: This summary is based on revised out-of-state ridership information provided by Amtrak on February 7, 2014. The revision affects the economic impacts for the current Southwest Chief service and for the proposed expansion of Amtrak service to Pueblo. The impacts reported below for Evraz Pueblo and for possible federal funding of repairs are not affected by the revised ridership data.

Summary: Amtrak's Southwest Chief serves approximately 13,000 riders in Colorado annually. About 24 percent of these passengers are from out-of-state. Approximately \$200 million in repair costs are needed to maintain passenger train operations through western Kansas, southeastern Colorado, and northern New Mexico. Colorado's share of these costs is expected to be approximately \$4 million annually for 10 years. This study examines some of the economic impacts and implications associated with maintaining and expanding Southwest Chief service in Colorado.

Economic Impact of Current Southwest Chief Service: According to information provided by Amtrak, the stations in Lamar, La Junta, and Trinidad served approximately 3,200 out-of-state tourists during fiscal year 2013. The spending of these visitors generated an additional \$2.9 million in economic activity, approximately 30 jobs, and about \$175,000 in state and local tax revenue. The annual impact is experienced every year of the existing Southwest Chief service in Colorado. Colorado's share of rail repairs over 10 years is expected to be approximately \$40 million. The economic impact of out-of-state visitors over a 10-year period is about \$29 million. Benefits, measured in terms of the economic impact of current service, will equal expected repair costs in approximately 14 years.

Benefits and Costs of Extending Amtrak Service to Pueblo: The authors estimate that a new stop in Pueblo would attract approximately 15,700 riders annually. Approximately 3,800 of these passengers would start their trips in other states. The economic impact of these passengers would generate an additional \$3.4 million in economic activity, over 30 jobs, and about \$205,000 in state and local tax revenue. The cost of extending Amtrak service to Pueblo involves upgrades to the existing BNSF freight line that travels between La Junta, Pueblo, and Trinidad (see Figure 1 below). Our estimate of this cost is \$26.2 million and is based on shifting the funds needed to repair the existing Southwest Chief line between La Junta and Trinidad to upgrade the existing BNSF freight line. The cost of expanding Amtrak service to Pueblo may include the construction of a new station (about \$4.5 million), or renovation to the existing Pueblo Union Depot. At this time it is unknown what these renovation costs will be. Our preliminary estimate is approximately \$400,000. Therefore, the total costs of expanding rail service may range between \$26.6 million and \$30.7 million (\$26.2 million + renovation costs to the Pueblo Union Depot, or the cost of a new station). Repair costs are expected to extend over 10 years. The economic impact of rail service to Pueblo is expected to be approximately \$34 million over ten years. Depending on the cost measure used, the excess of benefits over costs ranges between \$3.3 million and \$7.4 million over ten years.

The cost/benefit analysis implies that the financial health of the Southwest Chief in Colorado depends on access to high-density markets. While current rail service brings visitors to the state, it does not provide easy access to other tourism destinations in Colorado. Expanding Amtrak service to Pueblo complements CDOT's planned state-wide transit service and offers greater access to tourism destinations state-wide and to high-density populations along the Front Range. The growth potential offered by a new stop in Pueblo may be associated with increased ridership at all stops along the southeast Colorado portion of the line. This potential warrants further examination.

Additional Economic Impact Results: Rail Produced by Evraz Pueblo and Federal Funding of Repairs: Information provided by Amtrak indicates that approximately 100 miles of rail on the Southwest Chief line in Kansas will be replaced. The economic impact of this rail replacement on the Colorado economy depends on how much of the rail is produced at the Evraz steel mill in Pueblo. It is important to note that the estimated \$200 million in repair costs is based on the use of relay, or used rail. If this plan is followed, there will not be any benefit to the Colorado economy. We present two economic impact scenarios based on the assumption that new rail will ultimately be used in Kansas. The first scenario is based on Evraz Pueblo supplying the *entire* rail for repairs in Kansas. Under this scenario, the use of rail produced in Colorado would generate an additional \$33 million in economic activity, over 100 jobs, and about \$830,000 in state and local tax revenue. The second scenario is based on the assumption that Evraz Pueblo completes a portion of this work commensurate with the company's current market share in the U. S. (approximately 40 percent). Under this scenario, the overall economic impact would be approximately \$13.2 million, 40 jobs, and about \$335,000 in additional state and local tax revenue.

We estimate that the total cost of maintaining current Southwest Chief service in Colorado and extending passenger rail service to Pueblo is approximately \$74 million. This figure includes the cost of a new station in Pueblo. If these expenses are paid by the federal government this new spending in Colorado would generate an additional \$145 million in economic activity, over 1000 jobs, and about \$4.5 million in state and local tax revenue.

Need for Additional Research

This study is based on the most accurate information available at this time. The results of this report can be improved with information provided by a revenue and ridership study by Amtrak. This type of analysis would provide a more accurate estimate of ridership to a new station in Pueblo and the cost of rail upgrades. An Amtrak study requires several months to complete and a formal request by a state agency.

The study focuses on the state-level economic impacts described above and does not include all of the economic impacts and benefits associated with the Southwest Chief. For example, the benefits of increased mobility to Colorado citizens are not examined, nor are county-level economic impacts reported. The effect of current and expected Amtrak employees working on the Southwest Chief is not included. Amtrak maintains a train crew stationed in La Junta and a new station in Pueblo is expected to add about three more employees.

Figure 1. Maps of Existing Southwest Chief Service and to a New Amtrak Station in Pueblo.

