



Can Lemon-Scented Stations and Billions of Dollars Get Americans Into Trains?

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When Patrick Goddard managed boutique hotels in Miami, Mexico, and the Virgin Islands, no detail was too miniscule for him to fuss over. “Like I don’t want to crawl under the bed to find an outlet to plug in my phone,” he says.

He’s still obsessing over the fine points of comfort; now it’s on rails. Goddard, 43, is president of Brightline, an intercity passenger rail startup backed by Fortress Investment Group LLC, a private equity firm in New York. It’s the first new private company to move paying customers between American cities by rail in almost a century. It’s also far from profitable, behind on ridership projections and recovering from a canceled initial public offering.

Passenger rail hasn’t been easy for a long time in America. The private kind all but vanished in the 1970s when the nation’s corporate railroads talked the U.S. Congress into creating Amtrak. That enabled rail owners to ditch their sickly nonfreight routes at a time when riders were choosing cars and planes over trains. Amtrak, which isn’t known for pampering anyone, has for almost 50 years been the only option for Americans journeying far from home by rail.

That is until 2018, when Brightline began running trains between Miami and West Palm Beach, Fla. The seats are wide and made of leather. Blue-jacketed attendants greet passengers. Drinks are free in first class. The company plans to extend the line to Orlando by 2022 and possibly on to Tampa.

The Fall and Rise of Train Travel in America

It’s also developing a route from a station on the border of Apple Valley and Victorville, Calif., in San Bernardino County to Las Vegas. “My first reaction when I went out there was, like,

Where the hell is Victorville?” Goddard says. He has close-cropped brown hair, broad-shoulders, and a penchant for leaning toward his listener. This is one of those moments.

It turns out, Goddard says, no matter where you start from most parts of California, you have to pass through Victorville to reach the gambling capital. So Brightline plans to create an enormous park and ride there for Vegas-bound travelers who would prefer a 90-minute train trip over stewing in traffic for several hours on Interstate 15. Brightline’s Vegas-bound route will zoom down the highway’s median strip. “You’ll be in your car doing 50 miles an hour, and we’re going to blow past you at 150 to 180 miles an hour,” Goddard says.

There’s something else that the Victorville-to-Vegas line and the three-city route through Florida share: Both were for sale. Fortress acquired the rights to move passengers to Las Vegas last year after paying \$120 million for a company whose plans to build a high-speed route with a Chinese firm imploded. Brightline’s Florida trains likewise run almost entirely on freight tracks that Fortress bought in 2007 for \$3.5 billion. The private equity firm is now sniffing about for similar deals that would enable it to stitch together cities that fit a simple criteria: too long to drive, too short to fly. Atlanta to Charlotte, Los Angeles to San Diego, Portland to Vancouver, and Dallas to Houston are among those it’s mentioned.

For Goddard, Brightline’s plan to reinvent passenger rail in the U.S. couldn’t be more intuitive. Growing up in Ireland, he biked to elementary school, rode buses to high school and college, and took trains everywhere else. He didn’t get a car until he moved to the U.S., at which point he found himself stuck in traffic. “I could never get my head around that,” he says, munching on a tuna wrap in the company’s lemon-scented Miami station.

Brightline may have chosen the right time to commence with ticket sales, just as the traveling public has started to worry about the toll of cars and planes on the climate. In June, when Brightline announced that it had reached the 1 million passenger milestone in Florida, the startup made sure to convey the benefits in climate terms: 400,000 fewer car trips and the elimination 15 million pounds of CO2 emissions. In anticipation of last week’s Super Bowl in Miami, Brightline said its trains would be carbon neutral in February, thanks to renewable energy credits that would offset emissions. Goddard hopes that “flight shaming,” currently in vogue in European countries such as Sweden and Germany, will drive even more passengers to Brightline’s trains.

Amtrak Chief Executive Officer Richard Anderson, the former head of Delta Air Lines Inc., has similar hopes of getting people out of cars and planes by breaking up some of its money-losing long-distance lines into shorter intercity routes. Unlike Goddard, however, the Amtrak boss has his hands tied by U.S. senators who don’t want to abandon unprofitable service in thinly populated states. “That sucks for him,” Goddard says. “We have people who say, ‘You have to put a station here,’ and we’re like, ‘You can shake your fist and pound the table as much as you want, but unless you’re going to pay for it, we don’t have to do anything you tell us.’”

Having the freedom to do it your own way is expensive. Randall O’Toole, a senior fellow at the Cato Institute and a longtime advocate of Amtrak privatization, worries about Brightline’s prospects. “They’re spending a billion dollars or so building track to Orlando, and they say that

after they get the track built, then they'll start making money," says O'Toole. "I want to see that happen, but I'm skeptical."

Still, Brightline has achieved something meaningful simply by getting as far as it has. There is increasing demand from environmentalists for a revitalization of the country's long-distance rail system, most notably from Representative Alexandria Ocasio-Cortez (D-N.Y.) and Democratic presidential hopefuls backing a [Green New Deal](#). Part of that ambitious plan calls for a massive investment in trains, such as Vermont Senator Bernie Sanders' campaign proposal to spend \$607 billion on high-speed rail. Even Joe Biden, who's expressed reservations about aspects of a Green New Deal, calls for "a second great railroad revolution" as part of his plan to reduce greenhouse gas emissions.

So far, though, the federal government's record with new rail projects isn't promising. The Obama administration failed to introduce a nationwide high-speed rail program. In California, where citizens seem more willing to back big government projects, an effort to build a high-speed line is being scaled back because of costs.

Brightline isn't exactly what the Green New Dealers have in mind. It's controlled by private equity, for starters, and its trains aren't that fleet. The top speed between Miami and West Palm Beach is 79 mph, little more than half that of Amtrak's Acela, though Brightline says the line to Orlando, like the one to Las Vegas, will be faster. Nor are Brightline's biodiesel-fueled trains the greenest. In Texas there's a private company working on a [high-speed route between Houston and Dallas](#) that will run entirely on electricity, like those in Europe, Japan, and China—and Amtrak throughout much of the Northeast, accounting for nearly half of its trains.

Unlike these other ambitious new U.S. rail projects, Brightline has been carrying passengers for more than two years. This arguably makes it the national leader in terms of climate-friendly travel innovation. "They are the benchmark," says Nicholas Little, director of railway education at Michigan State University's Broad College of Business. "They're the ones to beat."

Brightline's Select Lounge offers complimentary beverages and snacks to passengers who've purchased tickets in the Select section of the train.

You don't have to spend much time with people at Brightline before they invoke the name of Henry Flagler, the company's 19th century progenitor. A partner of John D. Rockefeller in Standard Oil, Flagler first visited Florida in 1878 with his ailing wife who sought respite from the harsh winter in New York. He was so smitten with the state that he relinquished his day-to-day duties and set about reshaping it. He built fancy hotels like the Ponce de Leon in St. Augustine, the Breakers in Palm Beach, and Royal Palm in Miami, transforming places that had been backwaters into destinations. He also made it easier to reach his hotels by creating the Florida East Coast Railway, extending from Jacksonville to Key West.

Flagler died in 1913, but his railroad lived on. His company abandoned its passenger service in the 1970s with the rise of Amtrak but continued its successful freight business. And so it might have remained if Flagler's railroad hadn't attracted the attention in 2007 of Wes Edens, Fortress's co-founder. Edens has sandy hair, dresses casually, and employs the lofty, compound

sentences of someone who's accustomed to commanding attention. He has a putting green on the terrace outside his upper-floor Manhattan office.

When Fortress began looking at Flagler's railroad, Edens says, the private equity firm was buying up freight lines serving as capillaries between the larger arteries crisscrossing the U.S. He saw Flagler's line as one of these valuable smaller routes, so he added it to the collection.

Edens, who also co-owns the Milwaukee Bucks, read a biography of Flagler and was impressed by the tycoon's approach to railroading. Flagler understood that his tracks enhanced the value of the surrounding land, which he often acquired and developed along with his hotels. "The private sector probably will be a little bit more fluid in terms of looking at all the opportunities: freight, passenger, real estate," Edens says. "Those three things together are a very powerful combination." (Fortress was taken private by Japan's SoftBank Group Corp. at the end of 2017.)

Unlike some of the other lines that Fortress owned, Edens was convinced passenger service would work on Flagler's rails because they ran between West Palm Beach, Fort Lauderdale, and Miami—a route that made it a candidate for too-long-to-drive, too-short-to-fly travelers. Amtrak serves these cities, but its trains are infrequent and often delayed because they run on tracks owned by CSX, a freight railroad. "There are not many industries where you have to worry if the government is your primary competitor," Edens says.

Edens knew Fortress wouldn't have freight problems, because it controlled Brightline's tracks. In 2017 the private equity firm sold the Florida East Coast Railway to Grupo Mexico for \$3 billion, negotiating a perpetual easement to run passenger trains. The two companies also created a jointly owned dispatch that oversees the flow of traffic. That way, Brightline doesn't have to worry about Grupo Mexico delaying its trains.

A Fortress-backed development firm began building stations and adjacent office and apartment buildings in anticipation of the new passenger service. It obtained a right of way from the state of Florida to build tracks connecting the freight line to Orlando. And it recruited rail industry veterans—many from New Jersey Transit, which was thinning its ranks in a cost-cutting effort under then-Governor Chris Christie.

To run Brightline, however, Edens wanted a hotel industry veteran. People might take the train once for the novelty. He needs to keep them coming back. "That has everything to do with hospitality," he says.

It's early on a sweltering afternoon. We've toured the company's Miami station and discussed Fortress's nearby real estate. Now we're headed north in first class on a Brightline train. There aren't many people on board. Goddard says that's not unusual for this time of day.

He points out that each leather-covered seat has its own power outlet and encourages me to visit the bathroom. "You know, the Acela, you generally need a gas mask to use the bathroom," Goddard says. "But here we actually do maintain a very high level of cleanliness and hygiene. It really isn't that hard. You just need people who give a shit." (An Amtrak spokeswoman says every Acela has its bathroom cleaned mid-route, part of a focus on cleanliness.)

Then there's the drink cart the attendant is wheeling our way with complimentary wine and Champagne. Goddard asks instead for some sparkling water and M&Ms.

In Fort Lauderdale, we tour the station, which is about a third of the size of Miami's, with the same citrusy aroma. "We own about three acres of land over here," Goddard says, gesturing toward one side of the tracks. "Then on this side we have another four acres, where we'll be building an office building or a mixed-used development."

Back in the first-class car, a passenger named Steven Chaykowsky overhears us talking about the trains and joins the conversation. He pronounces his name like the 19th century Russian composer and says he's usually in a suit, but today he's wearing traveling attire: a candy-striped shirt, blue pajamalike pants, and black sneakers. Chaykowsky, 55, describes himself a semiretired Wall Street executive, and apparently he's a successful one. He has homes in Princeton, N.J., New York, and Palm Beach. Now when he flies into Miami or Fort Lauderdale, he takes the train to West Palm Beach, leaving him just a short Uber trip from his residence.

It's an hour by train from Brightline's West Palm Beach station to Miami, and it costs about \$20 for a regular ticket or \$35 for seats like the ones we're lounging in. For Chaykowsky, driving would be more expensive and aggravating. "It's like, OK, you drive your car to Miami, gas, wear and tear, traffic, headaches," he says. "As soon as you park, you're \$70 in the hole."

"Right," says Goddard. "You get home, and you want to kick your dog."

"I want to kick everything," Chaykowsky says.

"Meanwhile," Goddard notes, "you're having a cocktail, some food."

"Exactly," Chaykowsky says, nodding.

On the station platform in West Palm Beach, Goddard introduces me to Joe Meade, Brightline's safety director. Meade spent 40 years at New Jersey Transit and did a stint at the Federal Railway Administration. None of it prepared him for his first meeting in Florida. "It was on what scent we were going to have in the station," he says. "I'm like, 'Wow, we had a scent in Jersey, but it wasn't a good one. I can tell you that.'"

It starts to rain. Goddard and I hail an Uber and still get soaked running into the maintenance operation about five minutes away. Inside, Goddard introduces me to more New Jersey transplants on whom he relied on to get the railroad up and running.

One of their early suggestions was to include a device on cars with a metal plate that would bridge the gap between the train and the platform. The public-transit contingent had seen briefcases and even small children disappear into the gap at Pennsylvania Station in New York. Even so, Tim Leiner, now assistant chief mechanical officer for Brightline, says his bosses back then were loath to do anything about it. "We actually had companies come in with a prototype," he recalls. "It was right away: 'We'll never be able to do. Too many stops.'"

Goddard, on the other hand, embraced the idea. “You can basically roll onto our trains with a wheelchair or a stroller or a suitcase,” he says. “These guys came up with lots of things like that.”

Leiner leads us back to the room where Brightline stores its biodiesel fuel. The U.S. government considers biodiesel to be carbon neutral because it’s plant based, even though it emits some pollutants. It also burns more cleanly than the regular diesel Amtrak uses outside of the Northeast. “That’s the bad diesel,” Goddard says. “We’ve got the good diesel.”

The train is more crowded on the way back to Miami. It’s just after 4 p.m., and traffic is surely backing up on I-95. Goddard has been talking about Brightline off and on for more four hours when he turns to the new tracks being built to Orlando. He says customers headed for cruises will be able to check their luggage in Orlando, knowing it will be delivered directly to their ships docked in Miami. A similar service is planned in Victorville, allowing Vegas-bound customers to skip the check-in process at their hotels, which can take forever on a Friday night.

Then, of course, there are the real estate possibilities in Las Vegas. “The opportunity there is to do a large, mixed-use, transit-oriented development,” Goddard says. Therein lies an issue for potential investors in Brightline.

Fortress investors seem poised to make a bundle on its Florida real estate, leading some observers to wonder if the private equity firm is just using its rail operation to increase the value of its property deals. Last year, for instance, the Fortress-sponsored development company sold the ground-floor retail space at Miami Central Station and two nearby office building for \$159 million.

But when Fortress tried to take Brightline public, it revealed that the railroad losing vast sums was a standalone business, which doesn’t seem likely to change anytime soon. In the prospectus for last year’s aborted IPO, Brightline predicted it would have 2 million riders in 2019 and fare revenue close to \$100 million that year. It finished the year with a little more than 1 million passengers and just \$17 million in fare revenue.

There have also been safety concerns raised by Brightline’s opponents in areas north of West Palm Beach, through which its trains will eventually pass. An analysis of Federal Railroad Administration data published by the Associated Press found Brightline had more deaths per mile than any other U.S. railroad. Most of the 41 fatalities were suicides, according to the report, and the railroad itself wasn’t at fault. That hasn’t stopped critics from calling Brightline “the death train.”

Goddard concedes that the IPO was badly timed, but he says it didn’t matter because Brightline was subsequently able to issue \$1.7 billion in tax-exempt bonds to cover its costs in Florida. A Brightline spokesman says California allowed it to sell \$1.2 billion in tax advantaged bonds last year to finance the in-state portion of the Victorville-to Las Vegas line. He added that Brightline expects to be able to do the same this year. It’s also awaiting a decision by the state of Nevada on whether to allow it to float an additional \$800 million in bonds to fund the rest. In other words,

the company should soon have most of the money it needs to complete the two projects, which together will cost nearly \$9 billion.

Edens insists riders will come when the two projects are completed: “Once you can get on a train at Victorville and end up in Las Vegas, people will say, ‘This is crazy. Why have we been driving across the desert this whole time?’” Brightline investors, Edens adds, will share the profits from Fortress’s transit-related property deals in Las Vegas and elsewhere.

As for the safety complaints, Edens says Brightline’s detractors need to acknowledge that the railroad is also preventing harm by getting people off the highway. “If you’re moving 3 million passengers, which is roughly the number we expect to do between Orlando and Miami, you’ll save hundreds and hundreds of people’s lives,” he says.

The people at Brightline are betting that once it’s operating in more than one state, a longer-term plan to expand across the country will seem more feasible. Anthony Perl, professor of urban studies at Simon Fraser University in Vancouver and a former board member of Canada’s VIA Rail, rode its trains and came away feeling optimistic. “You need about two or three of these lines,” he says. “That could be the tipping point when people say, ‘Well, it’s working in Florida. It’s working in Las Vegas. Why can’t we have it here?’”

A rebranding plan may help, too. Edens reached a deal in 2018 with Virgin Group Ltd.’s Richard Branson to rename the railroad Virgin Trains USA. Edens says the Virgin association, which goes into effect later this year, should make it more enticing to international travelers.

As for Goddard, he has his eye on the U.S.’s most popular too-long-to-drive, too-short-to-fly corridor: Amtrak’s route via the Acela between Boston and Washington, D.C. He’s convinced he could double the profits. In fact, he’d like to discuss that with Amtrak’s Anderson. “We love that business,” he says. “We’d like to own it.”