

104
OVERSIGHT HEARING ON AMTRAK

Y 4. C 73/7: S. HRG. 104-294

Oversight Hearing on Antrak, S.Hrg....

HEARING

OF THE

**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION**

UNITED STATES SENATE

ONE HUNDRED FOURTH CONGRESS

FIRST SESSION

JANUARY 26, 1995

Printed for the use of the Committee on Commerce, Science, and Transportation



DEPOSITORY

1995

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OVERSIGHT HEARING ON AMTRAK

THURSDAY, JANUARY 26, 1995

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The committee met, pursuant to notice, at 2:02 p.m. in room SR-253, Russell Senate Office Building, Hon. Larry Pressler, chairman of the committee, presiding.

Staff members assigned to this hearing: Ann Begeman, professional staff member, and Gerri L. Hall, professional staff member; and Clyde Hart, minority senior counsel.

OPENING STATEMENT OF SENATOR PRESSLER

The CHAIRMAN. I will call this full committee oversight hearing on the National Rail Passenger Corporation, better known as Amtrak, to order.

During every Congress since 1970, when the Rail Passenger Service Act was enacted, this committee has held at least one hearing on the subject of Amtrak. Throughout all those years of congressional hearings, spanning 25 years, there has been one predominant question: How can Amtrak become self-sufficient?

That question remains as the focus of our hearing today.

Amtrak was created by Congress in order to free the rail freight industry from the economic burden of providing rail passenger services. It was to receive a one-time authorization of \$40 million, and then become self-sufficient. Thus was the continuation of intercity rail passenger service to be assured.

Yet here we are 25 years later, and the goal of creating an independent rail passenger service has not been achieved. We are not even close. We must ask why.

We also must ask how it is that since Amtrak's creation, a \$40 million, one-time subsidy has grown to more than \$15 billion. This is a huge sum contributed by all taxpayers. Yet less than 1 percent of the traveling public uses Amtrak's services.

So I think it is very appropriate that we are here today. I shall place the rest of my statement into the record, because I want to hear the witnesses and my colleagues.

[The prepared statement of The Chairman follows:]

PREPARED STATEMENT OF SENATOR PRESSLER

I am very pleased to call to order this full Committee oversight hearing on the National Rail Passenger Corporation, better known as Amtrak.

During every Congress since 1970—when the Rail Passenger Service Act was enacted—this Committee has held at least one hearing on the subject of Amtrak. Throughout all of those years of Congressional hearings—spanning twenty-five

years—there has been one predominant question: How can Amtrak become self sufficient? That question remains as the focus of our hearing today.

Amtrak was created by Congress in order to free the rail freight industry from the economic burden of providing rail passenger services. It was to receive a one-time authorization of \$40 million, and then become self-sufficient. Thus was the continuation of intercity rail passenger service to be assured. Yet here we are, twenty-five years later, and the goal of creating an independent rail passenger system has not been achieved. We are not even close. We must ask: Why?

We also must ask how it is that since Amtrak's creation, a \$40 million, one-time, subsidy has grown to more than \$15 billion! This is a huge sum contributed by all taxpayers. Yet, less than one percent of the traveling public uses Amtrak's services. Does this sound like an efficient use of federal dollars? No. Especially from the perspective of taxpayers in places like my home state of South Dakota who have no access to Amtrak services.

We find ourselves today at Amtrak's most fateful crossroads. Amtrak's financial condition continues to deteriorate. It is facing an estimated deficit of \$200 million by June 1995. In fact, we will hear testimony today that by the year 2000, the cumulative total deficit could reach \$1.3 billion.

Due to the dire financial crisis looming over Amtrak, last month its Board announced a "strategic and business plan" intended to deal with its economic dilemma. Under the plan, on February 1, 1995 Amtrak will begin to reduce frequency of service over most lines on its system. On April 1st, three lines are scheduled for elimination, and four are to be partially eliminated. The net result would be the elimination of 7.2 million train miles of service annually—a 21 percent reduction in the service Amtrak now provides.

The expected employment impact of these changes means the elimination of approximately 900 non-union jobs (36 percent of the non-union work force) and 4,600 union jobs (24 percent of the union work force). These actions bring serious consequences. They would affect America's entire rail passenger system. Many communities will be affected immediately by these reductions in service—except of course for the very few states of South Dakota, Oklahoma, and Maine that receive no Amtrak service. Therefore, the members of this Committee want a careful review of Amtrak's restructuring plan before it is implemented.

Congress also must—in the very near-term—consider the future of rail passenger service in America. In that effort, many difficult issues must be addressed:

--What type of rail passenger system is the American public willing to support?

--Would our taxpayers' dollars subsidizing rail passenger service—almost \$2 billion in just fiscal years 1994 and 1995 alone—be better utilized elsewhere?

--Is privatization of Amtrak a realistic alternative?

--What should the future be for such federal statutes as the Federal Employer's Liability Act (FELA), Railroad Retirement benefits, Railroad Unemployment Insurance Act, federal procurement policies and labor protection guarantees that currently limit Amtrak's flexibility in dealing with its problems?

There are no easy solutions. However, we simply cannot afford to continue operating under the status quo. Indeed, I view the future of Amtrak as only one portion of a much larger debate over necessary transportation investment in this country. We must explore the real subsidy structures of all modes of transportation, both passenger and freight.

For example, billions of dollars have been invested in Amtrak over the years. Now high speed rail initiatives are receiving increased focus. Yet, historically little has been invested in rail freight service in rural areas. The demand for the capital investment necessary to maintain our secondary rail lines far outpaces supply.

Despite the interest of myself and others such as Senator Lott and Senator Exon in Local Rail Freight Assistance, such freight needs remain largely unaddressed. In fact, the federal commitment to maintaining necessary rail lifelines has diminished almost to the point of nonexistence. Therefore, if Congress concludes continued investment in rail passenger transportation is warranted, I plan to ensure our rural freight infrastructure needs are included in that debate.

In addition, I strongly believe our national transportation needs can best be assessed through an inter-modal perspective. That is, how can rail passenger service most effectively be linked with other forms of transportation such as commuter air service to achieve an efficient transportation network accessible by all Americans?

Today's hearing is the beginning of a necessary review of our national rail passenger network. I am hopeful our efforts will ultimately result in an improved national rail system. I look forward to hearing from our witnesses.

The CHAIRMAN. And Senator Inouye is up to bat.

STATEMENT OF SENATOR INOUE

Senator INOUE. I thank you very much, Mr. Chairman.

I would like to commend you and Chairman Lott for scheduling this hearing. I think it is timely and very important.

Obviously, many of the problems are due to underfunding. I am impressed by the fact that over one-half of the funds that we provide for the Department of Transportation is being used for highways, about a quarter for aviation, and just 3 percent for rail transportation. And I think that should demonstrate to us why the railroads have problems.

Mr. Chairman, yesterday I had a most productive meeting with the chairman of the subcommittee, Senator Lott. And at that time, I requested the possibility of assigning the gentleman from Nebraska to serve as ranking on matters relating to surface transportation.

He has been our leader for the past many years on surface transportation. And I would like to assume the role of ranking member on Merchant Marine Subcommittee. The both of us will be on the same subcommittee. But since he is the expert on our side, I thought it would be only appropriate that the gentleman from Nebraska carry on.

I would like to assure you both that you can count on my cooperation, because the least we can do is to make certain that we have the most efficient and the safest rail transportation possible.

So I thank you, sir. And I want to thank Senator Lott for his consideration of our special request. I think it will work out well.

[The prepared statement of Senator Inouye follows:]

PREPARED STATEMENT OF SENATOR INOUE

Thank you Mr. Chairman. First, I want to thank The Chairman of the full committee, Senator Pressler, for his leadership in convening this hearing. I also want to commend you, Senator Lott, for your continuing interest in this subject.

Certainly, the provision of rail passenger transportation service for our Nation's citizens is an important issue, one that deserves serious consideration.

Amtrak's proposed service eliminations and reductions bring into sharp focus the job Amtrak was created to perform and our support for its mission. It would appear that by almost any standard Amtrak was undercapitalized from the day of its creation. It is not surprising then that it finds itself in financial difficulty, trying to perform its mission with inadequate resources.

Despite a lack of resources and despite the fact that Federal funds pay for only 20 percent of Amtrak's operating costs, Amtrak ridership has grown consistently over the years. Few other passenger railroads in the world are forced to do so much with so little and at this point I would like to commend Amtrak for its very real effort to do more with less.

In spite of Amtrak's recent initiatives there appears to be too little money available for it to operate the system and hence these proposed reductions.

I will be particularly interested in hearing today's witnesses thoughts on how to fund a nationwide rail system, one which will, as Amtrak does now, provide for our citizens in rural areas and smaller cities, as well as for the citizens in the largest population centers.

Two possible avenues come to mind. First, bringing U.S. Federal spending on Amtrak into line with other modes of transportation. I believe that rail transportation currently receives only 3 percent of department of transportation spending. In contrast, over half of U.S. Federal transportation spending goes to highways and one quarter to aviation.

Second, allowing the states to spend federal transportation money on whatever form of surface transportation they feel they need. As I understand it, the States are currently forbidden from spending such funds on intercity rail transportation.

I am sure the witnesses will have other ideas that may help alleviate Amtrak's crisis.

I look forward to working with you, Mr. Chairman, throughout this Congress to ensure that our Nation has the rail passenger transportation system it needs and deserves.

The CHAIRMAN. I believe we will hear from Senator Lott, who is the chairman of this subcommittee, and then Senator Exxon, his colleague.

Senator INOUE. I ask unanimous consent that my statement be made a part of the record.

The CHAIRMAN: Without objection, so ordered.

STATEMENT OF SENATOR LOTT

Senator LOTT. Thank you, Mr. Chairman. I would like to say to the subcommittee ranking member, the Senator from Hawaii, I certainly enjoyed our conversation. I am sure that system we discussed will work. I look forward to working with him on Merchant Marine matters and a number of others, and certainly with the distinguished Senator from Nebraska, on surface transportation.

I would like to ask, Mr. Chairman, for unanimous consent to insert in the record at the appropriate point, after our opening statements and the statement of our first panel of witnesses, that the statement of Gil Carmichael from Meridian, Mississippi, and former head of the Federal Railroad Administration, be inserted into the record.

The CHAIRMAN. Without objection, it is so ordered.

[The information referred to follows:]

ISSUES FOR AN INTERMODAL PASSENGER SYSTEM
AND AMTRAK'S ROLE IN IT

Prepared for

THE HONORABLE LARRY PRESSLER,
UNITED STATES SENATOR

and

THE HONORABLE TRENT LOTT,
UNITED STATES SENATOR

By Gilbert E. Carmichael

"What's needed is a bold new vision for Amtrak that goes beyond the old paradigm. I believe it is feasible for a group of individuals with knowledge of transportation, finance, entrepreneurship, and passenger marketing to outline that vision--and to do so within 90 days. We simply must have a new strategic concept for Amtrak with recommendations that can begin to be applied at the start of the new fiscal year.

I believe that one of this potential group's missions should be that of defining an intercity rail passenger system that can become self-sufficient over a five-year period."

ISSUES FOR AN INTERMODAL PASSENGER SYSTEM
AND AMTRAK'S ROLE IN IT

I. GENERAL OBSERVATIONS

What we can achieve.

The new public policy that was shaped by the November 8 election and is being polished and moved forward by the new Congress, has widespread and strategic implications for the United States transportation system.

Several features of the broad policy direction are well-suited to transportation operations and finance, for they have been applied successfully over many years: reliance on the marketplace, a deregulated environment, and less government intrusion.

Building upon what already exists and is now emerging, the United States can achieve a transportation system--freight and passenger--positioned to serve our people and our economy in the coming century. That system can have these characteristics:

- Emphasis on intermodal structure and operations.
- Economic efficiency.
- Continued application of technology.
- Safe for its customers and the general public.
- An improved cost structure for users, especially passengers.
- Able to operate as part of a global network of transportation and commerce.

The National Railroad Passenger Corporation--Amtrak--is an important part of that intermodal network.

An agenda for Amtrak.

During the 1980s Amtrak achieved considerable progress toward improving its revenue-cost ratio, without a major restructuring of its system, and allowing for modest service improvements in certain operations. By the early 1990s it became impossible to wring more favorable numbers out of that revenue-cost ratio. Some of the reasons were beyond its management's control; others reflected changes in the passenger marketplace that are not atypical to transportation providers--low-cost competitors in aviation, for example. Still others reflected a continuing shortfall of capital investment to preserve and build upon its route and service network.

In recent years a number of proposals for a second round of productivity gains and cost controls have been considered. I am aware of Amtrak management's current thinking, as well as proposals from rail passenger organizations and other interests.

The shortcoming of all of these proposals is that they represent incremental improvements within a fairly conventional paradigm of planning and policy-making.

The paradigm has changed. Moreover, a number of the proposals have been on the table for nearly a decade, yet support for them has not materialized. Others don't move far enough or fast enough to achieve the multi-million dollar productivity gains that the new paradigm requires. This is particularly true of labor-management relations, in which some reforms have occurred--but at a painfully slow pace.

Unfortunately, one reaction has been that of attempts at quick-fixes, as will be evidenced by testimony from States of the Southeast threatened by service cuts. That issue is but a symptom of a larger problem.

It has been suggested that before major changes are considered for Amtrak's structure...or individual routes...further studies should be made. I am aware of a considerable body of good research and analysis conducted over the past fifteen years on the subject of Amtrak, its potential, its problems, and its various services. Time is precious, and I worry that study delays will only further weaken the system.

What's needed is a bold new vision for Amtrak that goes beyond the old paradigm. I believe it is feasible for a group of individuals with knowledge of transportation, finance, entrepreneurship, and passenger marketing to outline that vision--and to do so within 90 days. We simply must have a new strategic concept for Amtrak with recommendations that can begin to be applied at the start of the new fiscal year.

I believe that one of this potential group's missions should be that of defining an intercity rail passenger system that can become self-sufficient over a five-year period.

Freight transportation is profitable.

Freight transportation has made impressive progress toward an intermodal system. Partnerships between ocean carriers, truckers, railroads, and package express services have revolutionized the movement of freight. The intermodal freight system has evolved to serve two goals: economic efficiency and service quality.

Additionally, freight intermodal's progress has been spurred by three other developments:

- (1) economic deregulation,
- (2) technological breakthroughs which made intermodalism possible, and
- (3) the demand of freight customers for a delivery system that is faster, cheaper and which recognizes the emergence of a global economy.

Freight carriers--especially the railroads--have entered a period of traffic growth and increased earnings. In the 14 years since deregulation under the Staggers Act, the major rail carriers have spent \$40 billion for new track, equipment and technology.

Passenger systems are struggling.

No parallel intermodal system exists in passenger transportation. Meanwhile, all passenger service providers are in financial trouble--aviation, Amtrak, intercity bus and transit. It has become clear that one reason for the passenger network's current ailments is the lack of an intermodal system.

Freight's intermodal system plays to the strengths of each mode. Lacking an intermodal system, passenger providers cling to outmoded networks in which individual carriers must preserve uneconomic services in order to retain overall market share or attract connecting ridership. Each mode feels compelled to support an expensive feeder system. Passenger providers often battle for ridership from positions of competitive weakness rather than marshalling their competitive strengths.

(For example, intercity bus, Amtrak and airlines all attempt to penetrate secondary markets to gain connecting passengers. Airlines can't afford it without over-pricing short-haul service. The buses can't take advantage of it because they are weak long-distance service providers, and Amtrak is caught in the middle because it lacks the

flexibility to do what the buses do locally, and Amtrak has trouble competing with airlines since it incurs infrastructure costs that air carriers escape.)

Meanwhile, passenger transportation lacks the customer-driven stimulus which prodded freight providers to do a better job. Passengers "take" what the modes offer. Freight customers demand--and get--services tailored to their needs.

The pervasiveness of highway subsidies works against an intermodal system and also makes it impossible for other surface passenger modes to prevail under pure marketplace conditions.

In 1991--the year in which Congress finally adopted intermodal policy and funding strategies as a national theme--Federal Highway Administration statistics show that \$44 billion in highway user fees were raised at all levels of government. But highways were funded by an additional \$20 billion from non-user sources. Bond issues generated another \$6 billion. Increasingly, states are allocating lottery proceeds to highway projects. The picture is further distorted by other hidden subsidies, and by policies which give priority to highway use.

Finally, in all but the largest urban regions most American travelers lack modal choices--or route choices. Even where smaller and medium-size cities have both rail and bus options, those options are limited by linear route systems which compel riders to go to a few specific destinations. Often, these are not common destinations, so competitive choice is lacking. Further, unless the traveler's destination is on one of these linear routes, extensive circuitry of routing is required to get passengers where they want to go. This is a special problem in the nation's rural regions.

II. STRATEGIES AND RECOMMENDATIONS

A. FEDERAL PASSENGER INTERMODAL POLICY

1. Federal policy should encourage the development of an Intermodal Passenger System by allowing greater flexibility in the use of the Intermodal Surface Transportation Trust Fund to make investments in that system.

2. Federal policy should recognize the appropriateness of using trust fund money to support alternative modal choices for intercity travel because this is consistent with federal objectives of congestion elimination, pollution reduction, and cost-efficiency. (Europeans have these modal choices, funded by fuel taxes, and efficiently inter-connected as a result of conscious public policy decisions.)

3. Funding and policy approaches should increase opportunities for private sector involvement in capital funding, construction and operation of segments of the Intermodal Passenger System.

4. Congress should reconsider its proposed National Highway System, and define a National Surface Transportation System. Current proposals for the NHS are too ambitious and should be scaled back to a level recognizing that the current mileage of the Interstate Highway System will represent a majority of mileage of the NHS. Some proposals for the NHS would double or triple the mileage of today's Interstate system--as much as 155,000 miles. Funding levels required to sustain an NHS on that scale will delay and crowd out opportunities for developing an Intermodal Passenger System. The rail component of a National Surface Transportation System should encompass an intercity route network for Amtrak which also assures that the intercity rail network is tied to major hub airports. It also should include regional corridors for both conventional and high-speed rail--both existing and planned. Unlike the highways, the rail system is private property, and the designation of a core intercity rail network of 20,000-25,000 miles must recognize the interests of the freight railroad owners and must give them a leadership role in establishing it.

5. Funding Amtrak's capital needs on a multi-year basis through the Intermodal Surface Transportation Trust Fund is appropriate and will provide predictable financial support to enable the corporation to make those capital investments offering the greatest rates of return.

B. STATE INTERMODAL POLICY

1. States should adopt policies and funding strategies which broaden the application of transportation funding to include rail, transit, intercity bus, and intermodal terminals. They must become partners in providing funding support to the Intermodal Passenger System.

2. State programs to support Amtrak, new conventional and high-speed corridors, intercity bus and transit should be led within their departments of transportation. In too many states, non-highway transportation issues are not central components of the management structure and thereby are relegated to secondary or peripheral roles in policy, planning and funding.

3. States are positioned to become partners with the private sector in the development of passenger services and terminal facilities involving highways, rail and transit. This is consistent with the long-standing practice of state involvement in ports, airports and toll road and toll bridge facilities. (An idea of the potential scale of these relationships can be derived from the proposed Texas TGV high-speed rail project in which the private sector was prepared to accept 75 percent of the cost--and risk.)

4. New airports developed by state, regional or local authorities must include rail access, and existing airports should add rail and transit lines rather than additional parking lots.

C. RAIL-BUS PARTNERSHIPS

1. Amtrak and the national and regional intercity bus companies should enter into formal partnerships for:

- joint ticketing and reservations.
- marketing (especially in low-density markets).
- terminals.
- baggage handling and package express.
- services to small cities and rural regions.

2. Amtrak and the bus providers should consider developing selected hub-and-spoke arrangements to feed connecting ridership and to eliminate the circuitry that now makes intercity surface passenger travel so uncompetitive with the auto in specific origins-destinations.

D. INTERMODAL TERMINALS

1. State and local governments should bear primary responsibility for developing intermodal passenger terminals that will facilitate interconnection among the modes. These facilities should be managed by the private sector--either by the intercity bus companies or commercial real estate firms which can develop profit centers through station services and retailing.

2. Generally, these terminals should be in the central cities, where they can be connected to local transit and can reach large populations of business travelers. In certain cases, airports may provide the better geography for passenger hubs. Larger cities will require two hubs--downtown and airport. The two must be connected efficiently --and the connecting trip by rail or transit must be faster than a taxi trip.

E. HIGHWAY-RAILROAD GRADE CROSSING ELIMINATION

1. Just as highway planners have long recognized that at-grade crossings--highway or rail--are incompatible with efficiency and safety on the Interstate Highway System, at-grade crossings should be eliminated on the National Railroad System.

2. State and local governments should take the lead in grade-crossing elimination programs and they should be allowed to allocate a larger share of federal trust fund money to this purpose.

3. Crossings should be dealt with through
 --closure.
 --separation, especially on high-speed intercity routes.
 --upgrading, where it is essential that they be retained.

F. NEW RAIL CORRIDORS--COMMUTER AND INTERCITY; CONVENTIONAL AND HIGH-SPEED

1. These corridors should be developed by states or groups of states in partnership with the private sector. State or regional agencies may own the rights-of-way. Amtrak, commuter authorities, or freight railroads could operate these corridors.

2. Amtrak should have the right to compete for operating contracts, but should not be given preference.

3. New or upgraded corridors require efficient connections with other modes or the ridership required for operating self-sufficiency won't develop.

4. Corridor development must recognize the needs of the freight railroad system and be compatible with it. We cannot build a successful intermodal passenger system by imposing economic disadvantage upon our successful intermodal freight network.

G. AMTRAK1. Freight railroads.

a. Freight railroads over whose routes Amtrak operates are important to its future and should be encouraged to be partners in privatization, new route development, or contracting for services.

b. Amtrak is a customer of these freight railroads, and they are entitled to reasonable compensation for Amtrak use of their facilities.

2. Liability.

a. A common standard of accident liability should be applied to all elements of the Intermodal Passenger System.

b. That standard should be patterned after the liability provisions which apply to commercial air carriers.

3. Privatization initiatives.

a. While the overall Amtrak system may or may not lend itself to privatization, this principle certainly can be applied to specific functions, services, and routes. The concept has special application to equipment leases, joint ventures, food service and maintenance.

b. Amtrak should encourage private sector interests--including the freight railroads--to provide service on new corridors that it cannot afford to develop, but that would add strength to its national system.

c. Congress and Amtrak need to resolve the issue of labor protection payments, which pose an obstacle to privatization of the system or individual services. The labor protection issue can be resolved either by limiting the obligation or indemnifying private sector operators against labor protection liability--a liability that Congress already faces in the event that Amtrak is shut down.

4. Route systems

a. Amtrak should redefine its route system in terms of market opportunities, its role as the backbone of the surface element of a national Intermodal Passenger System and its strengths as a provider of intercity service--not be tied to the system it inherited from the freight railroads.

b. Amtrak should define its route system in the following manner:

--those medium-and long-distance routes which create a true national rail system and which represent Amtrak's greatest potential contribution to an efficient Intermodal Passenger System.

--regional and short-distance routes to be sustained and enhanced in partnership with the states and the private sector.

--new corridors, both conventional and high-speed, to be developed by states or groups of states, in concert with the private sector.

c. Train frequency should be at least daily on Amtrak's national system, since the current practice of attempting to preserve routes with tri-weekly trains is uneconomic and unresponsive to customer demand. On most routes, multiple daily frequencies are needed to enhance economic efficiency and attract passengers. (Tri-weekly trains actually diminish productivity in equipment utilization, and these services cannot be competitive for profitable Postal Service business).

5. Labor.

a. The current unwieldy arrangement which requires negotiations with more than a dozen labor organizations should be replaced by no more than two contracts--one for operating unions, a second for shopcraft unions.

b. The traditional benchmark in which Amtrak's labor agreements follow freight railroad agreements fails to recognize the competitive environment in which the corporation operates. Labor costs and compensation should be compared to its competitors--aviation and intercity bus.

c. Future wage increases should be tied to productivity gains and financial improvements.

d. For those services which are candidates for privatization, employee ownership or an equity stake for employees merits consideration.

e. Management and labor must cooperate to define a new approach to retirement compensation, because the current arrangement places Amtrak at a tremendous disadvantage to its competitors. Railroad retirement is far more expensive than other private sector plans to begin with, and Amtrak now finances retirement benefits amounting to millions of dollars annually for employees who never worked for the corporation.

6. Maintenance facilities.

a. Amtrak's major maintenance facilities--which require fresh capital investment--should be privatized, in order that they may qualify for economic development incentives that state and local governments now provide to other enterprises. At one shop, Amtrak is operating maintenance facilities in structures that are 70-80 years old and in configurations that never will allow for reasonable maintenance turnaround cycles to be achieved.

b. In addition to corporations which manufacture or maintain rail equipment, providers of Amtrak's maintenance services could include the freight railroads over whose routes it operates, as well as short-line and regional railroads.

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(As Federal Railroad Administrator, 1989-1993, Gil Carmichael, of Meridian, Mississippi, helped develop President Bush's National Transportation Policy, represented the Secretary of Transportation on the Amtrak board of directors, and was active in reforming laws to permit intermodal transportation initiatives. He formerly served on the National Transportation Policy Study Commission and served as chairman of its only subcommittee. He was chairman of the National Highway Traffic Safety Advisory Committee. Currently, he is a senior vice-president of Morrison Knudsen Corporation and vice-chairman of its MK Rail subsidiary.)

Senator LOTT. Mr. Chairman, we called this hearing to examine the proposed Amtrak restructuring plan, to take a very serious overview of Amtrak as a whole, and to see where are we headed for the future. I think that is very good. I commend you for making this a matter of high priority, and as the full committee chairman we are going to have, I think, a very good hearing this afternoon.

The plan that I referred to highlights the crisis now facing Amtrak. More importantly, the tough questions facing us, the Congress, Amtrak, States and local communities, regarding whether Amtrak should continue, how it should continue, and what do we really want from Amtrak—all are pending before us. We need to get into a serious discussion about exactly what we expect from Amtrak, how is it going to be paid for, and how are we going to deal with some of the immediate problems.

I think that there are a number of questions we need to consider here today:

One, do the short-term measures that have been proposed make sense? Will they save or cost more in the long term?

Before the proposed plan takes effect, should States and localities be given more time to respond, develop a new partnership with Amtrak, and maintain service levels?

Should Congress first enact broad reform that would save Amtrak and the taxpayers money in both the short and long term?

Even with reform, will Amtrak be viable in the marketplace and in the Federal budget?

Those are just some of the questions. Here are some of the current facts, as I understand them:

The Amtrak restructuring plan will result in the elimination of 7.2 million train miles, or 21 percent of the current Amtrak service.

These changes would eliminate 5,500 Amtrak jobs or 24 percent of the Amtrak work force.

Under current Amtrak labor requirements, the taxpayer will be paying full salary for these 5,500 workers for the next 6 years. The plan goes into effect February 1, of this year. The plan is intended to cover the \$200 million cash shortfall, that Amtrak is facing, by June 1995.

Even with these measures, the long term may not improve. I think we really have got to look very carefully at what is being proposed here.

I come to this hearing very concerned. I fear that Amtrak is taking a stopgap measure that will actually wind up costing more money, and we will lose a lot of wanted and deserved service.

We need to think about some solutions to the short-term problems and the long-term problems. I view this as an important, early learning process, and an opportunity for us to hear from interested Senators, State officials, and from Amtrak officials.

Across this Nation, I believe the people want Amtrak. We want it in Mississippi. I believe that many portions of the country not in the Northeast corridor want it. The question is: How can we best maintain it?

I look forward to hearing the testimony. I will submit my full statement for the record, Mr. Chairman.

The CHAIRMAN. Senator Exon.

STATEMENT OF SENATOR EXON

Senator EXON. Thank you very much, Mr. Chairman. And once again, my accolades to you and Senator Lott for calling this very important hearing. And I think it is best that we get into these matters up front in as much detail as we can.

I also wish to thank my dear friend and colleague from Hawaii for his kind remarks, his acceptance of the chairmanship of the Surface Transportation Subcommittee and of the dual role we will play on the subcommittee. This was not of my making.

Senator Inouye came to me and said that with the new assignments of the committee he wished that I would continue in the surface transportation role. I said I would be glad to do that, whether or not I was designated as a ranking member. But I think that the attitude expressed by our colleague from Hawaii indicates the high personal regard and esteem that we have all held for him over the years.

If ever there was a kinder gentleman in the U.S. Senate, regardless of which side of the aisle he is on, I think most of us would agree, that have been none kinder and more thoughtful than the Senator from Hawaii.

So I appreciate the dual role. And I accept the assignment with enthusiasm.

Mr. Chairman, as a long-time supporter of Amtrak, I believe that national passenger rail service is an important part of America's total transportation system. Amtrak, like all of the other Federal spending programs, should be subject to close scrutiny. And I think that is what this hearing is all about.

But I would simply say that under the leadership of Tom Downs and Secretary Peña and Administrator Jolene Molitoris, I believe that Amtrak has embarked on a difficult, but necessary, strategy to bring national passenger rail service into the next century.

With that, I would like to ask that the balance of my statement be printed in the record as if delivered, Mr. Chairman, with these added remarks.

Certainly we all should recognize that it is going to cost money to do the things we think are necessary. And if we cannot make the case that they are necessary, then they must fall by the way-side.

I would simply say that when we are talking about the cost of Amtrak, we should not overlook the fact that what is not generally recognized or stated, are the significant subsidies that are not part of the direct budget that the airline service receives from the expenses of the FAA and other Federal regulatory agencies that are very expensive but necessary if we are going to have air transportation.

We say very little about the vast amounts of money, of course, that we put into our highway systems that allow the very important trucking industry, which is a part of our interstate commerce, to move ahead.

So I would simply say that if we think Amtrak is as important as I think it is, then we should take a good, close, hard look at it. But try to put it in the fair perspective with the other means of transportation. If most of us feel as I do, then Amtrak has to not only be responsible, but we have to look at it from the standpoints

of what we want for America in the future and what the total transportation needs would be.

With that, I thank the chairman for his courtesies.

The CHAIRMAN. I thank my friend. Senator Ashcroft.

PREPARED STATEMENT OF SENATOR EXON

Mr. Chairman, I congratulate you for today's hearing. As a long time supporter of Amtrak, I believe that National Passenger Rail Service is an important part of America's total transportation system. Amtrak, like all other Federal spending programs should be subject to close scrutiny. Under the leadership of Tom Downs, Secretary Peña and Administrator Jolene Molitoris, I believe that Amtrak has embarked on a difficult but necessary strategy to bring national passenger rail service into the next century.

More than looking at the expense of Amtrak, this Committee should look at the costs of meeting the nation's transportation needs without Amtrak. Without a national passenger rail system, more roads would need to be built in the east, easy access to east coast airports would be limited for midwest travelers due to commuter flight congestion, and students, seniors and families would lose one of their few public travel options in the great plains. There would be little relief from smog and pollution created by increased car use in the West. Across the country thousands of rail jobs would be lost and the continued health of the railroad retirement system would be further compromised.

The bottom line is that passenger rail transportation is safe, energy efficient, environmentally friendly and a sound investment. Amtrak is an important part of our nation's total transportation system.

Last year, I was pleased to sponsor S. 2002, the Rail Investment Act. The Senate Commerce Committee unanimously approved that important legislation. Unfortunately, that much needed legislation was killed in the final hours of the 103rd Congress.

The bill included several provisions which would orient Amtrak to a future less dependent on Federal operating funds and more dependent on world class service and creative management.

The legislation included a reform of the State requested service program, added to the Amtrak mission statement a requirement that all passengers be treated with respect, courtesy and dignity; included a Missouri river corridor development program to explore the feasibility of service between Kansas City, Omaha, South Dakota and beyond; sufficient authorization for the renovation of the Kansas City Union Station; a provision to improve Amtrak financial management and a program to generate more non-tax revenues from advertising and concession sales. That bill also included the reauthorization for the Local Rail Freight Assistance Program (LRFA) for \$30 million each year.

The Rail Investment Act represented what the Senate Commerce Committee can do when it works together in a bipartisan manner.

I intend to reintroduce a new version of that legislation in the near future and look forward to working with my Democratic and Republican colleagues to get the Amtrak system back on track to financial health.

Thank you, Mr. Chairman.

Senator ASHCROFT. Mr. Chairman, I forgo any opening remarks. I want to get to the witnesses as soon as possible. The Chairman: Senator Dorgan.

STATEMENT OF SENATOR DORGAN

Senator DORGAN. Mr. Chairman, this is not an issue of idle curiosity to those of us that are concerned about rail service. We have the Empire Builder under the Amtrak system that comes running through North Dakota and up through Montana. And we consider it an important part of our transportation system and network.

In our State, in 18 months, we lost four different airline carriers serving our State with jet service. Deregulation of the transportation system for rural areas has had a radically different meaning than deregulation has meant to Chicago or Los Angeles or New York, or other urban centers.

For that reason, we are very concerned about what the future is with respect to the Empire Builder and the Amtrak service we do have. It is not an insignificant or unimportant part of our transportation network.

I have voted for Federal subsidies and Federal support for Amtrak in the past, and will do so in the future. I want it to be efficient. I want it to have a plan that allows it to operate efficiently. We should understand that most countries in the world that have rail service subsidize their rail service with government funds.

Many of the European countries provide a heavier level of subsidy for their rail transportation system than does our country. So we will probably be required to provide some funds. And I am willing to do that because I think the Amtrak system is vitally important.

We have lost service now under this recent announcement. Instead of daily service up in our part of the country where Mr. Burns and I share this network, we are going to 4-day a week service in the future. And I am concerned about that.

But I understand and am willing to accept that, provided it puts us on a glide path to more financial stability and hopefully daily service once again on the Empire Builder service across our part of the country.

So I appreciate the fact that we are going to have a chance to talk about this and, through this hearing, explore what are the problems and what are the opportunities, and how do we provide a future that is the kind of future I want to see for a rail passenger system in this country.

Thank you, Mr. Chairman.

I would like to submit a complete statement for the record.

[The prepared statement of Senator Dorgan follows:]

PREPARED STATEMENT OF SENATOR DORGAN

Mr. Chairman, I am very pleased that you are holding this particular hearing today to review the proposed reorganization of Amtrak. As you know, Mr. Chairman, Amtrak recently announced major reductions (and in some cases eliminations) in service in order to address its budget deficit. These reductions, many of which go into effect February 1, 1995, affect nearly every corner of the nation and will have serious impacts on passengers and local economies.

The message I want to deliver today, both to Amtrak and to this Committee, is that we have to do what it takes to maintain quality and affordable rail service throughout this country, especially in rural areas. I understand the seriousness of Amtrak's budget situation and I can appreciate the difficult task of making cuts that are fair and that make sound business sense. However, Amtrak is not simply a business that should only be concerned about the bottom line. Rail service is a public necessity and it would be a serious mistake for the Congress, and the Administration, to assume that Amtrak must operate on its own and make decisions for service based simply on business principles. It is equally important that Amtrak understand the public responsibility it has to provide quality, affordable rail service.

Amtrak's reorganization proposal included a reduction in service in the Empire Builder route which serves North Dakota. The Empire Builder is the only Amtrak service in North Dakota and as of February 1st, service will be reduced to only four days per week. Currently, we have daily service.

I am interested in hearing from Amtrak today to learn more about how the proposed reductions were determined. There is no question that Amtrak should attempt to operate as efficiently and profitably as possible. But I think we are making a terrible mistake if we expect Amtrak to operate "just like a business." Amtrak is not about making money. Amtrak is about providing a public necessity in the most efficient manner possible.

My point is that we cannot lose sight of the fact that Amtrak will continue to need federal support. That does not mean we should not press Amtrak to be more

efficient. But in the near future, I cannot see how Amtrak can expect to wean its way off federal support, unless we are willing to accept the unacceptable: no Amtrak in most areas of the country.

In virtually every other nation, rail transportation service is heavily subsidized. In fact, most European rail systems rely more heavily on government subsidy than which is provided to Amtrak. As you know Mr. Chairman, Amtrak received nearly \$800 million in federal subsidy for fiscal year 1995. I realize that the federal budget is getting tighter all the time. However, Congress has a responsibility to set priorities. It seems to me that we need to make a determination about what is essential and what is not. In my judgment, Amtrak service is essential and it is particularly essential in rural areas like North Dakota. I intend to continue my support for federal assistance to Amtrak and I also intend to press Amtrak to maintain service in rural areas.

A reduction in service along the Empire Builder may seem small in the big picture, but on the local level in places like North Dakota it's a major blow. The fact is that in an 18-month period, North Dakota lost 4 jet carriers. Our state is now served by no more than 2 jet carriers in some markets and in two of our largest cities along the Empire Builder route, there is only one jet carrier. Most of the cities that are served by Amtrak in North Dakota have no jet service at all. It is easy to see that when Amtrak reduces service along this route, the communities of Grand Forks, Devils Lake, Rugby, Minot, and Williston, North Dakota feel the impact.

Again, Mr. Chairman, thank you for holding this hearing. I am looking forward to hearing from today's witnesses and learning more about the financial picture for Amtrak.

The CHAIRMAN. Thank you very much. Senator Burns.

STATEMENT OF SENATOR BURNS

Senator BURNS. Thank you, Mr. Chairman.

With unanimous consent, I would put my statement in, too. But I want to offer a couple of observations.

We are now on the verge of going to 4 days a week through Senator Dorgan's and my State on the Empire Builder. This is high time for us, as far as tourism—I think half of the people who board Amtrak and use Amtrak across the northern part is in this business of tourism.

We are at the height of our ski season up at Glacier and Big Mountain. And a little town that is not as big as that coffee cup is boarding the biggest share of our customers. But we are also the other half of that 149,000 boardings in Montana—which does not sound like much when you compare it to maybe the Eastern seaboard or the Eastern corridor—this is the only public transportation that they have. There is no air service. There is no bus service. And this is their only connection to a metropolitan area.

So when we start talking about moving people for health reasons or even just to move people from our rural areas in this country to the more metropolitan areas where they do business, this is the only means of transportation that they have.

So I would hope that we could take a look at what we are doing here in Amtrak. And, yes, I would support some cuts if it means that we are going to stabilize the service. And also, not only stabilize it, but give it some flexibility where, if we are running some empty trains somewhere, we can look at the heavier areas where more sparsely populated—because I know I have called Amtrak just to check out what I have been told about my people in Montana, to get a seat from Haver, Montana, to Seattle, and there was none. And there was none on the next day.

In other words, about 4 days before we could finally board. So we know that that train going across, the Empire Builder, is being used. And it is probably not the financial liability that maybe some

pencil-pushers and accountants that would look at these type things and try to make it out to be.

So I would thank the chairman for holding this hearing and the work that we have done. And my friend from Nebraska on ground transportation, if we work together, I think we can find some answers here.

Do you have Amtrak at all in Nebraska?

Senator EXON. Oh, yes, we do.

Senator BURNS. It runs on the main line of the UP?

I married a girl from Nebraska, so I have got two interests here. [Laughter.]

Senator BURNS. Western Nebraska think a little different, but that is all right. But you play great football. I have to give you credit for that.

But we have to look at this and make sure that we are putting a subsidy and making it serve the people that it was designed to serve.

Thank you, Mr. Chairman.

[The prepared statement of Senator Burns follows:]

PREPARED STATEMENT OF SENATOR BURNS

Thank you Mr. Chairman for holding this important hearing. Amtrak's recent announcement of proposed reductions in service has caused quite a stir across the country, and I am pleased to see that we are reviewing how these cuts are made here today.

I support Amtrak's effort to streamline their system and I am pleased to see Amtrak take a fiscally responsible role in their future. Last fall, voters sent a strong message to Congress that government needs to be trimmed down and streamlined, and AMTRAK has responded with the first restructuring since the beginning of their federal subsidies in 1971. It is my hope that these difficult times will reshape the nation's passenger rail network and create a "new AMTRAK". Amtrak's Board of Directors have assured us that this "strategic and business plan" will restore the financial stability to the Corporation and allow the development of a smaller system that can compete over the long-term on price, quality, and flexibility.

However, it is my concern that these proposed reductions have been too hastily conceived and I would like to urge Amtrak to not seek any possible alternative to the reduced service to Montana and other rural areas. The "Empire Builder" plays an important role in the lives of the people along the hiline in Montana. Passenger rail service in many of these communities is the only form of public transportation available. Without the luxury of bus or air service, residents of these small towns are reliant upon Amtrak's service to get them to many necessary services such as schools and hospitals. In addition to this important role, Amtrak's daily stops keep small businesses and industry in this area connected to major commercial markets. Without the benefit of full service on the "Empire Builder," residents and business owners along the hiline in Montana are faced with suffering the additional hardship of the loss of their lifeblood—a daily connection to metropolitan areas.

Amtrak's "strategic and business plan" will begin to reduce frequency in service on the "Empire Builder" in just a few days; and this short notice has left the Montana communities along the hiline little time to prepare for this change. Nearly half of all passengers boarding the "Empire Builder" in Montana are tourist. These passengers are an important economic factor to this area and most have made plans well in advance of Amtrak's announcement. I would like to ask that these passengers and the important role the tourism industry plays in the economies of these areas be taken into account. I would like to reiterate my request that a 45-day delay in the reduction of service be allowed to help these businesses and communities adjust to the change as easily as possible. In addition to easing economic hardship on these small communities, a 45-day delay would allow state and local government time to review these service changes in an effort to identify alternative funding sources.

I am also concerned with the thoroughness of the financial review. Revenue and ridership in Montana on the "Empire Builder" has increased and these factors seem to have been overlooked in the overall financial picture of AMTRAK. In addition,

the "Empire Builder" is faced with losing its \$13 million mail contract as a result of losing 7 day-a-week service, and it has been brought to my attention that loss of this revenue was not included in the financial outlook.

Again, I would like to voice my support for AMTRAK's effort to regain financial stability. However, AMTRAK's announced reductions seem to have been haphazardly designed and I feel the service in Montana is being unjustifiably cut. Will these hardships actually produce long-term stability in our passenger rail system? And how can we be assured that we will see an improvement in quality and reliability?

Finally, if this restructuring brings about a positive financial status for AMTRAK will we see an reinstatement of daily service? And, is it not more expensive to reinstate a daily service that has been reduced, than to continue its current schedule?

I thank the witnesses in advance for their full consideration of these issues. Again, I thank the Chairman for his commitment to a national passenger rail system.

Senator EXON. Mr. Chairman, I would move, if it is in order, that the Senator from Montana be given all the time that he wants to talk about Nebraska football. [Laughter.]

Senator BURNS. The only thing—I look to see who was refereeing the football game before I place my money down. [Laughter.]

The CHAIRMAN: Senator Snowe.

STATEMENT OF SENATOR SNOWE

Senator SNOWE. Thank you, Mr. Chairman.

I am very pleased that we are having this hearing today on Amtrak, because I do consider it a very important program. And I think we have to try to find ways in which to create a workable strategy for passenger rail service in this country. I hope that this hearing can help put us on the path to solving some of the problems and the dilemmas that have been faced by Amtrak, particularly in light of the GAO report that underlines the very difficult circumstances that Amtrak faces.

I think it is ironic that in 1995 Amtrak is facing its 25th anniversary. At a time in which it is celebrating, it is also facing some very uncertain times, I think we have to do all that we can to see what we can do to develop a workable plan and strategy for the future.

In Maine, we lost passenger rail service back in 1965. But in the last 5 years, the State I represent has been attempting to restore passenger rail service from Boston to Portland, Maine. In fact, Congress provided funds to upgrade the track system from Boston to Portland.

The point is, as Senator Dorgan indicated, in rural States we have seen a decline in the quality of our airline service. We have seen a decline in jet service. We have seen a number of increases in commuter service, but it has been very difficult, and the prices are very high and not always competitive.

Many have analyzed the planned passenger rail service system from Boston to Portland, and have determined that it could be economically viable and feasible.

But the point here today is to determine how we can make Amtrak viable for the future. The best lines in Europe have subsidies. So I do not think that that is the question. The question is how we can make it more efficient and effective.

I know the Corporation for Amtrak recognize that, with its meeting in December, and developed a business plan to try to make Amtrak more efficient and leaner.

And that is obviously the approach that we have to take. We should, if we have to, make changes in Federal laws to give Amtrak management more flexibility so that it can improve the service and the system, making it far more cost-efficient than it has been to date.

So we have to do everything that we can, using the tools within our powers, to make that possible and have it become a reality.

Thank you, Mr. Chairman.

The CHAIRMAN: Senator Bryan.

STATEMENT OF SENATOR BRYAN

Senator BRYAN. Thank you very much, Mr. Chairman.

I would like to thank you for convening this hearing. I would associate myself with the comments and observations made by our colleague from North Dakota. I ask unanimous consent that a statement that I have been made a part of the record, Mr. Chairman, and then make just a couple of very brief observations.

I would hope, in the context of this discussion, we could frame this issue not in terms of the ideological points of division which may divide us, but, first, is it in the national interest for us to retain rail passenger service? It seems to me that is the central focus.

I reach the conclusion that it is. And if it is in the national interest to do so, then I think we have to recognize the fact that some type of subsidy is necessary. We want to clearly require Amtrak to be as efficient as possible, and whatever public funds that we appropriate to support that service go to make that service the most efficient and comprehensive possible within the constraints of that appropriation.

And I, like the other colleagues, look forward to hearing from our witnesses.

[The prepared statement of Senator Bryan follows:]

PREPARED STATEMENT OF SENATOR BRYAN

Mr. Chairman, thank you for holding this hearing. Like other members of the Committee, I am very concerned with the financial condition of AMTRAK, and the future of passenger rail in the United States.

I have long been a strong supporter of AMTRAK. Rail service was the key element in the development of the West, and remains an important factor today. Passenger rail service is an essential part of the transportation system for many rural areas in Nevada and throughout the West.

In addition, passenger rail is the most promising alternative for the future of our national transportation system. As we approach the 21st century, high speed passenger rail will be essential in reducing congestion on our roadways, and in our airspace. We can only build so many roads, and there is a limit to the safe capacity of our airports and airspace. High speed rail has the potential to provide a safe, environmentally friendly alternative to road and air transportation.

Unfortunately, the costs of high speed rail technology have not yet lowered to the point where large scale implementation of a high speed rail network is economically feasible. I have been encouraged by AMTRAK's efforts in the Northeast corridor to develop high speed rail, and hope that those efforts can continue in spite of the current budgetary crisis.

As members of the Committee are well aware, no national passenger rail system in the world operates without some form of government assistance. In fact, all passenger transportation modes in the United States benefit from some form of government investment. Clearly, we need to encourage AMTRAK to continue to pursue increased efficiency and cost cutting measures. Our goal should be to reduce the government subsidy for AMTRAK to the lowest possible level. I support AMTRAK's efforts to reduce costs, as long as the reductions in service are done on an equitable basis. No area of the country should be disproportionately affected, and every effort

should be made to preserve a broad national passenger rail network. I am anxious to hear the witnesses' testimony regarding the methodology used to determine where further reductions in service will occur.

We should not, however, abandon our federal commitment to passenger rail. Passenger rail has been, and will continue to be, an essential part of our national transportation system. While we need to demand efficiency and cost effectiveness from AMTRAK, it would be short sighted and unwise to pursue drastic cuts in AMTRAK which will cripple our passenger rail system, and have serious repercussions for our national transportation system both now and into the 21st century.

I look forward to hearing the testimony of today's witnesses.

The CHAIRMAN. Next we have two of our colleagues, Senator Cochran and Senator Jeffords. They are both welcome to sit with the committee as far as I am concerned, and to make a statement at this point. Who wishes to be first?

STATEMENT OF SENATOR COCHRAN

Senator COCHRAN. Mr. Chairman, let me just thank you for the courtesy of the invitation to be present at this hearing. I first want to thank you for responding to the request to convene this hearing to look into these issues that you have on the agenda. I have submitted a statement, which I hope you will be able to include in the record.

Being in this room reminds me that my State colleague, Senator Lott, and I were at one point seated here at this table, presenting to this committee for confirmation, and recommending confirmation, for Gil Carmichael, an outstanding citizen from our State, as Administrator of the Federal Railroad Administration. And he served with distinction in that capacity during the Bush administration.

Today you have as a witness on your agenda the Mayor of Meridian, Mississippi, the hometown of Gil Carmichael, Mayor John Robert Smith, who is an outstanding public official. He is going to be here available to the committee to talk about the insights he has into the importance of Amtrak service in our region of the country and, in particular, his city of Meridian. He speaks for the entire Mississippi Municipal Association, and is an outstanding representative to be included in this hearing.

For all of that, we thank you very much for your courtesy.

[The prepared statement of Senator Cochran follows:]

PREPARED STATEMENT OF SENATOR COCHRAN

Mr. Chairman, thank you for responding so promptly to my request to convene a hearing to examine the proposed cutbacks in rail passenger service by AMTRAK officials.

Community leaders, elected officials, as well as AMTRAK employees in our part of the country are very concerned that the proposed cutbacks in service may unfairly burden our region and lead to severe transportation and economic problems.

AMTRAK may have to make some changes to become more efficient, but this Committee should closely monitor AMTRAK's planned service cuts to be sure they are warranted and that they are fair to all regions of the country. I hope that you will recommend a moratorium on their implementation. As the Committee responsible for oversight of these decisions, you can help to ensure that AMTRAK'S choices are not only necessary, but are fair to those effected.

I am pleased that you are giving AMTRAK this opportunity to explain its proposed service cuts.

I am especially pleased that the Committee has invited Mayor John Robert Smith of Meridian, Mississippi to appear before you today. He will provide you with important insight about the consequences of AMTRAK service cuts on economic development and long-term growth for his city and our region.

The CHAIRMAN. Thank you very much. Senator Jeffords.

STATEMENT OF SENATOR JEFFORDS

Senator JEFFORDS. Thank you, Mr. Chairman.

I am here pleading for the last train in northern New England. Olympia Snowe told you the sad tales of Maine. But I am here to discuss the Montrealer. And it is a wonderful train. It sails on up through the State of Vermont. It will be done away with on April 1. So I am here basically hoping we can get some more time.

Just as a little preliminary note, to let you know the enthusiasm there is for railroads in Vermont, we have a proud railroad history. I think at one point, Vermont had more independent railroads in its State than any other State. And we are pretty small. But I think every town had their own railroad.

Some of the great railroaders of this Nation came from Vermont. Billings, Montana, is named after a Vermonter who built the railroads out through Montana.

So we have a great enthusiasm for keeping rail service going.

Twice we have saved the Montrealer since Amtrak started by finding ways to save money and to cut costs and to get it working more efficiently. And one time we even ended up in the United States Supreme Court for the authority to save it. And we have succeeded in that. We want to try again.

Our legislature is now in session. And they are working very hard and considering options to be able to save the railroad. So we want to make sure that hopefully we can get the time to do that before it stops running.

The legislature, as I say, is considering options right now. So hopefully we can get some assistance in allowing them to do that.

I want to thank Mr. Downs from Amtrak for the help he is giving our State, and looking at options to maintain service through northern New England. The entire Amtrak Corporation is attempting to reshape the system, and to reduce costs. And I commend them for that.

I support their efforts to restructure the company, reduce management, retire outdated equipment and lower operating costs. I strongly oppose, however, plans to immediately eliminate whole sections of a national passenger rail service.

The new Amtrak they are creating is not national passenger rail. Entire sections of the country currently served by Amtrak will be denied access to the national rail system. Northern New England is a prime example.

Mr. Chairman, on December 15th, Amtrak officials notified Vermont that the State would lose its link to the national passenger rail system. They indicated that by mid-February, the Amtrak nationwide timetable would no longer list the Montrealer. And by April 1st, the train would cease to exist.

The elimination of the Montrealer in such a rapid and dramatic fashion is simply bad policy. Vermont and other States in similar situations were given 2 months to prepare for such a loss. This rail service is too important to Vermont to lose. It should not happen in this expedited manner.

The State of Vermont has put together a comprehensive plan, outlining how Amtrak could run a train to northern New England at substantially lower costs. For instance, right now there is a sale of one of the major parts of the link which will allow it to greatly

reduce costs. The plan eliminates high track fees and labor costs charged by the Canadian Government, slashes operating costs by cutting our sleeper cars, decreasing crew sizes, and dropping running time, and cutting maintenance costs.

The plan also would increase ridership, add revenues, and maintain our region's access to the Nation's rail system. And we want very much to have an opportunity to try it out.

In addition, Vermont is willing to contribute to the cost of running the train, and advise Amtrak on how to promote and reinvigorate ridership.

Mr. Chairman, if Amtrak had allowed Vermont to put in place this plan 1 year ago, we would not be facing complete elimination of our passenger train service. I appreciate, however, as I stated, Mr. Downs' willingness to consider the Vermont plan. But we are facing a rapidly approaching deadline. And I would request that Amtrak extend the deadline for eliminating the Montrealer, and possibly other trains, while we carefully review alternative plans.

I also have a number of questions regarding their cost/revenue projections, and wish to carefully evaluate their numbers, which we are presently doing. I believe we can operate a national rail service without relying exclusively on Federal funding. I hope that in creating the new Amtrak we do not cutoff major regions of the country which deserve service.

I urge Amtrak to take the time to carefully review proposals like those from Vermont, and make sure that we do not prematurely do things which we will be sorry for in the long run.

Thank you, Mr. Chairman. I deeply appreciate this opportunity. I would like my whole statement to be made a part of the record. And I am encouraged by the very fine statements that have been made here this afternoon.

[The prepared statement of Senator Jeffords follows:]

PREPARED STATEMENT OF SENATOR JEFFORDS

Mr. Chairman, I would like to thank you and Senator Hollings and all the members of the Committee for taking the time to address this important issue.

Mr. Chairman, we all know that the federal government has a budget problem. It is imperative that we fix this problem. Our national debt is spiraling out of control. Deficit spending cannot continue. We must stop laying the burden for current spending on future generations.

To achieve this goal, we must cut programs, streamline government, eliminate wasteful spending and completely reorder priorities. As we undertake this difficult task, we must be careful not to cut funding for programs which are vital to the future of our country. Indeed, we are not considering the elimination of funding to maintain our nation's highways, money to provide for safe and efficient air travel or funds which keep our seaways and ports open for freighters and tankers. Nor should we adopt a policy which may lead to the complete dismantling of our nation's passenger rail service.

Mr. Chairman, the railroad built this country. Railroads helped maintain our fragile union during the Civil War. Passenger trains delivered settlers to the west and allowed for the expansion of this great nation. The railroad assisted in the preservation of freedom worldwide by delivering soldiers to the coasts during the two world wars. Americans love passenger rail, as I have seen from the outpouring of support for my state's passenger train service.

But passenger rail should not be preserved for nostalgic reasons. National passenger rail service is an integral part of our national transportation infrastructure. Rail service allows business people to travel quickly and conveniently between major cities such as New York to Washington, Portland to San Francisco, Houston to New Orleans. People from around the world come to see our beautiful country from the window of a train, on the Sunset Limited from Los Angeles to Miami, or the Empire

Builder from Chicago to Seattle or the Crescent from New York to New Orleans. And passenger rail service brings businesspeople, students, tourists and skiers to my great State of Vermont.

Mr. Chairman, I commend Mr. Downs, the Amtrak Board of Directors and the entire Amtrak Corporation for attempting to reshape the nation's passenger network in order to cut unnecessary costs, reduce Amtrak's debt and preserve national passenger rail travel. I support their efforts to restructure the company, reduce management, retire outdated equipment and lower operating costs. I strongly oppose, however, plans to immediately eliminate whole sections of our national passenger rail service.

This "new Amtrak" they are creating is not national passenger rail. Entire sections of the country currently served by Amtrak will be denied access to the national rail system. Northern New England is a prime example.

Mr. Chairman, on December 15, Amtrak officials notified Vermont that the State would lose its link to the national passenger rail system. They indicated that by mid-February the new Amtrak national timetable would no longer list the Montrealer and by April 1st the train would cease to exist. The elimination of the Montrealer in such a rapid and dramatic fashion is simply bad policy. Vermont, and other states in similar situations, were given two months to prepare for such a loss. This rail service is too important for Vermont to lose. It should not happen in this manner.

The State of Vermont has put together a comprehensive plan outlining how Amtrak could run a train to northern New England at substantially lower cost. The plan eliminates high track fees and labor costs charged by the Canadian government, slashes operating costs by cutting out sleeper cars, decreasing crew sizes, dropping running time and cutting maintenance costs. The plan also would increase ridership, add revenue and maintain our region's access to the national rail system.

In addition, the State of Vermont is willing to contribute to the costs of running the train and advise Amtrak on how to promote the reinvigorated route.

Mr. Chairman, if Amtrak had allowed Vermont to put in place this plan one year ago, we would not be facing complete elimination of our passenger train service. I appreciate Mr. Downs' willingness to consider the Vermont plan. But we are facing a rapidly approaching deadline. I would request that Amtrak extend the deadline for eliminating the Montrealer, and possibly other trains, while we carefully review alternative plans. I also have a number of questions regarding their cost/revenue projections and wish to carefully evaluate their numbers.

I believe we can operate a national rail service without relying excessively on federal funding. I hope that in creating this "new Amtrak," we do not cut off major regions of the country. I urge Amtrak to take the time to carefully review proposals from states such as Vermont.

Mr. Chairman, Amtrak has a cash shortfall. Mr. Downs and the Amtrak Board have moved to fix this problem. But in their rush for a quick fix, they should have stopped to consider and negotiate realistic alternatives to route eliminations. We have the opportunity to do this now. I suggest we take the time, before we make a decision that could severely disable our national passenger rail system.

Amtrak is important to the nation and important to Vermont. I know we can maintain national rail service with reduced costs but without these drastic cuts in service. Thank you, Mr. Chairman.

The CHAIRMAN. Well, I thank my colleague very much.

My State of South Dakota does not have Amtrak, so we are not able to work with them on a State level as you have been able to. But I thank you very much for your statement.

Senator LOTT. Mr. Chairman, could I ask just a couple of questions just for clarification?

The CHAIRMAN. Yes.

Senator LOTT. On your timetable, would you run through that again? You would lose it altogether by April 1st?

Senator JEFFORDS. April 1st.

Senator LOTT. But you mentioned a couple of other things that would happen.

Senator JEFFORDS. Right, of course, when it is going to be listed in the schedules, I think the 23rd of February is the date. After that, it is no longer going to be listed in the schedules. Then, on April 1st, the trains stops running.

Senator LOTT. And just one quick question. Was there any explanation? This plan that was suggested in Vermont sounded like a pretty ambitious effort to make changes and cuts and savings. Why was that not allowed to be implemented?

Senator JEFFORDS. It has been perhaps slow forthcoming from my State. I would have to say I am not sure that that is the entire problem. We are looking at, for instance, an alternative western route, which would cut the very lengthy time of the trip to Montreal now by 4½ to 5 hours. So that is an option that might very well at least allow Vermont to get service and to greatly reduce the time and increase the ridership.

We are looking at a number of items like that.

Senator LOTT. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you very much.

To move things along, I am going to call forward the Honorable Jolene Molitoris, Mr. Kenneth Mead, Mr. Thomas Downs, and any support people that they wish to identify. We are going to have a rollcall vote at 3, so I would like to get this first panel together. I am putting everybody into the first panel here. Then we will have panel two.

If we could have all those principals at the table. If they have some assistants, they can be identified and placed nearby.

Perhaps we will just proceed with your testimony, Ms. Molitoris, the Administrator of the Federal Railroad Administration. We welcome you. And we would like to tell each person, we will put your entire statement in the record. If you could summarize the highlights of it in about 5 minutes, I would greatly appreciate it because I think we have a lot of questions.

So we welcome you here and we look forward to your testimony.

**STATEMENT OF JOLENE M. MOLITORIS, ADMINISTRATOR,
FEDERAL RAILROAD ADMINISTRATION, U.S. DEPARTMENT
OF TRANSPORTATION; ACCOMPANIED BY: S. MARK LINDSAY,
CHIEF COUNSEL; AND JAMES MCQUEEN, ASSOCIATE ADMIN-
ISTRATOR FOR RAILROAD DEVELOPMENT**

Ms. MOLITORIS. Thank you so much, Mr. Chairman, and Senator Lott, and Senator Exon, and all members of the committee.

I am pleased to represent the President and Secretary Peña as Administrator of the Federal Railroad Administration.

Accompanying me today are Mark Lindsay, our Chief Counsel; and Jim McQueen, our Associate Administrator for Railroad Development.

Since the first days of the Clinton administration, Vice President Gore has headed up the National Performance Review, to look at the appropriate role of Government, including our role in ensuring a national, safe, effective, technologically advanced transportation system.

Some have questioned the role of passenger rail in this national transportation system. And I am here to reaffirm the Department's belief in the importance of a Federal partnership with Amtrak, helping it to become a competitive provider of intercity rail passenger service in the 21st century.

The committee's examination of this issue is well-timed. Because over the last several years, Amtrak has had to struggle to maintain a national rail passenger system with very inadequate resources.

At its December meeting, Amtrak's management and board took bold steps to begin the journey toward the new Amtrak, a transportation company for the 21st century. The cuts in employment and service that the board approved at December's meeting were very tough, but sound business decisions, designed to improve efficiency, reduce costs, eliminate Amtrak's projected fiscal year 1995 deficit, and begin to attract the millions of riders looking for a fast, on-time, clean and comfortable transportation alternative.

These cuts were designed not only to cut costs, but begin the opportunity to grow the business that Amtrak can attract.

Intercity rail passenger service is a very viable transportation alternative. And if you look at the corridor between Washington and New York City, Amtrak has proven it can dominate the intercity common carrier transportation of people.

In other corridors, such as Portland and Seattle, intercity rail passenger service is viewed by the States as a preferred means of providing increased intercity mobility, while meeting increasingly stringent environmental standards.

The message from many people, as you have heard today from your own panel members, the people we see and talk to every day, is that rail passenger service is an important part of their life today, an important part of their future.

I have enclosed a letter from Doras Briggs, one of the many people who have written and talked to us at the Federal Railroad Administration about why rail passenger service is important.

[The information referred to follows:]

MRS. DORAS BRIGGS
 116 Kenyon Avenue
 Kensington CA 94708-1027
 1-510-525-5220

January 10, 1995

Jolene Molitoris, FRA Administrator
 US Department of Transportation
 400 7th Street, SW
 Washington DC 20590

Dear Jolene:

As I told Tom Downs: after listening to endless mounds of dry palaver from well-meaning Amtrak supporters over the months, I decided to try the human route -- the unvarnished truth about why we seniors want and need Amtrak. That's why the attached testimony I gave yesterday is somewhat emotional and fairly devoid of "hard numbers".

I'm glad to say it played well. The panel commended me and suggested I send my remarks to the House and Senate committees that have jurisdiction over transportation funds. I've done just that; also to my Senators and Congressman. I hope it strikes some sympathetic chords. (I'd send it to the moon if it would help!)

We seniors are finally waking up to the fact that we're paying taxes for airways and highways that we use less and less, but are facing the possibility of losing Amtrak which we're using more and more. I haven't cracked the AARP as yet, but letters continue to be signed and sent to them and more states are getting into the act. Most recently I've received letters signed by AARP members in Virginia, Iowa, and Florida. We won't give up. See you in April.

Cordially,

Doras Briggs

Enc: Remarks at Public Hearing on Transportation for Seniors



PUBLIC HEARING ON SENIORS & TRANSPORTATION ISSUES
January 9, 1995 at Park Oakland Hotel, Oakland, California

*Remarks by Doras M. Briggs, Vice President
Train Rider's Association of California
116 Kenyon Avenue, Kensington, CA 94708-1027*

Thank you for this opportunity.

I've listened with great interest to the testimony about the different modes of transportation for us seniors, but I don't recall hearing anything about the one that, for a host of us, is at least equal in importance to the others. That mode is Amtrak, our only national passenger rail system, and I want to tell you why it's important.

Of our more than 33 million seniors, 65 and over, probably 80% of us are hale, hearty, and living normal, active lives. You might think of us as much like you, but with wrinkles. Perhaps the main difference is that the years have seen our families dispersed, our spouses gone, and friends gone, too, or at least scattered. We've been jarred into facing the fact that we're often alone, and suddenly camaraderie and companionship become infinitely more valuable than all our material possessions. We've come to realize, too, that if we are to enjoy our far-flung families and friends, the availability of long-distance transportation is very essential. Yet too many in today's frenetic society, through no malice or evil intent, fail to understand or even recognize our need for companionship and the role that transportation plays in it, so they take actions that frustrate our desire for the warmth of loved ones.

Let me illustrate. A 70-year old neighbor and close friend has a son with a new baby in San Jose, about 60 miles from our area. The only way she can visit them is by Amtrak's *Capitol* trains, yet those very trains are targeted for elimination on April 1st. How would any of us feel to be suddenly told we can no longer enjoy a new grandchild?

I'm another case in point. I'm a widow. Most of my family, including an older sister, live in the hinterlands of Oregon. Flying anywhere near them is expensive and very inconvenient, and I'm upfront that flying makes me extremely uneasy. Driving is out of the question. At 76, it would be the height of folly for me to undertake a 1400-mile round trip. So the only way I can see my family is on Amtrak's *Coast Starlight*, and I'm told it's likely to be another victim of projected cuts. If I lose the *Starlight*, I lose my family connection. And throughout our senior population this kind of story can be repeated over and over, but has received little recognition. It causes worry.

Amtrak is not just our link to family, but as many of us have learned, it fills another void. Traveling by one's self is a lonely business when driving or flying, but on a train there's a wonderful sense of friendship. Through easy interaction with others and the time to become acquainted, you learn about the world and forget your own problems in the joy of meeting people from everywhere. From a

Remarks by Doras Briggs, VP of TRAC

January 9, 1995

-2-

United Methodist minister I learned of the difficulties faced by her Illinois town when the rampaging Mississippi wiped out her church along with some 320 houses. An architect from Poland told me of his son's struggles to come here for an engineering degree. And from a Mexican business-woman I heard first-hand of problems and triumphs in operating a business on both sides of the border. Encounters like these are the real stuff of life. They make us continue to believe in our fellow man. They enrich our understanding, take us out of ourselves, and help us to be better citizens. In short, we're much healthier, happier people.

The years have an insidious way of creeping up, unnoticed, until all of a sudden you realize your life has changed, and you're brought face to face with what's important and what's froth. To thousands of us seniors, Amtrak spells the difference between being part of humanity as a whole, or being locked in narrow communities, unable to reach the larger world. It's a troubling prospect. So I'm here to ask you, most sincerely, to include Amtrak's network of passenger trains as very important transportation for seniors. If we can save them, and hopefully expand them, you too can have the joy of discovering their contribution to your desire for human companionship when you become one of us.

Thank you very much for your time and your attention.



Ms. MOLITORIS. As we make decisions, I think we must make them in the context of what customers need and customers want.

And I might mention that there has been a consistency of support and purpose at the Federal Railroad Administration. As Senator Lott and Senator Cochran mentioned, former Federal Railroad Administrator Gil Carmichael and I have worked together and continue to support together the rail passenger network of this country.

I commend this committee's continued strong support for high-speed rail. And I am very encouraged by the fact that there was an endorsement of both Republicans and Democrats, working together and voting unanimously in the last Congress, to enact the Swift Rail Development Act of 1994. These actions underscore your belief in a meaningful present and future for rail passenger service.

The realities of Amtrak today do not match our vision for the future. For too long Amtrak has had to struggle without adequate resources. Rather than investing in the future, it had to defer maintenance, ignore depreciation, and tolerate declines in quality.

Almost 30 percent of Amtrak's passenger fleet are Heritage cars, cars that they inherited, some of them almost 50 years old. No transportation company in this country would be able to be competitive with equipment like the Heritage cars.

But rather than focus on the past, I would like to talk about the current realities and the major changes that are needed in Amtrak and its system. The Clinton administration is energized by the opportunities to help Amtrak become a competitive transportation company for the 21st century.

We believe that Amtrak must be an efficient, commercially driven provider of world-class transportation service. It must provide quality service at a reasonable cost. It must be financially stable, yet recognizing the declining availability of Federal resources.

Secretary Peña has stepped up to that challenge. The Secretary of Transportation sees his role as an advocate, not a custodian of Amtrak. Under Federico Peña, the Department has requested the capital to begin to address years of neglect. But importantly, the Secretary recognized that Amtrak must be changed dramatically to meet its transportation challenges.

The President and Secretary's appointments to the Amtrak Board indicate the kind of business-oriented, no-nonsense approach the Secretary expects. With a new board and management team in place, the Secretary challenged the Corporation to reinvent itself. The top priority of management was to develop a strategic plan.

Amtrak's President and my colleague here on the panel, Tom Downs, has tenaciously pursued a top-to-bottom analysis of the Corporation. And the first phase of this has just been recently completed.

As Amtrak moves forcefully toward restructuring, it had to act to address a potential \$169 million deficit in 1995. The actions taken at the December meeting were painful but necessary. Approximately 5,400 jobs, 25 percent of Amtrak's total employment, and 21 percent of train miles operated are to be eliminated. These actions would have the maximum economic benefit to the Corporation.

But these actions are only the first of many steps that must be taken in the near future to align intercity rail passenger service with today's fiscal and transportation environment. The Board and President Downs are focused on cutting costs and growing business. That is why three strategic business units have been established—to get Amtrak closer to customers and focus on what they need.

The Board is committed to eliminating Federal operating subsidies over the next 5 years. But, at the same time, we believe there is an essential level of continuing Federal capital investment to support the modernization of Amtrak's core system. Such investment will be an integral component of the program to eliminate Federal operating assistance.

What Amtrak needs is a Federal Government aware of its importance in the national transportation system, and one committed to strategic capital investment.

High-speed rail is one piece of Amtrak's successful future. Invigorated partnerships with State and regional governments and private partners are also a part of that future.

The Department believes there needs to be an increased role for States and localities to provide capital and other assistance for Amtrak. This, in turn, will lead to a larger role for these entities in determining which routes continue.

For our part, the Department is actively rethinking the Federal role in facilitating intercity rail passenger service. But this is not DOT alone; all of Amtrak's stakeholders must become part of the debate on its future.

As we look anew at the kinds of transportation options that Americans deserve, we must identify a realistic level of public sector involvement, including Federal, State and local, to ensure the availability of these transportation choices.

I look forward to answering your questions and to working with you in the future to make this a reality.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Molitoris follows:]

TESTIMONY OF JOLENE M. MOLITORIS
FEDERAL RAILROAD ADMINISTRATOR
BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE
ON AMTRAK'S FUTURE

JANUARY 26, 1995

Mr. Chairman, distinguished members of the Committee, it is my privilege to appear as the Administrator of the Federal Railroad Administration on behalf of the Department of Transportation to discuss the important role of the National Railroad Passenger Corporation, better known as Amtrak, in our national transportation system.

Introduction

Beginning with Vice President's National Performance Review, the Clinton Administration and now the 104th Congress are reviewing fundamental assumptions about the federal government, and specifically about the appropriate federal role in ensuring a safe, technologically-advanced and efficient national transportation system. Some have questioned the role of intercity rail passenger service for our Nation, but I am here today to reaffirm the Department's belief in a Federal role in helping to secure the viability of Amtrak and intercity rail passenger service.

The Committee's examination of this issue is well-timed because, over the last several years, Amtrak has struggled to maintain a national rail passenger system with inadequate resources. It should be no surprise that Amtrak is in financial

straits. Addressing a very real crisis, Amtrak management and its Board have taken steps to position the Corporation for a future where it will be able to continue to provide this valuable transportation asset to the American people.

Amtrak has had to make some painful decisions over the last several months. The scheduled cuts in employment and service that the Board agreed to last month were tough, but sound, business decisions designed to improve efficiency, reduce costs, and eliminate Amtrak's projected FY 95 deficit.

One thing I would like to assure the committee is that these decisions were based solely on economic analysis with no consideration of political ramifications of any specific cuts. Many of your constituents want to preserve or expand Amtrak service, but we must recognize the limitations imposed by Amtrak's available resources. Together, we must make choices about the nature of the Federal interest in promoting intercity passenger rail.

In my testimony this afternoon, I will summarize the importance of the Federal role in assuring the viability of intercity passenger rail service, discuss Amtrak's recent business decisions, and explain the importance of Amtrak's strategic plan for the remainder of this century. I support the initiative of the full committee in focusing on these issues in its first hearing of the new Congress on surface transportation, because only together -- with the Administration, the Congress, the States, and other stakeholders working in partnership -- can we determine the appropriate role of intercity rail passenger service for the 21st century.

Amtrak is a Valuable National Resource

Intercity rail passenger service is a safe and energy efficient means of transportation. In the corridor between Washington and New York City, Amtrak has proven it can dominate the intercity common carrier transportation

of people in an area of growing urbanization. In some other corridors, intercity rail passenger service is viewed by the States as a preferred means of providing increased intercity mobility.

The message from many people, the people we see and talk to every day is that intercity rail passenger service can and should be a component of this Nation's transportation system. Last year, I had the opportunity to meet Doris Briggs, a senior citizen from Kensington, California. Doris came up to me at a meeting and told me how important Amtrak was to her and the valuable role it plays in her life and in the lives of many of the senior citizens across the country.

I think that in discussing the future of Amtrak, we would benefit from what real people are saying about Amtrak. I have included with this testimony a recent letter that Doris wrote to me.

The baby boom is graying and soon the majority will be over 50. With these changing demographics, we must ensure that there is adequate and accessible public transportation to permit our older citizens to continue to lead full and meaningful lives. Amtrak is an important component of the transportation system of the future.

I would be pleased to provide the Committee with ample statistics on the benefits of intercity passenger rail, and will do so for the record if requested, but I did not want to focus on statistics today because Congress has historically listened to constituents like Doris Briggs. The Commerce Committee, in particular, has advocated bipartisan support for a Federal role in assuring the viability of Amtrak. This Committee has also strongly supported high speed rail, and I am very encouraged by the endorsement of Republican and Democratic members alike in voting unanimously in the last Congress to enact the Swift Rail Development Act of 1994. These actions underscore a belief in a meaningful present and future role for rail passenger service in our country.

Yet, in a time of growing interest in a smaller federal government, this Committee, the Administration, States and other stakeholders must come to grips with the implications of these trends for rail passenger service. It is in this environment that Amtrak has taken the first hard steps to place itself on valuable financial and business footing.

Reinventing Amtrak

Let me now address some of the present day realities of Amtrak. Amtrak does not provide the quality of service that the traveling public deserves. For too long Amtrak has had to struggle with inadequate resources focusing on survival instead of improvement. Rather than investing in the future, Amtrak was required to defer maintenance, ignore depreciation and tolerate declines in the quality of service.

It is telling that almost 30 percent of Amtrak's passenger car fleet are "Heritage" cars, that is cars that were inherited by Amtrak from the private-sector railroads when Amtrak was created in 1971. Recently, I received a letter from an individual in Wyoming who had an unpleasant experience on an Amtrak sleeping car which she identified by car number. When my staff checked on this car, we found that it had been built in 1949! No scheduled airline or other common carrier in the United States would dare offer to provide service with equipment built nearly a half century ago, but we seem simply to accept this as far as Amtrak is concerned. Further, the historical insufficiency of capital investment brings with it higher operating costs, because not only does such antiquated equipment lack modern amenities, it is difficult and expensive to maintain.

There are other examples of the neglect experienced by the Amtrak system over the years, but we must not get hung up in trying to assess blame for how current conditions came to be. The fact is that we have reached the point where major changes are needed in Amtrak and its system. This in turn has

caused the Department to reevaluate the role of the Federal Government in providing intercity rail passenger service.

We believe that Amtrak should be an efficient, commercially-driven provider of quality transportation service. It must provide quality service at reasonable cost. It must be financially-stable yet recognize the reality of a declining availability of Federal financial resources. This is a tall order we must fill.

Secretary Peña has stepped up to this challenge. For the first time in a long time the Secretary of Transportation sees his role as an advocate rather than a custodian for Amtrak. Under Secretary Peña, the Department has requested the capital to begin to address years of neglect. But, importantly, the Secretary recognized that Amtrak must be changed if it is to meet the challenges of today and tomorrow in the 21st century.

A first step was in the selection of Amtrak's Board of Directors. In developing recommendations for nominees to Amtrak's Board of Directors, Secretary Peña recognized that solutions to the problems facing Amtrak will likely be developed through the give and take of discussions where all views are considered. For that reason, the Secretary sought a Board of Directors with a diversity of backgrounds and points of view. He also sought a new management team committed to change.

With a new **Board** and management team in place, the Secretary challenged the Corporation to reinvent itself. The top priority of management was to develop a strategic plan.

Amtrak's management undertook the first top-to-bottom analysis of the Corporation in many years. To address the challenges facing Amtrak, we needed to know more than just total revenues and costs. We need to know what services or operations require a disproportionate amount of Amtrak's resources and where the opportunities are for real cost savings. The first phase

of this review has just recently been completed.

Then, Amtrak recognized that it was top heavy in management and thus began a process that will eliminate 600 redundant senior management positions by spring 1995 and 400 more by the end of the year. The new management also recognized that the Corporation actually provided different kinds of service in different parts of the country.

The Northeast Corridor service of frequent and relatively short trips is different from the long distance trips between Chicago and Seattle and require a different management focus. To address the need for responsive management in these different areas, Amtrak divided into strategic business units (SBUs) -- a relatively common corporate management strategy, but one that was new to Amtrak.

Amtrak's December Initiatives

In the midst of trying to restructure the Corporation to meet the challenges of the 21st century, Amtrak found itself in the challenge of 1995. Despite \$542 million of operating assistance contained in the Fiscal Year 1995 appropriation, Amtrak was projecting a \$200 million shortfall. If this shortfall were not addressed, all Amtrak service would have stopped by summer. To meet that shortfall, in December the Board approved a number of measures that were developed in the strategic planning process aimed at increasing revenues and reducing costs to allow Amtrak to make it through 1995 and to begin to position the Corporation for the future.

A number of the measures were painful. Approximately 5,400 jobs -- 25 percent of Amtrak's total employment -- will be eliminated. Service is to be eliminated on a number of routes and the frequency of service was reduced on others -- in total accounting for a total reduction by 21 percent in the number of

train-miles operated. These reductions were developed by some of the foremost independent transportation management consultants in the country, retained by Amtrak to evaluate its system and identify those actions that could have the maximum economic benefit to the corporation. An objective methodology by them formed the basis of management's recommendations to the Board; which we accepted.

Amtrak has informed affected states that the elimination of routes can be avoided if the States assume financial responsibility for losses incurred. Amtrak's management and its Board of Directors believe that these measures are necessary to restore financial stability and avoid more serious impacts on jobs and service in the future. The Department supports these actions by Amtrak.

The need for more action

The actions taken by the Board in December are just the first of many steps that must be taken over the next several years as we align intercity rail passenger service with today's fiscal and transportation environment. The Department believes that Amtrak must be shifted away from its reliance on Federal operating assistance. We will be working with Amtrak's Board of Directors and management over the next few months to develop a comprehensive strategy to meet this goal.

At the same time we believe that there is a continuing role for an essential level of Federal capital investment to support modernization of Amtrak's core system. Such investment will be an integral component of the program to eliminate Federal operating assistance. As an example, replacing a Heritage sleeping car with a new Superliner sleeping car provides Amtrak with 50 percent more passengers per car. At the same time, the maintenance expense on a car-mile basis is substantially reduced.

The Department also believes that there needs to be an increased role for the States and localities to provide capital and other assistance for Amtrak which in turn will lead to a larger role for these entities in determining which routes continue and which are abandoned.

For our part, the Department is actively rethinking the Federal role in facilitating intercity rail passenger service. But this is not a DOT-only effort. All of Amtrak's stakeholders must become part of the debate on the vision of Amtrak for the future. As we look anew at the kinds of transportation options that Americans deserve in the years ahead, we must identify clearly a realistic level of public sector involvement -- including Federal, State, and local commitment -- to ensure the availability of those transportation choices, for now and for the future. I look forward to working with this Committee and the Congress in the weeks and months ahead as we develop the vision for intercity rail passenger service in the year 2000 and beyond.

I appreciate the opportunity to appear before you today and am available to answer any questions you may have. Thank you.

The CHAIRMAN. Thank you very much.

I now call upon Mr. Kenneth Mead, Director, Transportation Issues, GAO.

STATEMENT OF KENNETH M. MEAD, DIRECTOR, TRANSPORTATION ISSUES, RESOURCES, COMMUNITY, AND ECONOMIC DEVELOPMENT DIVISION, U.S. GENERAL ACCOUNTING OFFICE

Mr. MEAD. In April 1994, we testified before the committee on Amtrak's financial situation. Today we will try to update you on that, briefly make some general observations on the strategic plan and what may lie ahead.

I want to emphasize at the outset that Amtrak has, throughout the course of our review, been very cooperative.

Amtrak's financial condition has reached the point, candidly, that its ability to offer service over a national system is seriously threatened. If there is one message I would like to leave with the committee today, it is that the Congress needs to decide what is to be expected from Amtrak and how much it is willing to pay to fulfill those expectations.

Mr. Chairman, like all major intercity passenger rail services in the world, high-speed or conventional, Europe or Japan, Amtrak operates at a loss, and has always needed Government funding. As you pointed out, Amtrak has received over \$13 billion in subsidies over the years.

I want to put this in perspective, though, and point out that Amtrak is not alone in receiving public support of this type. Historically, nearly all modes of transportation have received subsidies.

In 1993, essential air service passengers were subsidized about \$50 a trip, which is more than Amtrak's passengers, at about \$35 to \$37 a trip. And Amtrak's passengers are subsidized less than general aviation traffic.

Furthermore, Amtrak, unlike air, mass transit and highways, does not have the advantage of access to a source of funding commonly called the trust funds.

In 1995, out of a total budget of \$2.4 billion, Amtrak will receive \$972 million. And I would like to explain, because it is somewhat useful to understand how Amtrak is funded.

The bottom bar on the chart shown is the operating subsidy, which, for 1995, is about \$392 million. The next bar up is the capital subsidy, which, for 1995, was \$230 million. The bar next up, that is the second from the top, represents the subsidy specifically line-itemed for the Northeast corridor, which was \$200 million for this year. And the top bar, which you can see has been pretty steady over the years, is a \$150 million mandatory payment that Amtrak has to pay for participation in the retirement program.

From 1991 to 1994, revenues were lower than projected by \$600 million, and expenses were higher. The economy, poor service quality, deteriorating equipment, and intense fare competition from the airlines were among the key contributing factors. So Amtrak's revenues and Federal subsidies have not covered all the operating costs.

At the end of 1994, it had a negative balance in working capital of \$227 million. Could we put up that chart, please?

You can see the trends in working capital. And what Mr. Downs and the Amtrak Board are facing was a worse situation at the end of 1995.

Amtrak's capital requirements have grown, at the same time all of this has been happening. The unmet needs for new equipment and improvements of facilities now total several billion dollars.

Amtrak, over the next couple of years, will be renegotiating its labor agreements with about 14 unions. It must renegotiate track use agreements with the freight railroads. It is not commonly known, but Amtrak does not own most of the track it operates on. In fact, 97 percent of the track is owned by the freight railroads, and Amtrak pays the freights for the use of that track.

We think it is unlikely that Amtrak can overcome its problems and continue to operate the current 25,000-mile system without significant increases in passenger revenues and/or funding from some source.

We think that Amtrak's ability to greatly increase its passenger revenues to close that gap is unlikely—in part, because of the competitive environment in which it operates.

None of Amtrak's routes, including the Northeast corridor, is profitable when capital costs are taken into account. Revenues in the corridor cover about 65 percent of the route's cost, compared with about 50 percent for the routes elsewhere.

I thought you might like to see a map of the ridership in the system. You see the darkest lines represent the routes that carried over 1 million riders in 1993. Those routes are of course in the Northeast and Southern California. They accounted for over half of Amtrak's riders.

The dotted lines represent the routes that carried about 400,000 riders in 1993. And the lighter lines are routes that carried under 400,000 riders.

As you know, on December 14th, Amtrak announced an aggressive plan to rescue the railroad. If Federal and State contributions stayed constant at 1995 levels, the cumulative net losses after subsidy—and I underscore after subsidy—would have been about \$4 billion, from 1995 to 2000. Amtrak had to do something.

Some of the actions Amtrak wants to take are going to require changes in legislation or collective bargaining—Amtrak estimates about 26 percent of the savings. We believe it is very important to recognize that even if Amtrak could accomplish its entire plan, the Corporation still expects losses to exceed the Federal and State subsidies by \$1.3 billion from 1996 to 2000. And that is assuming that Federal and State support remain constant at the 1995 level.

Amtrak does believe that the plan could ultimately eliminate the need for Federal operating subsidies by 2002. There are important underpinnings to that view. One is substantially more support from State and local governments.

Second, greater flexibility in dealing with railroad labor. And three, increased capital assistance to bring the infrastructure up to a state of good repair.

Mr. Chairman, without those changes, the recently announced cuts will be just the beginning of route abandonments and service cutbacks. This would just be the tip of the iceberg.

We will be issuing a report on Amtrak in a couple of weeks. And we look forward to working with this committee and others over the coming months.

It seems to us that Amtrak is truly at a critical juncture. And a number of the issues raised by this plan go beyond the ability of Amtrak and its Board of Directors to resolve.

I will close with that, Mr. Chairman.

[The prepared statement of Mr. Mead follows:]

United States General Accounting Office

GAO

Testimony

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and Transportation
United States Senate

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AMTRAK

Deteriorated Financial and
Operating Conditions

Statement of Kenneth M. Mead,
Director, Transportation Issues,
Resources, Community, and
Economic Development Division



Mr. Chairman and Members of the Committee

We appreciate the opportunity to testify at today's hearing on Amtrak. In April 1994, we testified before the Subcommittee on Surface Transportation and reported on the deteriorated state of Amtrak's finances. Our statement today updates our earlier assessment of Amtrak's operations and finances and offers some observations about the corporation's recently announced strategic business plan. In summary:

- Amtrak's financial condition has always been precarious, but it has declined steadily since 1990, to the point that its ability to offer service over a national route system of the current size is seriously threatened. Since our earlier testimony, the situation has grown worse. Amtrak's federal support has grown to almost \$1 billion annually of which about \$390 million is for operating assistance. In recent years, this assistance has not covered the widening gap between expenses and revenues. Requirements for capital investment also have grown. Unmet needs for new equipment and improvements to facilities and track now total several billion dollars.

- It is unlikely that Amtrak can overcome its problems in financing, capital investments, and service quality--and continue to operate the current 25,000-mile nationwide system--without significant increases in passenger revenues and/or funding, particularly for capital investment, from federal, state, and local governments. Amtrak's ability to overcome these problems or to greatly increase its passenger revenues is exacerbated by an unfavorable operating environment, including intense fare competition from airlines. In addition, Amtrak estimates that it needs over \$4 billion to bring its equipment, facilities, and track into a state of good repair. Also, Amtrak must soon

negotiate labor agreements and may confront substantial additional costs for continued access to the rights-of-way owned by the freight railroads.

- Over the past several years, Amtrak has reacted to its deteriorating operating and financial conditions by assuming debt, deferring maintenance, and reducing staffing. Some of these actions, while necessary for day-to-day survival, have simultaneously diminished the quality and reliability of Amtrak's service. Most recently, on December 14, 1994, Amtrak announced an aggressive plan to reduce annual expenses by \$430 million by reducing routes and service, retiring its oldest cars, reducing staff, and improving service and productivity. Amtrak expects these actions should close the gap between the expected operating deficit and federal grants for 1995. However, the gap will begin growing again in 1996, and the announced actions do not resolve Amtrak's need for capital and improved facilities. Amtrak's plan is an aggressive first step, but it will not solve the railroad's longer-term problems.

- The Congress faces important decisions about the future of intercity rail passenger service in the United States and will need to consider the nation's expectations for intercity rail passenger service and the scope of Amtrak's mission to provide that service. The Congress will also need to decide the appropriate roles of the federal government in funding the operating losses and capital investments.

BACKGROUND

In 1970, the Congress created Amtrak as a "for-profit corporation" to provide nationwide intercity passenger rail

service. Until 1970, private railroads had provided both freight and passenger service, but by that year their combined annual losses for passenger services had increased to about \$1.7 billion in today's dollars. Because of these losses, most railroads provided personnel and equipment to Amtrak, and it began operations in 1971. Like all major national intercity rail services in the world, including those in Europe and Japan where the competitive environments are much more favorable to passenger trains, Amtrak operates at a loss, and it has always needed government funding. Since it began operations, Amtrak has received \$13 billion in federal support. In 1995, out of a total budget of \$2.4 billion, Amtrak will receive \$972 million from operating and capital grants, funds to improve the infrastructure that Amtrak owns in the Northeast, and a payment for retirement and unemployment benefits.

Although Amtrak has received substantial federal support over the years, historically the other modes of transportation also have benefited to varying degrees from public investment and operating assistance. Some forms of travel, such as general aviation and mass transit, continue to be subsidized. In addition, unlike other transport modes, intercity rail does not have access to a trust fund to meet its capital investment needs.

AMTRAK'S FINANCIAL CONDITION HAS REACHED A CRITICAL STAGE

Over the years, Amtrak has made numerous attempts to reduce expenses and improve the efficiency of its operations. These actions have served to hold down the corporation's operating deficit, but they have not arrested Amtrak's financial decline. Since 1990, Amtrak's problems have accelerated. From 1991 to 1994, revenues were lower than projected, while expenses were higher than planned. Projected revenues did not materialize for a number of reasons, including declining service quality and competition from the airlines. Amtrak overestimated passenger revenues by \$600

million from 1991 through 1994. As a result, Amtrak's revenues and federal operating subsidies have not covered operating costs.

To help cover this gap, Amtrak drew down its cash resources. At the end of 1994, it had a negative balance in working capital of \$227 million. Amtrak also deferred maintenance on train equipment and reduced its staffing levels and some services. Despite these efforts, the 1994 deficit exceeded the federal operating grant by \$76 million, and Amtrak had projected that this gap would increase to almost \$200 million in 1995. In December 1994, Amtrak announced a new strategic business plan that included a number of service reductions along with other changes that Amtrak believes will ultimately reduce costs by \$430 million annually.¹ These actions are directed at closing the gap between losses and the federal operating grant in 1995, but the gap will reemerge in 1996 and will cumulatively total \$1.3 billion through the year 2000.

AMTRAK'S REVENUES WILL NOT KEEP PACE WITH CAPITAL INVESTMENT NEEDS

The cost of replacing and modernizing Amtrak's physical assets--maintenance facilities, train equipment, and support assets--is a greater challenge to the viability of the railroad than resolving the current shortfall in operating funds. To cope with funding shortages in the past, Amtrak reduced car maintenance. By the end of 1993, overhauls were overdue for 40 percent of its nearly 1,900 cars. Amtrak also deferred modernizing its outdated maintenance facilities, and this delay has contributed to costly and inefficient operations.

Focusing exclusively on the shortfall in operating funds masks the critical problem of Amtrak's capital needs. Today, the average

¹Amtrak expects that the cutbacks will also cause revenues to fall by \$66 million so that the net annual savings are \$364 million.

age of Amtrak's cars is about 22 years, which is similar to what it was when Amtrak first began operating. The recently announced service reductions will allow Amtrak to retire its oldest and most-costly-to-maintain passenger cars, but Amtrak estimates that it still needs about \$1.5 billion for equipment overhauls and new equipment, primarily locomotives. Over the past 10 years, Amtrak's equipment and facilities have depreciated at the rate of \$200 million per year, while investment has averaged only \$140 million. Yet most of Amtrak's annual capital grant is already committed to paying off prior purchases and meeting legal mandates such as environmental cleanup.

Labor costs are also a major factor in Amtrak's finances. Beginning in 1995, Amtrak will be negotiating changes to wages, benefits, and work rules with the 14 unions that represent 90 percent of its employees. Labor costs account for about 52 percent of Amtrak's operating costs. Amtrak has done a good job at improving labor productivity and plans to achieve further increases in productivity. Amtrak already pays train and engine crews less on average than freight railroads pay for comparable jobs. However, continuing to hold down labor costs will present a difficult challenge.

Amtrak could also face increased costs for track leases and liability coverage. Freight railroads own about 97 percent of the track over which Amtrak operates. In 1971, Amtrak entered into agreements with the freight railroads to compensate them for the use of their track and for related services, such as dispatching trains. These agreements expire in April 1996. The freight railroads do not believe that Amtrak's payments, which total about \$90 million annually, are adequate compensation for their services, and they will seek higher payments. Freight railroads are also concerned about their liability in accidents involving passenger trains and will likely seek reductions in their own exposure or increases in the amount of risk assumed by Amtrak.

NONE OF AMTRAK'S ROUTES IS PROFITABLE
AND REVENUE GROWTH POTENTIAL IS LIMITED

Revenues from passenger services are not likely to increase enough over the next few years to reverse Amtrak's deteriorating condition. None of Amtrak's routes--including those in the Northeast Corridor--is profitable when capital costs are taken into account. Revenues in the corridor cover about 65 percent of the routes' costs, compared with about 50 percent for routes elsewhere. Furthermore, passenger revenues have declined about 14 percent in real terms--from over \$1 billion in 1990 to about \$880 million in 1994. This decline resulted from, among other things, a weak economy; intense price competition from airlines in certain markets; Amtrak's old, unattractive, and poorly maintained facilities and equipment; and accidents involving Amtrak trains. While the economy has recovered and the impact of train accidents has begun to abate, the other factors continue to inhibit growth in ridership.

Contracts to operate local commuter rail systems provide Amtrak with its fastest growing source of revenue. These contracts generated over \$270 million in 1994 and accounted for about 20 percent of Amtrak's revenues. Amtrak also believes that new high-speed rail service in selected corridors could increase its ridership and revenues. While high-speed service is now limited to the electrified portion of track between Washington, D.C., and New York City, Amtrak is extending electrification to Boston, improving the tracks, and purchasing new trains that will allow high-speed service from Washington, D.C., to Boston. Amtrak expects its market share between New York City and Boston to be similar to its 45-percent share between New York City and Washington, D.C. To realize these expectations, however, Amtrak will continue to need substantial funds to expand rights-of-way, rehabilitate track and

facilities, and purchase new train equipment. In addition, high-speed service beyond the Northeast Corridor is unlikely without greatly increased federal and state funding. Private-sector efforts to sponsor high-speed rail without substantial governmental funding have been unsuccessful.

AMTRAK'S NEW PLAN IS AN AGGRESSIVE FIRST STEP BUT LONG-TERM SOLUTIONS DEPEND ON EVEN MORE SUBSTANTIAL CHANGES

Amtrak's recently announced strategic business plan is designed to eliminate the gap between losses and federal support for fiscal year 1995 and eventually lead to reduced annual expenditures of \$430 million. If nothing is done, Amtrak expects to lose more than \$7.3 billion from 1995 to 2000. If federal subsidies stay constant at 1995 levels, the cumulative net losses after subsidy would be about \$3.8 billion, again assuming that no actions are taken. Amtrak clearly had to take some action, and its new plan is an aggressive first step. Amtrak plans to reduce its workforce by 5,600 positions (out of 25,000), eliminate 21 percent of the train miles of service it offers, and retire nearly all of its oldest and most-costly-to-maintain passenger cars. In addition, Amtrak plans to achieve significant cost savings by contracting out maintenance work, consolidating crafts, reducing train and engine crews, and taking other actions to reduce costs and improve service. Actions requiring changes in legislation or collective bargaining account for about 26 percent of the savings. Yet even if Amtrak could accomplish its entire plan, it still expects its losses to exceed the federal and state subsidies by \$1.3 billion from 1996 to 2000, assuming that federal and state support remain constant at their 1995 levels. Moreover, these losses do not include any additional costs for using freight rail rights-of-way, acquiring high-speed train sets for the Northeast Corridor, or undertaking any other new initiatives (such as the Penn Station/Farley Building project in New York.)

Based on its analysis and the work done by its consultant, Mercer Management, Amtrak believes that it has gone as far as it can in cutting and reducing service and eliminating routes and that any further reductions would compromise its ability to offer service over a national system. Amtrak believes that the reductions it plans in service frequency for most of its long-distance trains will have relatively little impact on revenues because most of the passengers riding those trains are discretionary travelers who are not time-sensitive--that is, they do not care whether the service is daily or triweekly, they will adjust their schedules in order to take the train. Amtrak has limited empirical evidence for its position, but this view is consistent with what others have observed about the nature of long-distance train travel today.

Amtrak believes that its plan will help put the railroad on the road to financial recovery and that by the year 2002 Amtrak might be in a position to eliminate the need for federal operating subsidies and maintain the current level of service. However, an important underpinning of Amtrak's plan are several changes in the current environment including: (1) substantially more support from state and local governments, (2) greater flexibility in dealing with railroad labor, and (3) increased capital assistance to rectify the current deteriorated condition of its infrastructure and equipment. Without these changes in its operating environment, the recently announced cuts will be just the beginning of route abandonments and service cutbacks.

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It is clear, Mr. Chairman, that Amtrak is at a critical juncture. A number of the issues raised by Amtrak's financial and operating condition go beyond the ability of Amtrak and its Board of Directors to resolve and will require congressional consideration. These issues include the amount of resources the

Congress wants to commit to rail passenger service and how remaining deficits might be covered. In addition, Amtrak's Board of Directors has concluded that the corporation's future lies in densely populated corridors, commercially oriented service between specific pairs of cities, and essential rail service corridors. A related issue that will need resolution is whether all these corridors need to be connected in a national route network.

Mr. Chairman, as you know, we have just completed a comprehensive review of Amtrak's financial and operating conditions and expect to issue our report within the next 2 weeks. We look forward to working with the Committee and the Subcommittee on Surface Transportation in the coming months. Mr. Chairman, this concludes our testimony. We would be happy to respond to any questions that you or Members of the Committee may have.

The CHAIRMAN. Thank you. There is a rollcall vote underway, but we are going to try to keep the hearing going on a rotating basis.

Senator Lott, the chairman of the subcommittee on surface transportation, has gone to vote, but will be back shortly. We will just keep rolling right along.

We will now hear from Mr. Tom Downs, President and Chairman, National Railroad Passenger Corporation. We welcome you.

**STATEMENT OF THOMAS DOWNS, PRESIDENT AND CHAIRMAN,
NATIONAL RAILROAD PASSENGER CORPORATION**

Mr. DOWNS. Thank you, Senator. It is a pleasure to be here this afternoon.

First, I am going to tell you how truly regretful I am that we do not have rail passenger service in North Dakota.

The CHAIRMAN. In South Dakota.

Mr. DOWNS. I am sorry, in South Dakota. [Laughter.]

Mr. DOWNS. Particularly now. And that shows you I am one strike behind already.

It is heartening to hear a number of members of this committee and other Senators testify to the importance of rail passenger service to their States and to their communities. We believe that is true.

My conversations with the Governors of States affected by these service reductions or service eliminations have all said the same thing: They want the service; they recognize its economic value. Not that this is, as a number of people have characterized Amtrak, an exercise in nostalgia or a service for the elite; that in most communities, this is one of the few service options left available in a lot of rural America, and that it provides services and economic development and transportation far beyond what most people recognize.

The frustrations that I have been experiencing with a number of the Governors has been in the lack of flexibility in the Federal funds that they receive for transportation, and their inability to use them for Amtrak purposes—since most of them realize that they are prohibited from using those funds for this purpose and, in relative terms, the amounts are minuscule.

But this is an important time for us to be here before you. Because this is, in effect, the most drastic restructuring of rail passenger service and Amtrak in its quarter-century life. And I want to, before we talk more about that, reaffirm for you several things that the Board and the management have stated publicly about Amtrak's future.

First, Amtrak is committed to running a national rail passenger system. That was explicit and implicit in the decisions that were made in this restructuring. We are not abandoning the United States as a transportation system.

Second, we can improve our service and be more customer-focused. Our goal is to run this railroad in a more businesslike, cost-effective manner, that focuses on customer satisfaction and repeat business.

Third, we are committed to continuing to reduce our dependence on Federal operating subsidies by both reducing costs and increasing revenues. In other words, by growing our service back.

The challenges we face in the next few months, as Director Mead pointed out, without any corrective actions, Amtrak was looking at the possibility of a \$200 million deficit in this fiscal year. We have been told a number of times by the new Congress: Do not expect a supplemental. Do not expect increased funding. You have to solve this problem at home. You have to take the tough corrective steps to make this into a more businesslike corporation.

We are doing that. We have been affected over this last—people ask, How did you get into this shape this quickly? We have been affected by several bad trends. One, we had an awful year in terms of accidents, which not only drastically affected some of our ridership, but also incurred liabilities of about \$100 million.

None of those accidents, I would point out, were ever found to be Amtrak's fault in any way, shape, fashion, or form.

Second, we had an awful winter. And we damaged about 200 passenger cars.

Third, we are in a terrible air fare war environment, where it is not unusual in major corridors to see air fares of \$20 or \$30. And in a choice, in this kind of marketplace, people obviously choose the cheapest. And we cannot compete in that kind of environment in a number of markets.

Fourth, we also have a number of mandates in law and in fact that inhibit both our cost structure and our productivity. Mr. Mead pointed out, one, alone, we pay \$150 million a year to the Railroad Retirement Fund for excess charges. That pays for freight railroad retirees.

I am not saying that we do not want to belong to the Railroad Retirement System or that we do not support it. But there has to be some adjustment made in people's definition of what is an Amtrak subsidy. That is a mandated cost, forced on Amtrak. It costs \$150 million a year. And that is defined as a part of our subsidy.

No business would carry that cost voluntarily. We carry it mandatorily. And it is carried as part of our subsidy.

The Board actions took significant steps to close our cash shortfall. Other cost-cutting measures were agreed upon prior to looking at these.

We did management downsizing. We will downsize management by approximately half of the managers carried within Amtrak.

Productivity improvements in shops and crafts: Tomorrow we are announcing the furlough of 212 employees at Beechgrove, after a reworking of how the work is done at that major backshop in Indiana.

Retirement of older equipment: We are going to try to get rid of all except some specialty cars in our Heritage fleet, which, as Mr. Mead pointed, is our oldest fleet.

We are trying to decentralize our operations as fast as we can out of headquarters and into the field, to get them more focused, down to product line managers.

Finally, we went through an absolutely dead-on, rational review of our route structure. With the help of Mercer Management, who has done this for major European passenger railroads, including

British Rail, we had an expert look at all of our costs attributable and allocated, to look at the pure economics of each system to better understand the potential profitability of each route.

We found that no Amtrak service makes its cost with the exception of special trains.

Next we adjusted those train services to try to get a recovery ratio. Every dollar of cost saved would only cost us a dollar of revenue. In other words, a two-for-one ratio.

The CHAIRMAN. I will just interrupt here to say that I will have to go vote. Senator Lott will be back and will get you restarted.

Just hold fast right there. Just freeze frame for just a few minutes.

Mr. DOWNS. I got it, Senator. Thank you, Senator. [Recess.]

The CHAIRMAN. I will call this hearing back to order. I will call on Mr. Downs to proceed.

Mr. DOWNS. Thank you, Mr. Chairman.

Again, my heartfelt apologies about North and South.

The CHAIRMAN. That is all right.

Mr. DOWNS. I am sure a number of you, as well as a number of States, have asked the question: Why not consider any other alternatives? Or, have we considered all of the alternatives to cutting or reducing our current services?

The answer is we obviously did not have time to consider all of the alternatives.

As was mentioned on the Montrealer service, did we consider making it a day train, stopping it in Vermont, altering the routes, reducing the consist?

No, we did not. We tried to do a quick economic analysis to capture as much of the two-to-one ratio as we could.

As I said earlier, without these changes, we would have been both out of cash and out of budget by the middle of this year. And a race with your bankers is marvelously focusing.

We are now going back with each State on each route, on each service, and doing microanalysis about alternatives like that. Like reconstituting, different routing. In the case of the Montrealer, looking at a western approach to Vermont. On the Wisconsin service, rather than having a relatively rich frequency of services, reducing the number of trains down, and therefore reducing the overall cost to the State.

Yes, we are making those adjustments. And that is why some of our numbers change in terms of the cost we say that the States would bear to be able to continue the service.

Our future I think depends on producing a quality product at a reasonable cost. Any realistic reading of today's Federal budget environment makes it clear that we cannot look to you, the Congress, for all of our operating assistance, nor can we look to you to guarantee that we will be made whole about changes in marketplace.

We need to rely more on passenger revenue. But we also need to rely more on partnerships with the States.

I think it is absolutely critical that in this next authorization for Amtrak, that States be allowed to spend the Federal transportation assistance that they receive, if they choose to, on Amtrak. Many Governors have said they want to do that, and that State general fund dollars are very difficult to get to in this short timeframe.

I think that you must remove the Federal restrictions that limit our productivity and increase our cost, if you want us to act as a business. And we have got a list of those.

I think we need a guaranteed source of capital. As Mr. Mead says, this railroad had no future without some source of capital. And our ability to become more federally independent for operating assistance depends on a reasonable capital flow.

It is clear that Amtrak's future lies squarely in providing a better product for a more reasonable cost. In the past, we have depended on the Federal Government to offset a portion of these costs for running the system. Any realistic reading makes it clear that if intercity passenger rail service is to continue, it needs to rely more on cities, regions and States that it serves for both operating and capital support.

I would point out that as high as this pain level is on this round of cuts, with the number of States impacted, this is only 15 percent of the proposed reductions in service envisioned in this restructuring plan for Amtrak. Forty more States, by this spring, will be impacted by service adjustments in order to get the \$435 million worth of cost reductions envisioned in our business plan.

We are not doing this to turn out the lights on the Washington Monument. We think we have the economic analysis that will back up each of these judgments, and we can defend those assessments with your staff, with the General Accounting Office, or anyone else that would choose to review those.

Let me end this on a positive note. We are committed to providing nothing less than a world-class intercity rail passenger service for America. We are America's passenger railroad.

The steps we are taking, I hope today, will result in that—better quality service, better on-time performance, better satisfied customers, and a growth in revenue, as well as a reduction in cost.

As is pointed out, I think we can get close to independence of Federal operating assistance, but not Federal capital. I think we have a future with States and regions able to make their own choices. And I think that we have a more than 50/50 chance of making this a successful railroad operation in terms that the Congress itself could accept.

With that, Mr. Chairman, I will conclude my remarks.

Thank you for the opportunity to appear before you.

[The prepared statement of Mr. Downs follows:]

STATEMENT OF THOMAS DOWNS
CHAIRMAN AND PRESIDENT OF AMTRAK

before the

SENATE COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION

JANUARY 26, 1995

Mr. Chairman, Members of the Committee, I appreciate the opportunity to appear before you today to discuss the recent decisions by Amtrak's Board of Directors which will fundamentally change the way we operate America's passenger rail system. Let me be clear about one thing: Amtrak is committed to a strong and viable national rail passenger system. The steps we have taken to date have been difficult and are regrettably only the first of several. These changes are being done, however, to make Amtrak more customer focussed, business driven, and close a severe financial shortfall in this current fiscal year.

Let me also undergird my remarks by stating that I believe Amtrak must become steadily less dependent on federal operating subsidies. Our decisions to reduce our work force and curtail service in many parts of the country were difficult but serve this end and, in the short term, were necessary if Amtrak is to survive. I firmly believe that this year will be a difficult and pivotal one for Amtrak. However, I know that if we are successful, Amtrak will emerge stronger and better able to meet the competitive demands of the transportation marketplace.

SUMMARY OF RECENT BOARD ACTIONS

In December 1994, Amtrak's Board of Directors took significant steps to deal with its economic and financial challenges. These actions and recommendations allow the National Railroad Passenger Corporation to move rapidly toward the world-class, commercially and customer-driven, intercity passenger rail system that is our goal and charter.

In short, the plan provides for a balanced FY 1995 budget (excluding transition costs). It reduces annual operating expenses (in 1995 dollars) by \$430 million with a net reduction in operating losses (after revenue foregone from route and service adjustments) of \$364 million. For fiscal years 1996 - 2000 the plan will yield more than \$2.1 billion in net savings.

Amtrak's Board of Directors has agreed that:

- o Amtrak's future lies in densely populated corridors, commercially oriented intercity pairs, and essential rail service corridors.
- o The "new Amtrak" must be customer driven and should promote potentially profitable product lines (such as Auto Train) and incrementally profitable businesses wherever possible.
- o Where passenger services are made viable by virtue of state or local subsidies, those subsidies should approach real costs and not be deeply discounted.
- o Amtrak should remain an operating company to at least some degree and those operations should be as efficient and cost competitive as possible.
- o In striving for an accurately costed and adequately funded passenger rail future, the Board recognizes that the system may include private segments, segments subsidized by states and localities, and segments subsidized by the federal government.

The actions adopted by the Board we believe represent the best economic outcome that can be achieved by a commercially driven, national, passenger rail system -- absent substantial increases in consumer demand and ridership and/or significantly greater levels of capital investment to more rapidly modernize the system and achieve world-class technology and operating levels. The actions also position Amtrak to improve the quality of service and more aggressively pursue its market. The actions do not eliminate, however, the need for on-going operating and capital assistance. This need for public investment is true for every transportation mode in this country, and for every major passenger railroad system in the world.

Since late last summer, extensive analyses of Amtrak's operations and economic and financial outlook have been undertaken. While gaps in knowledge still exist, the following conclusions can be drawn:

- o Marginal changes alone in route and service, business practice, and management organization and structure will not be sufficient to preserve Amtrak.
- o Even a commercially rationalized system cannot survive without some level of federal, state, or local operating and capital support (either through subsidies or full cost contracts) and the flexibility so it is easier for states to use these funds for rail service.

- o Amtrak's cost structure cannot be significantly reduced without major productivity improvements and work force reductions, especially in train related and maintenance of equipment operations. Many of these changes must be collectively bargained and will require the full cooperation and participation of organized labor.
- o There is a significant cost of transition to a "new Amtrak." Amtrak does not have the economic or financing capacity to pay for these transition costs. If the federal, state and local governments defer the opportunity to invest in Amtrak, these costs alone will cripple reinvention efforts.

To address these findings, Amtrak will begin the immediate retirement of its Heritage equipment. Most of this equipment dates to the early 1950s and is extremely costly to maintain. We are trying to accelerate the deployment of our new Superliner 2 cars and expect to take delivery of our Viewliner sleeper cars later this year. Amtrak also needs to explore other more cost effective means for maintaining and repairing its locomotive fleet. For instance, we have several offers from companies such as Morrison Knudsen and General Electric to swap old locomotives for new ones as part of a modernization program. We are exploring these.

The route analysis that was performed by Mercer Management Associates found that, with the exception of special trains, no regularly scheduled train was profitable. This includes trains operated on the Northeast Corridor (NEC) -- including Metroliner service -- and state supported trains (known as 403(b) trains). As part of our analysis, we divided Amtrak into 24 natural subsystems which was a group of trains running over a route or set of interconnected routes. Our view was that if the poorest performing segment of a route or train is eliminated, a reduction or elimination of the train-related and route related costs disappear without affecting any other profitable or viable part of the network.

CONCLUSIONS DRAWN FROM ANALYSIS

Several conclusions can be drawn just from the economic descriptive analyses of the 24 subsystems:

1. Under current conditions, of all subsystems only the "special train" subsystem, (unscheduled, intermittent special service) makes a profit.
2. The addition of any service that does not fully break-even on a long-term basis or generate profit will worsen the financial condition.

3. Two "natural" economic breaks are evident in our existing system. First, the NEC is "more profitable" (contributes less to the operating loss) both with and without infrastructure charges than intercity trains.
4. Second, the maximum amount of base cost savings that can be generated is approximately \$450-700 million with a net improvement on the bottom-line in the \$300-500 million range. Any further savings would require such deep service reductions that, de facto, no national system would remain.
5. No realistic combination of route and service cuts and productivity improvements can eliminate totally the need for on-going public federal, state, or local operating and capital investment.

If route eliminations are to be included in the financial strategy, the revenue loss can be minimized and the cost savings maximized only if the routes are eliminated in the economically optimal order. If other considerations dictate that some route eliminations are more palatable than others, then the improvement on the bottom-line from the route actions will be reduced. Depending on the actions chosen, the net effect of non-economic decisions could be to exacerbate rather than reduce the current problem.

6. It should also be emphasized that the economic outcome is basically indifferent to whether the economically worst services are eliminated or their bottom-line loss is fully compensated by someone other than Amtrak -- such as by federal, state or local subsidies, contracts or operating agreements. Thus, Amtrak intends to maximize its efforts to forge state and local partnerships responsive to mutual need.

We believe that the actions proposed afford the best possible opportunity to minimize operating losses and maximize high quality, low cost intercity passenger rail services from a strictly commercial and economic point of view.

The plan is based on several assumptions and designed within certain parameters.

- o Productivity savings are considered preferable to route and service adjustments. In other words, it is better to drive out unit costs before cutting back services (and possibly causing permanent loss of customers and customer loyalty).
- o The maximum amount of costs should be driven out with the minimum amount of revenue loss. The bottom-line is what matters most, both commercially and economically.

You can reduce operating loss by \$2 if you cut \$3 of costs and lose \$1 in revenue. You get exactly the same bottom-line impact if you cut \$4 in costs and lose \$2 in revenue -- so why give up the extra \$1 in revenue and its associated existing and potential customer base?

- o New revenues and cost savings are estimated conservatively; the plan does not rely on unrealistically optimistic revenues nor does it assume cost savings in a time frame or to a degree that exceeds industry experience.
- o No action was considered if it was -- in fact -- operationally infeasible or impermissible under existing law. All of the actions approved by the Board have met this test even though many present formidable collective bargaining or other implementation challenges. Some may require legislative action to be accomplished.

The proposed actions have an annual net impact (or "bottom-line" improvement) of \$364 million. They will save \$430 million in expenses and lose a net \$66 million in revenue. Annualized head count reductions associated with the proposed actions total approximately 5,600 full-time equivalents or 26 percent of the existing work force. Of these, about 1,000 non-agreement and 4,600 agreement positions are reduced (38 percent and 24 percent of current work force, respectively).

Beyond the Board's actions, there are a number of legislative actions that could be taken to improve Amtrak's long-term economic and financial prospects:

- o Amtrak must have a secure source of funding. This could be done in a way that would include rail passenger services by allowing individual states to invest their federal transportation funds to meet whatever their own transportation priorities may be.
- o The Board has decided that its preferred approach in dealing with productivity issues is through collective bargaining. This will require changes to the RPSA to permit negotiation of labor protection without the statutory rigidity that limits those negotiations.
- o Railroad Retirement has a significant cost impact on Amtrak. Amtrak currently includes approximately \$150 million in excess RRTA and RUIA obligations. These costs were incurred by non-Amtrak railroad employees and would remain even if there were no Amtrak. These

costs have nothing to do with the operation of Amtrak trains and should not be a part of Amtrak's budget. In addition, the law should be clear that part-time station custodians (a growing workforce) should not be considered railroad employees for the purpose of Railroad Retirement.

- o It makes little sense for Amtrak to seek appropriated funds in order to turn around and pay the federal government its federal taxes on fuel. Amtrak should be exempt from this requirement, as commuter authorities already are.
- o State-assisted rail passenger service should be provided at the request of the state similarly to the way Amtrak operates local commuter service.
- o Amtrak could reduce its operating costs if the total operating grant were provided on the first day of the fiscal year, as it is already scored by the Congressional Budget Office.
- o Amtrak's cost, with respect to its contracts with the freight railroads and its own liabilities, could be significantly minimized with a limitation or cap on punitive damages. This could be part of a Congressional effort to consider tort reform.
- o Amtrak could minimize interest costs on its debt portfolio if its Internal Revenue Code were amended to allow for issuance of some tax-exempt debt.
- o Amtrak could improve its on-time performance and enhance revenues with a motivated freight carrier. Providing a tax incentive for the amount of revenue earned from on-time performance payments to the freight railroads would provide such motivation.
- o Federal law needs to clarify Amtrak's exemption from local permitting for work done under the Northeast Corridor Improvement Project. Without such clarification, costs of the project to the federal government would go up and delays could be incurred.

In conclusion, let me make a few more points. Amtrak is in the midst of the most fundamental reorganization in its 24 year history. The implementation of the Board-approved plan will reduce operating expenses by \$364 million per year, and over \$2 billion in the next five years. About one-third of Amtrak's least productive trains will be affected, approximately 6000

employees will be furloughed, our oldest equipment retired and an aggressive effort to increase productivity will be undertaken. If Amtrak is expected to operate like a business, it must be free of the type of federal statutory restrictions that will prevent it from being successful.

It is clear to me that Amtrak's future lies squarely in providing a better product for a more reasonable cost. In the past, Amtrak depended on the federal government to offset a portion of the costs of running the system with federal support. Any realistic reading of today's budget environment makes clear that if inter city rail passenger service is to continue it needs to rely more on the cities, regions, and states that it serves for operating and capital support.

I know that many states are upset that their trains are being cut or the frequencies reduced. My staff and I have tried to be straightforward with our analysis, and we have made it clear Amtrak is willing to resume service if our costs are met. As many of you know, much of my career prior to Amtrak has been spent in state and local government and I well know the problems and pressures these types of decisions bring to Governors and state transportation planners. In fact, we take some heart in knowing that this frustration reflects in many ways how important Amtrak is to the areas we serve. No one wanted their train to stop or be run less frequently, including Amtrak.

What we also found during this recent route and service adjustment was that states are greatly limited in their ability to buy rail service. When states have to use general funds to provide a transportation service, it becomes a much more difficult proposition. Providing full flexibility for states so that they can utilize their transportation resources for whatever priority may exist will be a critical part of how much rail passenger service will exist in the future.

Let me end where I began. We are committed to nothing less than providing America with a world class rail passenger system. The steps we are taking today will result in a stronger, more business-like operation. If we are successful in our reorganization and if Congress passes our legislative program, I am confident about Amtrak's long term viability and continued contribution to our national transportation system.

The CHAIRMAN. Thank you very much.

I might address a question to any of you. I guess it is the underlying question of the Amtrak subsidy. When Amtrak was created in 1970 it was supposed to receive a one-time subsidy of \$40 million and then become self-sufficient. Yet here we are 25 years later and Amtrak continues to receive huge Federal subsidies. Indeed, Amtrak will cost the American public nearly a billion dollars this year.

Now, Amtrak serves less than 1 percent of the traveling public. How can we continue to justify this kind of an expenditure? What is the point of pursuing expensive high-speed rail development at a time when Amtrak is losing money on every segment of its system?

I throw that question out to all takers.

Mr. DOWNS. Mr. Chairman, if I could start and then I will defer to the Railroad Administrator. There was a broken promise at the national level about the future of Amtrak. The expectation was that Amtrak would be fully capitalized. Instead, it was given an entire rail yard full of junk, and it was expected to run a first class rail passenger service.

Some of our cars were inherited from World War II. A lot of locomotives were older than World War II when we started. We were never given a head start on full capitalization of the railroad.

Our accountants say that now the cost of that decapitalization is as much as a quarter of a billion dollars a year in cost to Amtrak. In other words, that undercapitalization costs us every year in real dollars of operating costs about a quarter of a billion dollars.

What is the future of investments like the Northeast corridor and high-speed rail? I think that future lies both in a partnership with the Federal Government and the States about what is in the best interests of a region, about its transportation system.

There is no more highway capacity in the Northeast. There is no more airport capacity at peak hour at any airport in the Northeast, let alone air space. The Northeast corridor continues to grow in population and economic activity, and something has to be there to meet that growth. We can be that. We can be that cheaply and economically.

But that means that there is access for those States to Federal capital, transportation dollars, that they can choose. Rather than limiting those categories to only being able to spend them in highways or aviation or maritime, let the States pick what they think they need for their own transportation system.

If we cannot exist in that kind of environment with a product that the customer wants to buy and States want to be partners with, it is going to die. Then that is probably the better answer than trying to have the Federal Government make a decision about what each State and each region needs for its transportation system.

Ms. MOLITORIS. Mr. Chairman, I know that you have always been very supportive of FRA because you recognize the cost-benefit analysis of that program and the benefit to local communities. I think the focus in the new Amtrak of partnering closely with States and regions about the future of their transportation system means that the kind of investment States and local governments

make and the closeness of them to the decisionmaking process is going to really change the dynamics in the future of rail transportation service.

In addition, I think it is crucial to underscore the point made by GAO that all forms of transportation receive a subsidy. So Amtrak does pop out because it is funded from the general fund and does not have a trust fund, but this investment responds to more than the needs of the 1 percent of travelers that you mentioned. In fact, it helps commuters who use Amtrak's lines.

In fact, over a thousand trains a day move on the Northeast corridor and only a little over a hundred of them are Amtrak trains. So those commuters are benefiting.

The infrastructure investment on the Northeast corridor avoids other kinds of investment. \$1.5 billion in additional air and highway capacity would have to be invested in Washington, New York, and Boston if Amtrak went away. And I could go on and on in terms of our statistics.

So I think it is crucial that we evaluate the worth of this national railroad passenger system in context, and I think the restructuring at DOT, where we are looking at flexibility and giving to States and regions more opportunity to choose, is going to help make those decisions more dynamic and really help us create the new Amtrak.

The CHAIRMAN. Mr. Mead, do you want to make any comment on that?

Mr. MEAD. No, I think everything has been said.

The CHAIRMAN. It has already been covered.

I am curious. Many of you have mentioned the mandated rail labor protections, most of which, like FELA and so forth, I would consider ripe for repeal or substantial revision. How much of the problems of Amtrak is related to labor costs and what areas would you change if you could push a button and change them? Mr. Downs?

Mr. DOWNS. The first button I would push would be to find the right way to fund the excess railroad retirement charges that are allocated to Amtrak. I think it is grossly unfair that Amtrak be charged with carrying a subsidy for the cost of retired employees that never worked for Amtrak. It unbalances our entire budget and it makes the operating subsidy look much more drastic than it actually is. You have to ask who is being subsidized in that process.

We have an estimate on this round, depending on how you actuarially carry C2 rail labor protection or New York Dock costs, of between \$100 million and \$250 million, based on how we price out the labor reductions in this round of service reductions. Those are federally imposed. If the Federal Government is going to require those payments, they ought to make those payments and not consider that a subsidy to Amtrak.

The Board of Directors has said that the position that the corporation wants to take about C2 rail labor protection is that we want to be able to negotiate with our unions those provisions and their actual payout rates. But we are prohibited, both of us, from doing that by the way the law, the Rail Passenger Service Act, is structured.

The CHAIRMAN. Mr. Mead, are you in agreement?

Mr. MEAD. Not entirely. Somebody still would have to pay the \$150 million. I would focus on the Railway Labor Act. One of the underpinnings of Amtrak's plan is to contract out more of its work, but some of the labor laws under which Amtrak operates constrain their ability to do that. Amtrak's contracts with the unions give them the right of first call for work, and if Amtrak and the unions cannot agree, well, the current incumbent agreement is the one that stands in place.

So that would be another law that I would examine.

The CHAIRMAN. Now, Mr. Downs, you have received high marks for trying to run Amtrak in a businesslike manner. Yet Amtrak is bound by various labor protection statutes from a bygone era. On January 4th I understand Representative Hefley introduced the Amtrak Privatization Act of 1995. This legislation would phase out Federal subsidies over 4 years, cut the severance pay allowed eligible rail employees from 6 years to 6 months, and put rail passenger employees under workers compensation instead of the negligence-based FELA.

If Congress stopped funding Amtrak today, how much money would taxpayers have to fund in order to cover the labor protections Amtrak has to provide by law? And how many of Amtrak's 25,000 employees would be eligible for 6 years severance pay?

Mr. DOWNS. Well, I wish I had a simple answer for that question. I think if Amtrak was closed and the entire system was shut down there is one school of thought that that would be in effect a bankruptcy proceeding and the cost of rail labor protection for those employees covered would probably be in the neighborhood of between \$2 and \$4 billion, depending on how you calculate it.

The actual experience that we have had over the history of the corporation, I think the cumulative total of all C2 or New York Dock payments in 25 years has been about \$31 million. The reality is that that provision does not—although some of the international unions dispute the interpretation, rail labor protection does not apply to a number of actions that are in effect furloughs or layoffs, or in the case of service reductions whether or not those positions are covered by rail labor protection, our interpretation is that they are not.

For instance, on the 212 positions being furloughed tomorrow at Beech Grove, Indiana, they are receiving 1 week's notice under the furlough provision of the contracts there. We have noticed all of the unions and worked with them for the last week and a half about that. But those employees are being furloughed, in a lot of cases indefinitely, and they are receiving 1 week's pay in the process.

So it is important to recognize that those charges do not go to all employees who are laid off under a scenario that is short of abandonment of a line, which the law particularly applies to, or the shutdown of an entire plant.

The CHAIRMAN. At this point I will call on the chairman of the subcommittee, Senator Lott, for his questions if that is agreeable with you, John? Is that all right?

Senator LOTT. He looks awfully agreeable.

Senator KERRY. OK.

Senator LOTT. Thank you, Mr. Chairman. And thank you all for being here. I look forward to working with you in the future. I also

look forward to having a chance to have future hearings and to talk with you privately about things that we can do to work together to help the railroad industry as a whole in this country and certainly Amtrak.

Ms. Molitoris, just one question since we do have another panel. I would like to ask you a lot of questions. But were you suggesting a while ago that we should have a trust fund for Amtrak?

Ms. MOLITORIS. Well, I think what I was suggesting is something that has been suggested by many, including the recent Intermodal Commission Report on Transportation, which had industry leaders from throughout the industry—trucking, railroads, highways. And what they were talking about is the opportunity for flexibility within the funding structure so that the States and localities could have more of a say in how they use the money that they receive.

Senator LOTT. Yes, but what I think I hear you saying is to use highway trust funds for railroads. Is that what you were saying?

Ms. MOLITORIS. Well, I think the decision about how that flexibility evolves still is to be made and certainly is under discussion.

Senator LOTT. Well, I think you are going to run into some resistance to that and I just wonder. Are you in the administration and other officials, considering the possibility, debating, or thinking about a trust fund for Amtrak?

Ms. MOLITORIS. Well, there are certainly a number of ideas on the table, Senator. And the opportunity to bring the new restructuring of the DOT to the Congress will certainly include some of these ideas, and I think the opportunity to debate this issue and get the best ideas in the country on the table is something that we look forward to.

Senator LOTT. Certainly I look forward to talking to Secretary Peña soon about that. I believe we will be meeting soon to talk about it. We would like to have the administration's proposals in this area and others. I am sure we will be getting that.

Mr. Mead, can I ask you just some brief questions to give me a very short answer if you can, to get a feel for where we are? By the year 2000, even with restructuring, what would be the cumulative operating loss for Amtrak as a result of your study of this matter? Do you have a number?

Mr. MEAD. Yes. Assuming the subsidy stayed the same, the after-subsidy deficit would be about \$1.3 billion.

Senator LOTT. And over that time capital needs would be in addition to that, is that correct?

Mr. MEAD. Yes, sir.

Senator LOTT. Do you have any idea what that would be?

Mr. MEAD. I would peg it in the neighborhood of \$3 to \$4 billion.

Senator LOTT. \$3 to \$4 billion?

Mr. MEAD. Yes.

Senator LOTT. By the year 2000. Actually, I had the impression it was much higher than that.

Mr. MEAD. It may well be.

Senator LOTT. Other extenuating circumstances that may come into play. I believe that I have heard from your work and others that we are facing labor and rail access agreements in the near term, in the next 2 years, as well as a problem with—I believe you showed us the graph that shows it—the equipment is aging. This

is going to be a problem that will have to be dealt with along the way in big way at some point, is that correct?

Mr. MEAD. Yes, sir, and that includes the high-speed train sets that Amtrak plans to purchase in the Northeast corridor.

Senator LOTT. Do you have a projected cost estimate associated with the terminated Amtrak employees over the next 6 years?

Mr. MEAD. No, we do not have a breakdown as to who the employees are. We just know the gross numbers, sir.

Senator LOTT. I believe you indicated in your testimony, and I did not get to hear it all, that you had reservations about the ability of Amtrak within the limitations that they must face of finding a long-term solution.

Did you suggest or are you suggesting some commission to deal with this on a long-term basis?

Mr. MEAD. Senator Lott, we think Amtrak is making some very significant assumptions in its plans that would customarily be made by the Congress. Those include assumptions about how much money Congress is going to pay, State roles in funding Amtrak. And as Mr. Downs pointed out, this is just the beginning.

It is our view that Congress is going to need some type of mechanism for defining the national network and considering options, and a commission may be one approach to that, sir.

Senator LOTT. Thank you, Mr. Mead.

Mr. Downs, thank you again for being here. I saved you for the last because you are the one that really has to deal with this problem on an immediate basis. I apologize to you for having been gone, too.

I understand from your testimony that you were just now beginning to work with States and localities to try to deal with some of these problems. My concern is whether that should not have been done before you decided on the short-term solution or plan that you are recommending here?

But rather than being critical from the past, I want to ask should you not at least give us additional time to work through the State legislatures and with localities? We have got a Mayor here, Mayor Smith, and a former Governor. We heard from Senator Jeffords about the effort in Vermont. But I do not think we can put all of it together by February 1.

What I really would like you to respond to today is the possibility that we could get some sort of temporary freeze or deferment of the implementation while we have time to help you work out the problem without losing the service.

Mr. DOWNS. Senator, we took these actions to avoid coming here to ask you for a supplemental. We think that we are in a terrible cash position and we have some severe budget problems. Everybody has said do not bring a problem up here until you have taken every step that you can to solve those problems, and we have taken that to heart.

The Board, the Administration, have been supportive of that approach. I wish we had had more time. Particularly with the States that have been our partners for a long time, I think we did not do a number of the notifications right and I take full responsibility for that, and I have apologized to a number of the States that were shortchanged in terms of timing.

Without these actions we will run out of cash. I want to be able to be accommodating to the States like Mississippi—

Senator LOTT. Would you run out of cash in the next 3 months?

Mr. DOWNS. We could easily run out of cash by June on a real cash basis. As I said, we missed our revenue estimate last year by \$123 million.

Senator LOTT. Why?

Mr. DOWNS. Weather, accidents, and air fare wars.

Senator LOTT. Is ridership up or down?

Mr. DOWNS. 6 percent down.

We are trying to absorb that reduction of \$123 million of revenue that disappeared. We are trying to absorb \$100 million worth of incurred costs because of the accidents and the bad winter. We are trying to make this budget work so that we can get to a reduction in operating subsidy by next year in our budget request, which a number of Members of the new Congress have said is essential for us to have credibility here with this body.

But we have to take these steps. I want to be able to have the flexibility to do this with States, but we have no cash. And I want to be able to be partners if anybody can provide that kind of cash, but that looks like a request for a supplemental. I do not want to say that.

Senator LOTT. There is a supplemental coming up here February the 6th. I presume there will not be anything in it for Amtrak, based on weather and accidents?

Mr. DOWNS. Senator, unless you are saying—

Senator LOTT. I am not advocating it. I am asking.

Mr. DOWNS. Senator, unless you are saying something that everybody else is telling me to not do, and that is do not think about a supplemental for this year, I have taken that advice to heart. I have heard that from the administration. I have heard that from both houses of the Congress. I am trying to make this corporation live by those rules and be more businesslike.

Senator LOTT. Well, I commend you for that.

I ask my colleagues here to yield, to give me just a moment more to get to a question that may affect them, actually. I support having rail passenger service. I think most Members of Congress do. There are those that are suggesting that maybe it is time we take a look at changing it in some other way.

But one of the problems you have is if we continue to have these little problems and we cut a little here and we cut a little here. One of these days we are going to wake up and you are going to have one or two lines, period. Then you are not going to have national rail service. If you do not have this line running across here and you do not have this down here, if you keep cutting them out, it is not a national rail passenger service.

And if we do not have adequate service in the South or the Northwest, you are not going to have any funds. If it just becomes the Northeast corridor or maybe one line across the country, you have got big problems. So we have got to find a way to keep this national.

One of the things that really confuses me is that one of the routes, if I understand it correctly, that is going to have service cut back, is between Baltimore and New York. Is that correct, accord-

ing to your chart? That would be one of your most important routes.

Mr. DOWNS. I am sorry, Mr. Chairman. That is an alteration in the Palmetto. It is a New York to Florida train. We are eliminating one. We have the Silver Meteor, the Silver Star, and the Palmetto. The economic analysis showed that we could not justify three trains between New York and Florida.

That line, that dotted line, goes all the way from New York to St. Petersburg, Florida because we are eliminating the Palmetto service entirely on the East Coast.

Senator LOTT. So you are cutting back rail service on that route?

Mr. DOWNS. We are eliminating the Palmetto, yes.

Senator LOTT. You are cutting back service on that route.

Mr. DOWNS. Yes.

Senator LOTT. And that is, according to another map I have from Amtrak, the most heavily used section of the entire Amtrak system.

Mr. DOWNS. It is.

Senator LOTT. How do those jibe?

Mr. DOWNS. Because that is a through train, that is, a train from New York to Florida.

That corridor from Washington to Boston is our most heavily traveled corridor. It is a mix of Metroliner trains and conventional trains. This is a reduction in one of the conventional trains. We are also eliminating two Metroliner trains on the Northeast corridor as a result of this to take them—to have better service by better size of train. And we are also eliminating four conventional trains in the corridor itself.

Senator LOTT. One of the things I always liked about your map is it did encircle the entire country. But now you are going to cut back in one section of that circle. You have got one noticeable, discernible gap, right here. You do not have that run across here that used to, the Gulf Breeze that runs across from Jacksonville; and now you are cutting back on the one that you could connect to from New Orleans going to New York.

The States that are involved—Vermont, Mississippi, Alabama, Louisiana, Montana—all want to work with you. We need a little time to help you solve your problem, and you have got to help us find a way to help you.

Mr. DOWNS. Senator, the numbers—when we talk to the States they are surprised at the smallness of the numbers that we are dealing with from the standpoint about how much it costs them in relative transportation dollars. If a State has a billion dollar annual transportation budget, if we say that we need \$4 million for the restoration of full Amtrak service, we are not talking about heavy lifting for them.

Senator LOTT. But you make my point. It may not be heavy lifting. We may be able to do more. But we are going to need a little time to help make that possible in a number of States.

Mr. DOWNS. Senator, I need time with my bankers as well, and it is m-o-n-e-y. It is cash. If I could get it from the Federal appropriations process, I would be grateful. If I could get it from the States, I would be grateful.

We have three customers here: the people who ride the trains, the States who are served, and the National Government. If none of the three pays, the service has to go away.

Senator LOTT. There is one other. Maybe you can even say it is included in there, but it seems like I have not heard it mentioned too much: taxpayers.

Mr. DOWNS. The National Government.

Senator LOTT. OK, I guess that is the same.

Mr. DOWNS. I hope it is, sir.

Senator LOTT. I am not sure it is.

Well, I have made the point. I do not think we are going to be able to go with the situation that cuts back this service without having time to work this problem out and help us find a way to do it. That is all I ask.

Thank you, Mr. Chairman.

The CHAIRMAN: Senator Kerry.

STATEMENT OF SENATOR JOHN F. KERRY

Senator KERRY. Thank you very much, Mr. Chairman.

I must say I am really intrigued by the dynamics of this discussion and wonder if you have figured out what happens when the balanced budget amendment passes.

Mr. DOWNS. No, I do not want to think about that, Senator.

Senator KERRY. Well, that is the problem, I guess, and it sort of underscores what we are really tiptoeing around right here, to be honest. It is interesting, Mr. Chairman. I have sat here in this committee and I have listened to you be very upset about the movement of big jets out of South Dakota and the changes taking place in the market because you are now served by commuters. You do not like that. Nobody likes it, but that is the reality, I guess, when you leave it to the marketplace to be the determinant of what is also a quasi-public service.

So you would rather have big jets, but big jets cannot afford the market. So if you turn the railroad into the same kind of dynamic, they are going to cut. That is what Senator Lott is complaining about.

What we are losing sight of in this country, not just on the railroads but I might say on a whole host of services to people that are an integral part of our marketplace, integral to getting goods to airports, integral to getting product across oceans. These are entities that are not going to survive without some kind of subsidy, capital subsidy, operating subsidy. But if you put them out in the marketplace many of them are going to disappear, and a lot of jobs, companies, opportunities are going to disappear with them.

I would say respectfully to my colleagues—and I am going to fight this battle with great intensity this round. I have been here 11 years now and I have watched us nickel and dime this process to death. And we come back here and we hear complaints about how the system does not work, the Government does not work.

Of course it does not work. It is never given a chance to work. It is not adequately capitalized and it is not put in a position to be able to compete with other opportunities or options that people avail themselves of.

There is not one of us who has not traveled somewhere in the world where there is not a decent railroad. It is a disgrace that there are 35 or more countries spending more per capita on their railroads than we do, an extraordinary list of countries. There is a chart right here, I will show it to you. You can see the scale. This is the downward scale. Way down here is the United States of America.

That is what we spend per capita on our railroads. I mean, you have got Switzerland, which is renown. You know, you can jump in at any station, get in, get where you are going, smooth ride, et cetera, because they have capitalized it. Sweden, Austria, Germany, Netherlands, Denmark, Norway, Finland, France, Portugal, South Korea, Belarus, Greece, Hungary, Botswana, Ireland, Britain, Slovakia, New Zealand, Latvia, Belgium, Bulgaria, Venezuela, Indonesia, Iran, Namibia, South Africa, Colombia, Mexico, Myanmar, India, Thailand, Guinea, Bolivia.

They all spend more than we do on railroads. There are only nine countries here—do we want to be like Bangladesh? We are heading there. Do we want to be like Romania, Malawi, Pakistan? I mean, this is ridiculous. This is not very complicated.

You know, I have often wanted to look at the prospect of taking a train from here to New York and New York to Boston or whatever. It is a lot easier than struggling out to LaGuardia or Kennedy, out to Dulles late at night, whatever the option is. You get on five blocks from here, you get out and you are in mid-city. It does not hit you for 20 bucks for a taxi, you do not have to wait in a traffic jam.

Here we are struggling in this country to deal with air quality, to deal with the question of depletion of petroleum reserves. We are already subsidizing to an extraordinary extent, I might add, the capacity of people to get into their automobiles and one at a time clog the highway and drive places. And yet we are nickel and diming this effort, which is now forced to compete for track time with freight carriers.

Now, we are at fault. You cannot ask these folks to come up here and sort of explain this away. They are doing exactly what we have told them. Every time they come up here and they do not have a solution like they presented you with, Senator, they sit here and take abuse and they get reamed out: Why did you dare come up here and not have some proposal, and you are out of budget whack and that is irresponsible.

So they have come up here trying to be responsible and we are suddenly beginning to see what I suspect we are going to see over the course of the next few years: The debate is being framed. I am glad it is being framed, because we are finally going to start maybe to talk about what is important to us and what is not important to us.

Now, for millions of Americans—I think it is about 210 million people, 210 million riders in the Northeast corridor—this is work or not work. It is getting to home or not getting to home. And for a huge number, 11 million I guess, in the inner city, they use inner city transportation and they cannot afford cars, they are not available, they cannot keep their work if they do not have this transportation.

So we have really got to make a fundamental decision. No country in the world operates a railroad system without either an operating or a capital subsidy, no country in the world. Now, if we complete this Northeast corridor we are going to bring ridership up by three or four million, we are going to be competitive with the airlines, we are going to have a 3-hour ride from Boston to New York, we are going to reduce the number of cars on the road, we are going to reduce traffic jams, reduce all the carnage and other things that go along with it, and we are going to begin, I think, to create the fiber of a network.

So what we are really talking about, Mr. Chairman and Mr. Subcommittee Chairman, is the fundamental choices that we have really got to begin to make to be responsible. Yes, there may be some outlying areas where there are some very difficult issues of ridership and levels. But I think the strength of this Nation requires us to have a national railroad system and a network.

We have got to be very careful. We have already allowed too many rights of ways to have been sold off or even altered beyond recognition and capacity, and the day will come. I mean, I know that Route 128, Technology Highway in Massachusetts, you can barely get off the exits in the evening during rush hour. A lot of those folks I think would be delighted to get onto a decent, clean, fast-moving, reliable train where they could read, do work, not worry about cars and traffic, if it was available to them.

We have never made a commitment in this country to make that available to people, because we are still carrying on this love affair with the automobile. I do not think it has to be all that competitive, frankly. It may be that over the years that will resolve itself in other ways. But I think we have got to decide whether we are going to adequately capitalize these folks and whether we are going to measure the service they provide and how it is provided.

I would just like to ask you very quickly—it is a long thought, but I tell you I am really frustrated by the way the debate is framed in this country, that all of these programs fail. Many of these programs were succeeding until the money began to be cutoff from them, but of course this mandate was left.

It is not really a mandate. It is a goal, it is a standard. It is an aspiration that we expressed in the past that we decided we want to achieve in this country, and we started to fund it for a long period of time, Mr. Chairman. Now we do not fund it any more, but the aspiration is still there.

It is my personal belief that the American people still share that aspiration, though they are increasingly under wage pressure, so they are looking anywhere to try to find a way to get relief from it.

I would like to know what the completion of the Northeast corridor improvement will really mean in terms of Amtrak's viability, at least in that region on those lines. And I would like to know what specific expenditures are forthcoming in that plan to complete it.

Mr. DOWNS. Senator, as you have accurately characterized the New York to Boston improvement project, it is to get rail passenger service under 3 hours between Boston and New York with four stops. It is \$1.1 billion for track improvements and electrification

north of New Haven. We are about a half a billion dollars into that project now. It needs another half a billion dollars worth of capital improvement for the trackage. And we have under way a procurement to acquire 26 high-speed train sets that would provide that service between Boston and Washington, D.C., and the estimated cost of that procurement is approximately \$500 million.

I am comfortable that your figures in terms of ridership projections can easily be met. In the south part of the corridor, between New York and Washington, Amtrak carries, if you count Philadelphia as an intermediate stop, well in excess of half of the combined air-rail travel. In other words, we carry more passengers in the Northeast corridor between New York and Washington than all the other airlines combined.

We think we can make that same mark between New York and Boston. As you are aware, Boston for instance is facing the prospect of, or the Commonwealth is facing the prospect, of another airport south of Boston if this project is not completed just to meet demand because of the lack of capacity at Logan, at a price of \$2 or \$3 billion.

The answer is, that I would give back, is why limit Federal funding and Federal decisionmaking to preconceived or predetermined outcomes? The Governors and the regions need the flexibility to spend Federal capital dollars as they think their region or their State needs. It is not a matter in my mind of a choice between highway trust fund and transit trust fund and Amtrak-dedicated trust fund. It is a matter of what the States themselves value the most for their citizens, for their economic development, for movement, for air quality.

And it varies. The needs in North Dakota are going to be different than the needs in Massachusetts. The needs in Mississippi are going to be different than the needs in California. And the funding ought to give those States and regions the flexibility to make those investments as they see fit for their citizens, and to not have it be a Federal mandate that one size fits all and one size fits only one mode across the board.

The pressures are coming for better use of everybody's funds, including transportation investments. I believe the administration is going in that direction. I think the Secretary has talked about more flexibility for funding for the States themselves. The Governors I think are beginning to demand it. I think that is going to be the outcome.

If those States and those regions do not make a choice about Amtrak, we have said to ourselves, our board has said to us, if the future is the States and the regions, if the customers are not there and the States are not there, the lines die and that is the story. If there is no customer that you are providing a meaningful service for, the service needs to go away.

That is our story, I hope. And I hope that the National Government would respond by giving the Governors and the States the flexibility to make those decisions for themselves.

Senator KERRY. Well, I certainly applaud permitting that kind of independent judgment at those levels and I think there should not be a predetermination. But it is clear, is it not—I mean, every study has shown this and I think common sense underscores it—

that there is a direct correlation between capital expenditure on track or rail stock and ridership, people's affinity for it, people's willingness to get in the train and either ride on a track that is kind of true and calm and comfortable versus one that is jostling you around and raising serious questions about whether or not you are going to make it around the next bend.

Those things have an impact on your ability to attract people, do they not?

Mr. DOWNS. Not only attract people, but retain them. Our accountants now say that our poor capital, the cost of poor capital internally, is about a quarter of a billion dollars a year worth of cash. That is what bad equipment costs us in terms of service interruptions, equipment breakdowns, rebuilding junk that should never be rebuilt, electric traction motor failures.

You add all of those costs up that are the result of the decapitalization of Amtrak and it costs us about a quarter of a billion dollars a year of good subsidy money that is going for no purpose, because we have been capital-starved for a generation and now we are paying the price.

Senator KERRY. And is it not a fact that those countries that are able to run a decent railroad and have a very small gap between operating expenditure and revenues are those that invested at some prior time in creating that safety/comfort factor, efficiency factor?

Mr. DOWNS. A number of nations that have invested in, say, high-speed rail investments, France and Germany for instance, oftentimes from an operating standpoint they can meet costs above the rail. In other words, for the costs of the operation they can do all right. But they also invest between \$4 and \$5 billion a year, in some cases like Germany and France \$4 to \$5 billion a year, in track and structures and high-speed rail systems to get air traffic out of the air.

They have made a decision that it is better to have their airports be focused on international and long distance, not short distance, air travel, because they get their biggest economic return, they get their biggest economic return in short haul by investing in high-speed rail passenger service. That is why Europe is focusing on tying together Europe with high-speed rail investments and the countries are making the capital investments, but holding the rail operators accountable for efficient operations and breaking even at least.

So could we do that in the United States with full capitalization and a dedication to developing rail passenger service.

Senator KERRY. And is there not—if I could just follow up with one question and then you can add to it. Is there not also one of the largest ratios available of all public expenditures of jobs created and spinoff impact on the economy from this kind of expenditure versus many others we choose to make?

Mr. DOWNS. Yes, absolutely.

Mr. MEAD. I might add, sometimes you will hear governments in Europe point out that, we have privatized our railroad system. What that means is that they may be making the operating ends meet, but the government was the benefactor of the capital costs.

And you will find that is true with Tres Grande Vitesse in France, and I think Germany as well as in The Netherlands, Japan.

Ms. MOLITORIS. Mr. Chairman, if I might, lest the members think we have been focusing on the Northeast corridor and this is the only opportunity for success, I would just like to point out that I did not respond to your question earlier when you asked the question, why should we be investing in high-speed rail while Amtrak has such pronounced difficulties?

I think I should at least point out the experience on the corridor between Vancouver British Columbia, Washington, through Washington State to Eugene, Oregon, where they, in a 6-month demonstration which has now been extended another 6 months, used the Talgo train and had 87 percent ridership, and made money on their food. When we were out there with Sid Morrison and Mr. Swift, Sid Morrison the Director of Transportation and former Congressman Al Swift, the newspapers the day after said "Slower Than a Speeding Bullet," because we were only going 40 miles an hour because the track was not ready.

But the State of Washington has committed themselves to about \$600 million over the next five to 7 years in upgrading that infrastructure. And the State of Florida has committed to \$70 million a year for the next 10 years to invest in high-speed rail there because they see it as a critical opportunity, and they have spent almost \$400 million to acquire rights of way from CSX.

The fact of the matter is high-speed rail is a very important part of Amtrak's future because when that technology is available people use it.

Senator KERRY. Mr. Chairman, thank you for your graciousness in letting me go over. I appreciate it.

The CHAIRMAN. Thank you. Senator Ashcroft.

Senator ASHCROFT. Thank you, Mr. Chairman.

I have another commitment at 4 o'clock, but I have a few questions I would like to ask about the proposed discontinuance in Missouri between St. Louis and Kansas City, and I wondered if you could just answer a few questions for me in regard to that, Mr. Downs.

What is the per-passenger subsidy in one of the more heavily utilized corridors and how does it compare to the per-passenger subsidy there?

Mr. DOWNS. If I could ask Elizabeth Reveal, the Chief Financial Officer, if she could come up for a second, my Chief Financial Officer from Amtrak, to answer the question. I just do not have the comparable with me.

Senator ASHCROFT. I wondered about the difference between the per-passenger subsidy on the St. Louis to Kansas City route as compared to, say, the Northeast corridor or other areas.

Ms. REVEAL. I do not have that with me, Senator. We can provide that.

Senator ASHCROFT. Thank you.

[The information referred to follows:]

Senator Ashcroft response:

In our recent Senate Commerce Committee hearing you requested information on the economic profit or loss per rider on the St. Louis-Kansas City trains in comparison to the network as a whole.

Because ridership and revenue data must be hand calculated for individual train segments, we have provided the average profit or loss per passenger for each of the subsystems in Amtrak's network¹ in comparison to the Kansas City trains which we manually calculated. All of the figures are based on audited actual results for FY 1994.

The average economic profit or loss per subsystem and the specific profit or loss for the Kansas City trains are identified on the attached schematic maps of the various subsystems.

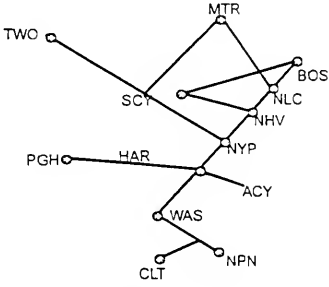
The average economic loss per passenger for the system as a whole in 1994 was \$25.31. The subsystems of which the Kansas City trains are a part has an average loss of \$39.98 per passenger (58% higher than the system-wide average). The average loss per passenger for Kansas City trains themselves was \$52.36 (106.9% higher than the system-wide average).

The maximum loss per passenger was in the Chicago-Los Angeles subsystem (\$136.77 per passenger) while the specific trains (unscheduled specialty service in California and Nevada) actual made an average economic profit of \$2.14 per passenger.

Note that the profit or loss per passenger was not the criteria upon which the route and service adjustments were made. The total contribution to the overall economic loss of the network and the relationship between revenues earned (directly and indirectly) and total costs within the subsystem were the basis for determining the relative economic contribution or loss to the system as a whole. We then determined how costs could be minimized and revenue maximized on the system as a whole given these economic characteristics. Thus, it is possible that some individual train segments that are proposed for elimination have better per passenger performance than others which are retained or reduced in frequency. If the total train related and route related costs that can be eliminated with the truncation or elimination improve the overall performance of the network this results in a better commercial result.

¹ The unit of analysis on which the recent network study was based.

1. NEC



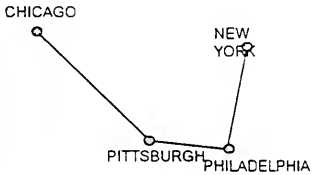
Contribution Loss Per Passenger (6.31)

2. FLORIDA SVC.



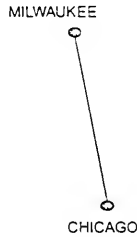
Contribution Loss Per Passenger (63.51)

3. BROADWAY



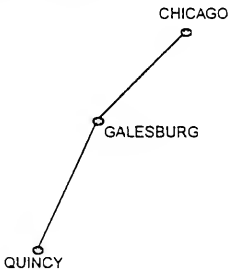
Contribution Loss Per Passenger (124.84)

4. MILWAUKEE CORRIDOR



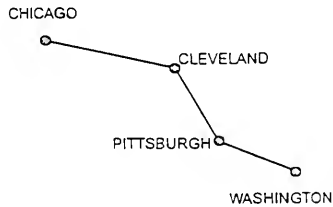
Contribution Loss Per Passenger (18.12)

5. ILLINOIS ZEPHYR



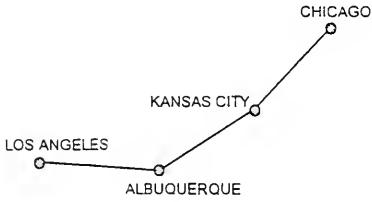
Contribution Loss Per Passenger (34.58)

6. CAPITOL LIMITED



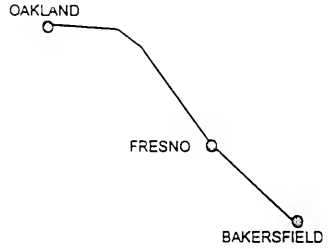
Contribution Loss Per Passenger (67.16)

7. SOUTHWEST CHIEF



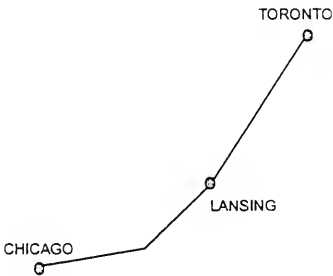
**Contribution Loss Per
Passenger (136.77)**

8. SAN JOAQUIN



**Contribution Loss Per
Passenger (22.62)**

9. INTERNATIONAL



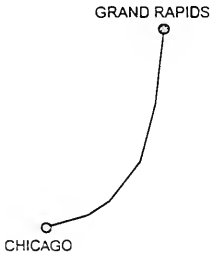
**Contribution Loss Per
Passenger (38.02)**

10. AUTO TRAIN



**Contribution Loss Per
Passenger (63.67)**

11. PERE MARQUETTE



**Contribution Loss Per
Passenger (60.43)**

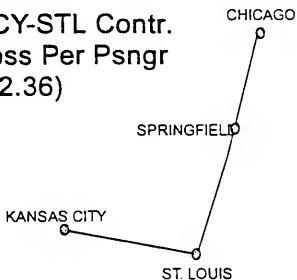
12. SPECIAL TRAINS

UNSCHEDULED SPECIAL
TRAINS ON REQUEST

**Contribution Gain Per
Passenger 2.14**

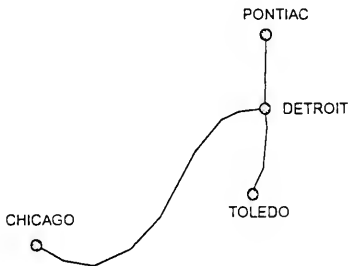
13. ILLINOIS / MISSOURI CORRIDOR

KCY-STL Contr.
Loss Per Psngr
(52.36)



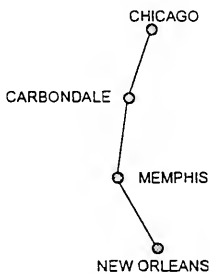
Contribution Loss Per
Passenger (39.98)

14. MICHIGAN CORRIDOR



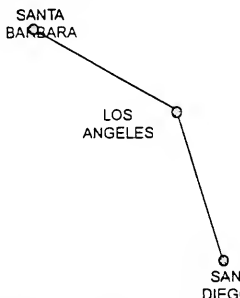
Contribution Loss Per
Passenger (25.22)

15. CITY OF NEW ORLEANS / ILLINI



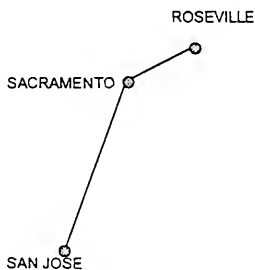
Contribution Loss Per
Passenger (46.73)

16. SAN DIEGANS



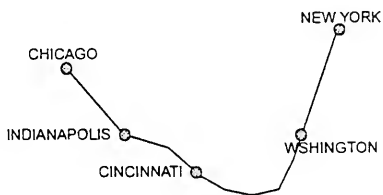
Contribution Loss Per
Passenger (13.36)

17. CAPITOL SERVICE



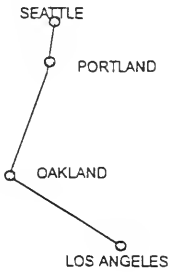
Contribution Loss Per
Passenger (21.28)

18. CARDINAL / HOOSIER



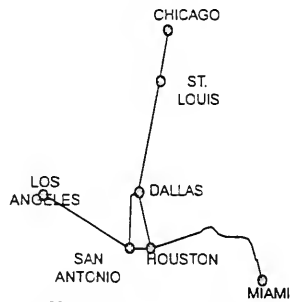
Contribution Loss Per
Passenger (48.00)

19. STARLIGHT / MT. RANIER



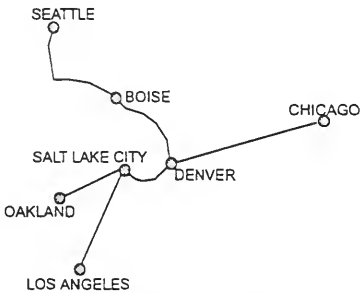
Contribution Loss Per Passenger (47.62)

20. EAGLE / SUNSET



Contribution Loss Per Passenger (98.15)

21. ZEPHYR/PIONEER/DESERT WIND



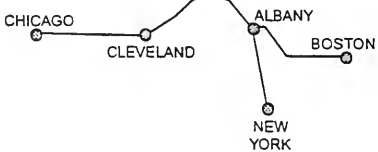
Contribution Loss Per Passenger (91.55)

22. EMPIRE BUILDER



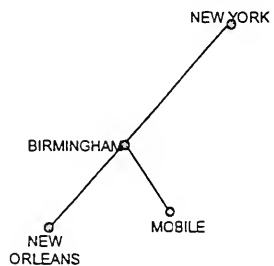
Contribution Loss Per Passenger (81.26)

23. LAKESHORE LIMITED



Contribution Loss Per Passenger (59.30)

24. CRESCENT / GULF / BREEZE



Contribution Loss Per Passenger (83.35)

Senator ASHCROFT. Do you know if there are routes being abandoned which have a higher per-passenger subsidy than the St. Louis to Kansas City route?

Ms. REVEAL. The Federal subsidy, we do not allocate by route. What we know is the difference between the passenger revenue by route and the cost of that route, and those are the differences that every State is discussing at this point. So the Federal operating subsidy is not allocated now other than in the aggregate to the system as a whole.

Senator ASHCROFT. Are you saying that you disregard the State's contribution in making the decision about whether to discontinue the service?

Ms. REVEAL. No, no. The State's contribution is considered. It is the Federal subsidy that is not. So I would be glad to give you the table.

Senator ASHCROFT. So you are making decisions about discontinuing service without knowing what the Federal subsidy is on the route?

Ms. REVEAL. We know what the Federal subsidy is, Senator, on the system as a whole and for every train-mile. The Federal subsidy is not allocated. It is allocated across the system as a whole.

Senator ASHCROFT. So you do not really know what the subsidy per-passenger is on that route as compared to others?

Ms. REVEAL. It would be identical on that route to all other routes. The passenger subsidy is identical for every train-mile in the entire network.

Senator ASHCROFT. And that is a figure of \$30-some per boarding?

Ms. REVEAL. We will have to correct that. I think the 35 was the per-capita passenger subsidy total, which included operating, capital, and other. That is per passenger mile system-wide.

Mr. DOWNS. Which was both operating subsidy and total capital investment.

Senator ASHCROFT. You say it is per passenger mile?

Ms. REVEAL. Per passenger trip.

Senator ASHCROFT. Per passenger trip. Is that per boarding?

Mr. DOWNS. Per trip, total trip, one trip.

Senator ASHCROFT. That is not round trip; that is each way?

Mr. DOWNS. Each way.

Ms. REVEAL. But we will provide that for the record, Senators.

Senator LOTT [PRESIDING]. Do you have additional questions?

Senator ASHCROFT. I do, but I do not have additional time.

Senator LOTT. May I suggest to the distinguished Senator from Missouri you might submit those in writing for the record and they would be happy to respond, I am sure.

Mr. DOWNS. As quickly as we can, Senator. We would be glad to.

Senator LOTT. We will get you that information.

All right. Just before this panel leaves now, I hope the distinguished Senator from Massachusetts would have stayed so I could respond a little bit. I will be gentler since he is not here. I think we have two problems here. One is a short-term problem, which we are asking help with, and the other is a long-term problem.

As the new chairman of this subcommittee, I am trying to start off with a clean slate. I would like for us to take a broader view

and a longer term view. I am committed to having rail passenger service. I am not locked into how that should be done. I am open to all kinds of options. I think we need to give a lot of thought to that.

But before we get to the long-term problem we are going to have to deal with the short-term problem. The next thing is, when you ask for State involvement. The last time I checked State and local government is government. Again, I emphasize the States are contributing. We are asking for a little time here to see if the States and localities cannot be helpful in resolving your short-term problem.

It sounded like the Senator from Massachusetts was saying if it was not Federal Government funding, it was not government funding. The States have indicated, and private sources, perhaps others, have indicated a willingness to participate. I think that is a very reasonable request.

I want the record also to show that the administration and the Congress over the past 2 years provided I believe what was level funding. Is that correct?

Mr. DOWNS. Yes.

Senator LOTT. Not increased funding, as was perhaps being advocated. Level funding over the past two Congresses and during this administration. Is that right? So there has not been increased funding for Amtrak over the past 2 years.

Mr. DOWNS. We had an increase in capital funding, but not any significant amount of change in the operating subsidy itself.

Senator LOTT. How much is being spent this year for these changes, upgrades, and all these things you are doing in the Northeast corridor? What is the total expenditure?

Mr. DOWNS. The budget for capital for the Northeast corridor this year is \$200 million. That is the appropriation line for the Northeast corridor.

Senator LOTT. \$200 million for this rail electrification, the various improvements and changes. \$200 million this year?

Mr. DOWNS. Well, it is broken down between north of New York and south of New York. The continued replacement and upgrade of electrification, track and signals south of New York and then the retracking, the continuous welded rail, new ties and catenary systems on the portion of the railroad between New York and Boston is about \$100 million and some odd.

Senator LOTT. So you are talking about a total of \$300 million?

Mr. DOWNS. \$200 million.

Senator LOTT. And how much would be saved with this plan you have nationwide?

Mr. DOWNS. We are talking about the elimination of \$435 million worth of cost within Amtrak on an annualized basis and a loss of about \$65 million worth of revenue as a result.

Senator LOTT. Maybe I misunderstood you, but you said something to the effect no use or insufficient use, service goes away. I emphasize to you again, if this gets to be a Northeast corridor passenger service you are not going to have a national system. And if you do not help us come up with a way to keep Amtrak national in States not just like Massachusetts and New York, but Missouri

and Mississippi and North Dakota, there will not be a national passenger service.

We have got to find a way to keep it national. You may not have as many riders coming out of someplace in Missouri, but the taxpayers of Missouri are entitled to a piece of this national plan just like the taxpayers in New York and Washington.

Mr. DOWNS. Mr. Chairman, being from Missouri I recognize that. Senator LOTT. Good.

Mr. DOWNS. First of all, we take great pride, I think, in carrying the American flag. We are America's passenger railroad. That is Amtrak. We are the only one of them that there is. We are an entire mode of transportation.

These steps that we are taking about changing the nature of the service was done in a way to protect the entire national system. It may not be on a daily basis, but all of the cities that we had initially served at least on the main lines are continuing, will continue to receive service.

I am a believer in a national system. I think America itself is paying for a national passenger rail system. I am not a Pollyana or an optimist by nature, but I have been in the transportation business for most of my working life and I see the changes coming in American transportation, limitations on highway growth, limitations on the growth on airport capacity. And rail passenger service is one of the few places that that expansion can take place over the next 20 years.

We have carried this system for a generation, for another generation of Americans to be able to grow and develop. I do not want to lose that national system. If major portions of this system go away, it will never come back again.

We operate over freight railroads who are under tremendous pressure for the increase in capacity to carry freight. I see it every day. I hear it every day from our freight railroad partners. If we are off of a railroad we will have a very difficult time ever reestablishing passenger railroad services on these lines again, and I do not want that to happen.

But it also presupposes that there is some kind of national support for that service. Our job is to take every conceivable indefensible cost out of this railroad, price the service the right way, deliver a quality product to our passengers, grow it as fast as we can. But it is still not going to be self-sufficient and we have to decide among ourselves, the Congress, Amtrak, and the States, who pays that other piece of this, that residual subsidy and that capital cost.

Senator LOTT. We look forward to working with you in that effort.

Mr. McQueen, Mr. Mulvey, thank you for being here along the course with those who got most of the questions.

Let us go to our next panel now. We do need to hear from the passengers and from the States and from the cities. So if we could ask the next panel to come forward. [Pause.]

Senator LOTT. If you gentlemen would take your seats. As you clear the room, please be as quiet as possible. Our next panel does include: the distinguished Mayor of Meridian, Mississippi, John Robert Smith; the Executive Director of the National Association of Railroad Passengers, Ross Capon; the Administrator of Railroads,

Missouri Highway and Transportation Department, Jack Hynes; and the Chairman of the Safe Transit and Rail Transportation, a familiar face in these haunts, former Congressman and former Governor James Florio.

Taking the prerogative of the chair, I would like to begin with the Mayor of Meridian, Mississippi. Welcome, Mr. Mayor. You can just submit written statements for the record if you like and summarize what you would like to present. Then we can ask questions to you.

STATEMENT OF HON. JOHN ROBERT SMITH, MAYOR OF MERIDIAN, MISSISSIPPI

Mayor Smith: Very good. Senator Lott and at least the staffs of the other committee members: It is an honor for me to have this opportunity to address you this afternoon as the Mayor of the rail city of Meridian, Mississippi. But in a more real sense, I represent the mayors of the 530 American cities where Amtrak service is an integral part of their transportation system.

I come to you this afternoon with my hand out, but not asking for a handout. Rather, my hand is extended as a gesture of the cooperative spirit which I feel should exist here today.

Chairman Pressler in his announcement of this meeting was quoted as saying: "This oversight hearing will look for better ways to save tax dollars and improve service. We will explore how Federal officials, national Amtrak executives and State and local officials can cooperate with one another toward these goals." Well, I for one certainly share that belief that Amtrak can become more competitive and financially stable, and that local government can be partners in this process of defining and implementing workable solutions.

My own community of Meridian, Mississippi, is a small city, some 42,000 people. But she is the biggest city in a large rural geographic area and thus serves as a transportation, retail, industrial, medical and cultural center for a significant number of people.

Meridian is strategically located along the Amtrak Crescent line which runs from New York to New Orleans and currently provides 7 day a week service. As Amtrak's own numbers will confirm, boardings in Meridian consistently run at or near the maximum allocated and during the peak season between November and March it is not unusual for passengers to find that there are no reservations available at all. In fact, sometimes we turn down more reservations than we are able to board.

The demand for efficient and economical passenger rail service in our area is underscored by the fact that Amtrak monthly bookings in Meridian averaging over 1500 are only slightly less than the monthly bookings of 2200 at the Meridian Regional Airport.

Several years ago the city invested in a major capital project to upgrade and renovate our airport, making it one of the best in the State. Our commitment to passenger rail service is equally strong, for within the next 2 months we will break ground on a \$4.2 million multimodal transportation center which will bring under one roof all of the modes of transportation within our community and stimulate an area of the downtown core that is blighted and economically stagnant.

As further evidence of our commitment to providing quality rail passenger service, we have already reduced the number of grade crossings through our community by 25 percent.

All of us affected by Amtrak's plan to cut or eliminate services understand that Congress has mandated that Amtrak cut costs. However, as those decisions were being formulated we cities did not have the opportunity to express our ideas about how Amtrak could increase efficiency and better respond to market demand.

Since the cutbacks were announced, we have had one short month to marshal our forces and try to develop strategies that will better meet rail passenger needs. Mayors along the Crescent route from Anniston, Alabama, to Slidell and New Orleans, Louisiana, have quickly organized a Crescent Corridor Coalition, of which I serve as Co-Chairman. The primary goal of this coalition is to preserve 7 day a week service along the Crescent route.

We are supported in this effort by the Council of Cooperating Governments, a consortium of Southeastern cities committed to the development of a rapid rail corridor through the Southeast. We are also supported by other organizations, such as the Mississippi Municipal Association, whose President, Ed Morgan of Hattiesburg, has written a letter of support which is found in your packet along with my testimony.

In order to reach our goal and given the extremely short time-frame which has affected this entire process, we ask that Congress impose a 90-day moratorium on any cutbacks of current Amtrak rail passenger service. During this time we pledge to develop a short-term proposal that would target reallocation of some Amtrak dollars, combined with subsidy funding through September the 30th, 1995, by the impacted States.

Along our portion of the Crescent route, such a funding mechanism could logically involve a pro rata share of the estimated \$2 million needed, with each State's share being determined by the number of miles of Amtrak lines within its borders.

In addition, we ask that Congress appoint a commission to spend those 90 days reviewing the numerous rail passenger proposals already on the table and developing a long-term strategy for increasing Amtrak's competitiveness as well as cutting costs.

Members of the committee, Senator Lott, I submit to you that it simply makes no business sense at all for Amtrak to attempt to save money by reducing revenue. In my area alone, the numbers show that we certainly do not need our service cut back to 3 days. In fact, our ridership demand is such that we could logically support an additional train.

My fellow mayors and I strongly concur that Amtrak must cut costs and replace aging stock, but to attempt to do so by reducing revenues and essentially ignoring customer demand is counter-productive and I fear in the long run could be fatal.

I pledge to you again our support in developing short-term and long-term solutions. Give us a moratorium and we will produce results. Appoint a commission of enormously talented individuals whose expertise can be tapped and they can expeditiously develop a plan for a more efficient, effective, and responsive Amtrak.

As a Nation we will continue to face the challenge of moving people from place to place. But we must develop a system that meets

the people's needs for quality, efficiency, and economy. Together we will succeed because our metropolitan centers, our small cities, our rural areas demand and deserve no less.

Again, thank you for giving me this opportunity to share my concerns, my commitment to a solution, and my hopes for the future. Thank you, sir.

[The prepared statement of Mayor Smith follows:]

TESTIMONY OF MERIDIAN, MISSISSIPPI MAYOR JOHN ROBERT SMITH
UNITED STATES SENATE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
JANUARY 26, 1995

Senator Pressler, Senator Lott and other committee members, I am honored to have this opportunity to address you today as mayor of the rail city of Meridian, Mississippi and, in a larger sense, representing the mayors of the 530 American cities for which AMTRAK rail passenger service is an integral part of their transportation systems. I come to you today with my hand out, but not looking for a handout. Rather my hand is extended in a gesture of the cooperative spirit that I believe prevails here today and which can lead us to both short-term and long-term solutions to the AMTRAK crisis. Chairman Pressler, in your announcement of this hearing you are quoted as saying, "This oversight hearing will look for better ways to save tax dollars and improve service. We will explore how federal officials, national AMTRAK executives and state and local officials can cooperate with one another toward those goals". I certainly share this belief that AMTRAK can become more competitive and financially stable and that those of us in local government can be partners in the process of defining and implementing workable solutions.

My own community of Meridian, Mississippi is a small city--about 42,000 people--but it is the biggest city in a large, rural geographic area and thus serves as the transportation, retail, industrial, medical and cultural center for a significant number of people. Meridian is strategically located along the AMTRAK Crescent line which runs from New York to New Orleans and which currently provides seven-day a week service. As AMTRAK's own numbers will confirm, boardings in Meridian consistently run at or near the maximum allocated and, during the peak season between November and March, it is not unusual for passengers to find that there are no reservations available. The demand for efficient and economical passenger rail service in our area is underscored by the fact that AMTRAK monthly bookings, averaging over 1,500, are only slightly less than monthly bookings of 2,200 at the Meridian Regional Airport. Several years ago, the city invested in a major capital project to upgrade and renovate our airport, making it one of the best in the state. Our commitment to passenger rail service is equally strong and, within the next couple of months, we will break ground on a \$4.2 million multi-modal transportation center that will bring under one roof all modes of transportation in our community and stimulate an area of the downtown core that is blighted and economically stagnant. As further evidence of our commitment to providing quality rail passenger service, we have already reduced the number of grade crossings in our community by 25 percent.

All of us affected by AMTRAK's plan to cut or eliminate services fully realize that Congress has mandated that AMTRAK cut costs. However, as those decisions were being formulated, we did not have the opportunity to express our ideas about how AMTRAK could increase

efficiency and better respond to market demand. Since the cutbacks were announced, we have had one short month to marshal our forces and try to develop strategies that will better meet rail passenger needs.

Mayors along the Crescent route from Anniston, Alabama to Slidell and New Orleans, Louisiana have quickly organized the Crescent Corridor Coalition of which I serve as co-chairman. The primary goal of this coalition is to restore seven-day-a-week service along the Crescent route and we are supported in this endeavor by the Council of Cooperating Governments, a consortium of southeastern cities dedicated to the development of a rapid rail corridor, and by other organizations such as the Mississippi Municipal Association whose president, Mayor Ed Morgan of Hattiesburg, has written a letter of support, which is included in your packet with my testimony. In order to reach our goal and given the extremely short time frame that has marked this entire process, we ask that Congress impose a 90-day moratorium on any cutbacks in current AMTRAK rail passenger service. During this time, we pledge to develop a short-term proposal that would target reallocation of some AMTRAK dollars combined with subsidy funding through September 30, 1995 by the impacted states.

Along our portion of the Crescent route, such a funding mechanism could logically involve a pro-rata share of the estimated \$2 million needed, with each state's share being determined by the number of miles of AMTRAK lines within its borders. In addition, we ask that Congress appoint a commission to spend the next 90 days reviewing the numerous rail passenger proposals already on the table and developing a long-term strategy for increasing AMTRAK's competitiveness as well as cutting costs. Members of the committee I submit to you that it simply makes no business sense at all for AMTRAK to attempt to save money by reducing revenue. In my area alone, the numbers show that we certainly do not need our service cut back to three days. In fact, our ridership demand is such that we could logically support an additional train. My fellow mayors and I strongly concur that AMTRAK must cut costs and replace aging stock, but to attempt to do so by reducing revenues and essentially ignoring customer demand is counter-productive and, in the long run, could prove to be fatal.

I pledge to you again our support in developing short-term and long-term solutions. Give us a moratorium and we will produce results. Appoint a commission of enormously talented people whose expertise can be tapped and they can expeditiously develop a plan for a more efficient and responsive AMTRAK. As a nation, we will continue to face the challenge of moving people from place to place and we must develop integrated systems that meet people's needs for quality, efficiency, and economy. Together we will succeed because the people of our metropolitan centers, our small cities and our rural areas demand and deserve no less. Thank you again for giving me this opportunity to share my concerns, commitment and hopes for the future.



MISSISSIPPI MUNICIPAL ASSOCIATION

PRESIDENT, MAYOR J. ED MORGAN, HATTIESBURG

FIRST VICE PRESIDENT, MAYOR LESTER SPELL, RICHLAND

SECOND VICE PRESIDENT, MAYOR J. A. CATES, SOUTHAVEN

January 23, 1995

Mayor John Robert Smith
City of Meridian
City Hall

VIA FEDERAL EXPRESS

Dear Mayor Smith,

As the President of the Mississippi Municipal Association I am pleased to provide to you this letter underscoring our concern about the announced cutbacks, effective February 1, 1995 in Amtrak Rail Service, in particular the Crescent.

The cities and towns of Mississippi depend on Amtrak passenger service as an economical alternative to other modes of transportation. As Mayors and municipal officials it has long been our request that the federal government allow municipal governments to be present at the table when decisions affecting us are being considered.

The short time period since these cutbacks in service were announced have not allowed us the time necessary to develop partnerships with other affected cities and towns, the state and federal governments, and Amtrak itself, as well as to investigate any alternatives. It is imperative that short and long term solutions to this crisis be both developed and evaluated.

As Mayor of a "rail city" affected by this proposed service reduction, I am personally concerned about its effect on Hattiesburg. As the President of the Mississippi Municipal Association I am concerned about each and every town in this state served by rail passenger service.

Please feel free to share copies of this letter as you see fit during your upcoming trip to Washington, D. C.

Sincerely,

Mayor J. Ed Morgan, President
Mississippi Municipal Association

cc: Board of Directors

Senator LOTT. Thank you, Mr. Mayor. Although Senators have had to come and go, your testimony will be part of the record and we will certainly have further communication with you as we try to resolve this problem short-term and long-term. Mr. Capon.

**STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR,
NATIONAL ASSOCIATION OF RAILROAD PASSENGERS**

Mr. CAPON. Thank you, Senator Lott. I have a long statement that will I presume be in the record and I just want to run through a few points that I think need to be highlighted.

Right now, if a state department of transportation wants to invest in roads or airports, they are able to get 80 percent, 90 percent Federal funding. But if a State wants to invest in an Amtrak project there is virtually no Federal funding. In fact, one of the things that Amtrak in effect did last month by ending its partnerships with several States, telling them they had to pay full cost, was to eliminate virtually the only Federal share of funding, the only Federal source to help a State fund an intercity rail passenger project.

Obviously, that distorts the decisionmaking process at the State level, because—when a Governor or a State DOT chief goes to the State legislature—one of the first questions he is going to get from the State legislature is: How many Federal bucks is this project going to leverage? And if the answer is zero for any given project, that project is going to have a much tougher time in the legislature.

So the fact that so many States have invested what they have in rail passenger service, is testimony to the intense interest in that service. But there is a desperate need to correct the problem. You probably know that the Senate did that in 1991. The Senate-passed version of ISTEA did include the flexibility for States to spend some of their highway funds on intercity passenger rail, but it was lost in conference.

I would emphasize the importance of Senator Snowe's statement earlier that the goal of this committee should be to improve Amtrak's productivity, rather than to eliminate the funding. I get real nervous when I hear the Administrator talking about the Amtrak board eliminating operating subsidies in the next 5 years, because unless they know something that I do not know—and I have been doing this for 20 years—it sounds to me like a plan to commit corporate suicide.

I get even more nervous about the next round of cuts. They have got these cuts that they have already announced for February and for April, but then they have said there is going to be more to come in June and more still in October. And I gather that they are going to wind up retiring not just the ancient Heritage cars, but also a fair number of newer cars. And I am real concerned that they are missing the boat on the need to sell themselves out of this decline.

We just heard at the Amtrak board open session yesterday the success of AutoTrain that runs between Virginia and Florida. In the first quarter of fiscal 1995 their ridership is up 19 percent as a result of a very effective advertising campaign, and that is what Amtrak needs to do more of, not as a substitute for the current

level of Federal funding, but certainly as a substitute for additional, suicidal service cuts.

A third point I would like to make is that railroads are victims of accounting because all the costs of a railroad are captured on a single balance sheet. The opposite is true in aviation and highways, where the costs tend to be spread over a number of different public sector and private sector balance sheets, much harder to track. By the same token, the benefits of rail—for example, energy efficiency per passenger mile almost twice what it is for aviation—those benefits are much harder to track and much harder to quantify.

One issue that needs to be revisited in terms of the cost effectiveness of Amtrak that I did not specifically address in my written statement is what the commuter rail authorities pay Amtrak to use the Northeast corridor tracks. Some of my members are very concerned that the nationwide system appears to be emasculated while the Northeast corridor is left untouched, and one of the issues that has been looked at by Congress before is the question of what is the appropriate level of compensation for commuter rail authorities to pay. That was addressed for the freight carriers in the eighties, not changed for the commuter carriers.

In line with my earlier comments about the need to sell, I think the General Accounting Office testimony was far too pessimistic. There are specific reasons for the revenue declines in recent years. We had a nationwide rail strike in 1992. We had virtually a nationwide flood in 1993 which had a major impact, negative impact, on Amtrak.

In 1994 not only did we have disastrous safety public relations, in which many monologues of the Tonight Show and the Letterman Show amounted to negative Amtrak ads, but we also had the first impacts of a smoking ban, which cost Amtrak some ridership. There is some reason to believe that the long-term effect of that ban will be at least a wash and maybe a positive, but certainly the short-term effect in 1994 was negative.

The revenue trends during the first quarter of 1995 are encouraging and therefore I believe the GAO is too negative.

Finally, on labor productivity I would say it is absolutely essential that any repeal of labor protection be part of a larger plan that also addresses the productivity of workers that continue to work. One of the things that apparently Mr. Downs' plan is predicated on is the March 1st effective date of new labor agreements, and that is something that is absolutely essential one way or the other, that is by negotiation or—if they cannot negotiate it—the Congress will have to do it.

But if you simply repeal labor protection, all that does is make it easy to get rid of the service, but it does not do anything about the productivity of the workers that continue to work, and that must be addressed if we are going to have a nationwide system continue to exist.

I thank you very much for your time.

[The prepared statement of Mr. Capon follows:]

SUMMARY OF JANUARY 26 TESTIMONY OF ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS, AT SENATE COMMERCE AMTRAK OVERSIGHT HEARING.

1. Amtrak provides valuable benefits to the nation, including efficient use of energy and land, safe transportation, service to many communities where alternate transportation is limited, and transportation for those who cannot fly for medical reasons.
2. Federal policy and transportation subsidy patterns for decades have created a competitive environment in which subsidy-free intercity passenger rail service is not possible.
3. Amtrak is both carrier and infrastructure. If Amtrak disappears, the right to use freight railroad tracks on an incremental cost basis also disappears, as do the Amtrak-owned tracks in the Northeast and Michigan.
4. Amtrak's revenues in recent years have been depressed by the 1992 rail strike, the 1993 Midwest floods and the 1994 safety public relations disaster and smoking ban impact. If Amtrak advertises vigorously, however, the markets are still there and the people will ride.
5. Amtrak should not have to pay a federal fuel tax.
6. There are significant opportunities to improve labor productivity at Amtrak.
7. Amtrak's sledgehammer approach to some state-supported services might better be replaced with a "sliding-scale" approach that affects all state-supported services.
8. Regarding specific services:
 - a. A daily Atlanta-New Orleans coach-only train may have the same subsidy impact as a tri-weekly full-service train; two routes are discussed.
 - b. California's extraordinary capital investment deserves more consideration than Amtrak initially gave.
 - c. Amtrak should consider retaining one pair of Massachusetts Inland Route trains rather than dropping both.
 - d. The brand-new Pontiac, MI, service is vital to Amtrak.
 - e. Amtrak should assure the public now that a Detroit-Toledo bus connection to the *Lake Shore Ltd.* will replace the train if the latter is dropped.
 - f. Missouri should get credit for the long-distance revenues the *Ann Rutledge* generates on the *Southwest Chief*.
 - g. Loss of Chicago-Milwaukee service would be a major problem.
9. The public, the workers and the state partners need to hear more about prospects for future service problems--and opportunities--once Amtrak is through the current crisis.

Statement of

Ross Capon

Executive Director

National Association of Railroad Passengers

Before the Subcommittee on Surface Transportation
The Honorable Trent Lott, Chairman

Committee on Commerce, Science and Transportation

United States Senate

Amtrak Oversight

January 26, 1995

Thank you for this opportunity to present the views of our non-profit, consumer-oriented organization, which for 28 years has been promoting "balanced transportation."

I. THE BENEFITS OF AMTRAK

Amtrak continues to be an important part of our nation's transportation system.

o It is energy-efficient. Amtrak is 45% less energy-intensive than the domestic airlines (2,503 BTU's per passenger-mile v. 4,567; *Transportation Energy Data Book: Edition 14*, May 1994, prepared by Oak Ridge National Laboratory for the U.S. Department of Energy).

o Amtrak uses land more efficiently than do other forms of transportation.

o Amtrak is far safer than auto travel at all times and, during inclement weather, safer and usually more reliable than airplanes and buses.

o Amtrak serves many communities where alternative transportation either does not exist or is not affordable.

o Amtrak is important to those who cannot fly for medical reasons, and to those for whom physical and financial considerations rule out driving long-distances;

o As illustrated by countless new intermodal terminals and by California's extensive network of buses that connect with Amtrak trains, Amtrak can play a key role in "anchoring" such terminals and enhancing their visibility, and in introducing people to intercity bus travel who would not otherwise have considered using the bus.

o Amtrak helps local transit by generally serving more transit-accessible locations and, in some cases, by sharing costs

through jointly used terminals and tracks.

o As demand for transportation continues to grow, so will the importance of the rail alternative. Highways and aviation cannot do the job alone.

o When an airline or bus company shuts down, other carriers move in to provide most services using the same infrastructure. Amtrak, however, is both carrier and infrastructure. If Amtrak disappears, so does the right to use freight railroad tracks nationally on an incremental cost basis, and so do the Amtrak-owned tracks in the Northeast and Michigan.

II. TRANSPORTATION SUBSIDIES

Today's transportation system is the result of years of mode-specific trust fund investments in road and aviation facilities. By offering generous federal matching funds for such facilities but virtually nothing for intercity rail passenger projects, federal policy has discouraged state investment in the latter. Indeed, Amtrak's December 14 announcement effectively terminated the only federal (Amtrak) partnership for such projects in Alabama, Missouri and Wisconsin. For any meaningful movement towards balanced transportation, the federal government must provide a funding source for a healthy federal share of funding for such projects.

Four years ago, the Transportation Research Board laid out one argument for broadening the use of mode-specific trust funds: "Both air and highway facilities are financed in part through federal user taxes that are placed in modal trust funds. To the extent that high speed ground transportation (HSGT) reduces congestion of airports and highways financed with federal aid from these trust funds, it may be appropriate to use these funds to subsidize HSGT service" (page 131 of *In Pursuit of Speed: New Options for Intercity Passenger Transport*, Special Report 233, published in 1991).

Also, the U. S. spends more of its gas taxes on roads than do many other countries. Netherlands and Great Britain spend about 25%--most other European countries about 33%--of road fees on roads (U.S. DOT, *National Transportation Strategic Planning Study*, March, 1990, pages 6-10).

Highways: Using the narrowest possible definition, highways enjoyed a subsidy in 1993 of \$5.8 billion from all levels of government. This is the net result of \$20.5 billion in non-highway-user payments going to roads, and highway-user payments going to non-highway uses as follows: \$5.0 billion for transit, \$9.8 billion for other purposes. (The \$20.5 billion--up from \$18.3 billion in 1990--includes \$4.8 billion property taxes; \$12.7 billion general appropriations; and \$3.0 "other taxes and fees".)

These Federal Highway Administration figures exclude highway-related costs of police and fire departments, emergency medical service providers, city and county prosecutors and tax losses from land paved for automotive purposes. "A full accounting of the manifold subsidies the automobile receives, plus the environmental and health costs it entails...may surpass \$300 billion each year--an amount equal to all personal auto-related expenditures. A preliminary, conservative estimate puts the subsidy at some \$2,400 for every passenger car. If these expenses were reflected in retail fuel prices, a gallon of gasoline might cost as much as \$4.50. Furthermore, other, less quantifiable costs of the auto system are disregarded in conventional analyses as mere 'externalities.' An environment tax, assessed either on automobiles or fuels, would help internalize these costs (Michael Renner, *Rethinking the Role of the Automobile*, page 48, Worldwatch Institute, June 1988).

Aviation: Federal aviation subsidies through mid-1988 totaled \$32.8 billion (15.8 plus 17 in the next paragraphs).

"Airport and airway development costs incurred prior to the assessment of user charges in 1971 have been treated as sunk costs, none of which have been or will be paid for by air carriers and other system users....these sunk costs total \$15.8 billion" (*Study of Federal Aid to Rail Transportation*, U. S. Department of Transportation under President Ford, January 1977).

This excludes spin-off benefits to airlines from: the military aerospace research program and from training pilots; the airports' tax-free bonds; and the costs of unnecessary damage to the environment and our trade deficit caused by overdependence on short-distance flights and neglect of high speed rail.

Based on the FAA's estimate "that private-sector users are responsible for about 85% of FAA's spending for aviation programs," the Congressional Budget Office (CBO) concluded that private-sector air users "have received a general fund subsidy of \$17 billion, which is equal to the difference between the private-sector share of FAA spending and aviation-related excise taxes since the start of the trust fund" (CBO special study, *The Status of the Airport and Airway Trust Fund*, December 1988).

Railroads: Railroad passengers paid \$2.0 billion (nominal, not inflation-adjusted figures) in ticket taxes 1942-62, but this money simply went to the U.S. Treasury (general revenues). [Rail freight shippers paid \$3.1 billion in federal freight waybill taxes 1942-58]. This Committee's Doyle Report (*National Transportation Policy*, June 26, 1961) cited this tax as "one of the factors under Federal control which favors the growth of private transportation and makes the preservation of public service more difficult."

III. PRIVATIZATION IS NOT AN OPTION

Due to the subsidies just discussed, some of the world's cheapest gasoline and air fares, and highway tolls that range from low to non-existent, a privatized intercity passenger rail system is not plausible in the U.S. It does not exist anywhere else in the world, even though competitive environments in some other countries are more favorable to rail. Nor are freight railroads likely to accept an obligation to charge incremental costs to entities other than Amtrak. The railroad industry's only significant experience with this was bad: "at the time of its bankruptcy filing [in 1980], [Auto-Train Corporation] owed Seaboard [a CSX predecessor] more than \$5 million in unpaid fees" (Regardie's, May/June 1981).

IV. OPPORTUNITIES TO IMPROVE AMTRAK'S ECONOMIC PERFORMANCE

The Intercity Passenger Marketplace: Clearly, the present management inherited a very difficult situation with cash reserves depleted and revenues hurt by: the 1992 rail strike, the 1993 Midwest floods that badly disrupted service and the 1994 safety public relations disaster and smoking ban impact. Now, just as the other problems are easing up, budget-cut and service-cut talk has led people to think the trains are already gone.

There also have been service quality problems which Amtrak says the present service cuts will help it correct. Finally, low air fares have cut into Amtrak's revenues *in some markets*. Although often made possible by reliance on increasingly elderly jets (see "Jurassic Jets," *The Wall Street Journal* front page, November 3), these fares make clear the need for improved productivity at Amtrak, as discussed below.

As illustrate by a recent successful Auto-Train advertising campaign, Amtrak must advertise its services aggressively rather than cut its advertising budget. Also, any further downsizing should go lightly if at all on sales people who are producing revenue by working with travel agents both in person and on the telephone. In short, a big part of the solution to Amtrak's problems must be selling itself.

That includes providing reasonable capacity to meet demand, something on which even today's Amtrak has a spotty record--witness New York-Florida trains running through weeks of sell-out loads in November and December with no extra cars. Amtrak has indicated that providing extra capacity on surviving trains is a major part of its plan to retain a high share of revenues on routes where frequencies are reduced; this will require an unprecedented level of initiative in consistng trains.

Federal fuel tax: Amtrak--not the airlines--began paying such a deficit-reduction tax in 1990. It is now 6.8 cents a gallon. No public interest is served by charging Amtrak this tax.

Labor productivity: In the early 1980s, Amtrak and its labor unions made significant progress in improving productivity. The unions deserve considerable credit for this. In recent years, however, productivity improvements have slowed even as they have increased at the airlines. Productivity improvements are a less-remarked but vital part of the package Amtrak announced and are essential whether through negotiation or act of Congress.

We know there is little sympathy for labor protection provisions that provide up to six years' severance payments for those who lose their jobs due to Amtrak service reductions, but any change in these provisions must be part of a comprehensive program to improve Amtrak's productivity. Eliminating labor protection only facilitates the elimination of service, it does not address productivity of workers who continue to work.

To some extent, especially in the shops, productivity progress has been a victim of the sheer number of unions with which Amtrak must deal (13 unions, 26 bargaining units). The Canadian government recently required all railroad shopworkers to elect a single union. In the U.S., unlike in Canada, such an action would require new legislation. Congress should consider requiring all Amtrak union employees to elect a single union, or perhaps two (operating, non-operating).

Requirements that, for example, every Amtrak train with two revenue cars carry a conductor and an assistant conductor, and that every Amtrak train with more than six revenue cars carry a conductor and two assistant conductors, are anachronisms which must be changed.

Federal Funding: Maintenance of existing capital investment level is important, as is--at least for the next few years--the existing operating grant level. However, the above actions and other efficiencies identified by Amtrak and in the 1991 Battelle study done for the Department of Transportation can dramatically improve the resulting "value for taxpayer dollars."

V. SERVICE REDUCTIONS: THE DECEMBER ANNOUNCEMENT

This announcement involved the biggest train-mile reduction in Amtrak's history. By our calculations, Amtrak identified about five million annual train-miles, which compares with 4.6 million eliminated in 1979, the largest previous service reduction. [Amtrak also suggested that another 2.2 million would be announced later, to take effect in June and October. More on this later. See section VI.]

The All or Nothing Approach: Particularly as regards trains that are now partly state-supported or potentially could be thus supported, Amtrak needlessly antagonized many friends by requiring no change in state payments for some services while requiring full payment as the price for retaining others--and by simultaneously redefining full payment as four to five times the previously-defined level. [The old figure was called "long-term avoidable losses." Example: Amtrak's FY 1993 reports said Amtrak's contribution to the Missouri-sponsored St. Louis-Kansas City trains was \$1.3 million. Today, Amtrak says it "will ultimately save \$6.3 million by eliminating all service between St. Louis and Kansas City."]

"Spreading around the pain," which is what many probably anticipated, would have meant--for those services where Amtrak now seeks full payment--a smaller and more manageable increase in payments; this is particularly important given the tight deadlines Amtrak has imposed and the schedules of some state legislatures. Amtrak could structure the charges so that Amtrak would wind up collecting the same total amount of money from the states as if states paid the full cost of all routes Amtrak has picked as targets (we would say victims). Amtrak still could reflect commercial viability by using a sliding scale with an inverse relationship between the share of state funding required and the financial viability of the service (i.e., the more commercial viability a particular service has, the lower the percentage of total losses the state must pay).

Amtrak says it defined a route as failing by virtue of its relationship to a criterion based on estimated revenues lost per dollar of costs saved. However, that criterion is arbitrary:

- o Amtrak also has said that (except for the stronger Northeast Corridor) all routes fall fairly close together on a graph plotting revenues lost per dollar of costs saved; there are no dramatic losers.

- o If we understand the numbers correctly, the Chicago-Milwaukee route failed the criterion by an incredibly narrow margin and would have passed easily if Amtrak had included state operating payments in the calculations rather than commercial revenues only (another questionable decision).

- o Amtrak did not examine frequency reductions as an alternative to route eliminations, although we understand this was a function of limited time available and is now being undertaken where affected states have so requested.

Under this more rational--and gentle--scenario, it would be easier to accept the loss of services for which states failed to pay. Also, Amtrak would not have to explain the contradiction in the business plan between the sledgehammers thrown at Chicago-Milwaukee, Sacramento-Bay Area and Kansas City-St. Louis and the plan's opening words: "Amtrak's Board of Directors has agreed that: Amtrak's future lies in densely populated corridors...."

Alabama/Mississippi/Georgia: On the Atlanta-New Orleans segment, where Amtrak proposes tri-weekly service, Amtrak may be able to realize the same savings by running a daily coach-only train as by running a tri-weekly full-service train. The former is preferable, as most passengers are coach, the Atlanta-New Orleans segment is a daylight run and most sleeper passengers will accept coaches on daylight segments.

Two routes need service: the existing *Crescent* route via Birmingham/Meridian and Atlanta-Auburn-Montgomery-Mobile-New Orleans. (The latter is a variation of the *Gulf Breeze*, which now runs New York-Birmingham-Montgomery-Mobile and is switched in and out of the *Crescent* in Birmingham.) If both suggested routes operate and daily service is not possible on both, both routes could be served every other day or one route could be served tri-weekly and the other quad-weekly. In either case:

- o all currently-served stations would retain service;
- o service between Mobile and New Orleans would increase;
- o running times between Mobile-Montgomery and Atlanta-north points would be reduced, thanks to a direct Atlanta-Montgomery routing and to elimination of the costly, time-consuming assembling and taking apart of trains in Birmingham;
- o train service between Birmingham and Montgomery would be eliminated, but a feeder bus between those cities on the appropriate days would permit travel between Birmingham and all other *Gulf Breeze* points;
- o daily Atlanta-Birmingham service could be preserved by running a feeder bus on days when no trains run here;
- o New Orleans-Atlanta trains on different routes would not compete with each other the same day as they would under one plan being considered, in which the *Gulf Breeze* would be extended to New Orleans but run the same three days a week as the *Crescent*. (Montgomery is 96 rail miles from Birmingham and 175 from Atlanta, so providing Atlanta-New Orleans service on additional days requires only 79 train-miles per trip more than running a Birmingham-Mobile-New Orleans train on "*Crescent* days.")

In suggesting what we see as the most commercially sensible options, we are sensitive to the possibility that the Alabama legislature might be concerned about helping to fund a service in which the train does not go to Birmingham. However, we hope Alabama officials will consider the many advantages for Alabamans in the above plan, including:

- o faster running times between all current *Gulf Breeze* points (except Birmingham) and Atlanta-east;
- o better times at New Orleans for all trains, especially those running via Mobile (which, running via Birmingham, would serve depart New Orleans at about 5:25 AM and arrive there at about 9:08 PM); and
- o faster running times between Anniston and Tuscaloosa-west.

California: The Capitol Corridor (Roseville-Sacramento-Oakland-San Jose) apparently was picked without due regard to an extraordinary amount of state capital investment, both past and planned, in stations, rolling stock and track. State and local investments at Emeryville and Oakland (Jack London Square) replaced the old Oakland station that was condemned after the earthquake, thereby solving a major problem for all Amtrak operations in the Bay Area, not just the targeted trains.

Massachusetts (see also Northeast Corridor, below): Amtrak says it will save \$1.1 million a year by ending the two round-trips that provide through service between Worcester and Hartford/New York/Washington and between Boston and Hartford. Obviously, eliminating the midday pair of trains could dramatically improve equipment utilization. However, we have asked Amtrak to analyze retention of the other pair. Savings from overnighting this equipment at Springfield instead of Boston would be marginal, the revenue per passenger on these trains is high (including Florida, *Crescent/Gulf Breeze* and Richmond/Tidewater connections) and some passengers from the midday trains probably would shift to the others if the midday trains alone were dropped. We have heard that Amtrak's analysis assumed 80% of Worcester passengers would continue to ride Amtrak from Providence or Springfield, but this figure is much too high.

Michigan: Amtrak's approach to the Detroit-Pontiac segment raises another problem: a brand new service. After any new service is created, ridership usually takes time to build. Only last May--and thanks to state investments--two of the three daily Chicago-Detroit round-trips were extended 23 miles to Pontiac. Ridership is still rising. Amtrak needs the access to the upscale markets the Royal Oak, Birmingham and Pontiac stations serve. Moreover, Amtrak would have to invest scarce capital in Detroit turn-around facilities in order to end the Pontiac service. A "commercially oriented" solution must be sensitive to these issues.

In 1980, the other Chicago-Detroit train was extended 56 miles to Toledo to provide a connection to the *Lake Shore Ltd.*, permitting travel between Michigan points (including Detroit) and Cleveland/New York/Boston. I understand this short segment leverages almost \$1.5 million a year of connecting revenue, none of which was credited in the analysis to the Chicago-Detroit-Toledo train. Arguably, a feeder bus would serve at least Detroit as well, but--over a month after the service-cut announcement--I still cannot get confirmation that a feeder bus will run if the Toledo segment is discontinued.

(Amtrak is talking with some private bus operators; any reasonable accounting of the revenues at stake should make a private operator eager to run this service but should also make Amtrak willing to guarantee its existence even if Amtrak itself charters the buses.)

Obviously, if the final decision is to eliminate the Toledo train but keep Pontiac, all Chicago-Detroit trains should serve Pontiac to avoid the Detroit capital investment, to realize the efficiencies inherent in a single turn-around point and to further build up Pontiac line traffic. (Half of Pontiac's present service is at 1:37 AM inbound and 6:05 AM outbound.)

Missouri: Between St. Louis and Kansas City, Amtrak operates two daily round-trips. One, the *Ann Rutledge*, is a through train

to/from Chicago and connects in Kansas City with the Southwest Chief to/from Albuquerque/Flagstaff/Los Angeles. Missouri should receive some credit for the significant long-distance revenue the Rutledge generates, since Amtrak would lose that revenue if the train disappears.

The Ann Rutledge is the only short-distance Amtrak train which (a) is deemed so important to a long-distance route that it is shown as a connection in the long-distance route's timetable grid and (b) is not amenable to bus substitution. Any claim of what Amtrak would "ultimately save" by eliminating this train (i.e., what a state should pay to keep the train alive) should reflect, at least in part, the significant connecting revenues the Rutledge generates on the Southwest Chief (St. Louis-Los Angeles, St. Louis-Flagstaff, St. Louis-Albuquerque and other Rutledge/Chief markets).

Vermont: If the state--which has never before invested in Amtrak service--is willing to contribute \$1 million to a "low-budget" coach train that terminates in St. Albans and avoids the high costs in Canada, it would be unfortunate if Amtrak's failure to employ the above-mentioned "sliding scale" approach results in complete cessation of service here.

Wisconsin: In terms of realizing most of the benefits usually cited as justification for Amtrak service, the Chicago-Milwaukee service is a star performer, serves a clean air non-attainment area and is one of the ISTEA "Section 1010" high speed rail corridors designated during the Bush Administration. From 1982 to 1993, ridership rose 189% (142,350 to 411,518). This route is a key victim of existing train-crew size agreements. (See also the second of three bullets in the above discussion of Amtrak's criterion.)

Northeast Corridor (NEC): Amtrak says it will save \$2 million a year by reducing Metroliner and conventional train frequencies. However, previous attempts by Amtrak to save money this way were not successful. Certainly, if the savings are plausible, the cuts should be undertaken. Amtrak cannot pass up rational savings opportunities that leave markets intact. Also, since Amtrak is often perceived as primarily serving the Northeast, making additional service reductions in the Northeast may be politically useful.

However, NEC cuts that backfire would hurt the entire system, so it is important that Amtrak "get it right." To note one possible cut that does not sound promising, we doubt that--if the Express Metroliner was discontinued--today's Express Metroliner customers would rise an hour earlier rather than switch to air.

VI. THE FUTURE

We are very concerned about the marketplace and employee morale impact of the uncertainty surrounding the "Phase II" and

"Phase III" cuts planned for June and October, respectively, as well as about the magnitude of cuts which remain. Amtrak stated all three phases would involve a total of 7.2 million trainmiles. The February/April cuts ("Phase I") appear to involve about five million, so we're looking at another 2.2 million. However, the 2.2 should not be "cast in stone" because performance of different trains varies so widely.

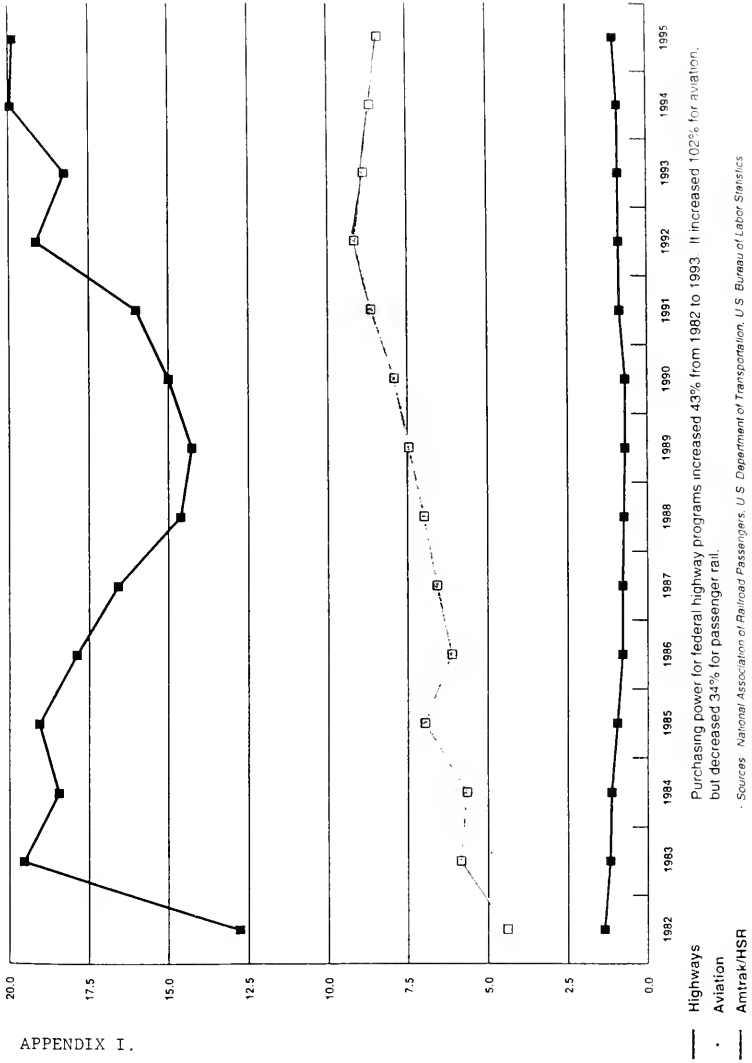
We are particularly concerned that any further service cuts be designed to protect connections between trains; system connectivity is a major key to its effectiveness.

We also insert a special plea that the Chicago-Los Angeles Southwest Chief remain daily. This is the nation's fastest long-distance train, departing Chicago at 5:00 PM and arriving Los Angeles at 8:15 AM on the second morning. Mail revenues are high and likely would be lost with any frequency reduction. This train has been a particular victim of crew-consist rules, which for better or worse have sometimes led management not to provide additional capacity that could have been sold. This is the only daily service in Arizona and New Mexico and the only service at all in Kansas. This route also has the potential for Auto-Train service, which Amtrak has studied before but never acted upon.

Long-term, Amtrak needs to say more about the potential for service growth once the immediate problems are addressed. The various stakeholders--including both the employees and passengers--need to know more about the positive aspects of the overall vision that lies behind present painful actions.

FEDERAL FUNDING FOR HIGHWAYS AND AVIATION HAS INCREASED, BUT IS STAGNANT FOR PASSENGER RAIL

(billions of dollars in inflation-adjusted 1993 dollars, except actual dollars for 1994 and 1995)



APPENDIX I.

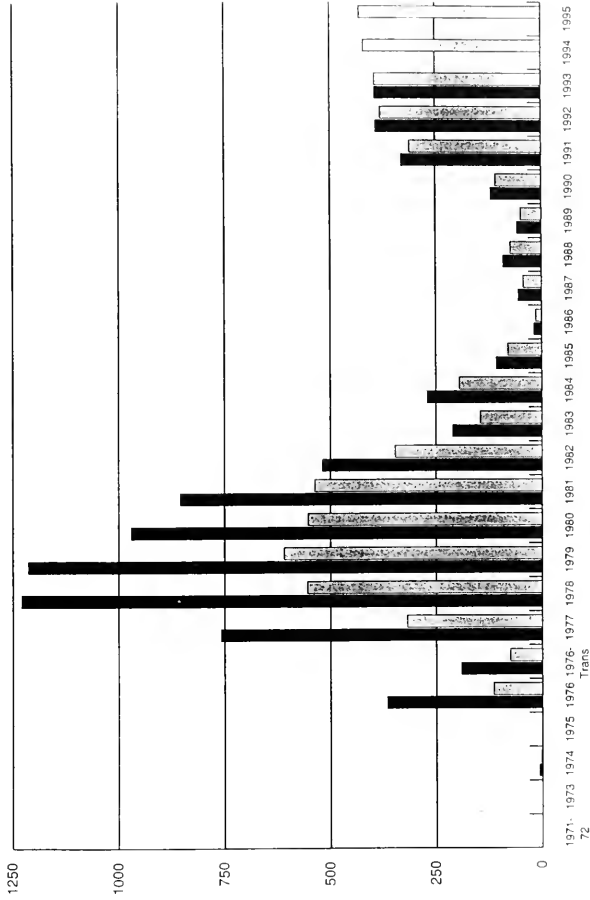
APPENDIX II.

Appropriations and Obligation Limitations in Appropriation Acts**NOTE:** For each year shown, first line is for current year dollar amounts. Second (*italicized*) line is the same amount in 1993 dollars.

	(\$ billions)			
	Highways	Aviation	Amtrak/H.S.R.	Rail as percent of road-air-rail total
1995	\$19,864	\$8,392	\$1,037	3.5%
1994	19,938	8,645	0,912	3.1
1993	18,254	8,862	0,896	3.2
	<i>18,254</i>	<i>8,862</i>	<i>0,896</i>	
1992	18,585	8,887	0,860	3.0
	<i>19,141</i>	<i>9,153</i>	<i>0,886</i>	
1991	15,088	8,137	0,815	3.4
	<i>16,007</i>	<i>8,633</i>	<i>0,865</i>	
1990	13,560	7,141	0,629	2.9
	<i>14,992</i>	<i>7,895</i>	<i>0,695</i>	
1989	12,242	6,390	0,604	3.1
	<i>14,266</i>	<i>7,446</i>	<i>0,704</i>	
1988	11,967	5,714	0,609	3.3
	<i>14,617</i>	<i>6,979</i>	<i>0,744</i>	
1987	13,035	5,170	0,619	3.3
	<i>16,581</i>	<i>6,576</i>	<i>0,787</i>	
1986	13,562	4,640	0,603	3.2
	<i>17,881</i>	<i>6,118</i>	<i>0,795</i>	
1985	14,189	5,184	0,712	3.5
	<i>19,055</i>	<i>6,962</i>	<i>0,956</i>	
1984	13,259	4,065	0,816	4.5
	<i>18,440</i>	<i>5,653</i>	<i>1,135</i>	
1983	13,465	4,031	0,815	4.5
	<i>19,535</i>	<i>5,848</i>	<i>1,182</i>	
1982	8,533	2,930	0,905	7.3
	<i>12,777</i>	<i>4,387</i>	<i>1,355</i>	
<hr/>				
Change 1982-95, current dollars	+132.8%	+186.4%	+14.6%	
Change 1982-93, current dollars	+113.9%	+202.5%	-1.0%	
Change 1982-93, in 1993 dollars—a reflection of purchasing power	+42.9%	+102.0%	-33.9%	

—Sources: U.S. Department of Transportation *Budgets in Brief*, 1982-94. Prepared by the National Association of Railroad Passengers.

FEDERAL CAPITAL SUPPORT OF AMTRAK AND NORTHEAST CORRIDOR



Funding in millions of dollars
 ■ Constant (inflation-adjusted) 1993 \$
 ▨ Current (non-adjusted) \$

Amtrak and the Northeast Corridor are recovering from the virtual elimination of federal capital grants between 1985 and 1990. At their lowest point—1986—federal capital grants totalled only \$14 million.

Source: National Association of Railroad Passengers; Bureau of Labor Statistics.

Senator LOTT. Thank you very much, sir.

Mr. Jack Hynes, who is the Administrator of Railroads, Missouri Highway and Transportation Department.

STATEMENT OF JACK HYNES, ADMINISTRATOR OF RAILROADS, MISSOURI HIGHWAY AND TRANSPORTATION DEPARTMENT

Mr. HYNES. Thank you, Mr. Chairman. I appreciate this opportunity to appear here today and address the issue of Amtrak before your committee. Hopefully, I can convey to you the perspective of one of the States that is impacted by Amtrak's proposed reduction and elimination of services.

In Missouri we have the 403(b) service, which was started back in 1980, and it services and connects the city of St. Louis and the city of Kansas City, our two largest urban centers in the State. There is some national service that passes through the State, but it does not connect the two major centers. There is a service that comes down out of Chicago, goes through Kansas City, and out to the West Coast, and another service that comes down through Chicago, passes through St. Louis, and eventually goes down into the Texas area.

The Amtrak 403(b) service, which is commonly known as the MULES train and the Ann Rutledge train, provides an essential rail passenger service to not only Kansas City and St. Louis, but to seven communities intermediate to those two cities. In most instances Amtrak is the only means of public transportation available to these communities.

On December 14th we were told that Missouri would lose its 403(b) service and that that service would be eliminated as of April 1st, all trains between St. Louis and Kansas City to be eliminated. Needless to say, we were taken by surprise. We had no opportunity, unfortunately, to discuss this issue before it was announced publicly and released by Amtrak.

We have had a 14-year relationship with Amtrak. We think it has been a good relationship. We want to continue that relationship. We think we need Amtrak in Missouri. We think the Nation needs Amtrak. The 403(b) passenger service was created as an incremental and feeder service for the national passenger services.

During the period of July 1st, 1992, through June 1993—and that is our State's fiscal year and we measure passenger ridership in our fiscal year terms because that is what our contract is with Amtrak, on the State's fiscal year—over 200,000 passengers traveled on that route between St. Louis and Kansas City. That is about a 70 percent increase in ridership since the service was initiated back in 1980.

Our ridership consists of senior citizens, families, students, tourists. The State subsidy is about \$2.1 million. In fact, all the States involved in the 403(b) contribute about \$26 million to Amtrak in operating subsidies alone.

The loss of Amtrak service between St. Louis and Kansas City will have an adverse social as well as an adverse economic impact on Missouri's citizens. Many of our riders are traveling from rural areas to the urban centers for medical treatment. We have children traveling. With the contemporary society we live in today, there is

many split families, as we all know, and we have a lot of adolescent children traveling back and forth to spend time with their separated parents and to other family events.

The announcement by Amtrak to shut down our service has caused serious problems in passenger transportation for our citizens. Despite the fact that our agreement with Amtrak calls for service to June 30th, Amtrak has elected to discontinue service April 1st.

When we held our first meeting with Amtrak after the announcement, on December the 28th, we were given a ballpark number for the total cost of operating the service between St. Louis and Kansas City. The number was \$12.3 million, and we were told there was a revenue shortfall of \$6.3 million. Amtrak is seeking full cost recovery from the States, and these numbers are far in excess of any financial data we have received in the past.

We have asked Amtrak to provide us with specific financial and operating data to support their decision and we hope to receive some of that data this week. However, in the meantime the clock is running. April 1st is fast approaching and we have not had an opportunity to evaluate any specific information.

In the meantime we are investigating several alternative transportation services if it becomes necessary to replace Amtrak. We went to the local railroad that Amtrak operates over. Unfortunately, the railroad told us they could not talk to us about providing an alternate rail passenger service because they are under contract to Amtrak presently, and of course until that contract expires they cannot talk to us. This has delayed any progress in looking at an alternate rail passenger service in Missouri.

Another alternative we are looking at, and it is not the most desirable, but that is bus service. The bus service would operate between St. Louis and Kansas City over a highway which is a combination of two-lane and four-lane highway. It leaves several communities without any service because of the routing of the highway and therefore we do not feel that is a good alternative. It may be our only alternative. I do not know at this point in time.

But we do feel there are some positive steps which Amtrak can take to provide the necessary rail passenger service which Missouri and areas in our region deserve and need. Among these items for review, we would suggest that Amtrak look into their fares. We know that in some areas Amtrak's fares are below their competitors'.

A creative fare structure may help to offset some of the revenue shortfall while perhaps attracting new riders during periods when ridership is traditionally low. This is a strategy used by the airlines today all over the United States. Almost everybody knows it is cheaper to fly on Tuesdays and Thursdays than it is any other day of the week. Amtrak's prices in Missouri are the same 7 days a week.

They need to look at their on-time performance. We know that some ridership has been lost out there, but when your train is only 70-some percent on time it is hard to retain customers. I know if I only showed up for work 70 percent of the time I would be out of a job.

I think they need to evaluate some re-routing of their services. Perhaps some of the national services can be re-routed to replace some of the 403(b) services they are proposing for elimination. A combination route of national and 403(b) service could produce greater revenues and may be profitable.

We would like them to identify the allocation of the Federal operating subsidy as it applies to the 403(b) routes and also as it applies to any national routes.

Missouri and other States are unable to meet the timing constraints which Amtrak has placed on us due to the State legislative calendars. In Missouri our General Assembly has recently convened to work on our 1996 fiscal year appropriations, which starts July 1st. It is unrealistic in our opinion to expect the States to be able to respond to an issue of this magnitude, the proposal by Amtrak to eliminate service, in 90 days.

I also am a little bit concerned about what I identified as perhaps some suggestions by the previous panel that the Federal subsidy responsibilities be pushed down to the State level. In Missouri our source of funding for Amtrak is general revenue. General revenue demands currently exceed our available funds. So Congress must give the States a mechanism and a source of revenue if greater subsidy burdens are to be placed on the States. We cannot fund it out of our general revenue sources.

We need Amtrak. It is an important segment of our national transportation system. We need your help on the Amtrak issues. The alternative without help is that thousands of Americans, particularly in rural America, will be left without public transportation.

Thank you very much, Mr. Chairman.

[The prepared statement of Mr. Hynes follows:]

PREPARED STATEMENT OF MR. HYNES

My name is John F. Hynes. I am the Administrator—Railroads for the Missouri Highway and Transportation Department. I am pleased to have this opportunity to appear before you today at your oversight hearings on Amtrak.

My responsibilities with the State of Missouri include the administration of the state's 403(b) agreement with Amtrak for service between St. Louis and Kansas City. I am also a member of the State Supported Rail Passenger Committee of the National Conference of State Rail Officials.

Amtrak operates a total of eight trains through Missouri, including four 403(b) trains between St. Louis and Kansas City. The 403(b) service was started in 1980. The other four trains operate as the Texas Eagle and the Southwest Chief and are part of Amtrak's national system, operating between Chicago and Texas and Chicago and California. The national Amtrak service does not connect our two largest urban centers, namely St. Louis and Kansas City. The Amtrak 403(b) service provides an essential rail passenger transportation service between St. Louis and Kansas City and the intermediate communities.

On December 14th, 1994 we received a telephone call from Amtrak informing us that a press release was to be distributed that morning announcing a number of route reductions and eliminations in the Amtrak rail passenger service. We were told that Missouri would have its 403(b) service eliminated as of April 1, 1995.

We were completely taken by surprise! There was no discussion, no opportunity to meet with Amtrak in advance of the announcement to review the considerations that went into their decision making process. We felt that Amtrak had breached a 14 year partnership!

The Amtrak 403(b) rail passenger service was created as an incremental and a feeder service for the national rail passenger services authorized under the Rail Passenger Service Act of 1970. At the request of a state, Amtrak could institute 403(b) service as long as the state agreed to reimburse Amtrak for a reasonable portion of the losses associated with the service.

During the period of July 1, 1992 through June 30, 1993 (Missouri FY93) over 200,000 passengers traveled on the St. Louis—Kansas City Amtrak 403(b) service. The demographics of our ridership includes senior citizens, families, students, businessmen and tourists. The annual state subsidy is currently \$2.1 million.

The loss of Amtrak service between St. Louis and Kansas City will have adverse social and economic impacts on Missouri's citizens. In some instances, our riders are traveling from the rural areas to the urban centers for medical treatment.

In our contemporary society, we have adolescent children traveling to visit their parents, grandparents and to other family events.

There are seven communities between St. Louis and Kansas City which depend upon Amtrak as their only means of public intercity transportation. Amtrak is an integral part of our state and the national transportation system.

Amtrak contributes directly to the economy of Missouri through the creation of jobs and the procurement of supplies. Approximately 144 residents of Missouri are employed by Amtrak, a payroll of approximately \$5.5 million. Amtrak spends approximately \$1.4 million in Missouri for supplies.

Amtrak's December 14th announcement to eliminate 403(b) rail passenger service in Missouri on April 1st causes serious problems in passenger transportation for our citizens. Despite the fact that our agreement with Amtrak calls for service to June 30th, Amtrak has elected to provide notice of service discontinuance effective April 1st.

Our first meeting with Amtrak representatives was in St. Louis on December 28th. At that time we were told that Amtrak had commissioned an economic evaluation of their routes, and the Missouri 403(b) route had a total cost of \$12.3 million, resulting in a revenue shortfall of about \$6.3 million. These numbers are far in excess of any financial data we had been provided in the past. We requested that Amtrak provide the State of Missouri with specific financial and operating data to support their decision to eliminate the Missouri 403(b) service. We expect to receive some of the requested data this week. In the meantime the clock is running toward the April 1st deadline!

We are currently investigating several alternative transportation services to replace the Amtrak service. We have asked the railroad over which Amtrak operates the present 403(b) service to provide us with a quotation for rail passenger service. They declined at this time because of their existing contract with Amtrak for service between St. Louis and Kansas City. As a note of interest, I should point out that under the federal statutes, Amtrak has been granted the exclusive rights to intercity rail passenger service and their consent is required for another company to operate rail passenger service between St. Louis and Kansas City.

Another alternative is bus service on U.S. Route 50, a combination of two and four lane highway connecting the St. Louis and Kansas City areas. We are exploring this possibility, even though it is less desirable than rail passenger service for the highway route eliminates service to some of the communities presently being served. We continue to be optimistic that detailed discussions with Amtrak will commence in the near future. We feel that there are some positive steps which they can take to provide the necessary rail passenger service which Missouri and adjacent areas require.

Among the items that deserve review are:

Amtrak's fares in some areas are below their competitors. A creative fare structure may help to offset some of the revenue shortfall, while perhaps attracting new riders during periods when ridership is traditionally low.

Improve on time performance.

Evaluate the possibility of rerouting some of the national services to provide rail passenger service to current 403(b) routes. A combination route of national and 403(b) service may produce greater revenues—and even be profitable.

The allocation of the federal operating subsidy to the 403(b) routes. Of the \$392 million, how much is applied to 403(b) routes? On what basis is it allocated?

On a fiscal basis, Missouri and other states are unable to meet the time constraints which Amtrak has placed on us due to the state legislative calendars. In Missouri our general assembly has recently convened to work on our fiscal 1996 appropriations which starts on July 1st.

The Chairman [presiding]: I now call on my friend and colleague from the House days, also Governor, James Florio, Chairman, Safe Transit and Rail Transportation. We welcome you here.

STATEMENT OF HON. JAMES FLORIO, CHAIRMAN, SAFE TRANSIT AND RAIL TRANSPORTATION; ACCOMPANIED BY: EDWARD WYTKIND, EXECUTIVE DIRECTOR, TRANSPORTATION TRADES DEPARTMENT, AFL-CIO; AND WILLIAM MAHONEY, COUNSEL, START

Mr. FLORIO. Thank you very much, Mr. Chairman. I am pleased to be here. In the interest of the committee's time, I will try and summarize my remarks and would ask that they be put in the record in their entirety.

The CHAIRMAN. Thank you. They shall be placed in the record, and I thank you.

By the way, I apologize because Senators are finding that there are a number of rollcall votes and, as you will remember from your days in the House, this is very disruptive to good hearings. But we are having a good hearing and we are going to continue on. We thank you very much for being here and for your understanding.

Mr. FLORIO. Thank you very much.

I am pleased to be here as Chairman of Safe Transit and Rail Transportation, a coalition that has come together to try to advance rail passenger service and rail systems in this Nation.

I am accompanied by Ed Wytkind, who is the Executive Director of the AFL-CIO Transportation Trades Department, and Mr. William Mahoney.

At the outset, I am pleased to be able to be here and testify with regard to the future of our national rail passenger system, Amtrak, and with particular emphasis on the wellbeing of the 25,000 working men and women who work for the system.

Amtrak, as I think we all have heard today, is entirely too vital a component of our transportation system and our economy to merely dispose of, as some unfortunately have been advocating. Those of us who rely upon Amtrak, many of whom you have heard from today, for business and personal travel know full well that in many parts of the country you cannot have a transportation system without this very important and vital transportation link.

My area of the country, the Northeast, is particularly dependent upon the Northeast corridor. The corridor connecting Washington, D.C., with Boston carries 11 million intercity passengers and 100 million commuters a year. I think we all know that you could not absorb that massive flow of people into alternative transportation systems. For starters, New York and Washington airports would find themselves in an immediate crisis, beyond what they are already in, unable to accommodate such demands.

It is interesting to note that the capital demands that would be put upon the States to maintain the corridor to provide the much-needed commuter services that are very vital to that area would remain regardless of Amtrak's fate. To eliminate Amtrak and to leave those responsibilities to the States would be the ultimate unfunded mandate.

We all know, and I am not going to recite the obvious facts, that Amtrak is energy efficient, friendly to the environment friendly, and among the safest modes of transportation that is available. In 1991, an overwhelming majority of the Congress, and former President Bush agreed with the enactment of the landmark Intermodal Surface Transportation Efficiency Act, ISTEA.

This legislation in fact appropriately recognized the legitimate and necessary role for every mode of transportation, including passenger rail. Two years later, we face proposals in some quarters to literally destroy rail passenger service in this Nation.

I have a number of facts that I am not going to share with you regarding how other countries around the world finance rail passenger systems far beyond what we do. One fact I will share with you, which is particularly interesting, I think is the European Community, plans to spend over \$100 billion to better utilize and integrate its multinational rail network.

I think it is important—and I will conclude on these points with regard to Amtrak's performance. The performance is improving dramatically. In 1983 Amtrak recovered only 53 percent of its operating costs out of its fare box. Today it is nearly 80 percent self-sufficient as far as operating costs are concerned. That is a very significant level of accomplishment and a high degree of productivity improvement.

The challenge for the future is to find the right mix of capital investment, operating assistance, and encouragement to Amtrak to continue on this successful path.

I think it is important to emphasize that employees have invested a great deal in real wages to Amtrak's successful turnaround. Back in the 1980's, and I was involved very much in the House as the Chairman of the Railroad Transportation Committee, in order to keep Amtrak afloat workers gave up 12 to 15 percent scheduled wage increases. Since then most of the employees' wages have lagged behind the industry standard.

During the same time, worker productivity has skyrocketed, work force levels have declined, and passenger miles have soared as employees moved more passengers, maintained more track, more cars, and more locomotives.

As we sit here today, we ask this committee not to ignore the critical contributions employees have made to Amtrak's revival and survival. In this country, like every other country in the world, our highway, our mass transit, our air, and our air traffic control systems, as well as our port systems, all receive governmental assistance at every level. The rail passenger system is no different.

It would be unfair and unrealistic to apply a separate set of values and economic conditions to Amtrak while the rest of America's transportation system enjoys, as it should, appropriate levels of Federal support.

With a much-needed infusion of investment, including the acquisition of new state-of-the-art train sets, Amtrak can thrive well into the twenty-first century. But if we consider other approaches, like privatization, as some have advocated, or simply zeroing out Amtrak's funding, the result will be a destruction of a rail passenger system that really should be improved upon. It will be the loss of some 25,000 jobs and serious long-term harm to the railroad retirement system, something that we should look at very seriously. Millions of people are dependent upon that system.

I would just say in conclusion, since Chairman Tom Downs, who I know very well—he was the former Transportation Commissioner in the State of New Jersey where he did an excellent job—has taken the helm he has reached out to the employees to forge a

partnership. He is embarking upon an internal audit of Amtrak operations, attempting to better rationalize the use of resources.

While the group that I represent may not agree with everything that is going on in Amtrak, they are acutely aware of Amtrak's financial predicament. We are eager to be part of a partnership. We conclude that Mr. Downs is committed to developing and implementing a long-term plan to ensure a viable national intercity rail passenger system that we can be proud of.

It makes little sense to turn back on a quarter of a century of investment and recklessly tear down what Amtrak is attempting to build. Amtrak and its employees should be given the resources and the opportunity to continue the progress. For decades, on a bipartisan basis, the Congress has agreed repeatedly on a need for strong rail passenger network and to support Amtrak, and we hope that this Congress will continue.

We would hope that Chairman Downs would be allowed to operate the business as a business, and therefore the Congress should be supportive, in our opinion, of what it is he is trying to do.

[The prepared statement of Governor Florio follows:]xxxxx

STATEMENT OF GOV. JAMES FLORIO, CHAIRMAN
SAFE TRANSIT AND RAIL TRANSPORTATION (S.T.A.R.T.)

BEFORE THE COMMERCE, SCIENCE AND
TRANSPORTATION COMMITTEE

UNITED STATES SENATE

PRESERVING A STRONG AMTRAK

JANUARY 26, 1995

My name is James Florio. I am chairman of Safe Transit and Rail Transportation -- S.T.A.R.T. -- a coalition to preserve a strong rail and transit system in this country. I am accompanied by Edward Wytkind, executive director of the AFL-CIO Transportation Trades Department, and William Mahoney, counsel to S.T.A.R.T.

At the outset let me say thank you for the opportunity to appear before you and communicate our views concerning the future of our national passenger railroad, Amtrak, and its 25,000 working men and women.

Mr. Chairman, members of the Committee, Amtrak is far too vital a component of our transportation system and our economy to merely dispose of it as some are advocating. It is hard to imagine the greatest country in the world without a national passenger rail system. Those of us who rely on Amtrak for our business and personal travel know full well that in many parts of the country you cannot have a transportation system without a strong rail link.

Let's start with the Northeast Corridor. Connecting Washington, D.C. north to Boston, the corridor carries more than 11 million intercity passengers and another 100

million commuters. Do we seriously believe that this massive flow of passengers could be absorbed elsewhere in the transportation system? For starters, the New York and Washington airports would find themselves in an immediate crisis, unable to accommodate the new demands. And the capital demands to maintain the corridor to provide much needed commuter services would remain, regardless of Amtrak's fate.

This is true elsewhere off the corridor, such as L.A. to San Diego, where Amtrak service is vital to those cities it serves. And for some communities across the country, Amtrak is the only available public transportation.

We all know that Amtrak is energy-efficient, environmentally-friendly and among the safest modes of transportation. The vision which gave rise to Amtrak's creation almost a quarter century ago was founded on the sound principle that an economy which fails to offer legitimate choices for passenger transportation -- including a viable intercity and cross-country passenger rail system -- is one doomed to gridlock, infrastructure overuse, environmental degradation and ultimately, failure.

An overwhelming majority of Congress and former President Bush agreed in 1991 with the enactment of the landmark Intermodal Surface Transportation Efficiency Act -- ISTEA. This legislation recognized the legitimate and necessary role of every mode of transportation including passenger rail. Three years later, we face proposals to literally destroy passenger rail in this country. This defies the spirit and intent of ISTEA.

Every economic power in the world supports and invests substantially in passenger rail transportation. While Congress now embarks upon a debate over whether Amtrak

will survive, our global competitors in Europe and Asia are planning to invest billions of dollars to ensure their passenger rail systems move persons faster, safer and more efficiently. A unified Germany is planning a multi-billion dollar investment to fully integrate its Western and Eastern rail network. And the European community plans to spend over \$100 billion to better utilize and integrate its multi-nation rail network.

There ought to be no disagreement over the need for Amtrak and rail passenger service in this country. As the members of this Committee know, the tough choice ahead will be how to preserve and enhance Amtrak while dealing with difficult decisions on the budget.

Amtrak's performance is improving. In 1983, Amtrak recovered only 53 percent of its revenues to operate the system; today, it is nearly 80 percent self-sufficient. That is a record of real accomplishment. The challenge for the future is finding the right mix of capital investment, operating assistance and encouragement to Amtrak to continue on this successful path.

Employees have invested a great deal in real wages to Amtrak's successful turn around. Back in the early 1980s -- in order to keep Amtrak afloat -- workers gave up 12 to 15 percent in scheduled wage increases, and since then wages have lagged behind the industry standard for most employees. During the same time, worker productivity skyrocketed, work force levels declined and passenger miles soared as employees moved more passengers and maintained more track, cars and locomotives. As we sit here today, we ask this Committee not to ignore the critical contribution employees have made to

Amtrak's revival and survival.

In this country -- like every country in the world -- our highway, mass transit, airport and air traffic control, and port systems receive government assistance at every level. A rail passenger system is no different. It is unfair and entirely unrealistic to apply a separate set of values and economic conditions to Amtrak while the rest of America's transportation system enjoys substantial Federal support -- as it should. We see no rational basis for expecting passenger rail in this country to "sink or swim" on its own while no other mode of transport is held to that same standard.

Some have suggested that we ought to return to the days of private rail passenger service. How quickly we forget the history of passenger rail and the tumultuous events which gave rise to Amtrak's creation. Had it not been for the leadership of Congress and President Nixon, America would not have a national passenger rail system because privately run systems were on the brink of extinction. Like the private transit systems in the early 1960s, it was painfully clear in the 1950s that passenger rail in this country would eventually vanish without proper government oversight and investment. Rail carriers were losing hundreds of millions of dollars in passenger service. Not a single private railroad could earn money running passenger service.

With a much needed infusion of investment -- including the acquisition of new, state-of-the art trainsets -- Amtrak can thrive well into the 21st century. But if we consider other approaches like privatization or simply zeroing out Amtrak funds, the result will be the destruction of passenger rail in this country, the loss of 25,000 jobs and

serious long-term harm to the Railroad Retirement system.

Let's look at what is happening at Amtrak since new Chairman Tom Downs took the helm. Mr. Downs has reached out to the employees to forge a partnership. Indeed, Downs is embarking upon an internal audit of Amtrak operations and attempting to better rationalize the use of resources.

While we may not agree with everything going on at Amtrak, we are acutely aware of Amtrak's financial predicament. And we conclude that Downs is committed to developing and implementing a long-term plan to ensure a viable national intercity rail passenger network into the 21st century. It makes little sense for Congress to turn its back on a quarter century-long investment and recklessly tear down what Amtrak is attempting to build.

Amtrak and its employees should be given the resources and the opportunity to continue the progress. For decades, on a bipartisan basis the Congress has agreed repeatedly on the need for a strong passenger rail network and support for Amtrak and its workers.

Please be assured that we are eager to work with this Committee to assure the future of rail passenger service for this country. I know the members of this Committee share the goal of enhancing Amtrak's future. We are eager to work with you and give input into your deliberations on this important transportation policy matter.

We thank the Committee for giving us this opportunity. We would be happy to answer any questions you may have.

The CHAIRMAN. Thank you very much.

Yet another rollcall vote has just gone off, so you can see the level of frustration we have in this body.

I am going to very quickly ask each of you one or two questions and I am going to submit additional questions for the record. You might be interested in knowing that some social security amendments are being added to a bill on the floor. There is great interest in tabling and second degree motions and so forth. I think it is going to go on for a couple of hours. So rather than hold you here, I think we will submit a lot of the questions here for the record.

In any event, let me ask you this, if anybody wants to respond to this. As I understand it, nine States pay a portion of their Amtrak service. These States contribute almost \$30 million compared to Amtrak's \$12 million for what is known as 403(b) State-supported service. I know we do not want any more unfunded mandates. However, those nine States pay and the other States do not. I come from a State that does not have Amtrak, so I really am not part of this fight among the States.

What would the answer be there? What do we say to those States that now pay something and other States do not? Does anybody want to make a comment on that?

Mr. FLORIO. My home State of New Jersey is one that does have the 403(b) service. I think one of the most constructive suggestions I have heard today is that there should be greater flexibility given to the States. I suspect it is all the States, that receive transit moneys of one form or the other, and they should be able to utilize those transit moneys as they see fit.

In the instance where the States want to supplement the payments that they are making to Amtrak to continue or expand service, that ought to be within their prerogative.

Mayor Smith: I think the States in the South, if given that flexibility of spending those funds, I think Mississippi would look very favorably on being a partner and a participant in this process financially.

The CHAIRMAN. I think this hearing today is sort of illustrative of the kind of a year we are going to have. We are going to have a tough year up here in the Senate, because we have so many worthy causes. I know the arts endowment people have been in town this week, and there are so many worthy needs in our society.

It must have been fun to be a Senator back in the sixties when we had a surplus in the budget and we were authorizing a lot of these programs. Nowadays being in the Senate or the House, you have to cast so many difficult votes. I think when September comes, during appropriation season, we are going to have a lot of very painful votes around here because of the deficit and so forth.

This is one of those programs. Today we saw Senators from across the land, across political parties, and across political philosophies express a great deal of support for Amtrak in theory. Yet we are going to have to struggle against the budgetary deficit.

There is always much talk about intermodal passenger network of rail, bus, and air carrier. We really have got quite an intermodal operation. I know there have been reports and studies on this. Are there efficiencies that we can achieve by doing more of this? And

I know some of you covered this in your testimony, like in the State of Mississippi.

Is there any way on an intermodal basis that some of this slack can be taken up?

Mayor Smith: I do not think there is any question that if you link the modes of transportation together—and in Meridian specifically that is occurring where bus lines feed into Meridian from the county areas and then you choose either commuter air service or Amtrak service to other parts of the State and country—to me that is an obvious yes answer.

Mr. CAPON. Mr. Chairman, the State of California has a marvelous network of extensive dedicated buses which enable people riding the trains to get to many key points that the trains do not go to. In many cases over half the passengers on given trains are connecting to a bus at one end or the other of their trip.

Mr. HYNES. Mr. Chairman, I would just like to mention on that issue that ISTEA was designed to provide that type of service. Unfortunately, ISTEA did not go far enough and give the States the mechanism to do that in some of the modes of transportation. We would welcome that opportunity in Missouri.

The CHAIRMAN. Governor Florio, I must ask you to comment on the mandated rail labor protection of FELA and the six-year severance guarantee, sometimes cited as a cost area from labor. Is there any possibility of an adjustment there?

Mr. FLORIO. I testified this morning before one of the House committees on this with regard to freight lines. The history of this is that this whole system is designed in large measure to provide a pool of workers that will be permanently on call to be able to be called back through the transitions.

It is interesting to note that freight railroads are hiring people. But for the labor protection systems that keep people with skills that are somewhat unique in play, the railroads would not have an available source of people.

What I think is the appropriate way to deal with this is to do what Mr. Downs, I think, has publicly said he wanted, to negotiate with the brotherhoods, with the unions, on these items. I think in the interest of business accommodation, if we want to have the system run as a business, the Congress ought to just step back and leave this to the efficiencies of the collective bargaining process.

As I say, the trend has been a wonderful one. Going from 53 percent of operating costs out of the fare box to 80 percent indicates that you are heading in the right way in the space of 1983 to the current time. What we should be doing is allowing the private parties—the private sector parties, rather, or the management and labor in this instance, to think through what it is they want to do and allow something that is working reasonably well in enhanced productivity to continue.

The CHAIRMAN. I am going to have to call this hearing to a close. We will be submitting additional questions for the record. I think this hearing illustrates the level of interest and the difficulty of this issue. Maybe we can find a way to have a moratorium on some of the changes until we can see if the States can come up with some assistance or we can find some other intermodal way.

I want to thank all of the witnesses very much. I call this hearing to a close.

[Whereupon, at 4:46 p.m., the committee was adjourned.]

APPENDIX

UNITED STATES SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC, February 22, 1995.

The Hon. LARRY PRESSLER,
*Chairman, Committee on Commerce, Science, and Transportation, U.S. Senate,
Washington, DC.*

DEAR CHAIRMAN PRESSLER: We are writing to express our deep concern about section 803 of the Amtrak and Local Rail Revitalization Act of 1995. Section 803 proposes a number of changes in electric utility regulation, several of which raise very significant policy questions. These are matters which fall within the jurisdiction of the Committee on Energy and Natural Resources.

Accordingly, before the Senate proceeds to the consideration of this legislation we will need to resolve these concerns.

We look forward to work with you on this legislation which is very important for the health of Amtrak.

Sincerely,

J. BENNETT JOHNSTON
Ranking Minority Member
FRANK H. MURKOWSKI
Chairman

POST-HEARING QUESTIONS OF CHAIRMAN PRESSLER AND SENATOR LOTT

QUESTIONS FOR GOVERNOR FLORIO

FROM CHAIRMAN PRESSLER

(1) Congress cannot justify the continuation of existing rail labor protections to the average American worker, who has no six year severance pay guarantee.

What justification can you provide for continuation of the mandated rail labor protections of FELA and six-year severance guarantees?

(2) In 1988, we heard that workers waited an average of 66 weeks from the date of injury before receiving any settlement under FELA. What is the settlement time today?

QUESTION FROM SENATOR LOTT

Are there ways that new relationships and partnerships can be formed to maintain Amtrak's viability and continued service?

Please outline proposals and mechanisms to achieve these objectives.

RESPONSE.

Senator Pressler

I. The current Amtrak law provides a severance payment or wage protection to employees who lose their jobs as the result of the discontinuance of an Amtrak route. In fact, very few employees receive anything because most often jobs are not lost as the result of a route discontinuance, and because employees prefer to work rather than collect payments.

In spite of the fact that employees seldom receive these benefits and it is not a significant financial burden to Amtrak, the employees have agreed to the removal of this protection from the law and they have agreed to rely on collective bargaining to determine how terminated employees are treated. With this change Amtrak employees will be in the same position as other private sector employees; they can bargain with Amtrak over what benefits should be available to those who lose their jobs.

2. I cannot tell you precisely what the average wait for compensation payments under FELA is for railroad or Amtrak workers who are injured on the job. This information is entirely in the hands of the employers, and they should be able to supply this information.

What I can tell you is that FELA is a workers compensation system that works. it reduces litigation, provides incentives for safer operation, and treats employees fairly. I hope those are objectives we all share.

Senator Lott

Amtrak's employees are anxious to be part of a partnership to guarantee the future of rail passenger service. In the past, when Amtrak's future has been threatened the employees have made sacrifices to keep Amtrak going. That means wage concessions, collective bargaining concessions, and whatever else they have been able to do. Amtrak's employees have played a vital role in keeping Amtrak going for decades.

Rail labor has made the offer to Amtrak President Tom Downs to sit down and talk about what changes he believes he needs, legislatively and elsewhere, to improve Amtrak's performance. We are confident that the Congress will understand the importance of continuing a national rail passenger system, and that the employees can be a constructive player in the effort to improve Amtrak's performance.

POST-HEARING QUESTIONS OF CHAIRMAN PRESSLER AND SENATOR LOTT
QUESTION FOR ADMINISTRATOR JACK HYNES**FROM CHAIRMAN PRESSLER**

How can Congress help states find creative ways to offer better rail passenger services at lower cost?

QUESTION FOR ADMINISTRATOR HYNES**FROM SENATOR LOTT**

Are there ways that new relationships and partnerships can be formed to maintain Amtrak's viability and continued service?

Please outline proposals and mechanisms to achieve these objectives.

Response:

This letter is in response to your September 1st request regarding the January 26th Hearing on Amtrak Oversight.

In response to the first question:

Congress can help the states find creative ways to offer better rail passenger service at lower costs by opening the intercity rail passenger service up to competition. Missouri has invited several third party providers to bid on the state supported service between St. Louis and Kansas City. They have all declined because Amtrak holds the exclusive right to serve the market.

Congress can through legislation provide the states or contract agents for the states the right to access on host railroads over which Amtrak operates state supported rail passenger service today. By doing so, we can be assured that efficient low cost rail passenger will be available, either through Amtrak or a state contracted operator.

In response to the second question:

New relationships and partnerships can be formed with Amtrak by providing the states with a source for funding the state supported rail passenger service. Amtrak has passed on to the states the full operating costs of service on the former 403(b) routes. Amtrak intends to expand the current cost formula to include full operating, capital and overhead costs.

The states are searching for revenue sources to keep rail passenger service alive. Amtrak's current cost estimates for service has increased over 100% from the former cost level under 403(b). It is doubtful that Missouri and other states will be able to fund the service for the full fiscal year.

Proposals:

1. Provide operating subsidy to the states on the same phase out schedule as Amtrak (five to seven years).

2. Identify and earmark a revenue source for states to apply to state supported rail passenger service. Fuel/user charges similar to other modes, i.e. airlines and buses.

3. Create a national passenger surface transportation agency (SURFPAX). Include Amtrak in the agency. Authorize the merger of Amtrak and regional/national intercity bus services into a single operating entity. Consolidation of overhead activities and coordination of operations would result in reduced costs and provide a national passenger surface transportation company. Seamless passenger transportation

would exist! One ticket could provide a coordinated trip via bus/rail/bus from origin to destination.

Sources of funding may be highway taxes and other type user charges to offset capital and operating start up costs. Periodic congressional review would determine future operating subsidy.

Sincerely,

Jack Hynes

Administrator of Railroads

**ADDITIONAL MATERIAL SUBMITTED FOR THE HEARING RECORD
QUESTIONS AND RESPONSES
TESTIMONY**

OF

AL ENGEL

**Chairman
*HIGH SPEED RAIL/MAGLEV ASSOCIATION***

Before the

**COMMITTEE ON COMMERCE, SCIENCE AND
TRANSPORTATION**

U.S. SENATE

Washington, D.C.

January 26, 1995

**STATEMENT OF AL ENGEL
CHAIRMAN, HIGH SPEED RAIL/MAGLEV ASSOCIATION**

Mr. Chairman and Members of this distinguished Committee, my name is Al Engel and it is a privilege to provide this testimony. I am the President of LS Transit Systems, Inc., of Bloomfield, New Jersey, and serve as Chairman of the High Speed Rail/Maglev Association. I am here today in this latter capacity, speaking for the high-speed ground transportation interests and advocates comprising our Association. My comments today focus on the Northeast Corridor -- a vital rail corridor serving millions of business and recreational travelers. This rail service greatly contributes to the economic health of the region and the nation.

This Association has a diverse membership. We have gained international recognition as the preeminent organization representing those seeking to advance high-speed ground transportation in the United States. We are an "umbrella group" with broad support -- more widespread than typically is found in a trade group -- because we include a variety of interests. Members include railway suppliers, labor organizations, investment banks, electrical utilities, aerospace companies, state and local agencies, engineering and law firms, university transportation centers and others. The membership in this organization continues to grow because of a growing conviction that the time has arrived for high-speed rail in the United States.

Successful High-Speed Systems As Models

When looking at passenger rail development in this country, it is often useful to ask, "What can we learn from others?" Advancements in high-speed systems in other countries have been spectacular.

Last year, England and France made history when the English Channel Tunnel began operation. The total travel time is now a mere 3 hours between London and Paris. The project represents an unprecedented engineering marvel and ridership levels have exceeded expectation. France continues to expand its highly successful TGV network while Germany continues investing in its high-speed ICE Train system. Sweden's X-2000 and Italy's Pendolino tilt-train technologies each have experienced significant traffic gains in their respective countries. The Spanish enjoy faster train service over the Sierra Morena Mountains between Madrid and Seville than Americans do anywhere, even in the relatively flat terrain between New York and Washington. Even Russia, as troubled as it is, has formed a corporation that has begun construction on a high-speed line between Moscow and St. Petersburg. Across the Pacific, projects are on the drawing boards for Korea and Taiwan. The Japanese

continue to build bullet train extensions.

Across Europe and in the Pacific, high-speed lines are a vital component of transportation. They can be in selected portions of the United States, too.

The American public became more knowledgeable and excited about high-speed rail as Swedish, German and Spanish high-speed trains toured the United States in 1993 and 1994.

Northeast Corridor

At the time when other countries chose to invest in passenger rail networks as a complement to highway and air systems in busy corridors, the United States invested in only one -- the Northeast Corridor. With only a fraction of Federal funding when compared with highways and airports, Amtrak's Northeast Corridor has cultivated heavy demand and has enjoyed ridership increases. Capital funding for the Northeast Corridor rail work is vital for both the procurement of advanced train equipment and for the electrification project.

In particular, we support Amtrak's request for funding for 26 high-speed train sets. The procurement will permit Amtrak to attain top speeds of 150 miles per hour and become Amtrak's Metroliner Service fleet of the next century. We agree with Amtrak President Tom Downs, who has stated that the new trains are crucial to realizing Amtrak's three-hour trip goal between New York and Boston and to further reducing travel time between New York and Washington to 2-1/2 hours.

A former Amtrak President, Paul H. Reistrup, ordered the original Amfleet equipment now in use in the Northeast Corridor, and the cars have been in use for 20 years. This equipment was the state of the art two decades ago, but today is unable to perform to the operational standards required of a high-speed program. Technology has advanced and 150-mph train service demands new equipment.

Additionally, we endorse the findings in the Federal Railroad Administration's recently issued environmental study on the electrification of the Boston-New Haven portion of the corridor. Specifically, Amtrak plans to install 156 route-miles of electrification between Boston and New Haven, Connecticut. This work, along with the acquisition of the high-speed train sets, will meet the attractive trip-time goals. We agree with the conclusion that the greatest environmental threat is posed by delaying electrification, thereby denying the nation the rewards of improved air quality and reduced energy consumption. Further, an investment in upgrading and electrifying the line is warranted because the line already is owned by the taxpayers of the United

States.

Unclogging congestion in the populous Northeast, where nearly 50 million people live, justifies investing American resources in American infrastructure. On-time arrival of people for business in the Northeast Corridor rivals the importance of "just in time" management of goods inventory, a hallmark of the American crusade for total quality.

The Northeast Corridor rail program is in concert with plans by the Coalition of Northeast Governors to bring advanced trains to the region. It will further the efforts of Boston's Logan Airport managers who have called for a high-speed line to New York to divert thousands of short-distance air passengers to trains. Federal Aviation Administration figures show that more than 3.3 million passengers annually fly between Boston and New York -- with 40 percent of all domestic flights from Logan International Airport bound for New York. More people fly between Boston and New York than between London and Paris. One estimate indicates that faster trains could eliminate 50 flights a day at Boston's overburdened Logan Airport. That is an example of how high-speed trains are vital to this region, a region where construction of new airports is a thing of the past.

This concern about the great difficulties in building new airports prompted former USAir Chairman Edwin I. Colodny to speak favorably about high-speed rail. He declared that removing short-distance flights from overburdened airports in the Northeast, and shifting travelers to high-speed trains instead, offers great promise.

This is a corridor where any improvement in mobility will aid the economy of the entire nation. A substantial proportion of the nation's Gross National Product is related to activities in the Northeast and business activity depends on good transportation.

Furthermore, the healthy level of revenues in the Northeast can be bolstered substantially through implementation of faster train service, thereby helping in the stabilization of Amtrak.

The States have a stake here also. The States along the corridor have made investment commitments based on a viable corridor. A Northeast Corridor Improvement Program will yield economic returns to investments already made by the States, such as new track connections in New Jersey. This also is true for planned State improvements. For example, electrification of the Boston commuter rail service is a long-term goal of the Massachusetts Bay Transportation Authority and the Northeast Corridor electrification program have been designed to accommodate such future work. Further, as reported by the Federal Railroad Administration in its Final Environmental Impact

Statement/Report dated October 31, 1994, other States along the Northeast Corridor "expect to significantly expand commuter rail service on the NEC main line. Such growth in traffic creates concerns over the capacity of the NEC to meet all of its needs.... These capacity needs have also been incorporated into the [Northeast Corridor Transportation Plan]."

To stabilize Amtrak, we need to establish a dedicated capital funding source. We support Amtrak's request that Amtrak be included in a Federal transportation trust fund. This could be done in a way that would also allow individual states to invest their Federal transportation funds to meet their own transportation priorities. This makes great sense, would contribute to meaningful long-term planning, would help to depoliticize the funding of rail passenger service, and would give bankers the long-term confidence needed to participate in selected projects where public-private capital programs are proposed.

We must admit that all forms of transportation are subsidized. We need to quit calling public funds for airports and highways an "investment" while calling public funds for trains a "subsidy."

Only a healthy infusion of capital will permit Amtrak to reach its goal of reducing Boston-New York travel time to under three hours. Adequate investment is critical to the economic well-being of the Northeast and the nation.

This Association does not typically comment on airport and highway projects. However, with fiscal concerns as prominent as they are, we need to recognize that this nation found \$7 billion to build the 7-1/2 mile highway in Boston, named the Central Artery, currently under construction. (Some estimates now place final construction costs at \$14 billion.) Yet, some balk at Amtrak's \$1.2 billion Boston-New York project. If we can afford to spend nearly \$1 billion dollars per mile on a highway project, we can afford to spend a modest sum of \$5.2 million per mile to upgrade Amtrak's Boston-New York line, which is 231 miles long. Putting it another way, two miles of that Boston highway would pay for a major upgrading of Amtrak's entire Boston-New York-Washington line.

Benefits of High Speed Ground Transportation

Business executives have always equated time with money. Demand for travel will continue to increase and our transportation infrastructure has proven inadequate to meet the existing demand. Delays at Chicago O'Hare Airport alone total 12 million passenger hours a year. Most of these delays affect routes less than 500 miles.

High-speed ground transportation systems can offer center-city to center-city access, can ease airport congestion, and can stimulate the economy -- all while bringing about an environmentally benign transportation infrastructure. The benefits are thoroughly documented:

Economic Development and Jobs The nation's economic well-being is directly related to our capacity to compete in the world market. Our competitiveness is directly related to our ability to move freight and business travelers quickly and at the lowest possible cost. In the Northeast Corridor, with its congested airports and highways, the need for high-speed rail is especially apparent. The economic benefits of building high-speed rail are enormous, with numerous American industries and American jobs benefitting from creating needed new infrastructure in America. High-speed rail contract awards benefit engineering firms, equipment manufacturers, construction companies, electrical utilities, and their suppliers.

Safest Form of Travel High-speed trains are the safest form of transportation ever devised. Such systems have operated in Japan for 30 years and France for more than a decade. Together, high-speed trains have served more than 3-1/2 billion passengers yet have not suffered a single passenger fatality. If America made transport decisions based on safety alone, it would have high-speed trains in service on a number of high-travel routes.

Energy Savings The nation would benefit by shifting travelers from oil-dependent systems to electrified trains for selected short and medium-distance travel. No form of intercity travel is as energy-efficient as high-speed trains. The Edison Electric Institute reports that U.S. powerplants generate only four percent of their electricity with oil. Therefore, a shift to electrified high-speed trains on any one route would benefit the entire nation by reducing our excessive reliance on unstable foreign sources of oil.

Reduction in Pollution Such trains would reduce air pollution in some of our largest urban areas because electrical power plants place far fewer pollutants in the air than the accumulation of individual auto and jetliner exhausts. According to Southern California Edison, studies show that electrified high-speed trains are up to 98 percent cleaner than the vehicles they would replace.

Land Savings High-speed trains are high-capacity systems requiring only small amounts of land. Such trains would reduce the "land take" required for an expansion of transport

infrastructure (e.g., the land required for the entire French Paris-Lyon high-speed rail line is less than that required for the Charles de Gaulle Airport in Paris.)

Conclusion

It is worthwhile to recognize President Dwight Eisenhower for the vision that created an Interstate Highway System. The Bush Administration's Federal commitment to aeronautical research continues to aid not only the aviation and aerospace industries, but also the computer and communication industries. This nation must again strategically invest in areas where the return on investment transcends all levels of our economy. High-speed rail on carefully selected corridors will be a national investment that stimulates our economic development for the 21st century. The Northeast Corridor project qualifies as a program of national significance.

In Summary, high-speed rail can bring enormous benefits to the Northeast and indeed the nation through improved mobility, economic stimulation, job creation, enhanced safety, reduced air pollution and energy usage.

Mr. Chairman, I thank you and the Members of this Committee for this opportunity. I would like to extend an invitation to you to visit our 12th International Convention to be held in Boston, May 7-10. There we will deal with regulatory, economic, social, environmental, planning, infrastructure, technical and policy issues. An exposition will showcase the exciting technologies available today.

We would be pleased to answer your questions.

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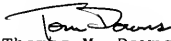


Honorable Larry Pressler
Chair, Committee on Commerce,
Science and Transportation
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I appreciated the opportunity to appear before your Committee on January 26, 1995. Enclosed are my responses to the post-hearing questions. If I can provide the Committee with any additional information regarding Amtrak, please don't hesitate to contact me.

Sincerely,



Thomas M. Downs
President

Enclosure

1) The 100th Congress was the last time the Commerce Committee seriously considered placing Amtrak employee injury cases under no-fault, state workers' compensation programs instead of FELA. At that time, the GAO estimated Amtrak settlements would have cost one-third less under worker's compensation rules. (It is interesting to note that attorney's representing FELA claimants receive about one-third of the final settlement as their fee.)

How much could Amtrak save today if injured Amtrak workers were placed under state workers' compensation programs instead of FELA?

This, of course, has been and remains a very difficult question to answer. The GAO report which was issued in August of 1986 compared Amtrak's 1984 FELA costs to a projected cost if those cases were handled under Workers' Compensation Laws in two states, Connecticut and Indiana. Connecticut was chosen as a high benefit state and Indiana was chosen as a relatively low benefit state. Citing limitations on their analysis, the GAO predicted only that Amtrak's FELA cost would have been somewhat lower if employee injury cases were subject to the various state workers' compensation systems. While the level of benefits and amount of litigation involved in Workers' Compensation cases has been increasing since the GAO Report was issued, Amtrak's FELA payout has remained constant or has decreased in recent years.

Special Report 241, Compensating Injured Railroad Workers Under the Federal Employers' Liability Act, issued by the Transportation Research Board of the National Research Council in 1994 concluded that there may be some reductions in injury benefits by compensating railroad workers under the various state Workers' Compensation Plans, but the savings would likely be modest, and only temporary. It seems that conclusion would apply particularly to Amtrak, as our FELA payout is among the lowest in the industry and is lower by far than that of similarly sized freight railroads.

Since the FELA is linked to other statutory and negotiated compensation programs, any contemplation of its repeal would have to consider the effect to Railroad Retirement Board sickness benefits and disability annuities payable under the Railroad Unemployment Insurance Act, to medical coverage provided under Travelers GA23000 and other medical plans, and to additional income replacement under various negotiated supplemental sickness benefits plans.

2) In 1988 we heard that workers waited an average of 66 weeks from the date of injury before receiving any settlement under FELA.

a) What is the settlement time today? Would injured workers receive payment more quickly under workers' compensation?

Claims handled with employees which were settled in calendar year 1994 averaged 36 weeks from date of accident until date of settlement. When lawsuits are included in the calculation, the average time from accident date to settlement date rises to 58 weeks.

Railroad employees begin collecting wage replacement from sources such as the Railroad Retirement Board and from negotiated supplemental sickness benefit plans on about the same schedule as the average state workers' compensation plan.

b) What, if any, justification can you provide for the continuation of any of these mandated labor protections?

The Amtrak Board of Directors has decided that our approach in dealing with labor/management issues is through collective bargaining. As of today, I cannot report to this Committee that we have reached any conclusion on the most critical assumption in the Business Plan: Labor Protection. We have had numerous discussions with various representatives of our employees. It is clear to me that, at the least, this Congress intends to remove from federal law any restrictions that would impede the collective bargaining process. The fact is that the Rail Passenger Service Act includes a number of restrictions that could preclude our ability to make any significant progress in this area. My advice to this Committee is to remove all restrictions and allow Amtrak to bargain in good faith.

Question 3: Amtrak intends to retire its so-called "heritage cars," which are 30-40 years old.

What happens to the cars once they are retired from service? Can they generate any revenue? Are they sold for scrap metal? Could they be sold to collectors?

Amtrak is currently assessing the market potential to sell the Heritage Fleet cars by competitive bids. While it may be difficult to market the 40 year old equipment, Amtrak intends to generate the highest possible proceeds from the sale of the Heritage Fleet. Initial indications are that Amtrak could net several thousand dollars per unit, and in all probability it would not be necessary to dispose of these cars at scrap value.

Question 4: Current statutes prevent Amtrak from contracting out such services as maintenance or repair of equipment -- or even food service.

How much would Amtrak save annually if it had the flexibility to contract out for such services?

Amtrak cannot provide an estimate of potential savings specifically from contracting out. We have identified several critical areas in our operations with significant opportunity for reduced unit cost through a combination of re-engineering, technology investment, organizational restructuring, and contracting out. The 1995 Strategic and Business plan identifies \$430 million in costs that must be taken out of the company, 55% through route and service reductions and 45% through productivity enhancement and overhead reduction.

Contracting out is clearly a tool we would like the flexibility to use as one way to reduce unit costs and increase productivity. This is especially true in the areas of maintenance of equipment, maintenance of right-of-way, and back-office transaction processing areas. For example, we have identified over \$40 million in costs that must come out of the maintenance of equipment operations through a combination of Heritage Fleet retirement and fleet reduction through reconstituting, re-engineering of yards, running repair and backshop facilities, better utilization and skilled labor (composite mechanic) and outsourcing. In the back office transaction processing area alone, when Amtrak is benchmarked against other comparably sized companies, Amtrak's payroll processing costs ten times the average company (8.7 times the FTE's), accounts payable costs four times the average. Contracting out needs to be one of the tools we consider when developing the tactical plan to get these costs in line with the industry average, or optimally, even better.

Finally, there are several critical reasons to contract out work, of which cost reduction is only one. In addition to considering outsourcing, where we could considerably reduce our ongoing costs with the same or higher quality process, we would also consider outsourcing if it would result in:

- * significantly higher quality product for the same cost
- * significantly improved reliability and/or reduced cycle time at the same cost
- * the avoidance of having to make a large capital investment
- * access to new technology which we would not otherwise have.

Kenneth M. Mead, Director, Transportation Issues, Resources
Community, and Economic Development Division, U.S. General
Accounting Office

Responses to questions asked by Senator Pressler

RESPONSES TO POST-HEARING QUESTIONS OF CHAIRMAN PRESSLER

1a) Amtrak's subsidy compared to those afforded air and highway travelers is relatively large on a per passenger mile basis, although some categories of air traffic also receive relatively large per passenger mile subsidies. Amtrak receives about \$1 billion annually in federal subsidy. This amounts to about \$44 per passenger or roughly \$0.16 per passenger mile. Commercial air travelers are generally believed to be paying for the publicly provided infrastructure through the 10 percent ticket tax and the \$3 passenger facility charge now levied at many airports. However, general aviation users do not contribute sufficiently through their fuel taxes to cover their cost of using the nation's airways and airports and air travelers living in Essential Air Service markets are also subsidized. The EAS program is relatively small--\$33.4 million was appropriated in fiscal year 1995.

Intercity auto passengers also pay for their use of the highways through the fuel tax. Again, auto travelers pay their cost of the nation's highways, but other users, especially heavy trucks do not pay their fair share according to most studies. On the other hand, much of the local infrastructure (local roads, streets, etc) and traffic enforcement costs are financed out of general funds and this could be considered a subsidy even though intercity travelers are minority users. Finally, auto travelers are subsidized to the extent they do not bear all the costs, including the social costs of pollution, congestion, and the like, occasioned by their travel.

1b) Trust funds are generally financed through user fees and there is usually an understanding that the monies will be dedicated to investing in the facilities used by those contributing to the fund. Some highway funds have been spent on mass transit under the justification that riders on mass transit benefit highway users by freeing up scarce highway capacity and alleviating traffic congestion. Financing Amtrak through a trust fund would put intercity rail on the same footing as other modes, but it could not be financed solely, or even largely, by Amtrak's riders. Amtrak's passenger base is simply too small to generate sufficient revenues to finance capital needs. Giving Amtrak access to trust funds financed by users of other modes might be justified on the same grounds as the diversion of funds to mass transit, but the case would need to be made that Amtrak produces significant benefits to the users of other modes and/or to the society-at-large.

2a) The issue of unfair, subsidized competition has been raised by those bidding for transit service contracts as well. Amtrak has always claimed that it bids for the services on a full cost recovery basis. The intercity bus industry claims that it has been harmed by subsidized Amtrak competition, although it, like Amtrak, has had a difficult time retaining ridership in the face of intense competition from the airlines. Still, in some markets Amtrak probably has taken traffic from the buses and Amtrak is one of the

factors explaining the economic decline of the intercity bus industry. The argument has been advanced that the subsidies represent an "unfair advantage" and that Amtrak should be precluded from offering any services that can be done profitably by the private sector. However, if Amtrak is constrained from offering relatively profitable services, its deficits will be larger.

2b) Amtrak, the airlines, and the intercity bus industry do coordinate their services in some markets, but there is no network imposed on them. While the modes can be thought of together as an overall transportation system, they are also very competitive and this intermodal competition benefits the traveling public. It is doubtful that a unified network would lead to greater profitability as there is no evidence that significant scale economies could be achieved.

3) Amtrak reduced frequencies on these routes because it believe that its riders are primarily discretionary travelers who are not sensitive travel time sensitive. These riders are interested in taking a train trip as opposed to merely traveling between two points. They are committed to riding Amtrak, so if the train leaves on a different day than their preferred departure date, they will alter their travel plans to ride the train. This is very different from what is generally supposed about travel, that is, that ridership is very sensitive to the frequency of service--but such travel behavior may very well be true for intercity rail travelers. In the Northeast Corridor, however, Amtrak riders are not largely discretionary riders and business travelers are more likely to be sensitive to the available departure and arrival times. Significant cuts in frequency in the corridor would have a much greater impact on ridership and revenues, than in off-corridor markets. This is Amtrak's assessment based on research performed for it by Mercer Management. Unfortunately, there is little in the way of empirical evidence to support its conclusions. However, the reasoning appears to be plausible.



U.S. Department
of Transportation
**Federal Railroad
Administration**

Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

MAR 8 1995

**The Honorable Larry Pressler
Chairman
Committee on Commerce, Science
and Transportation
United States Senate
Washington, DC 20510**

Dear Chairman Pressler:

I appreciated the opportunity to appear before the Committee to discuss the Clinton Administration's vision for Amtrak. Enclosed please find responses to your post-hearing questions. If I can be of further assistance, please let me know.

Sincerely,

A handwritten signature in cursive script that reads "Jolene M. Molitoris".

**Jolene M. Molitoris
Administrator**

Enclosure

POST-HEARING QUESTIONS OF CHAIRMAN PRESSLER
BEFORE THE SENATE COMMITTEE ON COMMERCE, SCIENCE
AND TRANSPORTATION
HEARING ON AMTRAK OVERSIGHT
JANUARY 26, 1995

QUESTION: Is it cost effective to try to maintain a 25,000 mile national rail passenger network?

ANSWER: The position of Amtrak's Board of Directors, which is supported by the Department, is that Amtrak should focus on operating those services that are commercially oriented and customer driven, and where the costs of providing those services are fully compensated by either revenues generated by the service or by a combination of revenues and state and local financial support. The Board and Department remain committed to a national system; however, the transportation marketplace (including states and localities) should determine the size and configuration of the national intercity rail passenger system that is cost effective to maintain.

QUESTION: Couldn't an intermodal network of intercity buses, trains and air service work more efficiently? At the very least, shouldn't Amtrak be working harder to fit itself into an efficient inter-modal transportation system?

ANSWER: The Department believes that intercity rail passenger service can and should be an important component of the national intermodal transportation system. The problem that has existed, however, is that most intermodal transportation planning is performed at the state and regional level. This planning has been funded through Federal programs that do not provide for assistance to Amtrak. As a consequence, for most of its history, Amtrak has been the "odd man out" of transportation planning and programming.

The Department is taking steps to address this oversight. First, the regulations concerning statewide and metropolitan area planning funded by the Department now require consideration of all modes of transportation, including rail. More importantly, the Department proposes that the states be given greater flexibility to determine which transportation improvements will be funded from Federal transportation funds apportioned to them. If approved by Congress, for the first time states can choose whether to provide financial assistance to Amtrak as well as to intercity and

local buses, local transit and airports. The combination of multimodal planning and funding flexibility will facilitate the development of the intermodal transportation system referenced in this question.



March 1, 1995

Mayor

JOHN ROBERT SMITH
(601) 485-1927
FAX (601) 485-1911

Councilmembers

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Ward 1

RICHARD COLEMAN, SR
Ward 2

BARBARA HENSCH
Ward 3

JESSE E PALMER, SR
Ward 4

KEN RAINEY, SR
Ward 5

COUNCIL CLERK:
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FAX (601) 485-1913

CITY DEPARTMENTS

Chief Administrative Officer:

(601) 485-1929
FAX (601) 485-1911

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FAX (601) 485-1911

Finance and Records

(601) 485-1946
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FAX (601) 485-1911

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(601) 485-1802
FAX (601) 485-1851

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(601) 485-1841
FAX (601) 485-1960

Public Works

(601) 485-1920
FAX (601) 485-1864

Mr. Jafar J. Karim, Staff Assistant
U.S. Senate Committee on Commerce,
Science and Transportation
SD-508
Washington, DC 20510

Dear Mr. Karim:

In response to the February 14, 1995 letter from Senator Larry Pressler, I offer the following observations on the questions posed by Senator Trent Lott following the AMTRAK oversight hearing before the Senate Committee on Commerce, Science and Transportation:

1. Are there ways that new relationships and partnerships can be formed to maintain AMTRAK's visibility and continued service? Please outline proposals and mechanisms to achieve these objectives. I very strongly believe that both cities and states must play a vital role in developing partnerships with AMTRAK and the federal government. Cities have the responsibility to provide the local infrastructure needed to maintain and expand AMTRAK service nationwide. Cities must develop and maintain safe, secure and aesthetically pleasing rail passenger stations that also comply with all federal laws, including the Americans with Disabilities Act. More than 100 cities across the country, including Meridian, are in the process of constructing multi-modal transportation centers that will greatly enhance AMTRAK's image and visibility and will allow for coordination of transportation services among the rail, bus and airline industries. In addition, cities must take the lead role in reducing the number of grade crossings, thereby adding to the efficiency of AMTRAK service. I also believe that our cities are in an excellent position to assist AMTRAK in its marketing efforts. Through tourism offices, convention and visitors bureaus and chambers of commerce, the benefits of rail passenger service can be effectively promoted in both our cities and rural areas. I must point out, however, that, in Meridian's case, passenger boardings consistently run at or near the maximum even without an extensive marketing effort. Our states can play a greater role in identifying and developing new or additional service routes if they had the flexibility to use federal transportation funds for that purpose. While it should not be the responsibility of the states to maintain a national rail passenger system, state governments can play a major role in upgrading rail linkages through certain infrastructure improvements to rail lines. All of these efforts would necessarily need to be coordinated with AMTRAK.

601 24th Avenue
Post Office Box 1430
Meridian, MS 39302-1430

2. The Olympics are coming to Atlanta in 1996. How critical is it to maintain AMTRAK service between Meridian and Atlanta? What efforts are underway to use and promote AMTRAK service for the Olympics. We project a significant increase in both rail and highway traffic from New Orleans and from the west through Meridian to Atlanta for the 1996 Olympics. AMTRAK officials also anticipated increased traffic and had previously projected adding another train to Atlanta for the games. Our ability to provide rail passenger service through the Meridian area has already been severely hampered by the cutback in service which would undoubtedly have an even more crippling effect as transportation demands increase for the Olympics. In terms of marketing, the Tourism Division of the Meridian/Lauderdale County Partnership is interested in developing packaged tours for the Olympics and has a great deal of experience in such promotional efforts. Tourism officials are already developing similar packages in conjunction with the casino which opened last year in Philadelphia just north of Meridian. These packaged tours provide visitors with a full range of accommodations and other services they need and would be an excellent tourism and economic development tool for the Olympics as well.

I hope my observations and ideas are of some interest to the committee and I thank you for giving me the opportunity to address these important issues.

Sincerely,



John Robert Smith
Mayor

JRS/sm

ANSWER TO POST-HEARING QUESTION OF SENATOR LOTT BY ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS. SUBMITTED MARCH 2, 1995.

ARE THERE WAYS THAT NEW RELATIONSHIPS AND PARTNERSHIPS CAN BE FORMED TO MAINTAIN AMTRAK'S VIABILITY AND CONTINUED SERVICE? PLEASE OUTLINE PROPOSALS AND MECHANISMS TO ACHIEVE THESE OBJECTIVES.

1. Stations. Carriers usually do not own bus stations and airports, so an obvious goal regarding stations Amtrak uses is to transfer ownership and as much financial responsibility as possible to other entities, be they local or state governments or local communities, special authorities or private entrepreneurs. This already has occurred at some locations, but needs to become more widespread.

Depending on the outcome of Amtrak's union negotiations, it may be possible to improve service to passengers at currently unstaffed stations by allowing travel agents or other entrepreneurs to sell tickets and perform other passenger services much as some local businesses do for intercity bus companies.

2. Flexibility regarding federal transportation funding. A major damper on state funding of intercity passenger rail is the absence of federal matching funds. As my testimony noted, we believe it would be sound public policy for states to be able to spend federal highway or airport trust fund money on intercity passenger rail. It is bad policy to overemphasize road and air simply because matching federal funds are not available for rail. It would be easier for states to help fund Amtrak services if states had greater discretion in the use of federal transportation funds.

2A. The Northeast Corridor (NEC) and Section 1010 Corridors as National Highway System "Major Arteries." Given the political difficulties of allowing states to make these choices, one should consider designating the Northeast Corridor (NEC) and the ISTEA Section 1010 corridors designated by the Bush Administration as "major arteries" in the National Highway System. Since the NEC is such a big part of Amtrak's costs and capital needs, finding such an alternate source of funding for the NEC alone (Improvement Project and ongoing track maintenance) would significantly reduce the amount of general funds Amtrak requires, thereby facilitating continuation of the nationwide system.

This in effect would strengthen and expand on ISTEA conference report language that was intended to permit ISTEA funds to be used on tracks jointly used by Amtrak and commuter rail trains: "In certain instances, passenger rail operations provide significant mass transit services. The

conferees do not intend to preclude consideration of passenger rail capital costs where those operations provide significant commuter service on a regular basis."

Much Section 1010 corridor trackage is already in public ownership. [The 1010 corridors are San Diego-Los Angeles-Oakland/Sacramento; Chicago to Detroit, St. Louis and Milwaukee; Miami-West Palm Beach-Orlando-Tampa; Washington-Richmond-Raleigh-Charlotte-(Atlanta); and Vancouver, B.C.-Seattle-Portland-Eugene.]

For NHS designations to occur, affected governors will need to ask the Secretary of Transportation by mid-March, 1995.

3. Electric power. There is a need to explore opportunities to improve Amtrak's finances by allowing Amtrak to purchase power for Northeast Corridor operations from the lowest-cost provider and to permit Amtrak to sell power.

4. NEC Commuter Authority Payments. As noted in my testimony, the possibility of increasing commuter authority payments for use of Amtrak-owned NEC tracks should be explored.

5. Private financing. Amtrak already has made extensive use of private financing in rolling-stock acquisition. If FY 1996 federal funding shows that the new Congress strongly supports Amtrak, the possibilities of getting additional private financing for rolling-stock would be enhanced.

6. Joint Marketing with States and Others. Amtrak's advertising budget always will be inadequate for the job. Individual airlines tend to benefit from each other's advertising. As the sole intercity rail passenger provider, Amtrak enjoys no such parallel benefits. States, localities and private enterprises benefitting from Amtrak's service would be well advised to help promote it.

7. Intermodal Sales. Opportunities should be explored for Amtrak tickets to be sold by other travel outlets, such as intercity bus agencies located off Amtrak routes. Additionally, opportunities to physically connect Amtrak with airports may lead to more long-distance-flight/corridor-train intermodal marketing/ticketing. However, great airport-rail successes will only come where Amtrak offers very frequent service.

On the other hand, Amtrak's agreement with United Airlines, oriented towards long-distance rail travel in one direction and flying in the other, has greatly benefitted the traveling public and the carriers. Opportunities exist to expand this concept should be explored.

Note re long-distance trains:

We are skeptical that such trains can survive without federal operating support. They are unlikely to get state operating support, due to difficulties of agreeing on schedules and cost allocations among several states. For example, some locations always must be served in the dead of night, and state leaders would be hard-pressed to justify paying for such service even where Amtrak clearly is running the optimal schedule for the route. [In general, major terminals must be served at attractive hours because people are reluctant to frequent big cities at off-hours. Due to minimal fears about personal security, however, surprising travel volumes show up at small-community stations in the middle of the night.]

However, there are two obvious ways that states can support long-distance trains: by providing stations and reducing/eliminating Amtrak's station costs (#1 above) and by helping to market the trains (#6 above). States and localities know that the condition of a station influences travelers' opinions of the community and should be proud to improve stations no matter what time the trains go through. Advertising does not require any fixed amount; states and localities can promote the service to the extent they value it. If a strong case can be made that an entire route would benefit from a schedule change, states or others might commit to a certain level of advertising if the desired change is implemented.



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