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OF RAILROAD PASSENGERS

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NARP's House Statement

Canada: More Good News

• Faster Ottawa-Toronto daylight service commenced Jan. 7, with 2 daily round-trips running the 277 miles in 3:59. This is an overall average of 69.5 mph, including 5 intermediate stops. The top speed is 95 mph, and the new schedules were made possible by $41 million worth of track improvements between Ottawa and Brockville completed last summer with funding from VIA, Amtrak's Canadian counterpart.

The new pattern means a net increase of one round-trip over the entire Ottawa-Toronto run, since the new morning fast "Capital" replaced an Ottawa-Kingston bus connection with the Montreal-Toronto "York." The replaced services required 4:45 (5 hours for the westbound bus-train schedule) and averaged 58.3 mph and 55.4 mph, respectively.

• VIA has decided to continue and to promote the overnight Ottawa-Toronto service. It had originally planned to drop this service when the "Capital" was added.

• Faster transcontinental schedules effective June 1 will preserve daylight viewing of the dramatic scenery between Banff and Golden while reducing annual subsidy requirements an estimated $7.1 million (offset by subsidy increases of $2.7 million to restore the direct Montreal-Ottawa-Sudbury link and $13.9 million to restore the Edmonton-Vancouver "Super Continental" segment, the latter to connect in Winnipeg—but not interchange cars—with "Canadian" to/from Montreal/Toronto). Preliminary schedules suggest the only "darkness" problem on the Banff-Golden segment (assuming on-time operation) will be approaching Golden westbound in winter; currently the eastbound "Canadian" approaches Banff by darkness in winter—a problem which the new schedules will eliminate.

Preliminary schedules show westbound sections departing Montreal 10:30 AM and Toronto 1:30 PM, and the combined train arriving Vancouver at 8:30 AM on the 4th day, the trip involving 3 overnights instead of the present 4. The eastbound train would depart Vancouver at 3:45 PM with sections arriving Montreal 7:15 PM and Toronto 5 PM on the 4th day.

• "Atlantic," VIA's Montreal-Maine-St. John-Halifax service to be restored June 1, is expected to depart Montreal at 8:15 PM and arrive Halifax 5:20 PM the next day. Westbound, it will leave Halifax at 12:40 PM and arrive Montreal 8:30 AM next day. Connections will be provided in Moncton with the truncated Montreal-Moncton "Ocean" and in Montreal with "Canadian," although the eastbound 60-minute connection from "Canadian" to "Atlantic" may not be reliable. "Canadian"/"Ocean" connections will be possible westbound but not eastbound. ■

Capon Testifies Before Commerce Subcommittee

(The following statement was submitted by NARP Exec. Dir. Ross Capon to the House Energy & Commerce Subcommittee on Commerce, Transportation, and Tourism, chaired by Rep. James J. Florio, D-NJ. Capon summarized the statement when he appeared before the subcommittee on Mar. 14, and Rep. Florio indicated that he had read the statement "in full."

Mr. Florio opened the hearing with an eloquent statement of his own: "If the Administration is successful with its proposal, Oct. 1 will be a tragic day in the history of our national transportation system. All Amtrak trains will stop. . . . Commuter operations in the Northeast will shut down. . . . The highways and airports of the Northeast will become even more overcrowded. . . . Elsewhere, rural areas will lose all transportation service and, especially in the winter, will become isolated. . . . Amtrak is an essential part of our national transportation infrastructure and I am hopeful that by working together to maintain Amtrak's service, we can prevent Oct. 1, 1985 from being a tragic day in our history.")

Mr. Chairman and Members of the Subcommittee, thank you for this opportunity to present the views of our Association, which is non-profit, consumer-oriented, and supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroads, or the rail labor unions.

I. Summary

1. Until very recently, the U.S. Department of Transportation supported Amtrak more strongly than ever before in Amtrak's history. The "kill-Amtrak" decision was evidently a last-minute decision based on a narrow and, we believe, superficial short-term economic analysis.

2. An analysis of the history of government intervention in all modes of transportation suggests that the passenger train has done well to survive at all in the face of heavy anti-rail and anti-rail passenger biasses in U.S. policy over the past century. From 1942 to 1962, the federal passenger ticket tax collected over $2.0 billion from railroad passengers, money which simply went into the Treasury while no federal money was spent on passenger trains. The federal government was, however, spending money on air facilities at about five times the rate revenues from the ticket tax on air passengers were being collected.

3. "Defunding" Amtrak means the almost certain and permanent death of the U.S. intercity passenger train.

(continued on page 2)

II. The Context

On April 28, 1984, Federal Railroad Administrator John H. Riley gave a ringing endorsement to our national rail passenger system. He said:

"There are a lot of reasons why Amtrak is going to succeed in the future: the enormous expense necessary to resurrect America's highways; the virtual impossibility of expanding airports anywhere to meet the need; and the rising cost of maintaining a personal automobile. . . ."

[The entire May 1984 NARP News report on Riley's speech to the NARP Board was attached to Capon's statement. You may find this article useful in your own lobbying efforts.]

The Administrator reaffirmed the Department's support of Amtrak in a letter to me dated September 24, 1984. That letter includes the assurance "that there has been no change in the Administration's position since my testimony to the House and Senate Appropriations Committees this spring." Riley's March 29, 1984, statement before the House Appropriations Subcommittee on Transportation therefore is worth excerpting:

"It is a particular pleasure to share this table with Graham Claytor. There is nothing I could say that would add to the luster of Graham's accomplishments—they speak pretty eloquently for themselves. But I do want to give special recognition to the fact that Amtrak in 1985 will run more route miles than it did in 1981 at approximately 28% lower funding. Those numbers say a great deal about Graham, and a great deal about the progress being made at Amtrak. And I think what we've seen is only the beginning.

"Amtrak was established to provide modern, cost-efficient intercity rail passenger service. The Corporation has made great strides toward achieving this objective. . . .

"The Corporation has aggressively pursued opportunities for improving productivity, and I congratulate Graham Claytor and the Amtrak staff for their success in improving service while at the same time dramatically reducing Federal subsidies.

"Because of this progress, the Amtrak system is stronger today than it has ever been. . . .

"The Corporation's revenue/cost ratio is the highest ever, 54% in FY 1983, and is projected to be 56% in FY 1984 [NARP's note: this goal was achieved] and 58% in FY 1985.

"Output, measured in passenger-miles per constant dollar of Federal support, continues to increase and will reach 6.8 in FY 1984, a 42% improvement since 1981.

"Amtrak's total appropriation, in real 1984 dollars, is the lowest in nearly 10 years.

"Last year Amtrak and its unions agreed to update work rules for the Northeast Corridor. This year, Amtrak and the operating railroads have continued development of modern labor agreements outside of the NEC. For example, Amtrak and its labor unions have agreed on fair, efficient work rules for Auto-Train under which Amtrak crews operate Auto-Train locomotives. This is the first time Amtrak crews have operated trains over non-Amtrak lines." [NARP's note: Amtrak contract employees throughout the system are now paid 12% less than those in similar positions on most other railroads.]

In a September 28, 1984, letter to NARP President John R. Martin, Secretary Dole herself reaffirmed that "the policy of this Administration toward Amtrak was expressed by Mr. Riley in his March 29, 1984, testimony" quoted above. She also wrote: "This Administration supports the continuation of a strong national passenger system. For this reason, the President requested appropriations totaling $680 million in Fiscal Year 1985 to meet Amtrak's operating and capital requirements."

Secretary Dole originally recommended to the President that Amtrak be funded at $765 million in FY 1986. She revealed this on March 20, 1985, while answering questions before the House Appropriations Subcommittee on Transportation. Nor, apparently, did her concern for Amtrak end when the President first revealed his inclination to "zero out" Amtrak. *The Wall Street Journal* reported on December 6, 1984:

"President Reagan presented his cabinet with a plan for drastically cutting federal spending that would eliminate or shrink many of government's most politically popular programs. . . .

"At yesterday's cabinet meeting, only two department heads—Transportation Secretary Elizabeth Dole and Health and Human Services Secretary Margaret Heckler—raised objections to individual cuts in their agencies' budgets, officials said. When Mrs. Dole questioned a decision to eliminate federal subsidies for Amtrak, she was rebuffed by Sec. of State George Schultz. . . ."

Three NARP members have received letters dated Feb. 20, 1985 from Senator Bob Dole (R-KS) stating: "As I am sure you know, the Administration has proposed the elimination of all federal subsidies for Amtrak. I can report that the Secretary of Transportation, however, feels strongly that Amtrak subsidies should not be totally eliminated."

On the other hand, Budget Director David Stockman, a long-time Amtrak opponent, singled out Amtrak as an example of a program not worthy of funding when he appeared Jan. 13, 1985, on ABC-TV's *This Week with David Brinkley*.

Since narrow budgetary considerations evidently lie behind the administration's decision to kill Amtrak, I will dwell at length on why we believe that a long history of anti-rail bias in public policies is the primary reason why the intercity passenger train would die if Amtrak's subsidy is significantly reduced.

III. No Subsidy, No Trains

First, however, it is necessary to counter what we consider irresponsible and unsupportable speculation by some administration officials that some service might survive with no subsidy. Indeed, President Reagan's own comments suggest he believes the 'defunding' of Amtrak would make it more efficient, not kill it. He has referred to Amtrak as performing a function more appropriately undertaken by the private sector. In his State of the Union address, he said: "Deregulation of the airline industry has led to cheaper air fares but, on Amtrak, taxpayers pay about $35 every time an Amtrak train leaves the station."

But the bankruptcy of Amtrak would be quite different from the bankruptcy of an individual airline that uses publicly-owned facilities. In the Northeast Corridor, Amtrak doesn't simply use the infrastructure. Amtrak *is* the infrastructure. Amtrak owns most of the tracks and rights-of-way, the traffic control system, and the stations, and Amtrak's employees man these facilities.

TRAVELERS' ADVISORY

All Aboard America Fares are extended for sale through Nov. 15 for travel thru Dec. 15. For travel from April 7 through June 15 only, the 1- and 2-zone fares will be $125 and $200, respectively (child ½ fare). Not valid in conjunction with sleeping car travel July 1-Aug. 18 on trains in the Western or Central Regions (except will be valid in "City of New Orleans," which is common to Central/Eastern Regions, and "River Cities," if it still has a sleeper).

As noted in Amtrak's Feb. 17 "Schedule Changes":

- **The 4:30 PM Chicago-to-Milwaukee service now runs daily, and the 11:15 PM Saturday departure made its last trip Feb. 16;**
- **Winter Park-Fraser, CO, became a daily Amtrak stop Jan. 17. Station is in Fraser general store; shuttle bus runs to/from Winter Park.**
- **Feb. 17 saw the addition of the last 3 regular stops on the San Diego Metroliner runs; Metroliners now make all 6 regular intermediate stops but still only take 2½ hours for the trip;**
- **Minor "San Joaquin" bus schedule changes effective Jan. 6 included an added stop for the night-time buses at UCLA in West Los Angeles. (In a Mar. 21 release, Caltrans said the W LA/Long Beach "San Joaquin" bus connections have been "set to continue, after having run at a profit over the first 6 months of operation."); and**
- **Based on ridership results, "Silver Palm" feeder bus services were reduced Feb. 15 and the Miami bus eliminated.**

No prudent investor would consider taking on such a huge cost structure.

Outside the NEC, the facts are generally different but the practical effect is not. Amtrak owns track segments in Michigan and Chicago and near Albany, NY. Elsewhere, Amtrak trains use tracks owned by the freight railroads and in all cases outside the NEC (except on Auto-Train) the conductors, trainmen, and engine crews are freight railroad employees.

It's unlikely that a private investor would either want or be allowed to undertake regularly scheduled passenger service on the tracks of the freight railroads. To operate a single line would mean high overhead costs and depressed revenue prospects due to lack of traffic connecting to/from other lines. Setting up a network of connecting lines would involve excessively large capital investments and risks as well as complicated negotiations with more than one freight railroad.

For their part, the freight railroads know what happened to Auto-Train Corporation, the one significant example of a private investor offering common carrier passenger service over a private railroad's tracks. The bankrupt company ceased operations in 1981. When it entered bankruptcy in 1980, it was at least $20 million in debt, with the RF&P and Seaboard Railroads major creditors. The trustees tried unsuccessfully to find private investors to take over the company's operations.

No legal mandate would compel the freight railroads to do business with would-be private rail passenger operators and certainly not on the terms allowed Amtrak. The statute creating Amtrak gave Amtrak certain rights with respect to the use of other railroads' facilities on favorable terms as a *quid pro quo* for relieving those railroads of their legal responsibility to run passenger trains for their own accounts. Amtrak has the right to run on those railroads' tracks on an "avoidable-cost-plus" basis. In addition, under the operating agreement, Amtrak's contracting railroads are required to maintain their rail lines at the level of utility existing on May 1, 1971 (except Conrail and Southern to the levels existing when they first signed Amtrak agreements, in 1976 and 1979, respectively). If Amtrak dies, Amtrak's unique and significant rights to the use of the freight railroads die as well, never to be recovered.

A private investor wanting to run passenger trains would have neither the level of utility right nor the right to pay only avoidable costs, but would have to negotiate a commercial rate agreement as did the now-defunct Auto-Train Corporation.

Administration officials have also suggested that state and local governments might take over some Amtrak service, at least on the New York-Washington line. But that line is precisely where states would be hit hardest by proposed federal transit funding cuts. Additionally, Amtrak estimates that its demise would force NEC commuter rail and freight operators to sustain new costs totaling $212 million/year.

IV. A History of Anti-Rail Passenger Public Policies

Secretary Dole has placed great emphasis on the growing percentage of her Department's costs which are paid by users. She has said this percentage was 49% in FY '82, will be 70% this year, and would be 85% under the President's budget. What she does not spell out, however, is the extent to which government-established funding mechanisms for government-owned highway, air, and water facilities benefit those modes, enabling them to achieve impressive revenue-to-cost ratios, and shielding users from the impacts of economic downturns. (There are, of course, considerable cross-subsidies *within* the highway program, and these disadvantage Amtrak because a major subsidy flow is to the Interstate network *from* local streets and arterials.)

Government's *failure to establish any comparable mechanism for railroads or rail passenger service* is perhaps more significant than the actual dollar amounts involved. *Government has made it virtually painless for us to make massive expenditures in the "trust-funded" modes,* which even bypass the appropriations process. The following extensive quote is instructive. It comes from "Study of Federal Aid to Rail Transportation," January, 1977, by President Ford's Secretary of Transportation, William T. Coleman Jr., a report mandated by Section 902 of the Railroad Revitalization and Regulatory Reform Act of 1976 (Page IV-13; emphases added):

"Aside from the advantages to certain modes from direct Federal subsidies, other beneficial aspects of the Federal role come into play, including the ability to mobilize funds on a massive scale and the conversion of fixed costs into user charges. For instance a critical difference between the rail and pipeline industries' private sector investment in rights-of-way and the public financing of highway, air and water transportation facilities is that such investments represent fixed obligations for rails and pipelines whereas they are transformed by Federal agency involvement into variable costs for highway and airway users and no cost to waterway users. In essence, public financing of highways and air facilities has allowed trucking companies and airlines to finance their right-of-way costs as they are needed and used. During slack business periods their right-of-way user payments fall off; in good periods, their payments rise. Railroads and pipelines are not permitted that luxury, however. Amortization of right-of-way investments for these carriers require fixed annual payments to finance systems that must be built to handle peak traffic loads; these charges have to be met in bad business years as well as in prosperous years. The risk of interest default is thus much higher for rails and pipelines—barges, motor carriers and airlines are spared this debt burden.

"Finally, one of the costs associated with the financing of a mode's right-of-way is the cost of capital. Railroads and pipelines secure their investment funds in the market place and must pay commercial rates. The Federal aid to highway and airport/airway programs are, however, essentially financed on a pay-as-you-go basis and are effectively interest free for users of these systems. Government debt is also used to finance deficiencies in user tax receipts, but at rates well below those charged commercial borrowers. The sheer size of the post-war highway, airport and waterway development programs has been such that they could not have been undertaken on a similar scale by the states and/or the private sector.

"Thus motor carriers, airlines and water carriers have their business risks reduced when the Federal Government in effect serves as their banker in arranging for the financing of investment in their respective rights-of-way. Highway, airport/airway and waterway projects have been charged with very little, or none, of the opportunity cost of Federal capital, whereas the railroads and pipelines customarily have been required to raise money on commercial terms (allowing for periodic government loan guarantee programs for bankrupt and financially distressed railroads). Moreover, carriers who pay user charges in lieu of fixed charges, or no user charges in the waterway case, enhance their industry's financial security in comparison with the fixed interest and debt retirement costs paid by railroads and pipelines."

Ignoring the impact of the trust-fund mechanisms and looking simply at who paid what, these figures emerge. Through 1975, highway expenditures by all levels of government exceeded user payments by $120.5 billion. (State and local expenditures were $334.2 billion; user payments were $203.4 billion. Federal obligations were $88.8 billion; user payments were $99.1 billion.) *Highway Statistics 1983,* the most recent edition of this annual Federal Highway Administration publication, indicates that, in 1983, $13.5 billion were collected for highways from *non-user* taxes and fees, including $2.1 billion at the federal level.

As the above-referenced Coleman report states, "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." (page IV-12) One could be slightly more generous to aviation and note that the federal passenger ticket tax, in effect from 1942 through 1970, collected $3.2 billion from air passengers, leaving a net pre-user-charge federal subsidy to aviation of $12.6 billion. State and local aid to aviation is considerable, of course. And even federal appropriations continue to exceed the amounts collected in user charges—by \$2.6 billion in FY '84, \$1.6 billion this year, and \$.7 billion under the President's FY '86 budget which assumes controversial changes in the law.

Airport construction is aided through availability of tax-free bonds. And airline business travel, which reportedly accounts for 65% of the revenue on major carriers, is encouraged by the 35% expense tax deduction that a business traveler gets on tickets. (Only 20% of Amtrak's revenues come from business travellers.)

Secretary Dole rejects the tax argument saying the deduction is a subsidy to the businesses whose employees fly, not the airlines. But, as *The Washington Post* reported March 8, "in the Senate, when she was defending the federal government's proposed sale of Conrail to Norfolk Southern Corporation, she noted that Norfolk Southern will surrender many of Conrail's tax benefits and said, 'this represents true value to the treasury and is a very important element of the total compensation.'" The significance of the business travel deduction was underlined when it was cited by George James, president of Airline Economics, Inc. and former chief economist for the Air Transport Association of America, as one of two key factors that has helped the airline industry weather the competitive impact of American's "ultimate super saver" fare introduced Jan. 17. It appears that, in the absence of this deduction, a significant number of "marginal" business trips might no longer occur.

Through 1975, federal railroad use-related tax revenues *exceeded* federal railroad expenditures by \$4.3 billion (receipts were \$6.1 billion; expenditures \$1.8 billion). The major source of receipts was the federal freight waybill tax (1942-58) and the federal passenger ticket tax (1942-62), originally imposed as war taxes but kept on long after the war. \$2.0 billion (\$2,025,600,000, to be exact) was collected from railroad passengers. This money (a far more impressive sum if stated in constant 1985 dollars!) simply went into the treasury, even as highway user taxes were introduced and earmarked for building more highways. As the Doyle Report ("National Transportation Policy," Report of the Senate Commerce Committee by its Special Study Group on Transportation Policies in the United States, June 26, 1961) stated:

"While this tax is not alone responsible for the growth of private transportation, it is one of the factors under Federal control which favors the growth of private transportation and makes the preservation of public service more difficult."

Although this tax was also collected from air passengers, the federal government was busily spending money on air facilities at almost five times the rate that air ticket tax revenues were being collected.

Occasionally, the land grant issue is advanced to counter some of the above arguments. But over 92% of railroad mileage today had nothing to do with land grants. Furthermore, the 1850 land grant law included the obligation to haul government personnel and freight at a 50% discount, and mail at a 20% discount. For competitive reasons, these discounts were also offered by some non-land grant railroads. They remained in effect until October 1, 1946, by which time the railroads had contributed \$1.25 billion worth of discounts to the government.

The government policies recounted above, and to some extent the nature of the railroad business, leave us in a much better position to see the full costs of rail passenger service than of other forms of passenger transportation. In addition, because the rail passenger business went so far downhill before the government "rescued" it, Amtrak has been afflicted with the basic business reality that "low volume yields high unit costs," a problem Amtrak is solving as its travel volumes climb and as it gets improved labor agreements.

Some people might look at our history of government transportation aid and say, "So what? That's water over the dam. Amtrak costs too much so let's ditch it." Our Association's response is that the passenger train is an important form of transportation and it would be irresponsible for federal officials, on the basis of a superficial, anti-historical analysis of economics, to effectively kill the U.S. passenger train for all time because of its political vulnerability. This is a form of transportation which our grandchildren likely will need more than we do, and we have a responsibility to continue building on the foundation laid not only by Amtrak in its 14 years of existence but also by the private railroads who bequeathed to Amtrak substantial valuable assets accumulated over many decades prior to Amtrak's creation.

V. Why Passenger Trains?

1. Mobility for individuals. 13% of U.S. households own no automobile. A 1978 study by International Research Associates indicated 25 million people are afraid to fly. A follow-up report by Boeing Commercial Airplane Co. released in 1980 estimated the U.S. air industry loses \$1.6 billion/year in revenue because aviophobes refuse to fly. A large number of people have permanent or temporary medical conditions incompatible with flying. [Recently, the editor of *Frequent Flier* wrote a favorable column about a trip from New York to Florida on Amtrak which he took in compliance with doctor's orders not to fly.]

2. Mobility for communities. 25 Amtrak communities have no air or bus service; 52 more have no bus service; 94 more have no air service. Almost one million passengers got on or off trains in FY '84 at points without intercity bus service. There are many other points not included in that figure where bus service was available but not in the same directions (e.g., Amtrak running east-west where buses only went north-south). A train can serve multiple functions, serving otherwise isolated communities as a by-product of providing service between major cities, since trains consume far less fuel than airplanes in making intermediate stops, and yet are comfortable enough to attract long-distance travelers.

3. Safety. Trains are 30 to 50 times safer than automobiles. An estimated 41% of Amtrak passengers would divert to automobile if their trains stopped running. It is indeed ironic that Secretary Dole claims her budget "provides continued support for safety," when one of its most dramatic effects would be the diversion of substantial volumes of passengers from the safest to the least safe transport mode!

4. Reliability and Safety in Bad Weather, including snow, rain, and fog.

5. Energy efficiency. NARP believes a modern rail passenger network can average 125 passenger miles per gallon, a composite of short-distance trains averaging 150 and long-distance trains about 100.

6. Local public transportation benefits. A higher proportion of rail travelers than of air (and, of course, auto) travelers use energy-efficient public transit to access the intercity mode. Not only does Amtrak feed connecting passengers to transit systems nationwide, Amtrak helps lower commuter rail costs by sharing overhead costs with commuter trains in the NEC, the Chicago area, and at San Jose, CA. Also, Amtrak's presence in virtually every major U.S. city enhances the feasibility of setting up commuter rail operations. For example, the experimental Los Angeles-Oxnard commuter trains run in 1982-3 would not have been possible but for the existence of Amtrak's Los Angeles passenger terminal facilities. During a two-week period in Feb.-Mar., 1980, Amtrak commuter trains carried 46,000 passenger-trips in and out of Phoenix after floods knocked out several highway bridges. It is possible that permanent commuter rail operations will gain appeal in other cities as declines in federal transit funding make construction of separate-but-parallel heavy rail transit lines less feasible.

7. Environment. Underutilized rail rights-of-way take less total land—land which might otherwise be removed from local tax rolls—and have more benign environmental effects (i.e. than toxic runoff from highways) to move similar volumes of people.

8. Economics. In addition to the economic impacts of the items enumerated above, it should be noted that proceeds from the Conrail sale will be lower than anticipated in the President's budget if Conrail loses one of its valuable assets: the ability to run on Amtrak's NEC tracks under the present ICC-dictated terms. In other words, the budget is internally inconsistent by providing no money for Amtrak while assuming \$1.2 billion from the Conrail sale. Also, development of Amtrak reduces pressures to expand publicly-owned facilities of competing modes. ■