UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
ROOM 2163 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON, D.C. 20515

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STARVING AMTRAK WILL DESTROY IT

Dear Colleague:

Last week, The New York Times published an article, entitled Starving Amtrak To Save It, by Transportation Secretary Norman Mineta, which proclaimed that the Bush Administration's proposal to eliminate Amtrak subsidies starting October 1 would bring about change for the better.

How does the Administration plan to "change" Amtrak? In their own words, the intent of the President's budget proposal is that, "with no subsidies, Amtrak would quickly enter bankruptcy, which would likely lead to the elimination of operations and the reorganization of the railroad through bankruptcy procedures."

In the years we have served on Capitol Hill, we cannot recall another instance where the government has intentionally forced a major industry into bankruptcy. It is far from clear that the outcome of bankruptcy would be a more efficient Amtrak. The Administration is convinced that bankruptcy will bring about change for the better, so let's take a look at what they consider to be "better."

- The shutdown of Amtrak would cause widespread disruption and hardship. Millions of passengers – many of which can't afford a car or a plane ticket – would be stranded. Millions of travelers would be added to already congested roads and airports.

- Residents of 106 U.S. cities, which have no air service, would have to find new transportation alternatives. This is becoming increasingly difficult. On February 28, 2005, Greyhound Lines announced plans to eliminate certain routes and locations in the South and on the West Coast. Without passenger rail, bus service, or air service, there are few options for these residents.

- The Railroad Retirement and Unemployment programs, which cover employees of all railroads, freight and passenger, would be depleted. According to the Railroad Retirement Board, without the participation of Amtrak, employer and employee payroll taxes would need to be increased from the current 16 percent to 27 percent in 2027. Those tax increases, however, would ultimately be insufficient and serious cash flow problems for Railroad Retirement would begin in 2031.

- Cash reserves for the Railroad Unemployment Insurance Account would be exhausted by 2006, and nearly $297 million would have to be borrowed from the Railroad Retirement account to make up for losses. Ultimately, Amtrak's unemployment benefit costs would be borne by other railroads.

- Commuter operations serving millions of passengers along the Northeast Corridor, Chicago, and the West Coast would shutdown. These operations, which include SEPTA in Philadelphia and New Jersey Transit, require the use of Amtrak infrastructure, such as catenaries. They also require the continuation of Amtrak's dispatching system.

- States like California, where Amtrak is the contract operator for the Coaster in San Diego, Metrolink in Los Angeles, and Caltrain in San Francisco, serving a total of 37,000 commuters daily, would be forced to figure out how to pay for new service, under already tight budget constraints.

The Administration says that the Surface Transportation Board (STB) – an agency that has no experience managing passenger rail operations – would continue Amtrak's commuter services. It's not clear how the Board's power would interact with the obligation of the bankruptcy court to preserve assets, such as Amtrak's rolling stock, for creditors. The bankruptcy court may be unwilling to have Amtrak's assets continue to be used for commuter operations. Moreover, by the Board's own admission, a directed service order involving Amtrak would be "more complex than any directed service order the STB has ever issued" for freight railroads. In fact, the Board has informed Congress in a letter to the Appropriations Committee that the STB and the Federal Railroad Administration cannot "envision any realistic scenario that would allow them to direct commuter service for more than 60 days."

Bankruptcy is not "better" for Amtrak. It's bad for America. The Amtrak Reform Board, in its annual report to Congress, dated February 17, 2005, states: "The threat of insolvency or bankruptcy can undermine the stability of any business; in Amtrak's case, the disruption of the financial and operating stability Amtrak has achieved over the last two years could stop our reform effort in its tracks." The Board goes on to say that at this point in the reform process forced bankruptcy "is precipitous and counterproductive."

Amtrak's problem has one root cause: money. From its creation in the 1970s, the Corporation has been on a starvation diet. Lack of adequate funding and the annual threat of elimination have conditioned Amtrak to focus on survival. Yet despite chronic underfunding Amtrak has had its successes.

According to the Reform Board, since 2002, Amtrak President David Gunn has implemented new accounting and financial reporting systems; reduced personnel by almost 5,000; developed a detailed and prioritized five-year capital plan focused on restoring the Northeast Corridor to necessary levels of reliability and safety, and on restoration of an aging fleet of rolling stock used throughout the system; terminated the mail and express operation; eliminated or truncated three long-distance routes; increased ridership from 22.5 million in 2000 to 25.1 million in 2004; and contained Amtrak's cash-operating requirement at or below $570 million.

Capital investment is up substantially. In the past two years, there have been 256,000 concrete ties installed; 104,000 wood ties replaced; 266 miles of rail infrastructure restored; 50 undergrade bridges improved; 43 miles of signal and communications cable replaced; 116 miles of catenary hardware installed; and 19 stations and 37 substations improved.

Amtrak's mechanical department plowed full steam ahead. Since 2002, it completed 180 remanufactures/heavy overhauls, 111 diesel locomotive overhauls, 14 electric locomotive overhauls, 31 equipment overhauls, 51 wreck repairs, and 32 baggage car modifications.

Excess equipment was sold, unprofitable services were eliminated, fares were lowered on long-distance routes to increase ridership, and a $71 million maintenance facility was opened in a joint partnership between Amtrak and the State of California.

In short, Amtrak is making great progress, even under a starvation budget. All of this progress will halt under the Administration's "better" plan. It's not better. It's short-sighted and ill-conceived. We oppose it, and we hope you'll join us in supporting legislation this year that keeps Amtrak's successes on-track and moving forward.

Sincerely,

Corrine Brown
Ranking Democratic Member
Subcommittee on Railroads

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Ranking Democratic Member
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