1/6/98

FRA
OMB
DPL

AMTRAK

CEO - Amtrak

1. on track
2. Mkt research shows ↑
3. Goal - late 1999

1998 - Testify.

AMTRAK'S HIGH SPEED RAIL SERVICE

January 1998

2:20 minutes

Minutes of delay 166,000 → 45,000 FY '14

delay minutes

Presentation Overview

- Background
- Program Scope
- Transportation Industry & Service Transformation
- Regional Transformation
- Financial Results
- Program Status
- Conclusion

BACKGROUND

Objectives

- Dramatically Reduce Travel Time and Increase Reliability so that Train Service is Competitive with Other Transportation Modes in the Northeast
- Improve the Service Quality Provided to Customers
- Significantly Increase Net Operating Revenues $200 mill.
- Stimulate Economic Growth in the Northeast
- Reduce Air and Road Congestion
- Spearhead the Development of High Speed Rail Corridors in Other Regions

History

- Initial Congressional Funding Oct 1990
- Electrification Contract Awarded to Balfour Beatty Construction and Mass Electric Construction Dec 1995
- Vice President Gore Announces High Speed Trainset and High Horsepower Locomotive Contract Award March 1996
- GEC Alsthom Selected to Rebuild the Engines of 30 AEM-7 Locomotives Oct 1997
- $810 Million of Financing for Trainsets, Locomotives and Maintenance Facilities Secured

Scope

- 15 High Horsepower Locomotives Purchased - Summer 1999 Delivery
- 12 High Speed Trainsets Purchased with an Option for 6 Additional Sets

22

- Delivery of Trainsets Begins in the Fourth Quarter of 1999
- Northend Electrified Service Implemented in the Fourth Qtr of 1999
- Infrastructure Improvements Along the Entire Corridor — $1 bill.
- Remainder of Fleet to be Upgraded with Cascading of Metroliner Equipment
- Program Costs Total $2.3 Billion
  - $810 Million (35%) Externally Financed for Trainsets, Locomotives and Maintenance Facilities
  - Of the $1.5 Billion of Federal Funding, $.9 Billion Has Been Appropriated and $.6 Billion is Required

TRANSPORTATION INDUSTRY AND SERVICE TRANSFORMATION

Market Share

- Current Market Share is 12%
  - 16% Share of Business Trips
  - 9% Share of Non-Business Trips
  - Non-Business Segment Accounts for 57% of Market Which is Dominated by the Car
- Key Attributes for Increasing Market Share are Reducing Trip Times and Increasing Reliability
- Market Share Assumed with High Speed Rail is 15%

Operational Results

- Increases Ridership From 11.1 Million in FY1997 to 14.7 Million in FY2001
- Provides 3 Hour High Speed Rail Service Between Boston and New York
- Provides 2 Hour/45 Minute High Speed Rail Service Between New York and Washington DC — 3 hrs — 2:20
- Maximum Speeds
  - Increase From 105 mph to 150 mph Between NY and Boston
  - Increase From 125 mph to 135 mph Between NY and DC

① Boston-DC
② original projections

$400-500 million

$400 mill-in capital

Service Quality Improvements

- Transformation of All Northeast Corridor Service Based on the "Seamless Journey" Concept
  - Interior and Exterior Upgrades from Fleet Purchases and Overhauls
  - Interior and Exterior Station Upgrades: Aesthetics and Available Services
  - Customer Service Standards and Available Service Options
  - Operational Development
    - Service and Fleet Plans
    - Recruitment, Training and Disciplinary Programs
    - Performance Standards
  - Systems and Process Changes
    - Reservations and Fare Collection
    - Station Passenger Handling and Passenger Flow
    - Marketing Program and Branding

Safety Advancements

- On-Board Diagnostic System Automatically Enforces Speeds and Triggers Safety Responses, Including Application of Brakes
- Trainset Data Management System Monitors All Electronic Systems, Including Fire Detection, Bearing Overheating, Braking & Cab Signals
- Fire Suppression System Sounds a Warning Alarm to Crew if There is an Engine Fire & Automatically Activates if Crew Fails to Respond
- Firefighters Can Connect Directly Into a Piping System Running the Length of the Locomotive, Eliminating the Need to Search for Access
- Structural Strengths of the Car Bodies and Locomotives Set New Collision Protection Standards
- Strength of the Locomotive Windshield and Passenger Side Windows Increased to Account for High Speed Operations
- High Strength Seat-to-Floor Attachments & Enclosed Overhead Baggage Racks

Sophisticated Technology

- World's Most Technologically Advanced Trainsets
  - Active Tilt Train Technology for Increased Comfort and Higher Speeds
  - Automated On-Board Diagnostic Systems Reports Enroute to Maintenance Facilities
  - On-Board Reservations and Seat Assignment Capability
  - Equipped with Audio & Video Entertainment and 120-Volt Outlets for Laptop Computers
- Infrastructure Technology
  - State-of-the-Art Constant Tension System for Economy and Reliability
  - Wayside Communications from the Trains Take Advantage of Advanced Telecommunication Technology

REGIONAL TRANSFORMATION

Economic Development

- Launching a New U.S. Industry
  - Growing Worldwide Demand for High Speed Train Products Will Create Lucrative Job Opportunities For Thousands of Skilled American Workers
- Enhancing Existing Business Centers
  - Transport More Passengers to Central Business Districts in All Major Northeast Cities
- Creating New Centers of Business
  - Spur Growth in Suburban and Smaller Urban Areas, Such as Route 128 and New Haven, Where Quick Access to Major Cities is Provided

Environmental Benefits

annual ?

Reduced Highway and Airport Congestion

  - 1.5 Million Fewer Air Passengers at Logan and LaGuardia
  - 2,500 Fewer Daily Automobile Trips to Logan
  - 2% Reduction in Automobile Traffic on I-95

- Reduced Air Pollution
  - Significant Reductions in Nitrous Oxides, Carbon Monoxide and Volatile Organic Compounds
  - Reduced Pollution Along the Corridor Due to Use of Electric Power
- Reduced Consumption and Importation of Fossil Fuel

Business Growth

- 10,000 Construction Related Jobs Are Being Created by Direct Contractors and Sub-Contractors
- Trainset Production is Based in Barre, VT and Plattsburgh, NY with Additional Work To-Date Awarded to More Than 50 Subcontractors in Over 20 States
- In 1990, the Coalition of Northeastern Governors Estimated that Nearly 5,000 Permanent Job Opportunities and $440 Million a Year in Increased Business Sales Activity Will Be Generated

Emerging High Speed Rail Corridors

- Charlotte-Raleigh-Richmond-Washington DC
- Bakersfield-Oakland
- Los Angeles-San Diego
- Chicago-Detroit
- Chicago-Milwaukee
- Chicago-St Louis
- Eugene-Seattle-Vancouver
- Miami-Orlando-Tampa
- New York City-Albany

FINANCIAL RESULTS

Business Planning & Forecasting Methodology

- Market Assessment
- Customer Market Research
- Comparative Cost Analysis
- Travel Demand Modeling
- Service Plan Development
- Sensitivity Analysis
- Cost/Benefit Analysis

Key Factors Producing Revenue Growth

- Travel Time Reductions
- Reliability Improvements
- Service Frequency Increases
- Competitive and Reasonable Pricing
- New Equipment and a Higher Level of Service Quality and Customer Amenities

Travel Time Reductions

- Travel Time Reductions Achieved Through Completion of Northend Electrification, Infrastructure Improvements and Use of High Horse Power Locomotives and High Speed Trainsets
- Northend Travel Time between Boston and New York Reduced from 4 hours/45 minutes to 3 hours
- Southend Travel Time between New York and Washington DC Reduced from 3 hours to 2 hours/45 minutes 2:20
- Benefits Accrue to All Train Service on the Corridor

Reliability Improvements

- High Contractor Performance Standards for Equipment Maintenance
- Stringent Contractor Penalties for Equipment Failure and Trip-Time Increases
- Continuing Reduction in Track, Signal, Switch and Bridge and Electric Traction Failures Due to Capital Investment
- Continuing Reduction in Mechanical Delays Due to Preventive Maintenance, Car Overhaul and New Equipment Programs

Frequency Increases

- Daily Frequency of High Speed Service Increases on the Northend from 0 to 8 Roundtrips
- Daily Frequency of High Speed Service Increases on the Southend from 15 to 17 Roundtrips

Reasonable & Competitive Fares

- NortheastDirect Fare From DC to NY Increases By Only Inflation (Peak Fare of $75 in 1998 to $82 in 2001)
- NortheastDirect Fare From NY to Boston Increases Due to Inflation, Reduction of Trip Time and Increase in Equipment & Service Quality (Peak Fare of $52 in 1998 to $65 in 2001)
  - 60% of the Fare Increase is Due to Inflation
  - Northend Fares Are 80% of Equivalent Mileage Southend Fares
- Metroliner Fare From DC to NY Increases Due to Inflation, Reduction in Trip Time, and Increase in Equipment & Service Quality (Peak Fare of $112 in 1998 to $147 in 2001)
  - 65% of the Fare Increase is Due to Inflation
  - Remaining Increase is a Reasonable and Competitive Premium for High Speed Service

Net Incremental Benefits

- Annual Budget Impact in FY2001-2002
  - Gross incremental revenue of $290-300 million
  - Incremental operating expenses of $50 million
  - Debt Service of $45-55 million
  - Net incremental benefit of $180-200 million

PROGRAM STATUS

Equipment

- Trainsets and High Horsepower Locomotives
  - Exterior and Interior Design Work is Complete
  - First Coach and Locomotive Shells are in Barre, VT and Plattsburgh, NY to Begin Assembly
  - The New Ivy City Maintenance Facility is Ahead of Schedule, the Southampton Yard is On Schedule and Work at Sunnyside Yard is Scheduled to Begin May 1998
- Electric Locomotive Fleet
  - Contract to Extend the Life of the AEM-7 Fleet by 20 Years Awarded and Underway

Electrification

- 7,700 Out of 14,000 Foundations Installed
- 3,500 Out of 14,000 Poles Installed
- 200 Out of 1,500 Miles of Wire Installed
- Balfour Beatty's Foundation Production Rates Will Meet the Project Schedule
- For Added Protection, Hayward Baker is Being Mobilized to Immediately Begin Work in the Event that Production Slips
- Work to Construct the Electric Facilities is on Schedule with All Permits in Place and 12 of the 25 Facilities Under Construction

Infrastructure

- Amtrak Forces Have Completed
  - 138 Out of 140 Miles of New Continuous Welded Rail
  - 330,000 out of 332,000 New Concrete Ties
  - 119 out of 127 Curve Realignments
  - 150 Miles of Reverse Signaling and CETC Control Expansion
  - 38 out of 57 New Ballast Deck Bridge Replacements
  - 46 out of 61 Bridge Undercuts
  - Tilcon, Pine Orchard and Clinton Sidings
  - 50% of Canton Viaduct Upgrade
- New Haven Track and Bridge Upgrades Under Design with Construction to Begin Spring 1998
- Construction is Underway on Track Reconfiguration at New Haven, Stamford Center Island Platforms and Shell Interlocking

Conclusion

- Project is On Schedule
  - Northend Electrification is On Schedule and Will be Completed by the Fall of 1999
  - Northend Electrified Train Service Will Begin by the Fall of 1999
  - First High Speed Trainsets Will be Delivered for Revenue Service in Late 1999
  - Full Electrified Service and High Speed Train Service Implemented by the Summer of 2000
- Realistic and Conservative Financial Results, Generating $180-200 Million Annual Cash Contribution to the Corporation

MEMORANDUM

TO: TOM FREEDMAN

FROM: JULIE MIKUTA

RE: THE FUTURE OF AMTRAK

DATE: JULY 3, 1997

SUMMARY

There are three likely scenarios for Amtrak's future: it will obtain federal operating subsidies and continuing running in its current form; it will use these funds to create a high-speed system from Boston to Washington, DC; it will be split into separate operations to run and maintain the routes.

CURRENT FINANCIAL SITUATION OF AMTRAK

Amtrak projects a $70 million to $80 million deficit this year and faces bankruptcy within a year without congressional help. In recent years, Amtrak has been forced to cut routes.

Amtrak President Thomas Downs said the company has reduced its dependence on subsidies (with the amount of operating aid cut 50% to $200 million in less than 3 years, the lowest operating subsidy level in the history of the company).

There will be hearings this summer on ways to save Amtrak. The Senate has attached an amendment to Sen Roth's budget reconciliation bill (S. 949) which diverts half-penny from the 18.3 cent-per-gallon federal gas tax to Amtrak (see last entry in table below). Amtrak believes it could drop federal operating subsidies by 2002 if it had a dedicated funding source for capital needs. [6/26/97 AP]

Dissenting members of a committee that investigated intercity rail travel noted broad Senate support for a $2 billion reserve fund for Amtrak and said bankers have enough confidence in Amtrak to lend it $1 billion.

BILLS INTRODUCED IN THE 105TH CONGRESS

Number	Sponsor	Date	Content
S 436, S 634, S 764	Sen Roth	3/13/97	To establish an Intercity Passenger Rail Trust Fund for expenses of non-Amtrak states.
S 586	Sen Moynihan	4/15/97	Reauthorizes the Intermodal Surface Transportation Efficiency Act (ITSEA) of 1991 [currently in Committee]; continues federal funding for intercity passenger rail
H Con Res 43	Rep Franks, B	3/11/97	ITSEA should not be radically overhauled; a dedicated source of Amtrak funding should be established
HR 1210	Rep Wolf	3/20/97	Establishes a commission to identify Amtrak routes for closure based on low economic performance
S 468; HR 1268; HR 2066	Sen Chatee	3/18/97	Reforms funding of Amtrak; Authorizes federal grants to Amtrak that taper off from $344 million in FY 98 to $142 million in FY 2003; authorizes capital investment grants to Amtrak of $423 million for each of next 6 years, and discretionary supplemental capital investments
HR 1666	Rep Hefley	5/20/97	Eliminates federal support of Amtrak
S Amdt 591	Sen Enzi to S 949, Sen Roth's budget reconciliation bill; agreed to by Senate	6/27/97	Allows non-Amtrak states to provide alternative intercity transport assistance
S Amdt 565	Sen Daschle to S 949, Sen Roth's budget reconciliation bill; agreed by unanimous consent in Senate, 6/26	6/26/97	Creates an Intercity Passenger Rail Fund financed by 0.5 cent per gallon of the federal fuel excise taxes primarily to finance Amtrak.

AMTRAK'S PLANS FOR HIGH-SPEED TRACKS

New York

Amtrak would like to convert its current Boston-DC route into electric high-speed rail lines, cutting 90 minutes off the commute between Boston and NYC. This would require electrifying 157 miles and cost approximately $1.7 billion. In 1996, Amtrak predicted that 18 fast trains would run as early as 1998, but the complete project -- involving 34 fast trains --would not be finished until 2000. All states affected have approved Amtrak's plans, including Connecticut, which waited until a study determined that the new system would not significantly affect the marinas and environment. [NYT, 7/15/96, 8/9/96, 4/30/97]

Amtrak expects high-speed trains to boost annual ridership on the Boston to NY route alone by 1.2 million passengers [to 2.6 million], in the year 2001, and to 3.63 million in 2010. David Carol, Amtrak's vice-president of high-speed rail, has said the new service will be "essential to stave off bankruptcy beginning in the year 2001"; members of Congress are requesting a GAO study on the venture. [WSJ, 6/7/96]

Florida

In February of 1996, Florida awarded a contract to build a $4.8 billion bullet train that would link major cities across the state. When the state did not receive anticipated federal matching funds, it ended the project, and may apply $70 million to improving Amtrak services. [NYT: 2/28/96, 8/21/96]

WORKING GROUP ON INTERCITY PASSENGER RAIL

The Committee recommended splitting Amtrak into separate operations to run and maintain the tracks.

- A new federal agency, Amrail, would own the Washington/Boston corridor and a few other short routes, and would manage tracks, and that Amtrak and other companies would compete for contracts that would run the tracks.
- The plan is modeled after one being implemented in Britain -- which has cost nearly $1 billion a year more in public funding than it did as a private enterprise.
- Two of the panel members dissented -- Gov Florio and Rutgers professor Carl Van Horn. They claim that eliminating operating subsidies and counting on sales and state funds would lead to a breakdown in the national system, and would not prevent Amtrak from battling for infrastructure funds. [6/24/97: W Post; 6/26/97 AP]

AMTRAK'S CRITICS

A NYT [4/30/97] commentary written by Chris Cohen argued that Amtrak should be shut down for these reasons:

1. When the U.S. Dept of Transportation took over the ownership and operation of the passenger trains 26 years ago, the trans ran at annual deficit of $200 million. During last 26 years, cumulative debt has been $13 billion and Amtrak has been running only 219 of 547 daily trains.
2. The number of passengers is almost same now as then, although passenger travel on airplanes and in cars has risen.

Other critics say that it is unlikely that Amtrak will be able to cut the travel time to 3 hours on a consistent basis.

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Union Station ⇒

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Improvement to customer service

customer service

Bullet train

Tom likes trains

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Finance Committee Bill: (Intercity)

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high speed rail

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Admin on working group

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W/i S949

0.5¢ /gallon

Sen Tax committee

Roth's bill =

1998-2001 = to Amtrak + to non Amtrak states

in ~~H~~R. 2014 OLD VERSION?

Rep. ~~Kasisch~~ Kasisch

Budget Committee

House/SENATE VERSION

Latest version

Archer

Dimenichi

Dem version = $22 mil for Amtrak.

A NEW VISION FOR AMERICA'S PASSENGER RAIL

The Report of Working Group on Intercity Passenger Rail to the Committee on Transportation and Infrastructure

June 1997

Committee Press Releases

June 26, 1997
"Chairman Shuster, Chairwoman Molinari Applaud Efforts of Bipartisan Inter-City Rail Working Group"

June 23, 1997
"Chairman Shuster, Chairwoman Molinari Pleased by Final Report of Bipartisan Inter-City Rail Working Group"

A NEW VISION FOR AMERICA'S PASSENGER RAIL

Committee on Transportation and Infrastructure Working Group on Intercity Passenger Rail

June 1997

CONTENTS *(Click on Section)*

Genuine renewal of national passenger rail service will not be resolved by political rhetoric nor by periodic last-minute infusions of cash; rather, it requires that the Congress take a long, hard step back from the status quo in order to plot a viable, market-driven course for the future. The immediate pain and risks to existing rail service and jobs that may accompany this overhaul must be gauged carefully against the larger and longer-range havoc that assuredly would follow the further decline and liquidation of Amtrak.

More importantly, if passenger rail is to become a serious part of the nation's mobility strategy in the future - rather than a mere incantation of the past -- it must operate in a profoundly more growth- and customer-oriented fashion. It must have the management tools, the flexibility, the incentives and the discipline imposed by competition to vie with other modes of transportation on a level playing field.

CONTEXT

FISCAL

Amtrak has been in financial difficulty for most of its 26-year existence. In recent years, its financial condition has deteriorated to the point that Amtrak believes it may exhaust all sources of cash within the next 12 months. To reduce its continually growing losses and widening gap between operating deficits and federal subsidies, Amtrak developed its Strategic Business Plan. Although Amtrak has made some progress in implementing its business plan and cutting its losses, its financial condition is still very precarious. Amtrak's financial measures continue to deteriorate. Financial targets have been missed, and substantial capital investment is needed.

Amtrak has lost over $700 million in each of the last 9 years. Amtrak has been relying on passenger revenues to help close the gap between revenues and expenses, but passenger revenues, when adjusted for inflation, have declined over the past several years. Half way through the current fiscal year, Amtrak began borrowing against its short-term line of credit to meet basic operating expenses, such as payroll. From 1993 to 1996, Amtrak's debt and capital lease obligations nearly doubled - from about $500 million to almost $1 billion dollars. Amtrak expects to incur another $1 billion in debt within the next 2 years to finance 18 train sets and related maintenance facilities for the Northeast Corridor and the acquisition of new locomotives. To service this increased debt, Amtrak must use a substantial portion of its federal operating subsidies that would otherwise be used to cover future operating deficits. Over the past 4 years, Amtrak's interest expenses have tripled from about $20 million to about $60 million.

The costs of an Amtrak bankruptcy cannot be underestimated. These include financial, social, and political. Every constituency would lose: state, local, and federal government, employees, customers, suppliers, taxpayers. The true cost of a bankruptcy would be billions of dollars. The resolution of such a bankruptcy is far from certain, as control of the process would be taken out of the hands of the government.

SUPPORT

After investing over $19 billion in Amtrak since 1971, Congress is losing patience with Amtrak's continued dependence on federal subsidies. Congress has promised to provide legislative reforms (labor, liability) and continued capital support in return for Amtrak's pledge to eliminate its need for federal operating subsidies by 2002. Amtrak has asked for a dedicated funding source for its capital needs, and there have been several bills introduced to accomplish this, but the outcome is uncertain.

While the Administration has stated its commitment to Amtrak's future, it has proposed a level of funding below Amtrak's stated needs to be provided from the Highway Trust Fund in its NEXTEA legislative proposal. The Administration's proposal would force Amtrak to compete with other surface transportation programs for the limited funding allowed by the budget from the Trust Fund. The Administration also supports the elimination of all federal operating subsidies for Amtrak by 2002. The current Congressional budget resolution makes additional resources for a possible inter-city rail trust fund contingent upon enactment of reform legislation.

The public's support for Amtrak is segmented among the geographic areas of the country. Its greatest support is in the Northeast, where Amtrak serves a substantial portion of the business travel between New York and Washington. In contrast, Amtrak's routes in other parts of the country are sparsely traveled. Amtrak's support among select user groups (retirees, leisure travelers), is higher than its support from the general population. Yet Amtrak's load factor (the percentage of seats filled) for FY 1996 was 43.3 per cent on a system-wide basis, and ranged from 37.4 per cent to 47.3 per cent among its strategic business units. By comparison, a load factor around 60 per cent is generally considered the break-even point for airlines.

ACCESS TO FREIGHT RAILROADS' FACILITIES

Currently, Amtrak operates over the freight railroads' right-of-way for all routes except the Northeast Corridor, which Amtrak owns, and small route segments in New York State, Pennsylvania, and Michigan, also owned by Amtrak. Amtrak owned rights-of-way comprise less than 5 per cent of the company's current route system. Amtrak's access rights, in combination with its own right-of-way, form the nation's current intercity rail system, and therefore, these rights must be viewed as one of the most valuable of all of Amtrak's assets.

The freight railroads view the terms and conditions that govern Amtrak's access as entirely to their detriment, while Amtrak views its access rights as part of its compensation for having relieved the freight railroads of the obligation to provide passenger rail service. These viewpoints represent polar extremes and there needs to be satisfactory balance between the two positions.

There are three elements to the freight railroad/Amtrak relationship:

> Access - Amtrak has compulsory access to the freight railroads' right-of-way by virtue of a federal statute. In addition, by federal law, Amtrak must be given priority dispatching over freight trains.
> Compensation - Amtrak's payments to the freight railroads for its use of their right-of-way is specified by formula in federal statute according to incremental costs. The freight railroads claim that this formula forces them to subsidize Amtrak service.
> Liability - Current law and judicial interpretation of access agreements gives the freight railroads no protection against unlimited tort liability that comes with the presence of passenger trains on their tracks.

An additional element that exacerbates the freight/Amtrak relationship is the recent increase in freight traffic, which makes each train movement more valuable as capacity becomes constrained. The freight railroads claim that the incremental cost formula, in addition to not adequately covering the costs that Amtrak itself imposes, does not even address the *opportunity cost* of reduced freight movements due to Amtrak's presence. The freight railroads are very sensitive to new lines of business that Amtrak has proposed to undertake, such as hauling increased mail and express freight commodities that may encroach on their own business.

The Amtrak/freight relationship can be contrasted with the current system by which commuter authorities obtain access to freight railroad rights-of-way. Commuter railroads negotiate with the freight railroads at arms' length on a case-by-case basis with no federal statute compelling mandatory access. Compensation levels are established by mutual agreement. And in most cases, state law limits tort liability that can arise from a commuter rail accident.

A major task in designing a new format for intercity passenger rail will be to determine at what point in between the two options, i.e., the current Amtrak/freight relationship, and the freight/commuter relationship, a balance can be achieved that is fair and adequately provides for continued access by Amtrak and other potential intercity passenger rail operators.

SERVICES AND VALUES

A renewed National Passenger Rail System (as one or more entities) should do two important things (in order of priority):

Amtrak uses prodigious amounts of electrical power on the Northeast Corridor. The commuter railroads who use Amtrak's right-of-way use even more. Electrical power costs in the northeast are among the highest in the country. If Amtrak could buy power from distant suppliers who can generate power at lower costs, it could dramatically reduce its costs of service. Amtrak should further be permitted to make more efficient use of the natural distribution system created by its Northeast Corridor electrical grid to sell power to other users along its right-of-way. If Amtrak is to make more efficient use of its infrastructure, it needs to have the authority to use its infrastructure to reduce its costs and generate revenues.

Summary

In summary, despite the unanimous belief of the Working Group that intercity passenger rail is a valuable part of the Nation's transportation system, our colleagues' proposal could create a crisis in rail transportation in the one corridor where it is most vital, and lead to the erosion or collapse of rail service in other regions of the country. We believe that further analysis of the costs and benefits is needed before reaching the conclusion that intercity rail operating and infrastructure units should be separated. In our judgment, such a strategy would result in greater costs to the taxpayer, more bureaucracy, and fewer trains.

While our worst fears may not be realized, we strongly urge the Congress to undertake a more thorough analysis of the tools necessary for lowering costs and raising revenues before adopting their recommendations.

Appendix A
A New Vision for Intercity Rail
Intercity Rail Working Group

A National Passenger Rail System for the United States Should be Supported

-A National Rail System is Complementary to Other Modes

Rail Should be Supported where it:

-provides superior or competitive service to other modes

-makes more efficient use of capital

-operates more efficiently

-is more environmentally friendly

-serves specific regional or local goals

-or is self-supporting

-Intercity Passenger Rail in the United States is an Important National Asset

-It performs an essential transportation purpose in the North East corridor

-It can potentially perform needed transportation purposes in many other corridors up to 500 miles

-It can offer a more effective use of capital than competing modes for short/medium haul trips

-It provides beneficial competition to and differentiated service from competing modes

-It provides opportunities for desired leisure trips on longer hauls

-Amtrak as the Vehicle to Provide Inter City Passenger Service is Failing

-Its services and ridership do not match its potential

-It is requiring large subsidies from taxpayers

-Its subsidies are not directed to activities of maximum benefit

-It is losing its political mandate

-As a result it is facing a major financial crisis

-The Current Structure will never Permit Amtrak to Meet National Goals

-Its Mission is vaguely defined - Amtrak has never been a true National Intercity Passenger Rail Service

-Its funding has never been adequate for any broad Mission

-Its funding is insecure in a business that requires long term commitment

-Its funding is too often accompanied by direction which is itself inconsistent over time

-Its form of governance is too weak to deal with the issues that Amtrak must address

-Its cost are overburdened

-The fundamental problems do not lie with either Management or Labor

-Amtrak is an Anomaly

-Competing Modes do not own their Infrastructure

-Bus lines and automobiles use public highways

-Airlines use public airports & air traffic control

-Cruise lines use public ports, channels and navigation systems

-Competing Modes share their Infrastructure

-Funding for Infrastructure of Competing Modes is Independent of Funds for Operations

-The U.S. Perception of a National Passenger Rail System is Wrong and Needs to be Revisited

-A National Intercity Passenger Rail System does not Require a Single National Railroad

-Large Passenger Railroads have only limited economies of scale

-A National Passenger Rail System does not require a vertically integrated Passenger Railroad

-Rail Infrastructure is Being Separated from Operations throughout the World

-Britain

-Railtrac owns infrastructure

-Multiple operators run trains

-Canada

-Sweden

-Netherlands

-Even under Optimum Conditions, National Passenger Rail Service Will Need External Funding

-Worldwide experience shows:

-scheduled Passenger Rail transportation can only compete effectively with other

modes (air, auto, bus) in high density markets under 500 miles

-but even in these markets, Passenger Rail requires capital funding and except under

very favorable circumstances, operating subsidies

-very long distance trains, however, compete not as transportation, but as a travel

experience for upper income passengers and do not justify subsidy

But the Sources of Funding Need to be Redefined

-Capital Funding

-Federal Government should be principal source of capital for infrastructure investment

As with other modes

-Operating Revenues:

-should be provided by beneficiaries of service

-Users

-States & bi-state/regional compacts as principal source of operating subsidy

where local interest requires

-Federal Government should not participate in operating subsidies, beyond

bridging needs

The U.S. Passenger Rail System needs to be Modeled on Other Modes and Other Emerging Rail Systems

-Infrastructure should be independent of operation and supported nationally by a secure

stream of Federal funding

-Governance over infrastructure should be motivated by national policy and market economics, not local pressures

-Operations should be accessible to multiple operators and be self supporting or subsidized locally

-Amtrak as a national asset should be the principal initial provider of service

-Historical unneeded legal constraints on Amtrak or new operators should be removed

Proposed Restructuring of Amtrak - Stage 1

1. New Holding Company Established (Amrail)

-New Board appointed (Senator Hutchinson model?)

2. Amtrak infrastructure assets (except rolling stock) transferred to Amrail

3. Amrail responsible for:

-Funding of Infrastructure

-Maintenance of Infrastructure

-Leasing track access/routes to Amtrak and other Operators

4. Amtrak reconstituted as five or more semi-autonomous Business Units

-Northeast Corridor

-Midwest

-West Coast

-Other regional

-Intercity

-National Service & Support Center

5. Amtrak Operating Subsidy replaced with Bridge funding

6. Legal limitations on Amtrak eliminated or modified

Amrail Governance

-Amrail Board

-Determines Infrastructure Capital Needs

-Requests Federal Funding for Infrastructure

-Authorizes and conditions access by Train Operators

-Approves Standards for Train Operators

-Allocates bridging subsidy

-Oversees Amrail Management

-Amrail Management

-Manages Infrastructure Construction and Maintenance

-Coordinates with Train Operators

-Develops Long Range plans, including new Corridors

-Works with FRA on Safety & new Technologies

-Amtrak Board

-Authorizes Capital Spending for Rolling Stock

-Oversees Business Unit Management

-Approves operating and marketing plans and labor agreements

-Approves funding agreements with localities

-Assesses performance of Business Units

-Develops autonomy of individual Business Units

-Amtrak Management

-Operates trains within individual Business Units and Contract Operators

-Negotiates operating agreements with Localities

-Negotiates with Labor Unions

-Plans and implements marketing strategies

-Coordinates with Amrail, freight railroads and FRA

-Develops operating plans for new services

Proposed Restructuring of Amtrak - Stage 2

-Amtrak spun off from Amrail

-Amtrak split into four or more independent operating units

-Amtrak Federal operating subsidy terminated

-Surplus or independent Amtrak functions privatized

-Amrail develops new high-density/high-speed rail corridors

-Amrail franchises new private or locally funded operators

APPENDIX B
FUNDING SUMMARY

Committee on Transportation and Infrastructure
Intercity Rail Working Group

Funding: Materials for Discussion

There are three primary alternatives

No further funding
Funding the current plan
Conditional or bridge funding

Key assumptions

Passenger service operations and infrastructure are split into two different entities

Operating subsidies must be distinguished from capital improvement funding

Operating subsidies should be fully phased out for both entities through implementation of greater discipline and oversight

Capital funding must be secure in the long term

Alternative 1: No further funding

Amtrak is currently not financially self-sustainable

Debt servicing and other payment obligations impose a real threat of bankruptcy if further funding is discontinued

Costs of bankruptcy are likely to be significant

Alternative 2: Funding the current plan

Amtrak has cost U.S. taxpayers over $1 billion per year for the past twenty years

Amtrak's declining performance has resulted in bigger losses, fewer routes, and poorer services

Capital improvement funding has been used to cover operating losses

Management's current financial plan is predicated on assumptions which appear unrealistic

Funding the current plan, or even a modification of it, will merely postpone the financial crisis

We conclude that funding Amtrak when it is operating with an unrealistic plan would be irrational and potentially exacerbate the problems

Alternative 3: Conditional or bridge funding

Conditional upon the implementation of one or a set of reforms designed to improve the performance of Amtrak
Short-term funding to be made available to avert immediate crisis and allow for implementation of reforms (amounts to be determined, but less than Amtrak's request, for 12 to 18 months)
Reform will result in alternative funding sources becoming accessible

Congress must be prepared to consider innovative and creative funding sources for capital investment

"Dedicated" funding (e.g., gas tax) has often been received as politically contentious
For illustrative purposes, two funding ideas have been discussed:
- Allow states to opt in or out of diversion of some increment of gas tax towards rail infrastructure funding
- Modify guaranteed loan programs of 4R Act: low budgetary impact, third parties provide actual cash for security deposit equivalents, guaranteed by federal authorities

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APPENDIX C
QUESTIONS AND ANSWERS CONCERNING THE PROPOSAL OF THE COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE WORKING GROUP ON INTERCITY RAIL

Will the proposal lead to a reduction in Amtrak routes?

The proposal does not envision or call for a reduction in routes. In fact, it is hoped that with a more streamlined organizational structure, the lifting of Amtrak's current legal constraints, and increased infrastructure investment by Amrail, an expansion of intercity passenger rail service in appropriate markets will be possible.

What level of federal funding does the proposal assume?

The working group believes that capital and operating funding requirements must be treated separately. Federal operating subsidies should be eliminated at least by 2002. In the short-term, operating bridge funding at a level between the Administration's request ($342M) and Amtrak's request ($387M) should be provided in order to avoid a bankruptcy.

Continued capital funding should be provided on a regular, predictable and permanent basis. The level should be on the order of that proposed in Amtrak's strategic business plan (approximately $750M per year), although the working group believes non-federal sources, such as private and state/local funding would be available for at least a portion of this funding.

What will happen to Amtrak's employees?

Employment levels will not decrease as a result of this proposal. In fact, the proposal is assumed to increase passenger rail jobs with the expansion of passenger rail service in appropriate markets.

Both Amtrak's employees and its management have been severely handicapped by the organizational structure of Amtrak as currently constituted. The working group views the proposed restructuring as an opportunity for both labor and management to be freed from these constraints and to explore new options for stable and growing employment.

Most of Amtrak's employees will continue to work for Amtrak under existing labor contracts. Some Amtrak employees, who currently work on infrastructure maintenance, would work for the new infrastructure entity, Amrail.

How will the working group's proposal improve passenger rail service?

In the short-term, the proposal is aimed at averting an Amtrak bankruptcy, which is a real possibility if no legislative action is taken.

Over the longer-term, splitting operations from infrastructure management will enable Amtrak to focus its efforts on its principal day-to-day responsibility -- providing and developing superior, efficient service to its users -- not seeking support for its infrastructure capital program.

In addition, the working group believes that the introduction of competition from other providers of intercity passenger rail service will inject an element of market discipline in the provision of passenger rail service that is currently lacking.

Furthermore, Amrail, the new infrastructure management organization, would be responsible for developing new rail corridors outside the Northeast Corridor to provide high-quality, higher-speed rail service in appropriate markets.

Would providers of inter-city passenger rail service have access to freight railroads' rights-of-way outside the Northeast Corridor?

Amtrak currently has compulsory access by federal law and pays for that access under a statutory "incremental cost" formula that does not take into account the operational impact of passenger traffic on freight operations. In addition, the presence of Amtrak trains exposes the host railroad to unlimited tort liability from possible passenger train accidents. In sharp contrast to the present Amtrak access arrangements, publicly funded commuter railroads using freight railroads' tracks negotiate their access on a case-by-case basis, bargain the specific compensation to be paid, and typically bring with them the liability limitations of state laws governing publicly funded transit and commuter rail operations.

The panel believes that Congress should explore new alternatives that would fall between the current Amtrak arrangements and the present framework for commuter rail access to freight rail infrastructure. Liability protection should be a critical element of a new access regime. In addition, the panel has recommended long-term, stable federal assistance for infrastructure upgrades on and off the Northeast Corridor. This already occurs in the commuter rail field, where the Federal Transit Administration assists in capacity and signal improvements on freight railroad lines that also carry commuter rail traffic. We envision similar infrastructure projects focused on the passenger corridors around the country with the greatest market potential.

Has anything like this ever been tried before?

Yes, other countries have restructured their rail systems by separating infrastructure management from transportation services, including Great Britain, Denmark, Sweden, the Netherlands, and Australia. Materials on the experiences of other countries are included in the appendices to the working group's report.

Click on the following Appendices

Appendix D Comparative Tables

Appendix E State Correspondence

Working Group on Inter-City Rail

Dr. Tom Larson, Coordinator	
Mr. Pat Cleary	Mr. Robert R. Kiley
Ms. Nancy Rutledge Connery	Mr. Alan Landes
Mr. James Florio	Mr. John Pinto
Mr. Christopher K. Gleason	Ms. Phyllis Scheinberg
Mr. D.T. Ignacio Jayanti	Mr. Carl E. Van Horn
Mr. Paul A. Karas	Mr. Robin H. H. Wilson

INTRODUCTION

For millions of Americans, passenger trains signify more than just a means of transportation; they serve as potent symbols of our nation's heritage, environmental consciousness and collective hopes for a humane future. Many passionately argue that the United States has the capacity and indeed, the obligation, to create a world-class national passenger rail system to endorse these values and to arrest the growing unintended side-effects of automobiles and airplanes in our cities and countryside.

A more tangible and immediate argument for rail service can be weighed in straight financial terms. The United States is a diverse and increasingly mobile nation with a growing (as well as graying) population and an aging transportation infrastructure. It needs a well-integrated national transportation policy that offers a range of modal choices in order to maximize mobility and to minimize transportation costs, infrastructure funding requirements and environmental damage in a variety of settings.

Under the right conditions, passenger rail service can provide an attractive, financially sustainable transportation alternative that enhances efficiency of other modes (including cars, trucks, buses, airplanes and freight rail). Unfortunately, the conditions under which Amtrak currently operates do not allow for Amtrak to function as a true and equal alternative to other modes of transportation.

Amtrak is now awash in red ink, buffeted by conflicting missions and ballooning debt, and virtually starved for capital in both political and financial terms. Not surprisingly, revenues, ridership and service have ebbed despite valiant efforts by both management and labor to reverse these trends. ~~Neither the Congress nor the Administration seems eager to increase or even continue Amtrak's subsidy~~, though each institution still exerts sizable control over its organization, operations and route structure. This control is often at odds with Amtrak's ability to operate efficiently and to maximize the value of its assets. Meanwhile, competing modes of transportation fight ruthlessly for every uncommitted traveler in Amtrak's shrinking market share.

Together these conditions create an untenable outlook for passenger rail in the United States. In the short range (the next 6 to 12 months), Amtrak faces a major liquidity crisis and probable bankruptcy. Unless the Congress moves swiftly to reconfirm the value of passenger rail service and dramatically restructure the way in which it is organized and operated, the substantial asset base of the existing system will permanently disappear by default, along with many vital long-range prospects for service.

A good measure of political and financial capital will be needed to avert this course; naturally, both elements are in short supply. Nevertheless, the U.S. government can claim a long and impressive tradition of large-scale problem solving, as in the creation of the interstate highway system and the notable improvement of the nation's air and water quality.

(1) Provide safe, reliable, comfortable convenient and financially-sound passenger rail service in all densely populated corridors of the United States that show declining air quality and presently or potentially intractable traffic congestion problems; and,

(2) Encourage public/private development of attractive overnight passenger rail service, on a periodic basis throughout regions of the nation with significant cultural, historical and scenic character (e.g., a kind of "rolling national park") or where such service is justified on an economic basis.

The working group believes that a renewed passenger rail system should provide the maximum benefit to its customers and achieve operational excellence and efficiency. In addition, the system should be subjected to market discipline and financial accountability. Environmental protection and improvement, as well as national historic and cultural preservation should also be goals of a new passenger rail system.

RESTRUCTURING PROPOSAL

The working group believes that Intercity Passenger Rail is a major United States asset which is, for specific roles, superior to or complementary to competing modes. It should be supported and expanded. This, however, requires a commitment to broadened, secure investment in the basic infrastructure to permit competitive speeds and reliable operation in the major corridors of the country.

This infrastructure investment for passenger rail should properly be the responsibility of the Federal Government, as it is for the highways, ports, airports, and traffic control systems of the other modes. However, Amtrak is an anomaly. Competing modes do not own their infrastructure. Bus lines and autos use public highways, airlines use public airports, cruise ships use public waterway improvements. Thus, competing modes infrastructure needs are funded through long-established entities, e.g. FAA, FTA, the Corps of Engineers, etc. No such vehicle exists for the funding of passenger rail infrastructure. The working group recognizes that currently all major publicly owned rail infrastructure is in the Northeast Corridor, but it believes that there can be efficient use of Federal capital in rail for short and medium distance trips in several areas of the country.

While the working group believes that the costs of infrastructure investment and maintenance are properly the province of the Federal Government, it also believes that the operating costs of intercity rail travel should be met by its beneficiaries, particularly users and state and local governments and authorities. Again, this generally parallels competitive modes who are generally responsible for their operating costs. The working group also notes that typically several operators compete by using common public ports, highways, and airports, and this principle should be applicable to rail. Thus, opportunities for possible access by competitive operators in intercity passenger rail should be enhanced.

The working group believes that the separation of infrastructure ownership and management from passenger transportation responsibility is fundamental, and that it should be reflected in a basic division of governance. The separation of the infrastructure function from the passenger transportation function serves several purposes:

-- It provides a clear demarcation between the ultimate federal infrastructure capital responsibility and the operating responsibility funded by beneficiaries. Accountability will therefore be made much clearer.

-- It provides a mechanism whereby the merits of funding new rail corridor development can be assessed separately from criticism of the performance of the operator.

-- It provides a mechanism to introduce new operators competitive to or comparative to Amtrak.

-- It will enable Amtrak to focus its efforts on its principal day-to-day responsibility-- providing and developing superior, efficient service to its users, not seeking support for its infrastructure capital program.

Amtrak's current responsibility for infrastructure planning, construction, and maintenance should therefore be separated from the responsibility of operating passenger service. Thus, a new federally owned corporation with its own governance would take responsibility for managing the track, signals, and other fixed infrastructure of the Northeast Corridor, along with capital investment in those new corridors that are envisioned for the future, while Amtrak would continue its passenger services operating role.

Initially Amtrak would be the only operator of intercity passenger transportation, but to encourage innovation and to match service to local interests, it would further decentralize by adding strategic business units in the Midwest and elsewhere. The working group also believes that the potential of intercity passenger rail will be improved if subject to competition from other modes and from other actual or potential providers of intercity passenger rail service and furthermore from a new focus on passenger service provision, as distinct from infrastructure management. Thus, eventually, provision would be made for other operators to compete with Amtrak on particular routes or in particular regions.

Establishing this newly structured passenger rail service environment will not be an instantaneous process, and therefore attention will need to be paid during the transitional period to ensuring a reasonable balance of benefits among various stakeholders in rail passenger service and among various regions of the country. Legislation to implement this proposal would provide that the infrastructure currently owned by Amtrak would be transferred to the new infrastructure management entity.

The new infrastructure management entity would

-- Determine infrastructure capital needs

-- Request and expend Federal funding for passenger rail infrastructure

-- Oversee rail operations on and manage its infrastructure

-- Establish standards for selection of passenger rail operators

In the long run, after standards for new passenger service operators are established, the infrastructure entity would establish competitive procedures for selecting passenger service operators and conduct competitions for the right to provide service. These procedures would provide for reasonable protection for employees adversely affected by the competition. We want to emphasize, however, that a properly structured reform of inter-city rail passenger service and the related infrastructure responsibilities offers real potential for stable, secure employment. The proposal is assumed to increase passenger rail jobs with the expansion of rail service in appropriate markets. Most of Amtrak's employees would continue to work under existing labor contracts. Some Amtrak employees, who currently work on infrastructure maintenance, would work for the new infrastructure entity, Amrail.

FUNDING

The working group assumes that there are essentially three alternatives: (1) no funding; (2) funding (with some minimal level of conditionality attached); and (3) bridge, or conditional funding. Clearly variations are possible, but all would include principal elements of one of these three alternatives.

The group has also assumed that the national passenger rail service contemplated is one where infrastructure management and development and passenger transportation services are non-overlapping and divided into two different operating entities.

The working group is also of the belief that fixed infrastructure capital funding and operating funding requirements must be viewed as distinct from one another. Additionally, both types of funding need to be more directed toward existing and potential routes with the greatest demand and market potential, which are primarily the higher density inter-city corridors.

Fixed infrastructure capital funding amounts required would be determined by the new infrastructure manager and developer. The new entity would in turn request and expend federal funding for passenger rail infrastructure. Over the short term, the amount of such funding needs to be absolutely no less than called for in the Amtrak strategic plan. Longer term, these amounts must be increased significantly and placed in a more secure manner.

Operating funding requirements arise at the transportation service provider level, and in the group's view should be minimized through strict oversight and market discipline. Start-up operating funding requirements should be factored into the initial years of the operation, possibly for 5 years.

The group has identified two types of funding requirements: short term, or bridge funding, and longer term funding. These are discussed further below.

Alternative 1: No Funding ("Bankruptcy")

Based on statements made by both Amtrak senior management as well as several government transportation officials in the past six months, it appears irrefutable that (i) Amtrak is not financially self-sustainable, and; (ii) Amtrak has borrowings and other financial payment obligations that place it in real danger of bankruptcy if these obligations are not met.

The costs of an Amtrak bankruptcy cannot be underestimated. These include financial, social, and political. Every constituency would lose: state, local and federal government, employees, customers, suppliers, taxpayers. The true cost of a bankruptcy would cost billions of dollars. The resolution of such a bankruptcy is far from certain, as control of the process would be taken out of the hands of the government.

Although frequently used as a tool to precipitate wholesale corporate reorganization, bankruptcy for Amtrak would most likely ensue in chaos. This outcome should be seen as most undesirable.

Alternative 2: Funding (assumes encouragement of existing management to get on with their plan)

Amtrak has cost U.S. taxpayers almost $1 billion per year since its inception twenty six years ago. Funding has been irregular, and its operating plan impaired, resulting in yearly underfunding by Congress, and declining levels of corporate performance including bigger operating losses, fewer passengers, fewer routes, and poorer service. Monies marked for capital improvements have been spent on covering debt service, resulting in a chronic underinvestment for the future.

Many reforms were launched by the company in the 1993 - 94 period, aiming at reversing this decline. Broadly speaking, these have not paid off. Today, Amtrak finds itself once again cap in hand asking for money that it claims will support the achievement of a self-sufficiency plan that is generally acknowledged by many outside Amtrak as wholly unrealistic. Specifically, many if not most of the tenets of this plan (on which the funding request is predicated), include sources of revenue which are unproven on a broad scale (e.g. highspeed trains, express delivery, freight carriage). Management is fighting with, or staving off, creditors, freight carriers, Congress, and labor, to name a few. Credibility is beyond repair without a real fresh start.

The Clinton Administration, and many within Congress, have put proposals forward to fund a portion of Amtrak's needs, but none would come come close to solving Amtrak's problems. By Amtrak's own admission, this approach will merely postpone a true crisis. A true crisis would be akin to bankruptcy, with many of the attendant costs. In fact, Amtrak management has gone on the record stating that even if all of its request for funds was met, Amtrak would still be in an extremely precarious position.

It would seem logical to conclude from this that simply funding Amtrak when it is running with a poorly articulated plan and little hope of success would seem to be irrational, a true waste of taxpayers' money and in fact only serve to defer and potentially exacerbate the problems.

Alternative 3: Conditional Funding

The notion of conditional funding incorporates two concepts. Firstly, that bankruptcy must be avoided (i.e., funding must be made available) and secondly that such funding as is granted must be done within the context of the implementation of one or a set of mechanisms/reforms designed to improve the performance of Amtrak for its owner, users, and employees.

Such funding naturally breaks down in two parts: (i) short term funding to avert the immediate crisis and allow the reforms to be implemented; and (ii) longer term funding that allows for the flourishing of the model that is implemented. It is our belief that alternative sources of funding will become accessible as a direct result of a credible reform process being implemented. Some of these are discussed further below.

How much money, for how long and from where?

Under (i) above, short term funding should be provided in an amount that lies between the current funding request of Amtrak and the Administration's proposal. This funding should be made to be as short term as possible to encourage urgency in implementing reform. A term of 12 to 18 months is seen as realistic. In other words, fund Amtrak exactly as much as it needs to avoid bankruptcy during the implementation of reforms over a specific and defined time period. This funding must be sourced from the readiest sources of cash, i.e., the normal Amtrak appropriation.

Regarding (ii) above, the amount required on a regular basis will depend on the plan adopted. Sources will vary depending on the use of funds, but the implementation of various reforms will certainly impact the funding sources available, as discussed further below. This funding should be regular and predictable, for greatest ease for both the recipient as well as the donor. It should be subject to periodic review, or certain performance or other events should trigger such a review.

In light of current budgetary constraints, and yet the clear need to provide a regular, predictable, and stable infusion of capital investment in inter-city passenger rail infrastructure, Congress should consider creative and innovative procedures for infrastructure assistance. Merely renewing calls for "dedicated" funding sources without exploring new and more adaptable funding mechanisms is unlikely to produce constructive results. In the past, many such proposals for "dedicated" funding have foundered on the philosophical objection of states with little or no inter-city passenger rail service to making forced tax contributions to states with substantial amounts of such service.

We have not attempted to select a single funding mechanism to recommend to the Congress. We are agreed that stability is an essential element of such funding, and that greater creativity needs to be exercised in selecting potential funding mechanisms. As part of our deliberations, we did discuss two examples of innovative funding mechanisms. Although we are not recommending these specific approaches, they are offered here as purely illustrative examples of the general type of non-traditional mechanisms we recommend the Congress examine.

First, one potential technique for addressing the perennial issue of fairness among "rail" and "non-rail" states might be to authorize at the federal level a state-option portion of the federal gasoline tax. This would permit states who wished-either alone or in concert with other participants in multi-state compacts-to participate directly in passenger rail capital funding to opt for some additional increment of gasoline tax to be used for this purpose.

Another example would be to expand and modernize the guaranteed loan programs of the 1976 Railroad Revitalization and Regulatory Reform ("4R") Act. These programs are already targeted toward rail infrastructure needs. Under current law, the "subsidy component" or "risk premium" supporting such guaranteed loans may be funded only through on-budget federal appropriations. If these functional equivalents of security deposits could be provided by outside entities (such as state governments or private parties), substantial amounts of infrastructure capital might be made available with minimal budgetary impact.

CONCLUSION

A majority of the working group is of the view that a division between infrastructure management and operations affords the best chance for the preservation and renewal of passenger rail service in this country. Amtrak has operated for too long under conditions that no business could endure. The problems do not lie with Amtrak management or Amtrak labor, but rather with the basic structure that was established when Amtrak was created in 1971. Amtrak's mission is vaguely defined, its funding has never been adequate for a true national system and it has been burdened with expensive legal mandates.

The majority believes that intercity rail should be placed on the same structural footing as other modes of transportation. This would include a stable and permanent commitment by the Federal Government to fund the infrastructure costs of intercity passenger rail. It would also mean the elimination of operating subsidies for operators of passenger rail, and the introduction of competition among these operators.

MINORITY COMMENTS

James J. Florio and Carl Van Horn

The majority of the Working Group on Intercity Rail sets the right note at the outset of their report by emphasizing the important role that intercity passenger rail plays in reducing airport and highway congestion and improving air quality, and urges the preservation and enhancement of intercity passenger rail service in order to achieve these objectives. The report also advances the admirable goal of increasing the Nation's investment in intercity passenger rail infrastructure, especially in densely travelled corridors where high-speed rail service is a realistic alternative. The report proposes to achieve these goals by separating ownership of passenger rail infrastructure from responsibility for passenger rail operations. We have examined this proposal carefully, however, and have concluded that it is unlikely to solve the existing problems of intercity passenger rail service in the United States. In fact, we believe that, if adopted, it would create difficult new problems.

The majority report establishes two goals for reforming and restructuring Amtrak:

(1) Provide safe, reliable, comfortable, convenient, and financially sound passenger rail service in all densely populated corridors of the United States that show declining air quality and presently or potentially traffic congestion problems; and

(2) Encourage public/private development of attractive overnight passenger rail service, on a periodic basis, throughout regions of the nation with significant cultural, historical, and scenic character (e.g., a kind of "rolling national park").

We believe the proposals advanced by the majority report fail to achieve either goal. We believe that, if implemented, they are likely to reduce investment in passenger rail infrastructure and reduce service on most interstate routes, whether those routes are on high-density corridors or in regions of the country with significant cultural, historical, and scenic character.

We believe that our colleagues come at their proposal largely due to an unwarranted pessimism about Amtrak's prospects. They are unduly critical of Amtrak's management, unduly critical of Amtrak's Strategic Business Plan, and unduly critical of the market potential for Amtrak's services. The majority report is also unnecessarily pessimistic about Congressional support for Amtrak. Senator Roth has recently introduced legislation to create a $2 billion reserve fund for Amtrak that has attracted broad support in the Senate. While the majority report claims that there is "very little support for the long-distance routes," that is contradicted by the fact that the Senate added a special provision in last year's Omnibus Appropriations Act adding $22.5 million to Amtrak's appropriation to save four long-distance routes. Senator Lott has become a leading supporter of Amtrak, primarily because of his support for a long-distance route passing through the State of Mississippi.

There is No Compelling Rationale for Restructuring

The proponents of restructuring Amtrak have not put forth any compelling rationale for changing the current structure. The majority report cites four purposes that are served by their restructuring proposal; on closer examination, none of the four purposes is actually achieved.

First, the majority report suggests that the proposal would enhance accountability by providing "a clear demarcation between the ultimate infrastructure capital responsibility and the operating responsibility funded by beneficiaries." Yet the way in which the infrastructure entity is established would muddy this responsibility, because the infrastructure entity would be responsible not only for managing the infrastructure, but also for establishing standards for selecting operating companies. The "infrastructure" entity would thus be setting service standards for operations and be involved both as a supplier to the operating companies (by selling them access to the infrastructure) and as a regulator of those companies (by selecting who can use the infrastructure and what service standards they must meet). In any case, separating the infrastructure and operations roles is unlikely to enhance accountability. When problems develop, the operating companies are likely to blame the infrastructure company for failing to maintain the infrastructure properly, while the infrastructure company is likely to blame the operating companies. When both infrastructure and operations are the responsibility of the same company, accountability is clear and undivided. There is no one else to blame.

Second, our colleagues suggest that separating ownership of the rails from operations will create greater infrastructure investment from the public and private sector. ~~They argue that having an entity whose sole responsibility is infrastructure will encourage Congress to invest more in high-speed rail infrastructure in appropriate high-density corridors around the country without being distracted by arguments about the performance of the rail service operator (Amtrak).~~

In our view, the impediment to high-speed rail has been constraints on the federal budget resulting in budget caps on all infrastructure investment, not structural problems with Amtrak. In 1994, the Congress declined to approve the Clinton Administration's request to finance high-speed rail development, despite the fact that these funds would have been spent independently of Amtrak. Since 1991, the Congress has declined to appropriate any of the $725 million authorized for maglev development by the Intermodal Surface Transportation Efficiency Act, none of which would have been managed by Amtrak. This year, Congress is considering a request for $300 million for development of the high-speed rail project in Florida, which would be managed independently of Amtrak; however, thus far the Florida congressional delegation has not strongly supported the request.

Third, our colleagues suggest that separating infrastructure management from operations will facilitate the introduction of new competitors to Amtrak. For virtually all of the Amtrak system, ownership of the infrastructure is already separate, in the hands of the freight railroads, so there are already opportunities for competition over the rails that Amtrak does not own. In any case, it is not clear why new competitors are needed, since there is plenty of competition already from other modes of transportation. As the majority report itself states in its Introduction, ". . . competing modes of transportation fight ruthlessly for every uncommitted traveler" who rides on Amtrak.

Fourth, the majority report also argues that separating infrastructure from operations will benefit Amtrak by eliminating the need for Amtrak to seek support for its infrastructure capital program. We believe this argument is exceedingly naive. Amtrak's success will still depend critically on the amount appropriated for the infrastructure program, so Amtrak will still need to expend resources lobbying for appropriations for it, just as trucking companies lobby for highway expenditures and airlines lobby for airport investments.

There are, perhaps, other reasons for advancing this restructuring proposal. Several members of the working group have cited, with approval, the recent British approach that separated infrastructure maintenance from operations. But the British model is not one to be emulated. Thus far, the British model has cost nearly $1 billion a year more in public funding than it did under its predecessor, BritRail. If the British model were applied to the U.S. it would in all likelihood lead either to substantially increased subsidy levels or to the elimination of all long distance trains as well as the elimination of many short-haul trains that require regional or multi-state support. The best one can say at this point is that the jury is still out on the British experiment.

Another rationale for the proposal is that other modes of transportation operate privately-owned and operated vehicles on publicly-owned infrastructure. This is not uniformly true--mass transit receives federal subsidies both for its rolling stock and for its operating costs. But the proposal to separate ownership of infrastructure from operation of trains might be more appealing in an environment where the entire national rail infrastructure is owned by a single entity, and where several passenger rail operators compete on that infrastructure. Neither of those conditions obtains in the United States. Most rail infrastructure is owned by freight railroads, and the existence of competing passenger rail operators is only a distant potential. Our colleagues acknowledge those facts, but think that separation of infrastructure from operation will help to move us toward an environment where more infrastructure is publicly-owned and more operators compete on that infrastructure. For reasons which we shall discuss in more detail below, however, we think the proposal is unlikely to increase the extent of publicly owned infrastructure. We also think that the elimination of federal operating subsidy is likely to discourage most new private passenger rail operators from entering the market.

There are Serious Negative Effects of Restructuring

We believe that our colleagues's restructuring proposal not only lacks a clear rationale; it also is likely to have serious adverse effects on infrastructure investment and passenger rail service. We think it is likely both to reduce the level of infrastructure investment for passenger rail and, by reducing operating subsidies, dramatically curtail the level of interstate passenger rail service.

While the restructuring proposal is advanced with the intent of increasing infrastructure investment, the likelihood of Congress approving additional infrastructure funding under this proposal is undermined by the unequal distribution of infrastructure spending among the states. Virtually all of Amtrak's infrastructure spending is now done within the eight states of the Northeast Corridor. Other states are willing to support these expenditures because they receive a disproportionate share of the operating subsidies to keep trains running in their states. If federal operating subsidies were eliminated, as the proposal envisions, the other states would have little reason to support infrastructure investment in the Northeast Corridor, and might cease such expenditures altogether. This could lead to the collapse of the high-speed rail project in the Northeast Corridor and the gradual erosion of conventional Northeast Corridor service as the infrastructure deteriorates.

Even if a handful of high-speed rail infrastructure projects were supported outside of the Northeast Corridor, this would still not produce enough support to keep the program going. While the proposal is advanced on the assumption of an *increase* in passenger rail infrastructure funding, it may thus result in a *decrease* in infrastructure funding.

The restructuring proposal's assumptions about operating subsidies would also have a seriously negative effect on the support for interstate passenger rail service, and would probably lead to most of that service being cancelled. The proposal suggests that the new operating entity would receive no federal operating subsidy, would be required to pay for its own rolling stock, and would have to depend on voluntary payments from the states for any public operating subsidy it received. We think this proposal would make most long-distance trains and many short-haul trains that require regional or multi-state support unsupportable.

Amtrak believes that it can cover its operating costs, but only if the costs of acquiring rolling stock are treated as a capital cost to be paid for by public subsidy. No one who has studied Amtrak's cost structure believes that it can break even if it has to cover the costs of its rolling stock. If Amtrak cannot cover its costs, it must either cut routes or go to the states for operating subsidy. (If Amtrak cuts routes, this further undermines national support for federal infrastructure funding.)

We think Amtrak is unlikely to be able to generate substantial operating subsidies from the states. Amtrak's inability to obtain sufficient state support thus far is instructive. While state support for Amtrak has increased, it is still only $70 million in 1997 and the states continue to struggle over providing modest amounts of money. More than half of the state support comes from a single state -- California. Two-thirds comes from two states (California and Illinois). All of it comes from 14 states. The States of Louisiana, Mississippi, and Alabama could not agree on how to divide up the $2 million cost of the *Gulf Coast Limited*, so none of them contributed anything, and the route was terminated, even though this is the sort of short haul service (from Mobile, Ala., to New Orleans, La.) that states should find attractive. The State of Massachusetts would not contribute even $100,000 to support the *Vermonter* even though it serves the western part of the state. Vermont had to pay the full share (but in the absence of federal subsidies, the route would have been cancelled, because Vermont only had to pay for the extension of service north from Springfield, Mass.). The proposal will likely lead to the elimination of most interstate routes outside of the Northeast Corridor; the few remaining routes are likely to be the relatively small number that fall entirely within one state, such as those in California.

Our colleagues assert that separation of infrastructure ownership from operations would enhance the efficient use of the infrastructure, but the experience of Amtrak and the freight railroads points to the opposite conclusion. Freight railroads defend their right to operate on their own privately owned rights-of-way because they believe strongly that the ownership of the right-of-way allows them to offer a more efficient and customer-oriented service than would be the case if they were tenants on a right-of-way owned by someone else. Clearly, one of Amtrak's problems over the years has been that it does not own most of its rights-of-way. Delays in Amtrak service are often due to operations of freight railroads. It is no accident that Amtrak has succeeded on the one right-of-way that it owns--the Northeast Corridor. We see no reason to endanger this success by separating ownership of the right-of-way from operation of the trains.

The restructuring proposal also suggests weakening what the report itself describes as "one of the most valuable of all of Amtrak's assets." Amtrak has guaranteed access to the Nation's freight railway system, and it is these rights of access that the "Context" section of the report describes as one of the "most valuable" assets cited above. Yet in the "Question-and-Answer" section of the report, these rights are put up for negotiation. "The panel believes that Congress should explore new alternatives that would fall between the current Amtrak arrangements [i.e., guaranteed access] and the present framework for commuter rail access [i.e., no guaranteed access] to freight rail infrastructure." We cannot see how giving away these critical access rights advances the cause of passenger rail transportation in the United States.

The Restructuring Proposal is Based on Erroneous Factual Statements

The analysis in the majority report is based in part on a number of unsupported factual assertions, some of which are contradicted by its own findings. The majority report alleges, without foundation, that "Amtrak's Strategic Business Plan is generally acknowledged by many outside of Amtrak as wholly unrealistic." In fact, the outside parties that count, namely the bankers that are lending Amtrak money, do believe the plan is realistic, and that is why they are lending the $1 billion that Amtrak is borrowing for its Northeast Corridor high-speed rail service.

The majority report takes note of the reforms that Amtrak has instituted in the past three years and asserts, again without offering any evidence, "Broadly speaking, these [reforms] have not paid off." This does not appear to be the view of the states who work with Amtrak. The State of Wisconsin, for example, has written to the Working Group saying that "In recent years, Amtrak has taken more aggressive actions to improve the service, increase advertising, and increase ridership. These changes are reflective of the new attitude that is manifesting itself in Amtrak. Everyone at the company recognizes that they must please their customers if they are to continue as a company. They are working hard to do so." The letter also notes that ridership has doubled since the State contracted with Amtrak for passenger service. While ridership has declined nationally because Amtrak has been forced to eliminate routes due to federal budget cuts, traffic is generally growing on those routes that have been retained. Similarly, the State of Illinois has written to the Working Group stating that "Amtrak has shown the flexibility and will to make significant and tangible strides toward self-sufficiency and good business practices. We thus have reason to be hopeful for the future."

The Majority Report Proposes Confusing Information about Rail Labor Issues

The majority report for the most part ignores the controversial issue of labor protection and accident liability, because there was little consensus on these issues among the Working Group, and information had been presented to the Group indicating that these issues had inconsequential effects on Amtrak's financial status. Indeed, the majority report states in its conclusions that "The problems do not lie with Amtrak management or Amtrak labor . . . ." Yet, the report does not address what will happen to employees under the restructured system. Freight railroads operate under essentially the same labor protection provisions as Amtrak, and they find it possible to succeed in a competitive business. The fact is that Amtrak's recent experience in eliminating routes has shown that labor protection in practice has inconsequential costs. Amtrak does not use the flexibility it has now to contract out work and has never been able to show that it would actually save money if it had more flexibility. We believe that these labor provisions have little if any effect on Amtrak's financial status and should not be part of any Amtrak reform proposals. But more importantly, we believe that any proposal to restructure Amtrak should specifically address the future status of Amtrak's employees.

There Are Better Ways to Preserve and Enhance

Intercity Passenger Rail Service in the United States

Congress has repeatedly urged Amtrak to make better use of its infrastructure and to reduce costs and lessen its dependence on operating support. Instead of embarking on an the uncertain path of restructuring, we believe that Amtrak should be given the next two to three years to implement several promising revenue-enhancing activities that could significantly improve its financial situation. These initiatives include high-speed rail in the Northeast Corridor, increased mail and express, and development of electric power initiatives, among others.

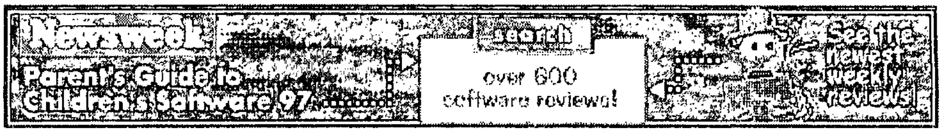
We believe that Amtrak's management has done a credible job of making Amtrak more efficient and more customer-focused. We believe that Amtrak has correctly seen that it must invest in new rolling stock to replace obsolete equipment that is unreliable and expensive to maintain. We believe that the Congress should support Amtrak's effort to reduce its costs and expand its market by providing it with the capital and operating support it needs and by eliminating statutory restrictions on Amtrak's operations.

First, Amtrak needs more capital support so that it does not have to borrow money on the private market at high interest rates. Clearly it makes more sense for Amtrak's capital costs to be financed at low government interest rates than at high private interest rates. In particular, Amtrak needs capital support to pay for and promptly begin service with its new high-speed rail service on the Northeast Corridor. While it is possible to dispute the exact estimates of the surplus that will be generated by this service, there is no doubt that this is a worthwhile investment for Amtrak and for the Nation.

Second, Amtrak needs sufficient operating subsidy so that it does not have to borrow short-term to meet its operating costs. Amtrak has reduced its operating costs by over $200 million since 1994. It is making good progress toward minimizing its need for operating subsidy. Reducing Amtrak's operating subsidy in the short run simply forces Amtrak to borrow more, thus increasing its need for operating subsidy in the long run. A predictable, realistic glidepath to lower operating subsidy is the most sensible policy.

Third, Amtrak needs some basic revisions in its statutory authorization to clarify its authority and allow it to reduce its costs and increase its revenues. Amtrak currently is authorized to carry "mail and express" in addition to passengers, but "express" is never defined in the statute. Instead, "express" is defined by a long series of Interstate Commerce Commission decisions. The definition is obscure and subject to prolonged litigation. The freight railroads have opposed Amtrak's recent attempts to expand its express business and have threatened litigation to prevent Amtrak from increasing its revenues in this way. The freight railroads say they only want Amtrak to carry what is traditionally considered express--things like United Parcel Service (UPS) packages. But the freight railroads already carry a considerable amount of UPS packages by carrying UPS trailers on their flatcars. It would not make sense for the freight railroads for Amtrak to expand its business in an area that is already being served by the freight railroads.

Amtrak has proposed carrying cargoes like refrigerated perishables and other intermodal traffic requiring very tight delivery times. The railroads have opposed letting Amtrak carry this cargo because it is "freight," not "express." But the important point is whether the railroads have any realistic likelihood of carrying the cargo in question. If the freight railroads cannot meet the delivery schedules demanded by shippers, then they are not harmed by having Amtrak carry the cargo, regardless of whether it is "freight" or "express." We therefore recommend that the definition of "express" that Amtrak is authorized to carry be defined in statute as any cargo that existing freight railroads do not carry because they cannot routinely meet the delivery schedules or other criteria demanded by shippers.



Congress Says Amtrak Split Needed

By Anick Jesdanun
Associated Press Writer
Thursday, June 26, 1997; 8:39 p.m. EDT

WASHINGTON (AP) -- Congressional advisers said Thursday that Amtrak needs ``radical surgery'' to avoid collapse, and they urged splitting it into separate operations to run the passenger trains and maintain the tracks.

Members of the Working Group on Intercity Passenger Rail said the split is needed to foster competition and to preserve and renew passenger rail service outside the heavily traveled Northeast Corridor linking Boston and Washington.

``Amtrak is a terminal patient in need of radical surgery,'' said businessman Pat Cleary, one of the 13 outside advisers commissioned by the House Transportation Committee to explore ways to save Amtrak.

Amtrak projects a deficit of $70 million to $80 million this year and faces bankruptcy within a year without congressional help. In recent years, Amtrak has been forced to eliminate routes and curtail improvements because of financial problems aggravated by cuts in federal support.

Transportation Committee leaders refused to embrace calls for splitting Amtrak until they could further study the option. Rep. Bud Shuster, R-Pa., the committee chairman, said he expected the report will generate momentum for restructuring Amtrak in some fashion.

``This is now on the table,'' he said. ``Let's get some other ... (options) on the table, if there are others, and let's move to save Amtrak.''

Rep. Susan Molinari, R-N.Y., who chairs the subcommittee on railroads, promised hearings this summer.

Some lawmakers have called for keeping Amtrak intact and bolstering its finances by diverting a half-penny from the 18.3-cent-per-gallon federal gasoline tax.

Amtrak believes it could drop federal operating subsidies by 2002 if it had a dedicated funding source for capital needs and other changes to the law were approved. The Senate Commerce Committee on Thursday approved several changes sought by Amtrak, and the full Senate was considering a tax bill that addresses the half-penny funding.

high speed rail

~~Rep~~: Senate approved

Amtrak President Thomas M. Downs said the company has made inroads in cutting costs and reducing its dependence on subsidies, with the amount of operating aid cut 50 percent to $200 million in less than three years.

``This is the lowest operating subsidy level in the history of the company, so it's a disappointment that after all this good, hard work, we're still judged a failure," Downs said in a telephone interview.

But Robert Kiley, who runs an economic development agency in New York City, said Amtrak already has tinkered with the 26-year-old structure, ``and today we're still seeing a decline in ridership and the deficit rising."

The panel said separating Amtrak's railroad maintenance and train operations could make it easier for other entities, such as a bus company or an airline, to compete for the right to serve some rail routes. Just the threat of such competition, the panel reasoned, would promote efficiency.

A route from Los Angeles to San Diego or from Dallas to Houston could one day be as busy as the Northeast Corridor, where many of the capital improvement projects have been concentrated because Amtrak owns the lines, said Chris Gleason, a banker and insurance agent in Pennsylvania.

Two of the 13 panel members dissented, saying the conclusions were based on ``unwarranted pessimism about Amtrak's prospects." Former New Jersey Gov. Jim Florio said the proposal could fragment the national passenger rail system and result in more cuts in routes.

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...Have ...eparted From The Rule'

Associated Press

Following are excerpts from the Supreme Court decision in Agostini v. Felton *yesterday allowing public school teachers to enter parochial schools to provide remedial education. It was written by Justice Sandra Day O'Connor.*

Petitioner Board of Education of the City of New York ... has grappled [since 1966] ... with how to provide Title I services [remedial education, guidance and job counseling] to the private school students within its jurisdiction. ... [T]he Board initially arranged to transport children to public schools for after-school Title I instruction. ... The Board then moved the after-school instruction onto private school campuses. ... After this program also yielded mixed results, the Board implemented the plan we evaluated in *Aguilar v. Felton* (1985) ... [which] called for the provision of Title I services on private school premises during school hours....

In 1978, six federal taxpayers ... sued the Board ... claiming that the Board's Title I program violated the Establishment Clause. ... [T]his Court [declared it unconstitutional] on the ground that the Board's Title I program necessitated an "excessive entanglement of church and state...."

The Board ... reverted to its prior practice of providing instruction at public school sites, at leased sites, and in mobile instructional units (essentially vans converted into classrooms) parked near the sectarian school. ... [T]he additional costs of complying ... are significant....

In October and December of 1995 ... a new group of parents of parochial school students entitled to Title I services filed motions in the District Court seeking relief. ... The question we must answer is a simple one: Are petitioners entitled to relief ... [under the rule that] "the court may relieve a party ... from a final judgment [or] order ... [when] it is no longer equitable that the judgment should have prospective application. ..."

Petitioners ... contend that the exorbitant costs of complying with the District Court's ...n constitute a significant factual development warranting modification of the injunction. ... Petitioners also argue that there have been two significant legal developments since *Aguilar* was decided: a majority of Justices have expressed their views that *Aguilar* should be reconsidered or overruled...

[P]etitioners have failed to establish the significant change in factual conditions....

[T]o evaluate whether *Aguilar* has been eroded by our subsequent Establishment Clause cases, it is necessary to understand the rationale upon which *Aguilar* as well as its companion case, *School Dist. of Grand Rapids v. Ball* ... rested. ...

[T]he Court's conclusion that the Shared Time program in *Ball* had the impermissible effect of advancing religion rested on three assumptions: (i) any public employee who works on the premises of a religious school is presumed to inculcate religion in her work; (ii) the presence of public employees on private school premises creates a symbolic union between church and state; and (iii) any and all public aid that directly aids the educational function of religious schools impermissibly finances religious indoctrination.... [I]n *Aguilar* there was a fourth assumption: that New York City's Title I program necessitated an excessive government entanglement with religion because public employees who teach on the premises of religious schools must be closely monitored to ensure that they do not inculcate religion....

Our cases subsequent to *Aguilar* have ... modified in two significant respects the approach we use to assess indoctrination. First, we have abandoned the presumption ... that the placement of public employees on parochial school grounds inevitably results in the impermissible effect of state-sponsored indoctrination or constitutes a symbolic union between government and religion....

Second, we have departed from the rule relied on in *Ball* that all government aid that directly aids the educational function of religious schools is invalid....

The Washington Post
Tuesday, June 24, 1997

Dissenters Say Rail Plan Is Naive

By Don Phillips
Washington Post Staff Writer

Taking issue with a House advisory group's findings about the future of Amtrak, two dissenting committee members said yesterday the majority view is unduly pessimistic and attacked their plan as naive and likely to kill most passenger train service.

Former New Jersey governor Jim Florio (D), who was a strong Amtrak supporter when he was a House member, and Rutgers professor Carl Van Horn said the answer to Amtrak's problems lies with sufficient funding for capital projects and operations, plus basic legal revisions that would allow the company to make more money rather than creating a separate agency to manage the system's tracks.

The passenger train corporation, created by Congress in 1970, has been caught in a muddle of competing interests and competing bills that has prevented passage of any meaningful Amtrak legislation for two years despite the corporation's deteriorating financial condition.

The 13-member group was created by Rep. Bud Shuster (R-Pa.), chairman of the House Committee on Commerce, Science and Transportation, and Rep. Susan Molinari (R-N.Y.), chairman of the railroad subcommittee, after their bill became bogged down last year.

The advisory group, in a report to the committee Monday, said a new federal agency should be created to own or manage track used by passenger trains, and that Amtrak and other operators should compete for contracts to run the trains.

The new federal agency, which they would call Amrail, would own only the Washington-Boston corridor and a few shorter stretches of track in New York, Pennsylvania and Michigan. On routes owned by freight railroads, the agency would pay for necessary improvements to expand passenger service.

The plan is patterned after one being implemented in Britain. But the Florio group said the British plan is hardly one to copy because "thus far, the British model has cost nearly $1 billion a year more in public funding than it did under its predecessor, Britrail."

The report issued yesterday by the dissenting members of the advisory group said separating passenger train infrastructure from operations would accomplish none of the group's goals, including removing Amtrak from the battle for infrastructure funds. The Florio group called this assertion "exceedingly naive" and noted that trucking companies still lobby for highway funds and airlines for airport spending even though they don't own highways and airports.

Eliminating operating subsidies and counting on states to make up the difference would likely lead to a breakdown in the passenger train system, the Florio group said, because money would then go mainly to the Boston-Washington Northeast Corridor. States outside this region would likely balk at paying twice—once to their trains and once to operate those in the Northeast. States also would have trouble forming compacts to operate multi-state service, the Florio group said.

"We think this proposal v... make most long-distance trains and many short-haul trains that need regional or multi-state support unsupportable," the dissenting group members said.

They also assailed the majority group's contention that Amtrak is losing political support and is near bankruptcy. The dissenting members noted broad Senate support for a $2 billion reserve fund for Amtrak and said bankers have enough confidence in Amtrak to lend it $1 billion.

"We think that our colleagues come at their proposal largely due to an unwarranted pessimism about Amtrak's prospects," the minority report

Can you look at high-speed rail proposal

Access No: 97781990 ProQuest - The Washington Post Ondisc
Title: AILING AMTRAK ADDS FREIGHT-HAULING TO ITS LINE; PASSENGER CARRIER EXPANDING OPERATIONS NATIONWIDE IN AN EFFORT TO BOOST REVENUE
Authors: Don Phillips, Washington Post Staff Writer
Source: Washington Post, Final Edition
Date: Wednesday Mar 12, 1997 Sec: C FINANCIAL p: 10
Length: Long (849 words) Type: News National Illus: Chart
Subjects: Freight; Railroads; Financial performance
Companies: Amtrak

Abstract: Facing a deteriorating financial situation, Amtrak is beginning to haul more mail, express and time-sensitive freight behind its coaches, sleepers and diners. And soon, the company - which took over passenger operation from the private railroads in 1971 - may get into the high-value freight business nationwide.; Amtrak will not operate typical trains of boxcars and tank cars, but passengers may soon see lengthy strings of mail and express cars behind long-distance passenger trains, including 'roadrailers' - truck trailers that can travel by rail with special steel-wheel 'bogeys.'; And sources said that after years of discouraging freight railroads from operating over the high-speed Washington-New York corridor, Amtrak is near another revenue-raising deal that would allow Norfolk Southern(Norfolk Southern) Corp. to operate high-speed freight trains into the New York area from the South.

revenue raising tactics.

Article Text:

As passenger train deficits burgeoned in the 1960s, railroads began attaching freight cars to some trains in an effort to hold down losses. Now, history may be repeating itself.

Facing a deteriorating financial situation, Amtrak is beginning to haul more mail, express and time-sensitive freight behind its coaches, sleepers and diners. And soon, the company -- which took over passenger operation from the private railroads in 1971 -- may get into the high-value freight business nationwide. Amtrak will not operate typical trains of boxcars and tank cars, but passengers may soon see lengthy strings of mail and express cars behind long-distance passenger trains, including 'roadrailers' -- truck trailers that can travel by rail with special steel-wheel 'bogeys.'

And sources said that after years of discouraging freight railroads from operating over the high-speed Washington-New York corridor, Amtrak is near another revenue-raising deal that would allow Norfolk Southern Corp. to operate high-speed freight trains into the New York area from the South.

The Amtrak board has approved the lease of nearly 600 special freight cars, including 287 roadrailers, with the rest being 'material-handling cars,' which are essentially express boxcars.

The Amtrak plan is driven by desperation. In a series of Capitol Hill hearings beginning today, the General Accounting Office will report that federal subsidies are declining faster than Amtrak can cut costs, and revenue is actually falling in constant-dollar terms.

A draft of the GAO report calls Amtrak's financial position 'very precarious.'

'Amtrak is still in a financial crisis despite the fact that its financial performance (as measured by net losses) has improved over the last two years,' it said.

Moreover, Amtrak's interest expenses have nearly tripled over the last few years -- from $20.6 million in fiscal 1993 to $60.2 million in fiscal 1996 -- as it buys new equipment and borrows money to operate. The GAO noted that Amtrak is expected to begin borrowing this month to cover 1997 operating costs, the earliest date ever that it has turned to its lenders.

Congress has failed to pass promised legislation to allow Amtrak to cut labor and other costs further, and is considering whether to give Amtrak a half-cent per gallon of the federal gasoline tax for capital expenditures. However, when three long-distance trains were slated for discontinuance last year, Congress ordered them continued until May 10. The GAO said the $22.5 million provided by Congress for this purpose was $13.6 million short of the need, further widening the company's deficit.

Affected states have until Saturday to inform Amtrak whether they will subsidize the trains -- the St. Louis-San Antonio portion of the Texas Eagle, the Denver-Seattle Pioneer and the Salt Lake City-Los Angeles Desert Wind. If there's no state participation, 'these trains go away on the 10th of May,' said Amtrak President Thomas Downs.

Downs said Congress's insistence that Amtrak receive no more federal operating funds after 2002 makes it vital to increase revenue with freight. 'It can have a good business income for us,' he said.

Freight already has evolved as an important revenue source. Downs noted that 42 percent of all the revenue of the Chicago-Los Angeles Southwest Chief comes from mail. And in an experiment, Amtrak has been hauling carloads of cranberry juice from California to Massachusetts during months when eastern cranberry bogs are not producing.

But expanding the concept has run into differing reactions from railroads, ranging from Norfolk Southern's active encouragement to Union Pacific Corp.'s stiff opposition.

Norfolk Southern, now hammering out an agreement with CSX Corp. to divide Conrail's lines, needs the Northeast Corridor to move high-speed freight to New York, as well as to move some conventional freight from Philadelphia and Baltimore to the South. Slower and oversized freight would continue to run through the current Hagerstown, Md., connection.

Amtrak began discouraging freight movement over the corridor after an engineer ran Conrail locomotives in front of Amtrak's Colonial on Jan. 4, 1987, killing 16 people. Downs acknowledged there are safety issues, but said freight trains would be allowed to run only overnight when Amtrak operates few trains.

Union Pacific is so opposed to one of Amtrak's plans that top officials have lobbied against it on Capitol Hill. To save the Pioneer, Amtrak has developed a plan to run it from Chicago over Union Pacific's fast main line across Nebraska -- which now has no passenger trains but is the busiest freight corridor in the world.

Union Pacific spokesmen complain that Amtrak, funded by subsidies, would take space on the busy main line and delay its freight in a ploy to take business away from Union Pacific.

Downs said UP misunderstands Amtrak's plans. He said Amtrak is seeking only high-value time-sensitive freight that is not now moving by rail. And he said he would never haul large amounts of freight without the agreement of the freight railroad, including an agreement on dividing the revenue.

'I'm not interested in doing this without the host railroad,' he said.

Caption:

Freight cars are added to a passenger train at an Amtrak rail yard. (Photo ran in an earlier edition)

White House Virtual Library

White House Press Release

Today the President forwarded to the Congress a package of Fy 1998 budget amendments to adjust his pending budget requests, as presented in the Fy 1998 Budget, to be consistent with the recently negotiated Bipartisan Budget Agreement bet...

Message Creation Date was at 9-Jun-1997 16:54:00

The White House

Office of the Press Secretary

For Immediate Release June 9, 1997

Today the President forwarded to the Congress a package of Fy 1998 budget amendments to adjust his pending budget requests, as presented in the Fy 1998 Budget, to be consistent with the recently negotiated Bipartisan Budget Agreement between the President and the Leadership of Congress:

The package would:

o Restructure the Administration's request for emergency disaster funding. The pending Fy 1998 $5.8 billion request for the contingent emergency reserve fund within Funds Appropriated to the President would be withdrawn. The Fy 1998 funding request for the Federal Emergency Management Activity would be reduced by $2.4 billion and, instead, these funds are requested as an Fy 1997 supplemental.

o Shift funding requested for fixed capital assets for the Department of Energy ($62 million), the Department of the Interior ($15 million), and the Army Corps of Engineers ($331 million) from full, up-front funding in Fy 1998 to advance appropriations as needed for obligation during Fy 1999 through Fy 2002.

o Increase funding for priority programs, including $700 million for the Department of the Interior's Priority Federal Land Acquisitions and Exchanges, and $22 million for **Amtrak**. The obligation limitation for highway programs would be increased by $2 billion, and the obligation limitation for mass transit programs would be increased by $105 million.

o Pursuant to the Bipartisan Budget Agreement, shift funding for the Third Grade Literacy initiatives from mandatory to discretionary spending. A request for $260 million in discretionary funding is included in the President's transmittal.

o Make technical appropriations language adjustments required to implement user fees for the Department of Veterans Affairs and the Social Security Administration.

The President also provided his priorities for how the additional funding assumed in the Bipartisan Budget Agreement for national defense should be allocated, and urged the Congress not to reduce protected domestic programs needed for America's future.

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Title I: Sec 1003

News:

U.S. Department of Transportation

Office of the Assistant Secretary for Public Affairs
Washington, D.C. 20590

S 468

FOR IMMEDIATE RELEASE
Monday, April 21, 1997

DOT 57-97
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NEXTEA WILL ENHANCE TRANSPORTATION SAFETY, PROTECT ENVIRONMENT IN NORTHEAST, SLATER SAYS

WARWICK, R.I. -- President Clinton's proposed surface transportation legislation will help the states and communities of the northeastern United States continue to improve the safety, efficiency and environmental soundness of their surface transportation systems into the next century, Secretary of Transportation Rodney E. Slater said today.

Testifying at a field hearing of the Senate Committee on Environment and Public Works, Secretary Slater said that the six-year, $175 billion National Economic Crossroads Transportation Efficiency Act (NEXTEA) will carry forward and build upon the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), which expires Sept. 30.

"It is clear that transit is vital to mobility in the Northeast, and ISTEA has made possible an unparalleled commitment to public transportation," Slater said. "ISTEA's greater programmatic flexibility has enabled us to increase resources for transit and other urban priorities."

NEXTEA will provide a 30 percent increase in core highway programs, such as those for Interstate maintenance and the National Highway System. It also includes a 17 percent increase for transit major capital investments.

Secretary Slater said that if Congress funds NEXTEA at the levels proposed, it would mean nearly $710 million for Rhode Island over the next six years in formula-based funding alone, and more than $36.8 billion in the 11 states from Maryland to Maine.

This funding could be directed to urban priorities because of increases in the flexible Surface Transportation Program (STP) category, as well a NEXTEA proposal which makes such programs as Amtrak, intercity passenger rail and bus terminals and port access facilities eligible for funding.

NEXTEA would help to reduce the $50 billion annual cost of congestion to commuters and freight shippers across the nation, the Secretary said, noting an even more direct economic benefit: the construction and other work which would be generated by this plan could support an estimated one million jobs over the next six years, including 4,800 in Rhode Island and more than 238,000 in the 11-state northeast region.

NEXTEA would provide $4.766 billion in direct capital and operating assistance to Amtrak, including funding to continue improvements to the Boston-to-Washington Northeast Corridor, while increasing states' ability to use funds from other NEXTEA programs to support intercity rail service, Slater said. It also will sustain the federal commitment to Intelligent Transportation Systems (ITS), which apply advanced information and communications technologies to transportation to enhance safety and efficiency. NEXTEA legislation includes $678 million for ITS over the next six years.

The President's proposal would enhance safety by increasing funding for traffic safety programs by 25 percent, as well as developing new ways to improve safety through community partnerships, Slater said. This supports the President's safety belt initiative announced last week, which sets a goal of raising belt use to 85 percent by the year 2000, saving 4,200 lives per year, and to 90 percent by 2005, preventing more than 5,500 deaths, he said.

Secretary Slater said that NEXTEA also would enable Rhode Island to continue such effective initiatives as the "Cops in Shops" program, though which state and local police enforce the ban on liquor sales to minors.

The administration's commitment to protecting the environment is reflected throughout NEXTEA, the Secretary said. The proposal includes a 30 percent increase in funding for the Congestion Mitigation and Air Quality program, as well as increased funding for transportation enhancements and continued support for National Scenic Byways, recreational trails, bicycle transportation and pedestrian walkways.

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An electronic version of this document can be obtained via the World Wide Web at: http://www.dot.gov/affairs/index.htm

Caption:
RUNNING BEHIND (This chart was not available)

Access No: 96749782 ProQuest - The Washington Post Ondisc
Title: CONGRESS TO KEEP AMTRAK RUNNING; NEGOTIATORS FUND RAIL SERVICE FOR AT LEAST ANOTHER 6 MONTHS
Authors: Don Phillips, Washington Post Staff Writer
Source: Washington Post, Final Edition
Date: Sunday Sep 29, 1996 Sec: A SECTION p: 20
Length: Medium (428 words) Type: News National
Subjects: Federal funding; Railroads
Companies: Amtrak

Abstract: On Sep 28, 1996, Congress found enough money to keep the entire Amtrak system running for roughly another six months, including three long-distance routes that were to have been axed.

Article Text:

Unwilling to allow even one mile of passenger train service to be abandoned in an election year, Congress yesterday found enough money to keep the entire Amtrak system running for roughly another six months, including three long-distance routes that were to have been axed Nov. 10.

Members of a Senate-House conference committee included an extra $82.5 million for the passenger train company in a stopgap spending bill for agencies whose yearly funding bills failed to pass. The bill awaits action in both houses in the next few days. The extra funding punctuates Congress's failure to pass legislation giving Amtrak greater control over its financial decisions or to find a stable source of funding such as a portion of the gasoline tax. Those decisions were kicked over to the next Congress.

Most of the extra money -- $60 million -- will go to partly restore earlier cuts in improvements for the Washington-Boston Northeast Corridor, which carries most Amtrak passengers and is being upgraded for faster new trains.

The remaining $22.5 million will postpone for about six months all the abandonment plans that Amtrak had announced for Nov. 10. The major cuts planned were three long-distance western routes: the St. Louis-San Antonio portion of the Chicago-Los Angeles Texas Eagle; the Salt Lake City-Los Angeles Desert Wind and the Denver-Seattle Pioneer.

An experimental New Orleans-Mobile, Ala., train also will continue to run, as will the Boston-Albany, N.Y., section of the New York-Chicago Lake Shore Limited and the Miami-Sanford, Fla., portion of the Miami-Los Angeles Sunset Limited.

The extra money leaves Amtrak's fiscal 1997 budget at $842.5 million, including $175 million for Northeast Corridor improvements. This still is less than the $918.5 million requested by the administration.

For Amtrak, the downside of the compromise is that plans to restart the Chicago-New York Broadway Limited will be postponed, although an all-coach train will be inaugurated on the route on Nov. 10 as a temporary measure to gain a new mail contract. Several routes with less than daily service also will not begin running every day as originally planned.

The compromise was initiated by Sen. Frank R. Lautenberg (D-N.J.), a longtime proponent of major improvements in the Northeast Corridor. But the major impetus for the additional funding came from western and southern Senate Republicans who were inundated with protests from small communities that had seen the demise of local bus and airline service and now were about to lose their passenger train.

Republicans such as Sen. Kay Bailey Hutchison and Rep. Tom DeLay, both of Texas, became passenger train partisans.

Access No: 96723012 ProQuest - The Washington Post Ondisc

Title: WITNESSING THE BERTH OF AMTRAK'S HOPES; AT UNION STATION, TRAVEL AGENTS TOUR SLEEPER CARS ON WHICH FUTURE PROFITS MAY RIDE

Authors: Margaret Webb Pressler, Washington Post Staff Writer

Source: Washington Post, Final Edition
Date: Friday May 17, 1996 Sec: F FINANCIAL p: 1
Length: Medium (590 words) Type: News DC; News National
Illus: Photograph
Subjects: Travel agencies; Trains; Railroads
Companies: Amtrak

Abstract: Amtrak showed off its new Viewliner sleeper car at Union Station on May 16, 1996 to 130 Washington DC-area travel agents, with whom the railroad company hopes to forge a stronger, more profitable relationship as it chugs along toward self-sufficiency.

Article Text:

Amtrak showed off its new Viewliner sleeper car at Union Station yesterday to 130 area travel agents -- with whom the railroad company hopes to forge a stronger, more profitable relationship as it chugs along toward self-sufficiency.

The passenger railroad introduced the first of 50 new Viewliner cars in April and will gradually expand the service as it gets the rest over the next year. The 50 smaller 'Heritage' sleeper cars and their 'roomettes' will be retired -- after 50 years of service, in some cases. Standard compartments in the new sleeper cars are quieter than the old cars and have more windows. They also sport such 1990s amenities as individual thermostats, TVs that show movies (but not broadcast shows) and a single shower for use by 12 compartments. Three roomier deluxe rooms have private showers and sleep three adults. 'I know cruise cabins that aren't this big,' said Wayne Roland of Global Travel in D.C., as he disappeared around the corner of a deluxe bedroom.

The new trains will used primarily on Northeast routes, where the height of the Baltimore Harbor Tunnel and tunnels in New York's Penn Station have prevented the use of Amtrak's other new sleeper cars, double-decker 'Superliners' used elsewhere in the country. Penn Station handles 35 percent to 40 percent of Amtrak's ridership.

Changing the public's image of Amtrak sleeper cars could have a big payoff. Amtrak has a goal of self-sufficiency by 2002 for its operations, although it would still require federal assistance for capital expenditures. Getting there requires boosting ridership with gleaming new trains and a network of travel agents willing to promote them.

'A lot of travel agents who are selling our products simply have the old equipment in mind and they're reluctant at times to even sell it,' said Thomas Downs, chief executive of Amtrak.

The railroad company already gets 35 percent of its bookings from travel agents but is trying to increase that level by making trains available for viewing in various cities and by holding firm on its 10 percent commission to travel agents. The airline industry reduced commissions to travel agents last year.

Persuading more riders to take sleeper cars would significantly boost revenue for Amtrak, as sleeper cars command a higher ticket price. A regular round-trip coach fare for two people from Washington to Atlanta, for example, is currently $410, while the Viewliner sleeper car fare is $702 for two people in a standard compartment, including breakfast and dinner. The deluxe bedroom fare is $832.

Amtrak officials said they hope the new sleeper cars in the Northeast will allow the company to tap the huge business travel market -- it has even dubbed its Crescent train, which runs from New York to New Orleans, the 'Southeast Shuttle.' Several travel agents said they would be most likely to recommend the new sleeper cars to families and older people.

Carol Shell of H.B. Travel in Lanham said the railroad would have better luck booking business travelers if each sleeper compartment had a phone jack to hook up a computer. 'I won't book the old sleeper trains unless someone insists, but I would definitely book someone on the new one,' she said.

That kind of attitude has prompted Amtrak to order about $1.5 billion worth of new trains and locomotives over the past five years.

Caption:

From top, at Union Station, Amtrak's John Long greets Shanaz Fiesler, 5, of Annapolis, who later tried out a new sleeping car. Travel agent Susie Kofler, bottom, checks out the new cars.

Access No: 96734945 ProQuest - The Washington Post Ondisc
Title: THE FEDERAL PAGE - AS CONGRESS RETREATS ON AMTRAK, LONG-DISTANCE SERVICE MAY SUFFER
Authors: Don Phillips, Washington Post Staff Writer
Source: Washington Post, Final Edition
Date: Tuesday Jul 16, 1996 Sec: A SECTION p: 13
Length: Long (874 words) Type: News National
Subjects: Federal budget; Trains
Companies: Amtrak; Congress

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Access No: 96734945 ProQuest - The Washington Post Ondisc
Title: THE FEDERAL PAGE - AS CONGRESS RETREATS ON AMTRAK, LONG-DISTANCE SERVICE MAY SUFFER
Authors: Don Phillips, Washington Post Staff Writer
Source: Washington Post, Final Edition
Date: Tuesday Jul 16, 1996 Sec: A SECTION p: 13
Length: Long (874 words) Type: News National
Subjects: Federal budget; Trains
Companies: Amtrak; Congress

Abstract: A year after passing a budget designed to modernize Amtrak and put it on sound financial footing by 2002, Congress appears to be backing away from the plan. The result is likely to be a severe cutback in long-distance passenger train service in the next fiscal year.

Article Text:

A year after passing a budget designed to modernize Amtrak and put it on sound financial footing by 2002, Congress appears to be backing away from the plan.

The result is likely to be a severe cutback in long-distance passenger train service in the next fiscal year, and possibly a slowdown in planned upgrades to the Washington-Boston Northeast Corridor that would allow 150-mph operation in new trains. According to Amtrak's friends and foes, a continuation of the trend over the next few years likely would mean an end to all or most long-distance train service, with passenger service limited to the East and West Coast corridors, plus whatever service states would be willing to finance. Sleeping and dining cars could become a thing of the past.

Senate Majority Leader Trent Lott (R-Miss.) and other heartland legislators have said repeatedly they would not support continuation of Amtrak if it did not maintain a national system. Eastern states could have to take over the Boston-Washington corridor if the long-distance system collapsed.

The House-passed 1997 Amtrak budget slashed the planned $922 million to $542 million. Of that amount, $200 million was for operating subsidies, $50 million less than Amtrak's request. Some $120 million was appropriated for capital improvements, but that is just enough to cover debt payments and mandatory improvements such as environmental mitigation.

House Appropriations transportation subcommittee Chairman Frank R. Wolf (R-Va.) acknowledged that Amtrak probably would go out of business eventually should the House budget prevail. He said the corporation's only hope is for Congress to pass a dedicated source of funding such as half a cent of the federal gasoline tax.

'If there isn't one, Amtrak is going to go under,' Wolf said as the transportation appropriations bill passed.

However, there appears to be little chance that a gasoline tax bill will pass. There is strong opposition to taking half a cent from the portion of the tax going to highway construction, and Wolf ruled out any arrangement that would affect mass transit's portion of the tax.

'We've got a lot of discussion about the half cent, but we don't have a revenue bill,' said Amtrak President Thomas Downs.

The Senate Appropriations Committee begins work on Amtrak's 1997 budget today and there are indications that the Senate will be kinder to Amtrak than the House, but not sufficiently to avoid deterioration.

Sources said the Senate committee is unlikely to recommend more in operating subsidies than the House, meaning that long-distance train cuts are likely to go forward next year. However, the sources said the Senate probably would be more generous with capital funds, particularly for the Northeast Corridor. But the capital grant still would be below Amtrak's request.

Downs said Senate Appropriations Committee Chairman Mark O. Hatfield (R-Ore.) is sympathetic to Amtrak, 'but he has real restraints.'

Meanwhile, House-passed legislation to allow Amtrak to cut costs further, including labor costs, has bogged down in the Senate over the question of legal liability. Sen. John Breaux (D-La.) has tied up the bill, demanding that the liability provisions be removed.

Amtrak made deep cuts in its long-distance service because of 1996 budget cuts. Downs said he anticipates that the 1997 budget will mean 'three or four major routes will be eliminated,' beginning with the system's poorest performer, the Denver-Seattle Pioneer. Other cuts must await a detailed analysis, he said, and will be announced in Amtrak's business plan, due by Oct. 31.

But Downs said the more serious problem is a lack of capital funding. Under the 1995 budget agreement, Amtrak is supposed to receive sufficient capital to allow it to cut operating costs and enhance revenue, ending all operating subsidies by 2002.

Downs said Amtrak so far has kept its part of the bargain by cutting expenses from $2.4 billion in 1994 to $2.24 billion in 1996 and increasing revenue from $1.4 billion to $1.5 billion. But without new capital funding, in 1998 'the railroad starts to collapse.'

The General Accounting Office, in a report being circulated on Capitol Hill, basically agreed with Downs. 'The most important factor underpinning Amtrak's program for achieving its long-term goal of operating self-sufficiency is that capital funds must be available so that it can make the investments needed to provide an attractive and competitive service and thereby significantly increase its revenues,' the GAO report said.

The agency said it is too early to tell if Amtrak will reach its long-term goals because they are based on at least $3.2 billion in federal capital support, large revenue increases, completion of New York-Boston improvements, increased productivity through labor concessions and increased state support.

The GAO said Amtrak got off to a good start on slashing expenses and increasing revenue in 1995, cutting its deficit $171 million by route cuts, management cuts and fare increases. But severe weather meant revenue in the first two quarters of fiscal 1996 'are below target and expenses are higher than planned.'

Overall, however, the news was not good for Amtrak's long-distance trains. Of Amtrak's three business units, the Northeast Corridor and West Coast units exceeded their 1995 savings and are projected to meet 1996 targets. But the Intercity unit, which operates almost all long-distance trains and 80 percent of passenger train route miles, is 'substantially over budget.'

Access No: 95692352 ProQuest - The Washington Post Ondisc
Title: THE FEDERAL PAGE - FOR AMTRAK, A DOLLARS AND HALF-CENTS ISSUE; CONGRESS WEIGHS TAPPING GASOLINE TAX FUND
Authors: Don Phillips, Washington Post Staff Writer
Source: Washington Post, Final Edition
Date: Friday Dec 15, 1995 Sec: A SECTION p: 23
Length: Long (1002 words) Type: News National; Series
Illus: Photograph
Memo: THE BUDGET BATTLE: WINNERS AND LOSERS. Occasional series.
Subjects: Sales taxes; Gasoline; Business growth; Railroads; Government subsidies
Companies: Amtrak; Congress

Abstract: Congress will decide whether Amtrak will receive a half-penny per gallon of the federal gasoline tax,

determining whether the corporation will modernize and possibly grow, or whether it will continue to decline.

Article Text:

Not since President Richard M. Nixon ignored the advice of his top aides and signed a bill creating Amtrak a quarter-century ago has a decision held so much importance for the U.S. passenger rail service as the one Congress will make soon.

The question is whether Amtrak will receive a half-penny per gallon of the federal gasoline tax. The answer will determine whether the corporation will modernize and possibly grow, or whether it will continue to decline. For years, Amtrak presidents W. Graham Claytor Jr. and now Thomas Downs have asked Congress for an assured stream of capital funds for new locomotives, passenger cars, maintenance facilities and stations. In exchange, they said, a more efficient Amtrak gradually could wean itself from federal operating subsidies. But year after year, proposals to tap gasoline tax funds have been laughed off Capitol Hill.

Now a Republican Congress has decided Amtrak will wean itself of operating subsidies anyway. The phaseout period is still not yet certain, but the House budget plan assumes no federal funding for Amtrak by 2002, and the fiscal 1996 appropriations bill slashed Amtrak funding by 25 percent to $750 million. Of that, $185 million is for operating subsidies, down from $392 million in 1995.

Without the capital funding that would be provided from the gas tax or some other source, it is unlikely Amtrak will be able to maintain a national rail system.

'To make a decision on no capital is to make a decision on no Amtrak,' Downs said.

The half-penny would produce about $2.8 billion over five years for capital expenditures. Together with growing subsidies from states that want to maintain train service, this could be enough to do without federal operating subsidies, Downs said.

Arguing that roads are sorely underfunded, highway interests have successfully shielded the highway trust fund from an Amtrak raid, turning back earlier proposals to allow states the flexibility to use highway funds for Amtrak.

And the American Public Transit Association has lobbied hard against using funds from the transit portion of the highway trust fund.

Consequently, the transit-Amtrak battle has taken on the look of two starving dogs fighting over scraps of meat. The transit community is unpersuaded by a Senate plan automatically to cut off payouts to Amtrak if the fund -- now at about $10 billion -- starts sinking too low to support transit projects.

'It makes no sense to rob Peter to pay Paul when both transit and Amtrak don't have enough,' said Chip Bishop, executive director of the transit association.

Nonetheless, an odd combination of political maneuvers has given the half-penny proposal a fighting chance this year.

First, there is the 'Mississippi connection.' Senate Majority Whip Trent Lott (R-Miss.) became an Amtrak partisan early in the year under a heavy lobbying campaign by Mayor John Robert Smith of Meridian, who has become a leader in the 'save Amtrak' movement.

Then there is the 'Delaware connection.' When former Sen. Bob Packwood (R-Ore.) resigned from Congress and Sen. William V. Roth Jr. (R-Del.) took over as chairman of the Senate Finance Committee, a foe of the half-penny proposal was exchanged for a partisan. Roth's committee has approved the plan, and it has become one of his year-end priorities. Gov. Thomas R. Carper (D), another Amtrak partisan, is pushing Roth.

But the key player has now become Rep. Bud Shuster (R-Pa.), chairman of the House Transportation and Infrastructure Committee.

Basically, if Shuster and Roth come to a meeting of the minds, it is all but certain the proposal would be folded into the budget reconciliation bill working its way through Congress.

Shuster said early on that the highway trust fund would be used for Amtrak 'over my dead body.' But he said he was willing to listen to a plan to take the money from the transit portion of the trust fund.

That is what the Senate plan would do. On Oct. 1, the 2 1/2 cents of the 18-cents-per-gallon federal gas tax that had been going into the Treasury for 'deficit reduction' automatically reverted into the trust fund.

The Senate plan would take a half-cent of that amount, which normally would go into the mass transit portion of the fund, and give it to Amtrak.

After sitting on the sidelines for months, Shuster has signaled he is willing to consider a deal. He said in an interview this week that his staff is looking carefully at details of the plan to be certain it would not affect highway funding. He said he also must have assurances that no effort will be made in the future to transfer highway funds into the mass transit account.

'I've got to have an oath signed in blood,' he said.

Shuster said his second requirement was that the proposal be tied to the 'reforms' in the Amtrak authorization bill that his committee produced and that passed the House, 406 to 4, last week. That includes a number of labor amendments including one requiring Amtrak unions to negotiate with Amtrak to 'contract out' work normally done by rail union members.

Earlier this week, Downs announced Amtrak had more than met its fiscal 1995 business plan, cutting 16 percent of its train service and reducing employment by 1,553 people.

At the same time, ridership has held up as passengers shifted to other trains or traveled on other days of the week when a route was cut back from daily service to three or four times a week.

Amtrak supporters say that without capital improvements, the rail service can continue to operate a national system for perhaps a few more years, but not forever.

'The absence of the half-cent sends us on a slippery slope,' said Ross Capon, head of the National Association of Railroad Passengers. 'You may not really know how bad things are till you wake up one morning and it's on the verge of collapse.'

Caption:

Supporters say that without capital improvements, Amtrak can continue to operate a national rail system for perhaps only a few more years.

Access No: 95652577 ProQuest - The Washington Post Ondisc
Title: HOUSE PANEL VOTES TO KEEP CURRENT AMTRAK SUBSIDIES; BILL ALSO ALLOWS HIGHER CHARGES IN NORTHEAST
Authors: Don Phillips, Washington Post Staff Writer
Source: Washington Post, Final Edition
Date: Friday May 26, 1995 Sec: A SECTION p: 24
Length: Medium (643 words) Type: News National; News MD
Subjects: Public transportation; Government subsidies; Trains; Rates
Companies: Amtrak

Abstract: Amtrak's political renaissance rumbled along as a House subcommittee voted to continue federal subsidies at their current levels through 1998 while allowing Amtrak to

increase charges to Maryland and other northeastern states for commuter trains.

Article Text:

Amtrak's political renaissance rumbled along yesterday as a House subcommittee voted to continue federal subsidies at their current levels for three more years while allowing Amtrak to increase charges to Maryland and other northeastern states for commuter trains. Charging Northeast Corridor states more is one of the key demands of members of Congress from the rest of the country, where states have been forced to pay extra to keep trains running after Amtrak proposed their abandonment.

An amendment to retain the current ceiling on payments from Northeast Corridor commuter authorities was defeated 10 to 6. The Northeast Corridor is Amtrak-owned track between Washington and Boston.

How much more Maryland and other corridor states would have to pay for commuter train operations would depend on negotiations with Amtrak. But if the provision survives the legislative process, states have estimated there could be as much as a doubling of the $60.2 million they paid in fiscal 1994. Maryland's bill that year was $4.4 million. Virginia Railway Express is unaffected because it does not operate north of Washington.

John Agro Jr., administrator of the Maryland Transit Administration, said his state has a stake in Amtrak's survival, but 'obviously anything that increases our operating costs in any fashion, we would not be supportive of. We think this is a federal responsibility.'

The overall Amtrak authorization in yesterday's actions by the railroad subcommittee of the House Transportation and Infrastructure subcommittee tracks the three-year, $772 million per year level passed earlier in the House budget resolution, making House passage likely. Final numbers will be set in later appropriations bills, however.

The bill would squeeze more money for Amtrak out of states and organized labor, while giving Amtrak new limits on legal liability and greater flexibility in dropping or adding routes.

Organized labor was dealt a setback, with the subcommittee voting to negate collective bargaining agreements against contracting-out of maintenance work and imposing a negotiations deadline on Amtrak and its unions to chop back severance payments to laid-off workers, which now can last as long as six years.

Rep. Susan Molinari (R-N.Y.), subcommittee chairman, said the labor cuts are a bitter pill for Congress and Amtrak, but the subcommittee will not be able to win House support for the subsidy package if there are not changes that will allow Amtrak to cut expenses, including labor costs.

'Those [subsidy] numbers are why I am so determined to get a bill through with these major reforms in it,' said Molinari, whose constituency has a strong labor component.

As the Republican-controlled Congress convened early this year, Amtrak's entire subsidy was considered a prime budget target. Budget Committee Chairman John R. Kasich (R-Ohio) suggested privately that the corporation could be 'zeroed out,' and Speaker Newt Gingrich (R-Ga.) said Amtrak might be 'privatized.' But the passenger train corporation's fortunes took a dramatic turnaround when mayors and governors staged a major lobbying campaign.

As a member of the Budget Committee, Molinari played a key role in convincing Kasich that it would cost more to shut down Amtrak than to keep it going because of such factors as major labor protection payments to employees.

The Budget Committee voted to phase out Amtrak over the next seven years, but to the delight of Amtrak officials, that phaseout wouldn't start for three years. The Amtrak provision passed the House as part of the overall budget bill.

The extent of Amtrak's popularity on Capitol Hill came through clearly yesterday when subcommittee members expressed surprise that the authorization levels in Molinari's bill did not quite come up to the levels of the budget bill. The subcommittee voted 16 to 0 to increase funding to the maximum allowed by the budget resolution.

'If Amtrak ever needed money, it needs it now,' said Rep. Sherwood L. Boehlert (R-N.Y.), in supporting the amendment offered by a Democratic colleague, Rep. Bud Cramer of Alabama.

Access No: 95643302 ProQuest - The Washington Post Ondisc
Title: JONATHAN YARDLEY - TRAINS OF MISGUIDED THOUGHT
Authors: Jonathan Yardley
Source: Washington Post, Final Edition
Date: Monday Apr 10, 1995 Sec: D STYLE p: 2
Length: Long (1079 words) Type: Column
Subjects: Government subsidies; Railroads
Companies: Amtrak

Abstract: Jonathan Yardley revisits a topic he addressed 13 years previously: the deterioration of Amtrak, commenting that the nationalized public railroad has become one of the fattest pork barrels around since the GOP takeover of Congress.

Article Text:

Thirteen long years ago, almost to the day, this space was devoted to reluctant but emphatic criticism of the National Railroad Passenger Corp., a k a Amtrak. Acknowledging that 'in some important respects Amtrak has indeed improved,' I nonetheless saw no choice except to conclude that 'Amtrak simply doesn't work' and that, on ample evidence, a more suitable name for it would be Don't-Give-a-Damtrak.

That was a baker's dozen years ago. Those years have seen a steady deterioration in Amtrak's tracks and equipment, as well in as the quality and courtesy of its service. Oddly, though, this decline has not been accompanied by the concomitant decline one would expect in congressional support for Amtrak. Even the new Republican majority, whose members' zeal for budgetary search-and-destroy missions seems to know no bounds, looks the other way when it comes to Amtrak. The nationalized public railroad has become one of the fattest pork barrels around. As such it provides stunning evidence of hypocrisy not merely here in the capital, where duplicity is assumed to be intrinsic, but out there in the great heartland as well, where rustics and provincials delight in contrasting their own sturdy responsibility with the capital's pervasive venality.

Not that this should come as any real surprise, but it turns out that Middle America is every bit as capable of self-serving hypocrisy as Inside-the-Beltway Washington. Never mind that hardly anyone out there actually uses passenger trains. They, or at any rate the most vocal of them, demand Amtrak service as their right even as they demand that their federal taxes be cut to rock bottom. Amtrak service has become the boondocks equivalent of the big-city big-league sports franchise: If you haven't got one, you're out of it.

All of which explains why last week's announcement of cutbacks in Amtrak service -- the second such announcement in two months -- fell so far short of addressing Amtrak's problems in a direct, responsible manner. What needs to be done is simple: Close Amtrak down and offer it, in whole or in parts, to the highest bidder. What was done instead was merely the same old same old: cuts in train service but not, with a few trivial exceptions, in routes. Amtrak claims that it will save $173 million in the current fiscal year, but it really isn't saving anything. It will still be running decrepit trains on outmoded tracks; it just won't be running some of them quite so often.

That the new Republican majority not merely countenances but supports this evasion of responsibility provides a revealing comment on its own hypocrisy. The members of the new majority are against government, it seems, only when they dislike what government does. They don't like 'welfare mothers,' whom they assume to be opportunistic leeches upon the body politic, so they cut them off. They do like subsidized public passenger trains that serve, if 'serve' is the word for it, communities in their districts, so they collaborate in the perpetuation of those trains. The next time one of these people rises to lecture us on fiscal responsibility, reach for the salt shaker.

According to Thomas Downs, president of Amtrak, with the latest round of cutbacks 'we're down to what we think is the defensible foundation of rail-passenger service in this country.'

It all depends on who's doing the defending, or the defining. There are those, among whom for many years I was numbered, who believe that rail service is so important not merely to our overall transportation network but also to our sense of national unity that government subsidy is wholly justified; presumably it is these to whom Downs refers, and presumably they would agree with him that we are now down to a minimum below which we must not go.

The contrary view is that it is not the responsibility of a representative government to provide its constituents with a service that, as they have made abundantly plain through their behavior, they do not want. The truth is that the 'constituency' for nationalized passenger rail service to which Congress so routinely capitulates is a chimera. In 1993 Americans spent nearly $500 billion on transportation, ranging from new cars to bus and cab fares; they spent less than $700 million of that on intercity, non-commuter rail travel. Given that a great part of that $700 million surely was spent in the heavily traveled Boston-New York-Washington corridor, it is clear that passenger rail travel is a barely visible blip in the overall travel picture.

It is true that government spends money on other services that have relatively small constituencies, but it is difficult to think of one in which outgo is more disproportionate to demand than Amtrak. Apart from the Northeast Corridor and perhaps the Los Angeles-San Diego route, passenger trains now mainly serve railroad sentimentalists, fearful fliers and rubberneckers. That they do so at public expense flies in the face of just about everything that Americans allegedly believe government should do.

One may consider it both regrettable and shortsighted, as indeed I do, that Americans choose to travel primarily by private automobile, but that is the choice they have made and that explains why the highway infrastructure receives so much government support. Ditto for the airway infrastructure; Americans decided years ago that for intercity travel, especially business travel, they preferred the antiseptic efficiency of planes to the cozy inefficiency of trains, and government responded accordingly. If anything, it can be said that, weighed against a clear lack of genuine public demand for passenger train service, government has provided excessive subsidy rather than, as the Amtrak lobby claims, insufficient support.

These are the words of a railroad sentimentalist. I am old enough to remember white napkins and red roses in the dining cars of the New York, New Haven & Hartford, and I still miss them. I think a high-speed train is a far more sensible way to travel between the closely packed cities of the Northeast than a plane. But I no longer believe that it is Washington's job to coddle me in my nostalgia. Not merely that, but after a quarter century of running a railroad, Washington has proved beyond any reasonable doubt that it has no idea how to do so.

Put Amtrak on the block. Private interests will buy it, kill the unprofitable routes and bring the workable ones up to speed. Privatization is hardly the answer to all of government's problems, but in Don't-Give-a-Damtrak's case it's the only answer.

Access No: 95641351 ProQuest - The Washington Post Ondisc
Title: AMTRAK IS PROVING TOO THICK-SKINNED FOR AX; SUPPORT BY CONSTITUENTS ACROSS COUNTRY GIVES GOP BUDGET-CUTTERS SECOND THOUGHTS
Authors: Don Phillips; John M. Goshko, Washington Post Staff Writers
Source: Washington Post, Final Edition
Date: Friday Mar 31, 1995 Sec: A SECTION p: 3
Length: Long (1062 words) Type: News National
Illus: Photograph
Subjects: Federal budget; Government subsidies; Constituents
Companies: Amtrak; Republican Party

Abstract: Amtrak, which will receive $1 billion in federal subsidies in 1995, proved to be more popular with constitutents than Congress or the states had thought, thus avoiding GOP budget cuts.

Article Text:

Amtrak was supposed to be a big fat target for Republican budget-cutters. But a funny thing happened on the way to the chopping block: Amtrak, which will receive $1 billion in federal subsidies this year, proved to be more popular with constituents than Congress or the states had thought.

After the Republicans took over Congress this year, House Budget Committee Chairman John R. Kasich (R-Ohio) proposed to fellow GOP lawmakers that Amtrak be high on the list of programs to lose federal subsidies. But an informal bipartisan team of governors and mayors came together to fight for continued government-aided passenger rail service in their areas. The support they generated, and a willingness by the states to pay a share of the costs, prompted Kasich to retreat from his original plan of 'zeroing-out' Amtrak.

Leaders of the fight to save Amtrak such as Philadelphia Mayor Ed Rendell and Wisconsin Gov. Tommy G. Thompson (R) argued that if Congress cuts off all funding to Amtrak, the United States would be the world's only industrial nation that does not provide governmental help for passenger rail service.

But even Amtrak's supporters such as House Transportation and Infrastructure Committee Chairman Bud Shuster (R-Pa.) warned them federal support would diminish. 'If the states think it's important, then let them belly up to the bar,' Shuster said.

Circumstances forced states to take action. Running out of money, the Amtrak board of directors voted to cut train frequencies on several routes on Feb. 1, and to kill others beginning Sunday, including Chicago-Milwaukee, Chicago-Grand Rapids, San Jose-Sacramento, Birmingham-Mobile, St. Louis-Kansas City, Philadelphia-Harrisburg, Philadelphia-Atlantic City and New York-Montreal.

Another round of cuts is to be announced next Thursday.

Amtrak and Congress were surprised at the states' reaction to the first round of cuts, since the conventional wisdom in political circles had been that rail service was of major importance only to travelers in the Northeast corridor stretching from Boston through New York, Philadelphia, Wilmington and Baltimore to Washington.

Rendell noted Amtrak is one of the three principal means of travel in that corridor along with the air shuttles and Interstate 95. He said more people make intercity trips on Amtrak than by air.

But it turned out Amtrak had strong supporters in other parts of the country. One by one, governors and legislatures put their money where their trains were, beginning with Thompson of Wisconsin who came up with money to keep some Chicago-Milwaukee trains going.

Others who joined the lobbying effort were Meridian, Miss., Mayor John Robert Smith, speaking for the South and small cities and rural areas; Delaware Gov. Thomas R. Carper (D), who is the governors' representative on the Amtrak board; and, to a lesser extent, the GOP governors of Michigan and Illinois and the Democratic governor of Missouri.

California, Missouri, Pennsylvania, and Vermont also came through with the necessary funds. Alabama, Mississippi and Louisiana are negotiating to keep Birmingham-Mobile running and to restore tri-weekly Atlanta-New Orleans service to daily.

The decision was tougher for some states than others. California's additional $850,000 payment is small compared to its huge state budget, but the $581,000 Vermont has agreed to pay to keep service going to St. Albans is a major investment for that sparsely populated state. The train, formerly the Montrealer, will be called the Vermonter because it will no longer go to Montreal but will make stops at principal resorts and ski areas.

'Vermont was the most significant to us,' said Amtrak President Thomas Downs, because it shows states will make fiscally painful decisions to keep trains running.

Smith of Meridian has surprised Congress with his enthusiastic lobbying. His town of 42,000 lost daily service in the first round of cutbacks, and now is visited by three trains a week each way between New Orleans and New York.

'For great numbers of people in our region, flying is not an option,' Smith said. 'Either the service isn't there, or it's too expensive. We must have a national, not a regional transportation system. It is critical for economic development. And, most importantly, it has a personal face. You're wrong if you look at the problem as running a railroad. What's really at stake is giving mobility to people.'

Smith has the ear of Sen. Trent Lott (R-Miss.), the majority whip and chairman of the surface transportation subcommittee of the Senate Commerce, Science and Transportation Committee.

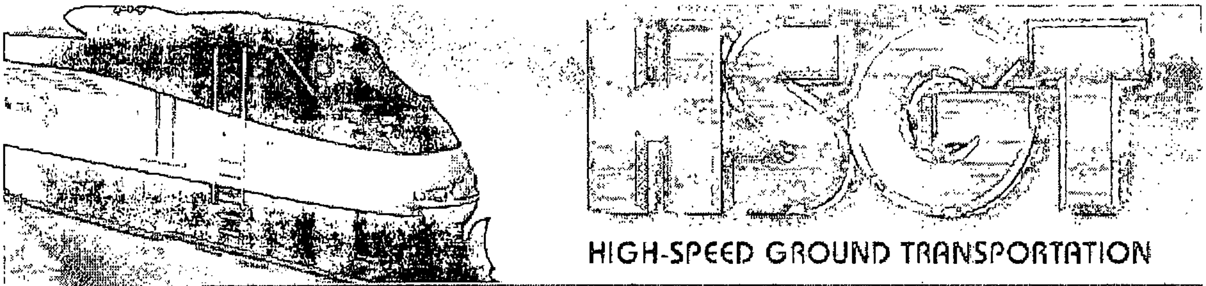
Lott, who has become an Amtrak supporter after realizing how popular it is in Mississippi, persuaded Amtrak to hold public forums to drum up public backing for Amtrak. One was held Tuesday in Racine, Wis., and others are scheduled for Meridian, Philadelphia, Sacramento, Seattle, Cleveland and Dallas and hosted mostly by governors and mayors.

In the meantime, a bipartisan group of 122 senators and House members representing all sections of the country signed a letter to Kasich and Senate Budget Committee Chairman Pete V. Domenici (R-N.M.) urging continued federal support and saying Amtrak 'is not a luxury but a basic component of our modern society.' The signers were as diverse as Sen. Daniel K. Akaka (D-Hawaii), whose state has no Amtrak service, and Sen. Joseph R. Biden Jr. (D-Del.), who rides Amtrak home regularly.

The lobbying appears to be having an effect. Kasich has now retreated from the idea of 'zeroing-out' Amtrak, and instead has suggested a gradual phaseout of operating subsidies with some capital subsidies continuing.

'That was a bullet we dodged,' Downs said. 'That gave us enough room to be alive, at least in 1996.'

But there are plenty more bullets coming before Amtrak can declare



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High Speed Ground Transportation Corridors

The Northeast Corridor

Commercial Feasibility Study: Northeast Corridor

Amtrak's program to bring high speed rail passenger service to the New York City/Boston market by October 1999 has hit full stride. During the 1996 construction season the following work was accomplished: completed the installation of concrete ties, modernized the 1940-era signal system, and installed centralized traffic control between Boston and New Haven, CT. Work to replace open-deck railroad bridges with new ballast deck structures is over 60% complete, five high speed interlockings are operational, and critical congestion relief projects are progressing. Electrifying the final 156 miles of the 457 mile Washington, DC/Boston, MA corridor, the segment between New Haven, CT, and Boston, began with a construction groundbreaking ceremony in July. When work is completed in early 1999 trip times between New York City and Boston will be reduced dramatically because the time to switch locomotives at New Haven will be eliminated and because of the faster accelerating capability and higher speeds of electric locomotives.

In March, Amtrak awarded a $754 million contract to the consortium of Bombardier and GEC Alsthom for 18 US-built high speed tilting trainsets, 15 high-horsepower locomotives, and three new maintenance facilities. Design work is underway, and equipment manufacturing will begin next year. The all-electric trainsets will be capable of 150-mph top speeds. The 15 electric locomotives will replace the oldest of Amtrak's AEM-7 fleet used in conventional intercity service.

Amtrak's efforts to comply with Federal environmental mitigation requirements include steps to minimize noise, vibration and electromagnetic fields (EMF) levels along the rail line: stabilize and document historic structures: and to protect wildlife and natural resources. Programs have been implemented to minimize interference with freight and commuter rail traffic during and after construction, and to improve bridge operations and marine traffic management at Amtrak's five rail drawbridges crossing rivers in Connecticut.

In May 1996, responding to the report accompanying the Department of Transportation and Related Agencies Appropriations Act for FY 1996, FRA and Amtrak submitted Phase I of a Transportation Plan for the NYC-Washington segment of the NEC. It identified $2 billion in short-term investments needed to recapitalize this important asset, including modernization of the 60 year old electric traction system, and a variety of improvements to bring the tunnels serving New York City into compliance with current fire and safety codes. Phase II, to be completed in 1997, will address future needs in light of growing intercity and commuter demand. The Amtrak web site at www.Amtrak.com provides additional information.

Return to State Corridor Map

Press Office
30th Street Station
5th Floor South
Philadelphia, PA 19104
www.amtrak.com

FOR IMMEDIATE RELEASE
ATK-97-73
May 30, 1997
Contact: Rick Remington (215) 349-2735

HARVARD RECOGNIZES AMTRAK'S HIGH SPEED RAIL PROGRAM

PHILADELPHIA -- Facing an uncertain future with federal funding on the wane, how does Amtrak introduce world class high speed train service to America by the end of the century? That was the challenge Amtrak confronted in the midst of the biggest restructuring in its history. The solution Amtrak came up with has been recognized by the Ford Foundation and Harvard University's John F. Kennedy School of Government as a semifinalist contender in the prestigious Innovations in American Government Awards.

The contract Amtrak negotiated in March 1996 with Bombardier/GEC Alsthom to build 18 high speed trains for the Northeast Corridor emerged from a pool of more than 1,500 federal. state and local government initiatives submitted in the annual competition to advance to the semifinalist round. The Ford Foundation and Kennedy School in October will announce the 10 finalists, who each will be awarded $100,000 Ford Foundation grants.

"As the Innovations Awards competition enters its second decade, the challenge of providing value to citizens remains undiminished," said Professor Alan Altshuler, director of the Innovations program at the Kennedy School. "These semifinalists demonstrate that government can offer highly creative solutions to important public problems."

The high speed train procurement broke new ground by making the manufacturer responsible not only for building the trains, but maintaining them for up to 20 years at a fixed annual price. Typically, manufacturer warranties expire after just a few years on train equipment that can be expected to run in service for 25 to 40 years.

Under the high speed rail contract, Bombardier and GEC Alsthom will manage Amtrak employees to service the trains, and face financial penalties should mechanical failures cause train delays or cancellations. By combining the manufacture and longterm maintenance of the trains into a single package, the contractor's ability to earn profit is tied directly to the quality of the product and ability to prevent mechanical breakdowns during day-to-day maintenance.

"By structuring the contract this way, two world leaders in train manufacturing -- Bombardier and GEC Alsthom -- will share responsibility for the performance of these trains long after they leave the factory," said George D. Warrington, president of Amtrak's Northeast Corridor. "Our private partners have a financial stake in assuring that the quality of the trains that come off the assembly line equals or surpasses any high speed train in the world."

Bombardier, a Canadian-based company with 5,500 U.S. employees, has manufactured more than 3,000 rail cars for commuter railroads as well as bi-level Superliner coaches for Amtrak. GEC Alsthom is a Franco-British concern which manufactures the French TGV. Amtrak's high speed trains will be modeled after the TGV, but with major modifications in order to operate on the Northeast Corridor.

The $754 million contract to acquire the 18 high speed trains and another 15 high horsepower locomotives is privately financed to be repaid with passenger revenue earned when the trains go into service in late 1999. The contract is a key component of Amtrak's $2.4 billion high speed program, which includes federal funding under the Northeast Corridor Improvement Project for infrastructure improvements and electrification of the rail line between New Haven and Boston.

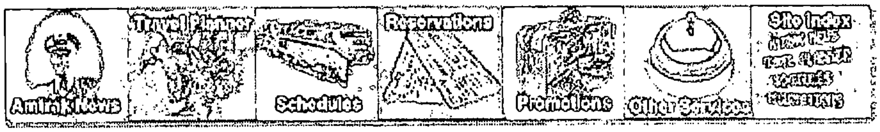
The structure of the contract enhanced Amtrak's ability to attract private financing for the train procurement. Because the manufacturer controls maintenance, they and their lenders are exposed to significantly less risk regarding the condition of the trains and their longterm ability to generate revenue and pay off the debt.

Another unique feature of the contract involves the role Bombardier and GEC Alsthom played in designing new maintenance facilities in Washington, New York and Boston. Each train will operate as a set with locomotives on the front and rear and six passenger cars, including a bistro food car, in between. One of the first steps has been the development of a specialized training program for Amtrak employees who will be supervised by the manufacturers as they service the new trains.

Numerous improvements have emerged during design of the new trainset maintenance facilities to enhance longterm reliability, such as:

> Features to accommodate Ajust-in-time" management of critical repair and replacement parts. This has resulted in designing expanded facilities to improve access to parts, speeding up maintenance work.
> Major components and systems, such as bathrooms and air conditioning systems, will be built as modular units that can be removed and replaced quickly as a singular unit.
> Durability and ease of cleaning have assumed greater importance in the design of interior fabrics, carpeting, seat cushion materials, restroom fixtures and similar components.
> Diagnostic systems that can pinpoint the source of failures have been designed and backup systems for major components are being incorporated.

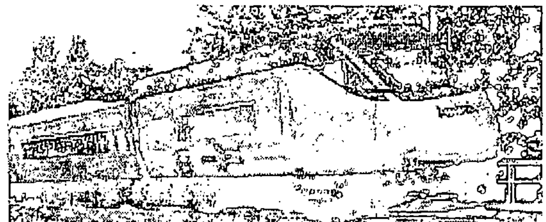
"When confronted by significant hurdles, Amtrak has repeatedly demonstrated creativity and innovation to keep this project moving on schedule," Warrington said. "We are honored that those efforts have been recognized by the Ford Foundation and the Kennedy School."



THREE STEPS TO MODERNIZE THE NORTHEAST CORRIDOR

The acquisition of 150 mph high speed trains marks the final step in a three-part program to upgrade service on the Northeast Corridor. Initiated by Congress in 1990, the program required that Amtrak prepare for high speed service by first upgrading the infrastructure and electrifying the Boston-to-New Haven "north end" of the Northeast Corridor. (Electrification between Washington and New Haven was completed in the 1930s.) The completion of the infrastructure and electrification work has been timed to coincide with delivery of the first high speed trains and is estimated to total $1 billion.

INFRASTRUCTURE IMPROVEMENTS



Amtrak has substantially completed much of the Boston-to-New Haven infrastructure work and intends to complete the remainder by 1999. The work includes improvements to the track, signals, bridges and interlockings.

The track work consists of installing 165 miles of continuous welded rail, replacing 360,000 wood ties with concrete ties, realigning 128 curves and installing five high speed interlockings. Thus far, 129 miles of the welded rail has been installed, nearly 285,000 of the ties have been replaced and all but 11 of the curves have been realigned. The ties and curve realignment are to be completed this year and the rail work is to be completed in 1998. All five high speed interlockings are in place.

Amtrak has finished all of the signal work, installing all of the reverse signals and opening a new computerized control center in Boston's South Station where all train movements on the Northeast Corridor between Boston and New Haven are controlled.

To make room for the installation of the overhead catenary electrical power system, clearances had to be increased between the tracks and overhead bridges, either by lowering the tracks or by raising or removing the bridges. Also, to provide for smoother travel, open bridge decks had to be replaced with ballasted bridge decks. Half of the 38 track undercutting projects are complete with another eight scheduled for 1996. One of the 16 bridge-raising projects is complete with another six on tap for this year. Of the 57 bridge ballasting projects, 28 are finished with seven more scheduled for 1996.

ELECTRIFICATION

Amtrak last year gained final federal approval and awarded the construction contract to complete the electrification of the Northeast Corridor from New Haven to Boston. A joint venture of Massachusetts Electric Co. and Balfour Beatty was awarded the $321 million contract and plans to start work in June. Amtrak has obtained all state approvals from Massachusetts and Rhode Island and applied for its final environmental permit from Connecticut.

High Speed Ground Transportation Policy Outreach

general, info:

HIGH SPEED GROUND TRANSPORTATION
POLICY OUTREACH

SUMMARY

6vvu/ovvu89b.html

Federal Railroad Administration
Office of Railroad Development

Washington, D.C.

HSGT Policy Outreach Meetings

November 22,
1995

TABLE OF CONTENTS

The Topical Summary is organized around the four areas identified in the Federal Register notice. It identifies the broad issues that were addressed under each topic, and

highlights those areas on which there was agreement and those on which opinions were divided, either within the region or across regions. For those issues on which opinions were divided, an attempt is made to capture the essence of the opposing points of view. Wherever possible, direct quotes are used to illustrate the findings.

The Regional Concerns section focuses on each meeting and highlights those issues that are unique to that region.

TOPICAL SUMMARYTOPICAL SUMMARY

THE ROLE OF HIGH SPEED GROUND TRANSPORTATION THE ROLE OF HIGH SPEED GROUND TRANSPORTATION

Participants at each of the sessions were asked if HSGT can fill transportation needs in a cost effective manner not met by their region's current transportation system. The universal response from participants at the outreach meetings was that there is a growing need for HSGT in congested inter-city corridors. Participants believe that *the current transportation system is "out-of-balance,"* with too much reliance on the automobile and aviation for inter-city travel.

Benefits

Travel congestion on the highways and at the airports is quickly outstripping the potential for expansion of these facilities. Traffic is increasing steadily, but the available space for handling that traffic is shrinking. HSGT offers the ability to absorb the excess demand at a greatly reduced cost when compared to the cost of airport expansion or adding lanes to crowded Interstates. *"The cost of building a new lane on I-95 between Richmond and Washington, if it could be done, would exceed the cost of building an additional rail line." (Secretary Martinez, Virginia DOT)*

Furthermore, HSGT is believed to be cleaner than automobile and air transportation, and to consume less foreign oil. Thomas M. Downs, President of the National Railroad Passenger Corporation, reported that, *"High speed rail service between New York and Boston is conservatively projected to reduce petroleum consumption by some 14 million gallons annually and reduce pollution in the region by up to 15 percent."*

A third significant benefit attributed to HSGT is its ability to revitalize downtown areas that have suffered the most from domination of the automobile. While highways have been blamed for breaking up communities and isolating individuals, construction of intermodal stations has brought new life to downtowns, and new economic hope for cities. There appears to be growing public support for mass transit and passenger rail service as a practical cure to many of the ills plaguing the current transportation mix.

Incremental Improvements

In each of the regions, planning, and in some cases implementation, is underway to bring improved passenger rail service to the selected corridors. Incremental improvements are being designed to benefit all potential users of the rail system, from commuter lines, conventional passenger lines and the freight operators. Emphasis is also being placed on expanding the reach of the rail systems, by linking areas that could feed the high speed rail line. The goal behind these efforts, in all cases, is to create a stronger market for HSGT by improving the level of service currently being offered. Success stories were cited in every region, demonstrating savings in travel time and other effects of improving train speeds, frequency, and reliability on ridership levels, as a well as on public support for new rail systems.

Intermodal Links

There was universal endorsement of the importance of linkages between HSGT and all other modes of public and private transportation. Links with other modes, through integrated multimodal terminals, are designed to provide more balanced, convenient and efficient transportation options for the traveling public. These linkages include:

" direct connections with airports, including direct baggage transfer;

" station locations on urban perimeters, to accommodate suburban auto traffic; and

" intermodal terminals providing coordinated scheduling between rail, bus, and transit systems.

Technologies

The technologies under consideration focus on non-electric engines and tilt-train technology that will allow modest to significant increases in speed with minimal changes to the existing infrastructure. While there were several references to *"real high speed rail"* with speeds of greater than 150 miles per hour, most participants focused on the short-term goals of increasing speeds to 90, 110 and 125 miles per hour.

Maglev was mentioned infrequently. The New York State Department of Transportation reported that their *"long term goal is to evaluate the feasibility of offering very high speed service (up to 300 mph) using Maglev technology between major urban centers."* The Florida Department of Transportation is open to consideration of any HSGT technology, including Maglev, for the Miami - Orlando - Tampa corridor. Other participants, however, expressed reservations about the feasibility of Maglev. The Empire State Passengers Association, from New York State, *"seriously questions whether magnetic levitation would be cost effective here. The only part of our corridor where the volume might warrant it -- New York to Albany -- is such a short stretch (141 miles) that the time saved is unlikely to justify the high cost. Maglev would be 45 minutes faster (than steel wheel on rail technology) but at $6 billion, it would be 20 times more expensive."*

Serious concerns were raised about the technology development program of the Federal Railroad Administration. While there was general agreement that new technology needs to be developed to handle the very serious grade crossing safety problems, opinions were divided about the merits of developing new train technologies as a part of an effort to build up a US rail manufacturing industry. Several participants, who believe that it is important to quickly implement some HSGT systems in order to prove that there is a market, argued that existing technology should be used because it has been developed and tested in Europe. Money that would be allocated to refining this technology might be better spent in support of construction and implementation, according to these participants.

Technology Development

Other participants argued strongly in support of the development of new technology, particularly in the form of non-electric engines and positive train control systems. *These technologies are viewed as "gateway technologies"* which are essential to accomplish even short-term improvements in speed and safety at reasonable cost.

PLANNING HSGT

PLANNING HSGT

Despite some impatience expressed about the prevalent tendency to continually defer implementation until the perfect plan is crafted, all of the regions are involved in serious HSGT planning efforts. The desire to actually implement change rather than just forecast it, however, has led most participating jurisdictions to begin to implement some improvements, even minor ones, as a means of building ridership and documenting potential demand for *"very high speed rail."* The Cascadia Corridor in the Pacific Northwest is one example of efforts to translate plans into specific projects that will yield short-term results **and** set the stage for achieving long-term speed goals.

Planning vs Implementing

Several participants stressed that an integral part of planning for HSGT involves setting realistic, but challenging, goals for overall levels of service, not just speed. The point was made in each of the outreach sessions, that frequent, reliable, but relatively slow rail service was more critical for market development than infrequent, unreliable, yet very fast train service. A Richmond participant stressed that you should promise less than what you actually hope to deliver because a failure in reliability could be devastating to market demand.

Inter-state Coordination

Inter-state coordination was raised as a problem in each region that is contemplating multi-state train corridors. Even in California, where emphasis is currently placed on intra-state rail service, participants anticipate the eventual need for improved coordination with neighboring states to the North and East. The problems appear most critical in the mid-west where most targeted city pairs involve crossing state lines. A primary obstacle is the inability of many state governments to spend money outside their borders. This problem is exacerbated by the tendency to look at HSGT from a state perspective rather than a pure transportation perspective. In the words of Nicolai Schusboe of the Midwest High Speed Rail Association, *"Technologies, operating speeds, travel times, and airport connections are only being assessed by the extent to which they serve intrastate political markets.*

There is virtually no assessment of interstate markets, connections, the impact of through service costs or ridership, airport connections in adjacent states, or the costs and benefits of technology selection on connecting interstate service."

Role of Federal Government

Five broad roles were identified for the Federal government with regard to High Speed Ground Transportation planning and implementation. These roles were universally supported by the participants in the outreach process.

Facilitating Funding

As would be expected, all participants are looking to the Federal government for some form of financial assistance for HSGT. This assistance ranges from major dedicated funding, equivalent at least to the support provided to the Northeast Corridor, to allowing the states flexibility in the use of existing transportation funds, to offering tax incentives as a means of bringing the private sector to the table.

Technology Development

While there was general agreement that the Federal government needs to spearhead some level of technology development effort because the states lack the resources, there was significant difference of opinion regarding the appropriate extent of that technology development effort. Many participants encouraged the Federal government to use whatever resources it may have for technology development to help build at least one high speed system. Other participants believe some technologies such as a high-speed non-electric engine, grade crossing barriers, and positive train control systems must be developed before any HSGT system can be successfully implemented.

Safety Standards

All participants view safety standards that are compatible with the new technologies being considered as essential, and believe the FRA should act quickly to establish them. Delays in this area will inhibit private sector involvement because of uncertainty about the regulatory future.

Coordination

For those participants looking for a national HSGT network, the Federal government needs to play a pivotal role in coordinating the elements of that system, including Amtrak as a possible operator of a national system. Those participants who are concentrating instead on multiple regional networks, are still looking to the Federal government for national leadership, information, advocacy support, and coordination of those elements that are linked to the national system such as ticketing and scheduling.

Barrier Removal

A variety of barriers were identified to the successful implementation of HSGT (These are discussed in detail under Implementation.) The Federal government is being sought by all the participants to facilitate the removal of many of these barriers, by such actions as setting a cap on liability damages, facilitating labor negotiations aimed at improved efficiency and streamlining the environmental review process.

Role of States

Participants in the outreach effort all agree that state governments are "in the driver's seat" when it comes to HSGT. The most critical roles that states should play include:

¨ Corridor selection:

¨ Route designation; ¨ Technology selection:

¨ Creation and management of joint ventures with the private sector;

¨ Management of multi-state joint ventures; and

¨ Accumulation of funds for the construction of the systems.

Role Of The Metropolitan Planning Organization (MPO)

As the jurisdiction closest to the ultimate users of the system, the MPO is expected to serve as the link to the consumer for HSGT in identifying the consumers needs. Participants at the outreach sessions are also looking to MPOs to link the HSGT system to other modes through the design of intermodal stations, and to otherwise support intermodalism through effective land-use planning.

Role of the Private Sector

Participants were practically unanimous that the private sector should operate the HSGT system and, ideally, should contribute to its planning and construction as well. There was less agreement on the circumstances under which the private sector would agree to "come to the table." According to an Albany participant, *"The private sector will play a role in HSGT, but only where the risk is definable and where the opportunity exists to make a small profit."* Because the size of the potential market and the risk to private investors is still unknown, the role of the private sector still appears to be speculative.

Right-of-Way (ROW) Preservation

There was a wide range of opinions expressed concerning the issue of ROW preservation for future HSGT operation. Most jurisdictions responding do not anticipate problems preserving ROW within their borders for future high speed use because they will be using routes that currently provide conventional passenger rail service or freight service. In other cases, states such as Michigan do not anticipate a problem because it has taken steps to ensure that the State had the right of first refusal on any railroad property sales.

The more critical preservation issue arises when a threatened route crosses state lines. North Carolina Deputy Secretary of Transportation, David D. King, commented that *"If essential corridors are to be preserved as HSGT route options, the importance of rail corridor preservation as a legitimate transportation (as opposed to recreational) activity, will have to be substantially increased."* He proposes *"creation of a Federal Rail Corridor Trust Fund for acquisition of threatened designated regional corridors when one or more states crossed by the corridor are unable or unwilling to act for preservation in a timely manner."*

Intermodal Connections

Intermodalism is at the heart of HSGT and appears to be at the heart of HSGT planning. All participants emphasized the importance of linking their HSGT system to existing transit, highway, and aviation systems in order to provide the traveler with a seamless travel experience. Most participants, in fact, went beyond co-locating terminals, to stress the importance of genuine coordination with integrated baggage handling, scheduling and information kiosks. The sentiment frequently expressed by the outreach participants is that HSGT offers the opportunity to demonstrate how all the modes can work in harmony, as a part of a truly balanced transportation system.

Participants offered strong support of intermodal stations, and not only for their contribution towards transportation efficiency. These stations are expected to stimulate economic growth in their surrounding neighborhoods and to generate sufficient revenue, through private sector investments, to cover the costs of construction.

Joint Use Corridors

Since most of the participating jurisdictions are planning for incremental improvements to existing rail lines, rather than construction of totally new routes, the issue of joint use corridors was not raised as a significant issue. Those states that did address the issue anticipated problems because of limitations in the already crowded highway rights of way. Problems that were identified include insufficient time frames within which to construct the HSGT infrastructure, such as under bridges, and the excessive curves that would preclude high speed travel.

Clearly, the foremost issue in planning high speed rail systems in this day, age, and national environment, is financing -- Illinois Dept. of Transportation.

FINANCING HSGT

The problem raised in all of the outreach sessions is that achievement of the HSGT dream will require hundreds of millions, if not billions of dollars, and those types of resources are no longer available from government sources. While many comparisons were made to the Federal investment in the interstate system and in the nation's airports, many participants realize that that level of federal financing is no longer feasible. Many others, however, expressed strong sentiment that the Federal government should make a comparable investment in HSGT.

Dedicated Federal Funding

A significant number of participants stressed that a stable, dedicated source of funds was the best way to assist and ensure HSGT investment. The Michigan DOT expressed a common sentiment that, *"The Federal government must play a leadership role in planning and financing a national system."* Wisconsin Secretary of Transportation Charles Thompson stated, *"If we are to proceed with High Speed Rail, we need to have some assurance that there will be a strong and long-term federal commitment -- including not just leadership, but also adequate federal funding."*

Some participants, however, felt that a new Federal investment program was unlikely to be established, given the current budgetary constraints. Some cited the lack of Congressional support for a separate program as the crucial problem, mentioning that the Clinton Administration had proposed and supported such a program in 1993 but without success in Congress.

Flexibility in Federal transportation funds has been proposed as a way to provide Federal support for HSGT as an alternative to a dedicated program. Under the current ISTEA legislation, intercity rail is the only mode of transportation excluded from flexibility, although, as some participants were aware, the Senate had supported flexibility for rail in its original ISTEA legislation. The National Association of Rail Passengers summarized this view by stating that "the Federal government should provide the same opportunities for investment in high-speed (and conventional) rail as it does for aviation and highways."

Flexible Use of Federal Surface Transportation Funds

Some regard this exclusion as a direct attack on HSGT from competing interests. "States and localities ought to have the right to choose the transportation investment they need, not one pre-determined by funding regulations and restrictions in Washington," said the Washington Association of Rail Passengers.

Several rail advocates are concerned, however, that giving the states greater flexibility to spend their federal funds does not ensure that it will be used to fund HSGT programs. A Portland participant articulated the concern expressed by many. *"Flexible funding is only as good as the people who have the power to choose."* One agency with the power to choose, the New York DOT, stated that *"The reality is that there are insufficient funds to maintain presently funded systems, let alone invest in new ones."* Anticipated cuts in Federal funding caused several participants to argue that the value of flexibility is greatly diminished by shrinking the funding pie.

Flexibility of funding is also complicated by the backlog of unfunded maintenance projects for highway, bridges, and local transit and commuter systems. If states have to choose between maintaining what they have or building a new system, which will also have to be maintained, many will choose the maintenance.

There were numerous discussions of the appropriateness of continuing dedicated trust funds for highways and airports while leaving *"rail to fend for itself."* While not unanimous, there was considerable support for the concept of a single Transportation Trust Fund, supported by an *increased fuel tax*, that could be used for any transportation related project. The National Association of Railroad Passengers argued that *"the current system only ensures that the modes with trust fund access get bigger... The general public wants a sensible transportation system where investments are based on need rather than on which specific mode collected the user fee."*

HSGT As Part Of The National Highway System

Several participants supported including HSGT corridors with parallel highway congestion in the National Highway System (NHS). Fred Nussbaum, of the Association of Oregon Rail and Transit Advocates, stated that *"HSGT should be able to directly compete with NHS highways in the same corridor for the same Federal funds."* The Washington Association of Rail Passengers said that *"the federal government should live by its own ISTEA policies by integrating rail into NHS planning initiatives."*

Federal Financing Assistance

Many participants chose to concentrate on other ways the Federal government could facilitate financing HSGT systems, in addition to either flexible funding or a dedicated fund. Several suggested reducing the speed floor of 150 miles per hour in the definition applicable to the issuance of tax-free bonds for HSGT systems. David King, North Carolina Deputy Secretary of Transportation, suggested that a new definition *"might be based on the ability of a rail system to **ultimately** be aviation-competitive on trip time."*

Other suggested forms of federal assistance included loan guarantees, tax incentives for private sector investments, establishing charters for multi-state authorities with bonding capabilities, and eliminating provisions that increase the cost of rail systems, such as Section 13(c) of the Federal Transit Act.

State Funding Options

Participating states reported considering a variety of alternative funding sources to support the public share of the HSGT costs. These include bonding authority, lottery revenues, user fees, congestion pricing schemes, increases to state gas taxes, and revenues from multi-modal stations. The State of Florida has committed to a $70 million annual funding stream starting in 1997 to support implementation of HSGT. Florida funds will be used to support all phases of project implementation and to cover operating deficits in the early years of system operations.

IMPLEMENTING HSGTIMPLEMENTING HSGT

The discussion on implementation of HSGT focused on the barriers that currently exist that must be removed in order to realize the full potential of this mode of transportation. Eight principal barriers were identified.

Liability

Liability was viewed by many as a the *"single greatest obstacle to the implementation of high speed ground transportation."* One alternative considered was a Federal cap on punitive damages, with a per person or per incident ceiling, as is done in the international airline industry. There appears to be strong support for liability insurance to be purchased at the Federal level to protect the national HSGT operator (if there is one), plus all regional providers, the railroads, the states and the general public.

"You cannot overestimate the legal, economic, and political costs of dealing with grade crossings." (Albany participant)

Grade Crossings

There was universal agreement that the Federal Government needs to take the lead in defining safety standards for HSGT and in developing the technology to offer low cost alternatives to grade separation or crossing closures. Many participants argued that until the safety standards are established, it is unreasonable to expect any significant progress in increasing average speeds above 79 miles per hour.

"The Federal government should be able to pre-empt state and local regulations that would preclude HSGT." (Albany participant)

Permitting Processes and Environmental Review

Several participants raised concerns that environmental reviews and permitting make it extremely difficult to build a HSGT corridor, or even to upgrade an existing rail line for high speed operation, especially on an interstate corridor. Several cited the lengthy environmental process Amtrak is undergoing, including a lawsuit, in upgrading the New Haven-Boston route, which has been a high density rail corridor for 150 years, and one suggested that *"incentives should be offered to states for eliminating restrictive regulations and procedures that slow the implementation of HSGT."* Some of these regulations not only hamper construction but also operation, including the speed limits on trains imposed by some localities. There was support for an active Federal role in dealing with these problems. There was clear support for the Federal government to examine these processes with the goal of streamlining them and removing redundancies and conflicts. Some suggested that the Federal government should coordinate the permitting process for HSGT projects, especially those that cross state lines. *"Too many agencies are involved in the regulatory review process."* said one Sacramento participant, *"There needs to be 'one-stop shopping' if we expect the private sector to become players."*

Rail Labor Issues

The issue of rail labor protection was raised most strongly by representatives of the railroad industry and of rail passenger associations. The Association of American Railroads unequivocally stated that *"the freight industry cannot absorb any costs that rail labor may seek to impose as a result of the planning or implementation of an HSGT project."* The Washington Association of Rail Passengers argued that *"archaic mandates and protections ... actually decrease the potential for growth of good union rail jobs."* Again, no specific solutions were offered but the Federal government was urged to address the problem.

State Restrictions on Spending

Some States cited specific restrictions that made it difficult for them to fully pursue HSGT. Connecticut is prohibited from spending any funds outside its border, thereby making it difficult to participate in any multi-state effort for HSGT in the Northeast corridor, such as improvements to Grand Central Station in New York City. The States of Oregon and Georgia highlighted restrictions on the use of the gasoline tax for any transportation project that is not part of the highway system.

State Supported Rail Service

There was near universal agreement that the Section 403 (b) program is no longer working. In most States it has been superseded by a negotiating process with Amtrak involving greater cost exposure for the States. The States believe that a new formula must be established for genuine cost-sharing and in order to lower the level of uncertainty about cost exposure.

Two points were repeatedly made at each of the outreach sessions. First, there needs to be a conventional passenger rail program in the United States if we are ever to have any hope of establishing a HSGT passenger system. An Albany participant noted that *"We must have a passenger rail system before we can have a high speed rail system. Therefore, Amtrak's survival is important to maintain the public's confidence in rail travel."*

The Role of Amtrak

The second point is that states must have the option of choosing a different operator for their regional HSGT system. If the private sector is being encouraged to bring its resources to the HSGT program, it should have the opportunity to compete with Amtrak for the right to operate regional HSGT systems.

The underlying question that was not resolved during the outreach sessions deals with the merits of a single national HSGT network versus regional networks. Most states wanted the freedom to proceed with their own plans, selecting their own technologies and awarding their own franchises. However, there was widespread support for an integrated national system, with consolidated ticketing and scheduling, and possibly a single operator. How to maintain regional independence within an integrated national system was never directly resolved.

Technology Development

As was indicated earlier in the discussion about the Role of HSGT, there is considerable concern about the FRA's technology development efforts. There is widespread support for efforts to develop a new non-electric locomotive, a positive train control system, and positive barriers for grade crossings. However, there is concern that FRA not reinvent existing European and Japanese technology in hope of establishing a US rail manufacturing industry. Many participants believe that effort to create a new industry could unduly delay the implementation of HSGT programs. Rather than develop new trainset technology, participants urged the FRA to facilitate the importation of European technology through the establishment of standards that are compatible with the International Railway Union (UIC) standards.

With regards to the desire to build up the American industry, the sentiment was expressed that you can't have an HSGT industry in the United States until you have an HSGT system. Once the market has been created, the industry will follow. The North San Diego County Transit Development Board representatives cited the light rail industry as an example. *"In the early 1970's the last American suppliers of cars exited the market. Today, with the re-emergence of light rail across the country, there are two North American suppliers of equipment."*

REGIONAL CONCERNSREGIONAL CONCERNS

There were several issues that emerged only in individual sessions because of unique circumstances in these regions. Because these single-region issues would be lost in a national summary, they have been highlighted to illustrate the regional differences that exist with regard to HSGT.

ALBANYALBANY

There is more interest expressed in Maglev in the Northeast than in any other region, perhaps because this area has already achieved a high speed rail system along the Northeast Corridor and on the Empire Corridor between New York and Albany. The New York State DOT (NYDOT) is seriously studying the feasibility of Maglev for passenger and freight service because of population densities and growing competition. As a result, NYDOT is urging the FRA to continue to pursue Maglev technology. NYDOT is also particularly concerned about the cutbacks in the level of Amtrak service on routes other than the Northeast Corridor. NYDOT also believes that reductions in the frequency of trains can undermine public confidence in passenger rail as a viable mode of transportation.

Two unique issues were raised at the Richmond meeting. First, the Virginia Department of Transportation (VADOT) strongly emphasized the need to provide service to Norfolk and the Hampton Roads areas as part of any HSGT corridor in the region. This area is experiencing dramatic growth and serious highway congestion problems. HSGT would according to VADOT contribute greatly to overall ridership on the corridor.

RICHMOND

The second issue was the importance of the freight industry in this region. Both Robert Martinez, Virginia Secretary of Transportation, and David King, North Carolina Deputy Secretary of Transportation, stressed that HSGT service could not be gained at the expense of the freight industry. This will require investments in track capacity to prevent conflicts with freight traffic and to fully respect freight rail carriers' property rights.

SACRAMENTO

Participants at the Sacramento meeting reported that the highway system in California is now complete, and HSGT is the next step in the development of ground transportation in the state. The California Intercity High Speed Rail Commission and the California Department of Transportation are undertaking five major planning studies, all leading to the development of a 20-year Intercity High Speed Rail Plan, which is expected to be complete by December of 1996. The same issues raised by the Federal Railroad Administration for the development of a national policy are being addressed by California in order to develop a position on the type of HSGT that is most appropriate to meet the needs of the State.

PORTLAND

The Pacific Northwest is very proud of its Cascadia corridor, as an excellent example of a true regional corridor that was planned independent of state and national borders. Based on their experience, advocates for this corridor argued very strongly on behalf of incremental improvements as the best strategy to build a market for HSGT. They believe that in the early stages of improvements, increases in trip frequency are much more critical than modest increases in speed. Because of the Oregon restriction on the use of fuel tax revenues, they believe that increased flexibility in the use of transportation funds is critical, both at the Federal and state levels. Participants expressed concern about the possibility of increasing flexibility if the organizations with the power to choose have not recognized the need for a balanced, multi modal transportation system.

ORLANDOORLANDO

HSGT's contribution to the revitalization of urban areas was stressed by the Mayor of Orlando, Glenda Hood, in her welcoming remarks to the Orlando meeting. The State is concentrating its planning on the Miami-Orlando-Tampa route, with future expansion to Daytona and Jacksonville. Intercity passenger travel, mainly highway and air travel, is growing at an annual rate of 3 percent. Since the State of Florida recognizes that it will not be able to build enough highways or airports to accommodate that growth, it has adopted a policy to limit the number of lanes to be provided on new or reconstructed interstate and other major highways. Instead it is looking to HSGT, which can be built at a fraction of the cost of building a new four-lane highway. Consequently, Florida has solicited proposals for a public/private venture to develop HSGT on the Miami-Orlando-Tampa corridor.

CHICAGO CHICAGO

Participants at the Chicago meeting are perhaps the most familiar with the difficulties of planning an HSGT corridor that crosses multiple state boundaries. The area is simultaneously looking at separate routes from Chicago--to St. Louis, Detroit, and Milwaukee. In each route, a different state is taking the lead on planning. The Midwest High Speed Rail Association strongly encouraged the Federal government to *"encourage, empower, and reward states and regions which join together and pool their resources to build high speed rail systems."* This could be accomplished, according to the Association, by providing special powers to interstate and inter-regional joint power authorities, including special bonding, tax, financing, eminent domain and regulatory authority. The problems involved with creating partnerships with the private sector were raised by the Illinois Department of Transportation, which suggested that the organizational cultures of a government agency and a private sector investor are so different that it would be difficult for them to become true partners unless some special exemptions were made to the normal rules and regulations that govern how state agencies are expected to proceed.

Since the Midwest was severely affected by the recent cuts in Amtrak service, incremental improvements to conventional passenger service were stressed as the critical first step in implementation of a high speed rail program. There is growing concern that public confidence in passenger rail service was seriously undermined by the cuts in service and that Amtrak must be made stronger.

NEW ORLEANSNEW ORLEANS

The participants at the New Orleans meeting raised several problems that were particularly acute in this region. Despite the rapid growth in the Deep South, the area is not adequately served by inter-city transportation modes. Three projects were mentioned as having top priorities for this area:

" a rail link between downtown New Orleans, its airport and Baton Rouge;

" a corridor east to Gulfport, Biloxi, Mobile, and Pensacola; and

ı a corridor to Houston.

In addition to providing much needed relief to the highway congestion in these areas, at least one official involved with emergency transportation felt that HSGT can serve as a significant component of the area's emergency evacuation planning, in the event of hurricanes.

Because any HSGT line in this region would cross multiple state lines, the participants at the New Orleans meeting stressed the importance of encouraging multi-state ventures. It was recommended by one participant that such a regional authority be modeled on the Tennessee Valley Authority.

Several participants indicated the need for this region to be designated as a high speed corridor.

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See high speed rail

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DATE: 9 / 18 / 97

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National Railroad Passenger Corporation, 455 Boston Post Road, Suite 206, Old Saybrook, CT 06475

Amtrak

July 25, 1997

QUARTERLY REPORT
AMTRAK'S HIGH-SPEED RAIL PROGRAM
Third Quarter FY 1997

The 1997 work season has brought significant progress in advancing Amtrak's goal of initiating high-speed rail service on the Northeast Corridor. Amtrak employees, undertaking extensive site preparation and track rationalization work for the new high-speed trainset maintenance facility at Ivy City, just north of Washington Union Station, have completed their work four months ahead of schedule. Electrification and other infrastructure work between New Haven and Boston and design of the new high-speed trainsets remain on schedule for the start-up and phase in of new high-speed rail service by the close of 1999. A summary of project work to-date is attached.

Electrification work is underway in Connecticut and Massachusetts, with some 17 drilling rigs in use to install pre-cast concrete catenary pole foundations. Other crews are installing catenary poles and wire. To date, 4,300 (of 14,000) foundations have been installed, along with 1,800 catenary poles and 200,000 feet of wire. The foundation and pole installation work will continue through next July, after which the remaining wire will be installed and the system tested. Work on 24 electrical supply and management facilities, including four substations, begins this fall.

Amtrak employees are undertaking significant work to support electrification and to implement requirements of the Final Environmental Impact Statement (FEIS). Work to increase vertical clearances under bridges – raising bridges or lowering the rail line – continues as a priority so as not to delay electrification construction. Work also continues to upgrade bridges, tracks and turnouts, which is necessary to support the higher speeds required to achieve three hour New York-Boston trip time. Three sidings in Connecticut required by the FEIS to minimize impacts on other users of the rail line are now under construction and will be completed this year.

Design of the new high-speed trainsets is progressing well. A premium First Class car has been added, and coach car and bistro interior designs have been finalized and tested with consumer focus groups. Production of the equipment begins this fall in Quebec, with the first work moving to Bombardier's Barre, Vt., facility later this Fall. The first complete trainset is scheduled to be provided to Amtrak in February 1999.

Construction is scheduled to begin in August on the Ivy City maintenance facility, four months earlier than originally planned, due to completion of preliminary work by Amtrak forces. The new facility will handle heavy maintenance and normal cleaning and inspection work. Work begins in August to make changes to Southampton Yard in

Boston for new northend trainset service and inspection facility. Work will also begin next year to provide the site for the third facility, located at Sunnyside Yard in New York. Bombardier is responsible for design and construction of the new facilities and will manage the maintenance of the new trainsets.

Amtrak was recently honored by Harvard University and the Ford Foundation in the prestigious Innovations in American Government Awards program for its high-speed trainset program. The Program recognized Amtrak's unique efforts to enhance the long-term reliability and maintainability of the trainset.

Finally, intensive work is underway to implement comprehensive improvements to the entire travel experience -- stations, operations, ticketing, and on-board services, these will be essential to the entire package of premium high-speed service. The name, logo, and look of the new high-speed service is under development and will be announced this fall. This effort will be supplemented by the most intensive training program ever instituted at Amtrak. With some 30 months remaining before high-speed service begins its phase-in, we expect to deliver a level of service that surpasses any in the travel industry today.

Work continues on assessing improvements at all stations that will be served by high-speed rail to enhance service to millions of new customers, and to maximize the ability of local communities to share in the economic opportunities of this service. Joint development efforts in cities such as Philadelphia, Baltimore, and Wilmington will serve as models of how partnerships between Amtrak, cities, states, and local business groups are maximizing the economic potential for this service.

Initiation of high-speed rail service on the Northeast Corridor will generate a significant profit that will help bring Amtrak to operational self sufficiency. At the same time, it will offer travelers to most relaxing and productive way to travel in the Northeast. Provision of the capital necessary to complete the improvements and maintain the rail line is essential if we are to achieve this goal, and ensure that Amtrak has a role in the next century. We are on schedule to greet the millennium with America's first high-speed premium service.

Please let me know if you have any questions regarding the status of the project or would like to inspect the work in progress. I can be reached at (860) 395-2315.

Sincerely,

David J. Carol
Vice President
High-Speed Rail

cc: George D. Warrington

QUARTERLY REPORT
ON AMTRAK'S NORTHEAST HIGH-SPEED RAIL IMPROVEMENT PROJECT
June 30, 1997

Activity	Scope	Progress to Date	Comments
Final Environmental Impact Statement issued by the Federal Railroad Administration	analysis of project impacts and benefits as required by the National Environmental Policy Act	Record of Decision approving project issued May 9, 1995	The Record of Decision granted federal permission to progress electrification to the construction phase, subject to specific mitigation requirements.
State environmental approvals	review by state environmental agencies under the federal Coastal Zone Management Act and Clean Water Act	all approvals in place	
Track Continuous Welded Rail Concrete Ties Curve Realignment/Modification	 140 miles 331,750 ties 127 curves	 137 miles 330,000 ties 119 curves	 TLS work completed; spot work 1997-98 TLS work completed; spot work 1997-98 curve modifications underway
Signal Reverse CETC Positive Stop/Civil Speed Control	 150 miles 150 miles 150 miles	 150 miles 150 miles specification under review by the FRA	 fully operational fully operational to be implemented through 1999
Bridges Undercutting (for added height) Raises/Removals Ballast Deck	 61 locations 25 bridges 57 bridges	 43 locations 5 bridges completed 34 bridges completed	 10 locations planned for 1997 projects to be complete by 1998 8 bridges panned for 1997
High-Speed Interlockings	5 interlockings	complete	permit track changes at 80 mph
Electrification Facilities Overhead Catenary System	 24 electric facilities 12,000 catenary structures (foundations and poles)	 work to begin Fall 1997 4,300 foundations and 1,800 poles installed	 converts power for use by train work underway in all three states; work to be completed by June 1998.

High-Speed Trainsets, High-Horsepower Locomotives, and Maintenance Facilities	18 trainsets (150 mph) 15 electric locomotives 3 maintenance facilities (Was, NY, and Bos)	NTP issued to Bombardier/GEC Alsthom for 12 trainsets 15 locomotives and 2 facilities. Option for additional equipment under negotiation.	Design underway with production to start Augusty 97; first train delivered for revenue service end of 1999 with phase in of remaining trains through Spring 2000. High-horsepower locomotives required to operate conventional trains to Boston under electric power.
Community Outreach	42 municipalities along 156-mile corridor interested in project benefits, impacts, mitigation, construction	continual contact with local communities regarding construction work and concerns.	Meetings held monthly with each state regarding environmental mitigation and coordination of work; task force meetings held quarterly to improve operation at Connecticut draw bridges; extensive public outreach efforts.
Environmental Mitigation	comply with some 70 requirements included in the FEIS and under state certificates	three Connecticut siding projects under way; historic approvals in place; noise & vibration testing completed; EMF testing underway.	The FRA has instituted a comprehensive monitoring program for compliance with the FEIS requirements; Connecticut has assigned a full-time environmental compliance inspector to the project.