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Clinton Budget Would Mean Amtrak's Collapse

Total Federal Spending Would Rise 3%; But Amtrak Would Be Cut 9%

President Clinton's Fiscal Year 1998 budget leaves Amtrak "in the lurch" regarding both operating and capital funds. The budget flies in the face of Administration rhetoric, particularly regarding the Northeast high speed project (see box below).

The budget even proposes to sell off Amtrak-owned air rights behind Washington Union Station. Amtrak had counted on future income from these rights to help in the move towards "operating self-sufficiency."

In a February 6 statement (available on request, or see our web site), NARP said: "Recognizing the high costs Amtrak's demise would impose on the nation in terms of more spending on transportation alternatives, Congress must create dedicated capital funding for Amtrak (such as from one half-cent of the existing federal gasoline tax), provide enough resources for Amtrak to survive fiscal 1998, enact legislative reforms aimed at Amtrak efficiency, and allow states to invest some of their federal transportation funds on intercity passenger rail as part of ISTEA renewal."

At the DOT's "interest group" budget briefing February 6, NARP Assistant Director Scott Leonard asked Deputy Transportation Secretary Mort Downey what—absent a gas-tax half-cent capital equivalent—the Administration would do to get Amtrak to operational "self-sufficiency" without destroying the system. Downey responded in part by hinting at possible capital resources in the out-years (late in the 1997-2002 period). Unfortunately, such resources would not help an Amtrak that might not survive 1998.

Of course, as our statement also noted, Congress and the Administration must work together. Moreover, if Amtrak's bipartisan support comes to life quickly, the Administration likely would be responsive. One hint of this came in the rest of Downey's response at the budget briefing, when he said, "We didn't feel we could do [the half-cent] alone. That's something we feel we have to work out with Amtrak, the states and stakeholders."

Operations

Amtrak's first-quarter (October-December) **operating loss was 12% below the two-years' earlier level.** This was accomplished without adequate capital funding and with no reform legislation. Amtrak retired older equipment, reduced the

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HIGH-SPEED PROFITS 'VITAL' TO OTHER ROUTES

Amtrak says the President's 1998 budget "will stall the Northeast Corridor high-speed rail program" (February 6 release), delaying its 1999 opening. Citing a 1996 General Accounting Office report, the release said that expected, annual high-speed profits of $150 million are "integral" to Amtrak's plans for surviving the proposed end of federal operating grants by 2002. Such profits would help support the entire national system—an appropriate "payback" from the big federal capital investment in the Northeast.

On January 22, Federal Railroad Administrator Jolene Molitoris agreed, telling a National Press Club forum that the project is the "economic engine" that will earn revenues for and help save Amtrak.

On March 15, 1996, Vice President Al Gore praised the project at Union Station as an "advanced and environmentally sound" technology.

However, under the President's 1998 budget, the "economic engine" wouldn't even leave the station.

CLINTON'S TRANSPORTATION BUDGET

Fiscal Year 1998
Compared with Current and Previous Years
Appropriations ($ millions)

Administration	1995 Enacted	1996 Enacted	1997 Enacted	1998 Amtrak Request	1998 Clinton Request	Change, Clinton vs. 1997
Federal Highway	19,879	19,970	20,650	—	20,030	- 3%
Federal Aviation	8,392	8,216	8,563	—	8,461	- 1%
Federal Transit	4,614	4,051	4,382	—	4,382	0%
Federal Railroad	1,162	874	1,031	—	896	- 13%
* Amtrak + N.E. Corr.	994	750	843	1,138	744	- 12%

*These numbers also in Federal Railroad Administration total.

Intercity Passenger Rail Categories

	1995 Enacted	1996 Enacted	1997 Enacted	1998 Amtrak Request	1998 Clinton Request	Change, Clinton vs. 1997
Amtrak:						
Operations (A)	392	285	223	245	202	- 9%
Capital	230	230	223	751 (C)	200	- 10%
Mandatory payments (B)	150	120	142	142	142	0%
Northeast Corr.	222	115	255	(C)	200	- 22%
Penn Sta./Farley	0	(D)	0	0	23	+ n.a.
High Speed Rail	23	24	25	–	20	- 20%
TOTAL	1,017	774	867	1,138	787	- 9%

NOTES:

A) 1996 operating figure includes $100 million for "transition costs" related to Amtrak restructuring, service cuts, equipment retirement. Unspecified transition costs also included in 1995 and 1997 operations.

B) Federal railroad retirement and unemployment insurance costs in excess of Amtrak's demands on system, therefore not part of true cost of operating Amtrak system.

C) Amtrak's 1998 capital request is a single figure which includes Northeast Corridor.

D) $20 million of Amtrak capital was divertable to Farley project in 1996.

Inadequate Clinton Budget *(from page 1)*

payroll by about 2,000 people, imposed aggressive fare increases (some now known to be too aggressive—Jan. *News*) and got more money from states.

Finding new tricks is getting harder. Indeed, after two years with minimal end-of-year cash borrowing (none in 1995; $12 million in 1996), Amtrak projects the need to borrow a substantial sum to finish the current fiscal year. That creates difficult interest payments to make in fiscal 1998, for which an adequate operating grant thus is all the more important.

The Administration's proposed $202 million operating grant is a 9% ($22.5 million) *cut*. At the same time, Amtrak seeks a 10% (also $22.5 million) *increase* just to run the routes in its business plan (expanded as state support permits).

Amtrak's route structure is already very skeletal, and Amtrak thinks it has reached the "end of the line" as to route cuts that make business sense. Therefore, the Clinton budget, if allowed to stand, appears to set the stage for Amtrak to ask the President and the Congress whether to shut all of Amtrak down on October 1, 1997, the first day of fiscal 1988, or to run the system for as many months as funding permits. (That may not be many months, because most of the weaker months for passenger revenues early in the fiscal year.)

Neither option serves the public interest. Our February 6 statement urged President Clinton to work with the Congress toward a reasonable alternative scenario.

[The Amtrak and Administration requests are identical for "mandatory payments"—$142 million—sometimes lumped together with operations.]

Capital Investment

Whereas the half cent would provide $750 million, the Administration request is for $423 million—$200 million each for the Northeast Corridor and the nationwide system, plus $23 million for continuing the New York City station project. The impact on the Northeast high speed project is noted above.

More generally, a stingy capital budget lets Amtrak do relatively little to improve its economic performance. This is because so much is needed to comply with laws such as the Americans with Disabilities Act, regulations such as those of the Food and Drug Administration and environmental mandates, and to pay principal on the loans used to acquire much of the new rolling stock Amtrak now runs.

ISTEA Expected to Undercut Budget

The budget assumes that *all* Amtrak funding would come from the Highway Trust Fund, something only possible with special enabling legislation. As of late February, however, the Administration's soon-to-be-introduced ISTEA (highway/transit) reauthorization proposal was reported to include neither such enabling provisions, nor the critical 'half-cent' for Amtrak capital investment.

The reauthorization likely *will* give states the right to spend flexible federal transportation funds on intercity passenger rail. We strongly support this, but it would be of little use if Amtrak shuts down. In the best of circumstances, it would be useful mainly in facilitating continued or new state funding for one-state trains (for example, see box at left).

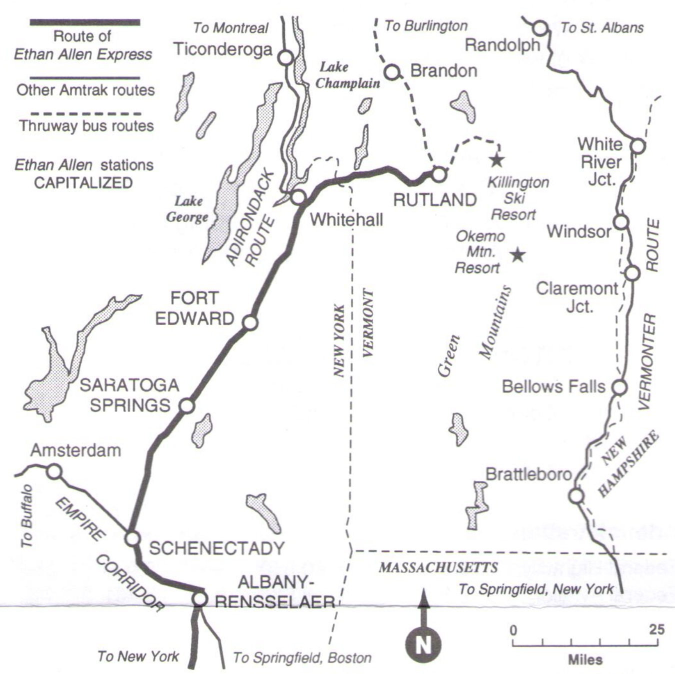
Air Rights and the "Big Picture"

Ownership of the air rights at Washington Union Station is split three ways between Amtrak, CSX and the Union Station Redevelopment Corporation (itself controlled by several parties, including Amtrak and DOT). The rights' greatest value would come not from selling them, but from leasing them to create a perpetual revenue stream. The Clinton budget, however, would confiscate Amtrak's rights and sell the whole thing—even though some of the rights are privately owned.

Washington Post political analyst David Broder used the Union Station air rights proposal in a February 6 briefing to illustrate the flawed nature of the entire budget. His February 7 column, "No Hard Choices," criticized the budget because it "further squeezes the share of money available for needed domestic programs" and "fails to start addressing the baby-boomer retirement problem."

At the same briefing, Senate Budget Chairman Pete V. Domenici (R-NM) noted the folly of trying to balance the budget by chopping the 17% that is "domestic discretionary spending" (the category that includes transportation). [He said half the budget is "entitlements," another 15% is interest on the debt, and the remaining 35% divides about evenly between defense and domestic discretionary spending.] ■

VERMONT IS BOOMING



—Scott Leonard

Amtrak began service on the New York-Rutland *Ethan Allen Express* on December 1 and 2. The *Ethan Allen* becomes the second train serving Vermont—and the service provided in Vermont by both trains is fully funded by that small state. In fact, since Vermont funds the *Vermonter* segment north of Springfield, MA, it subsidizes service to Amherst, MA and Claremont Jct., NH. Similarly, Vermont's contribution is paying for the additional daily round trip to Schenectady, Saratoga Springs and Fort Edward, NY provided by the *Ethan Allen*.

An Amtrak release of January 22 stated that ridership on the *Ethan Allen* had "easily beat its first month goal of 2000 riders by carring 3140." It also said ridership on the *Vermonter* was up 24% compared to December 1995. *Adirondack* ridership was up 8%.

Amtrak and Vermont Trailways are running a Thruway bus connecting to and from the *Ethan Allen* at Rutland, for Brandon, Middlebury, Vergennes and Burlington. Another Thruway bus connects Rutland and the Killington ski resort (passengers for Okemo Mountain can arrange a ride through that resort).

The Vice President Listens, But...

...serious errors have crept up in two recent versions of Al Gore's answers to citizen letters about Amtrak. One Gore letter written in September reads in part:

> *"Thank you for your letter regarding the protection of the Texas eagle...I share your view that the urgent problem of species extinction and the conservation of biological diversity should be addressed...All animals and plans help make our natural surroundings more diverse and should be protected to ensure the preservation of a healthy environment..."*

That's hardly the answer that the citizens who wrote Gore to ask him to "save" Amtrak's Chicago-San Antonio-Los Angeles *Texas Eagle* were seeking. Still, such mistakes are bound to crop up in huge mail rooms, and this one is reminiscent of (though funnier than) letters President Reagan used to send out thanking Amtrak supporters for their interest in Social Security reform.

More recently, Gore has been sending out letters that say, in part:

> *"...Unfortunately, Amtrak continues to lose money and report annual budget deficits. As you may know, the federal government provides subsidies to Amtrak for both operating and capital costs. For FY 1997, Congress planned to reduce the railroad's operations subsidy by $50 billion..."*

Three problems here:

1) Gore writes about Amtrak "deficits" and "subsidies," without acknowledging the huge role government plays in highways and aviation;

2) The $50 *billion* should be $50 *million*—probably a typo;

3) The Administration *itself* first proposed the $50 million cut—though for Amtrak *capital investment,* the Administration *did* propose $99 million more than Congress finally approved.

From his heroic attempts as a House member to save the Chicago-Nashville-Miami *Floridian* back in 1979, to his March, 1996, appearance at Washington Union Station to announce the selection of a manufacturer for the high speed train sets, Gore has been known as a friend of the rail passenger. All the more reason to be concerned about his current views on Amtrak as expressed in these letters. ■

CLINTON TO NARP: "COMMITTED TO AMTRAK"

In a December 11 letter to President Clinton, NARP made the case for Amtrak's budget request. He replied January 15, stating in part: "I appreciate...your financial analysis of the needs of our rail passenger network. I value your perspective on funding for Amtrak and share your commitment to providing the American people with high-quality, reliable rail service. I remain committed to Amtrak and to improving intercity rail service, especially in congested corridors...I fought to add $60 million to the Northeast Corridor Improvement Project in the 1997 Omnibus Appropriations, when Congress initially provided only 60% of my request for this important project. Thanks again for your efforts on behalf of America's rail passenger service."

NEW JERSEY, DELAWARE INVEST IN AMTRAK

An Amtrak/New Jersey Transit agreement calls for $250 million worth of improvements in the New Jersey portion of the Northeast Corridor mainline, equally divided between the two railroads. Each will contribute an average $25 million a year over five years. Under the agreement, approved by NJT October 22, 1996, the two railroads will jointly determine capital project priorities and funding allocations.

Meanwhile, Delaware has made two Amtrak-related investments. On February 10, Amtrak President Thomas M. Downs announced the consolidation of Amtrak's national operations center to a site near the Wilmington station. The quasi-public Riverfront Development Corporation of Delaware is investing $11 million to renovate the warehouse to be used for the center. That figure also includes a $750,000 relocation grant and $400,000 for training.

Amtrak will lease the center for 20 years, after which Amtrak can buy it for $1. Target opening is November 1, 1997. This affects 80 employees, most from Philadelphia, but some Washington and Baltimore.

Also, on December 9, Amtrak broke ground in Bear, DE, for a $3.5 million, 40,000-square-foot material warehouse which "will utilize state-of-the-art technology to better manage inventory and cost accounting... part of a $19 million program to consolidate and streamline operations in Amtrak's Delaware shops, made possible in part with a $1 million grant from the Delaware Economic Development Office."

AMTRAK TRAVEL VOLUME STILL RISING

January passenger-miles rose 7% above a year ago (5% for October-January) at Amtrak Intercity (most long-distance trains; all Chicago-based corridors). Systemwide, they rose only 2% in both periods, due to Northwest floods and the Northeast's high fares. Correction: systemwide October-*December* passenger *revenues* rose 9%, not 11%.

SAN DIEGO LIGHT RAIL—NO CRIME CONNECTION

The San Diego Association of Governments (SANDAG) did public perception surveys several months before and after the extension of the Metropolitan Transit System (MTS) East light rail line to Santee. "The results show that Santee residents feel their community is as safe, or safer, than before Trolley service began [on August 26, 1995], and that attitudes about Trolley service became more positive after the system was up and running," reported an MTS release of February 13.

Also, SANDAG figures show the average crime rate in Santee dropped 22% during the first half of 1996, compared to a year before, with Santee having the lowest rate in the county. "These surveys support our previous studies, which found no connection between the introduction of Trolley service and crime levels," said SANDAG Project Manager Jeff Martin.

TRAVELERS' ADVISORY

"May-10 Routes:" Based on aggressive efforts to expand mail-and-express traffic, Amtrak appeared hopeful of saving the *Texas Eagle* and *Pioneer* long-term. Texas state aid to fill the gap between May 10 and development of such traffic seemed possible.

Fares: Richmond-Washington fares rose January 28 to $40 off-peak, $50 peak, but there are two new tickets: a 10-ride good for 30 days is $180; a monthly is $580. The Virginia Association of Railway Patrons seeks restoration of the $32, one-day excursion roundtrip, believing Amtrak otherwise will lose much business. Amtrak says it is watching the market carefully.

Amtrak and Disneyland have a new package allowing passengers to arrange and pay for train tickets, transfer to Disneyland (park or hotel), and park admission all at the same time. The "Fantasy Flyer" shuttle runs from Anaheim station during park operating hours.

Air/Rail: Passengers now can get airline frequent flyer miles on Amtrak segments of Air/Rail trips, if they are members of United Mileage Plus. United is the airline used in the Air/Rail program. Frequent flyer miles already are available to Midwest Express program members on the Chicago-Milwaukee *Hiawathas.*

Stations: Palm Springs, CA, will become a *Sunset Limited* stop May 11...An announcement is likely soon that Amtrak will resume service at Fostoria and Youngstown, OH, on the *Three Rivers.*

NARP REGIONAL MEETINGS

NOTE—There are no elections of NARP board members this year.

Region 1 (CT, MA, ME, NH, RI, VT): Sat. Mar. 22; 10:30-4; Portland, ME; Portland Club, 156 State St.; $25; speakers: Maine DOT Commissioner John Melrose, NARP Executive Director Ross Capon, Amtrak Northeast Vice President for High-Speed Rail David Carol; contact: Wayne Davis, 207/879-7245.

Region 2 (NY): Meeting was Feb. 22 in Albany.

Region 3 (DE, NJ, PA): Sat., Apr. 12; 11 am; Rio Grande, NJ; Rio Station Restaurant, US 9 & Rte. 47; speakers: NARP President John R. Martin, Cape May Seashore Lines President Anthony C. Macrie; contact: New Jersey ARP, P.O. Box 5475, Somerset, NJ 08875.

Region 4 (DC, MD, VA, WV): Sat., Mar. 15; 12:30; Baltimore, MD; Streetcar Museum; speakers: Dick Cogswell, Federal Railroad Administration long range planner, NARP Executive Director Ross Capon; contact: Ken Briers, 202/775-3397.

Region 5 (AL, FL, GA, KY, LA, MS, NC, SC, TN): Fri., Mar. 14-Sun., Mar. 16; High Point, NC; Hotel Radisson 135 S. Main (across from Amtrak station), 919/889-8888 or 800/333-3333; meeting sessions 10-5 Mar. 15, trip on Piedmont to tour NCDOT facilities Mar. 16; contact: Bill Herndon, 910/841-7239.

Region 6 (IN, MI, OH): Sat., Mar. 15; 10 am; Sidney, OH; Holiday Inn, I-75 & SR 47; $15 (hotel has special room rate; call 937/492-1131); contact: Mark Carlson, 479 Humiston Dr., Bay Village, OH 44140.

Region 7 (IL, MN, ND, WI): Sat., Mar. 22; 10 am (register at 9); Lake Geneva, WI; Harbor Cove Hotel (800/900-9181); featured topic, multi-state Midwest rail study (Sept. *News*); contact: Pat Robbins, 608/238-5749.

Region 8 (AK, ID, MT, OR, WA): Sat., Mar. 22; 11:30 (lunch 12:30); Tacoma, WA; Freighthouse Square, Phoenix Room (E. 25th & E. G Sts.); speaker: NARP President John R. Martin; contact: Jim Hamre, 206/848-2473 (eves.).

Region 10 (CO, IA, NE, SD, UT, WY): Sat., Apr. 5; 8:30-4; Denver, CO; Oxford Hotel (across from Union Terminal), Sage Room; $15 includes lunch and tour of Rader Railcar plant ($6 no lunch); speaker: Ed Ellis, Amtrak Intercity; contact: Bob Rynerson, 303/480-5249.

Region 12 (CA, HI, NV): Meeting likely in May.

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