Get Amtrak Back on Track

By Christopher B. Cohen

Rep. Bud Shuster (R., Pa.), chairman of the House Transportation Committee, has appointed a blue-ribbon committee to study the future of intercity rail passenger service. If that committee wants to put American travelers on the right track, it should recommend driving Amtrak off a cliff.

Don't get me wrong. I'm not opposed to passenger rail service or even government funding of it per se. Indeed I believe that the government has a useful role to play here, just as it does with our roads, airports, even the inland waterways system. But I have severe doubts about whether Amtrak, which has a monopoly on intercity railroad passenger service in the contiguous 48 states, is an appropriate recipient of such funding.

The cause of Amtrak's failure is simple. It owns very little track, even though infrastructure is the single most important capital investment affecting passenger-train competitiveness. Building better tracks could make high-speed rail service possible. Instead Amtrak chooses to spend its money on 79-mile-per-hour trains that can't compete with airlines or even interstate highways.

A Waste of Money

Operating slow trains has cost taxpayers a great deal of money. When the U.S. Department of Transportation took over the ownership and operation of passenger trains from the privately owned railroad companies 26 years ago, trains were running an annual deficit conservatively estimated at $200 million. Amtrak, properly recapitalized by government, was supposed to bring flocks of grateful customers back to rails and erase—or at least drastically reduce—the deficit.

But the passengers never came and the deficit never shrank—largely because Amtrak invested in new trains, rather than the new tracks required to make trains competitive. Cumulative losses over Amtrak's 26-year life now total $13 billion, about twice as much per year as trains were losing under private ownership. Actually, the picture is bleaker, because Amtrak lost that money running only 219 of the 547 daily trains that had been running under private ownership. Incredibly, Amtrak managed to lose twice as much money running half as many trains.

Nor has Amtrak made good on its promise to bring back the passengers. In its first full operational year, 1972, Amtrak generated three billion revenue passenger miles (defined as one passenger riding one mile). Twenty years later, in 1991, it had doubled that figure to 6.3 billion. This is hardly a success, however, because Amtrak's numbers start from an artificially low base, the 219 "core" trains that the 1970 Rail Passenger Service Act saved from a private system more than twice that size. In 1970, the last calendar year in which private railroads carried all the nation's intercity rail passengers, their business totaled just under 6.2 billion passenger miles. It took Amtrak almost 20 years to bring intercity railroad passenger miles back up to where they stood the day before Amtrak came into existence.

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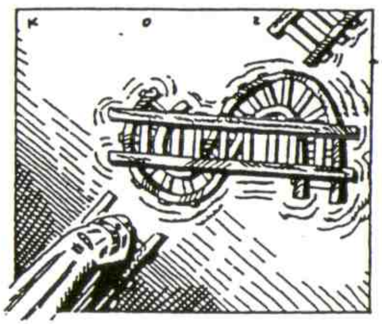
During that same period, incidentally, passenger miles on U.S. domestic airline routes soared to 338 billion from 109.5 billion, while miles traveled by Americans in private autos rose to 2.5 trillion from 1.8 trillion. Intercity rail in 1970 had 7.5% of the commercial travel market. It entered the 1990s with 3.6%.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Amtrak's performance is even more disappointing when counted simply in numbers of passengers rather than passenger miles. Fiscal 1996 ridership was 19.7 million, down from 1993's peak of 22.1 million and about even with ridership for 1984. Fierce competition from discount airlines, and more recently from deregulated intercity bus lines, forced Amtrak into futile price cutting that savaged its bottom line without building—or even holding—market share. In January, Amtrak announced that its first-quarter losses had more than doubled despite a $22.5 million emergency congressional appropriation in September. For the third time in its history, the carrier said it would borrow money simply to meet cash-flow needs.

Technically, Amtrak has reduced the operating deficit under current CEO Thomas Downs, but according to Congress's General Accounting Office, the deficit dropped largely because certain trains have been eliminated since 1995. Amtrak reduced expenses by reducing its level of services, not by cutting the cost of delivering its services.

The only real salvation for Amtrak would be to run intercity trains at speeds exceeding 150 mph, as railroads in Europe and Japan do. But this is impossible because most Amtrak trains operate on slow-speed freight tracks. Most of the rails this railroad actually owns are on the 457-mile Boston-New York-Washington corridor. Amtrak is planning to inaugurate high-speed travel in this corridor; 18 new 150-mph "American Flyer" trains are due to start running between Boston and Washington in 1998. But Amtrak's revenue projections—Mr. Downs predicts annual profits of $150 million, which could be used to bail out the rest of the system—seem overly optimistic.

"These trains are new," says a congressional aide. "They're a North American adaptation of the French TGV, and a prototype has not been built or tested yet. And the trains are electric. They can't run until the electrification is finished on the 157 miles between New Haven and Boston. Amtrak assumes the electrification will be finished by 1998, but if it is, it would be the first major public-works project in American history that came in on schedule."

The problem here isn't a bad concept—high-speed rail will eventually work, and it should be expanded. Indeed the Federal Railroad Administration has made a strong case for establishing European-style high-speed rail passenger lines in eight densely populated corridors—e.g., Detroit/Chicago/St. Louis and Los Angeles/San Diego—where fast trains outperform both autos and airliners. But this concept has found few takers in Congress, apparently in large measure because lawmakers don't trust Amtrak to carry out such an ambitious agenda.

Congressional skepticism was reinforced this winter when Amtrak's CEO reiterated his old formula: If Congress would supply the 26-year-old government rail carrier with sufficient capital funding for more-efficient new trains, tracks, signaling systems and maintenance shops, Amtrak would attract so many more passengers and carry them at such lower costs, that its operating deficit would disappear by 2002. If Amtrak got just one half-cent of the federal motor-fuel tax, went the party line, the $3.8 billion generated over the next five years would put the carrier's operations in the black.

Same old, same old.

A Better Solution

Instead of buying this line, Congress should go for a truly radical solution: Amtrak must be eliminated as a service provider so government can get into the one part of the rail-passenger business where it truly belongs—funding infrastructure to carry 150-mph business-class trains run by private companies. This would make rail follow the same pattern as all other intercity transportation in the U.S.: Government provides the infrastructure; the private sector provides the service. Our government has funded a network of municipal airports and owns and operates an air-traffic-control system, but it does not own or operate an airline. It built a vast system of highways but operates no trucking companies or bus lines. There is a federally owned inland-waterways network but no federal towboat operator, barge fleet or river-cruise line.

Only in rail does the government try to deliver service to customers. And it simply isn't working. If Rep. Shuster's blue-ribbon panel does no more than recognize this truth, it will have put rail passenger service on the track to long-term success.

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