

# Enterprising

*Business as an act of creation*

## Air Terror Saves Amtrak?

By Ryan H. Sager

When Amtrak was founded in 1971 and charged with taking over America's passenger rail service, its proponents claimed the new corporation would be self-sufficient within three years. This summer Amtrak celebrated its 30th birthday and blew out the candles on the most recent \$3.6 billion in subsidies it has consumed over the past three years. The corporation also closed its eyes and made a wish: that Congress spend another \$12 billion over the next ten years on rail transport.

Given the events of September 11, it now seems likely that Amtrak will be gifted with an additional multibillion-dollar care package. With Americans wary of air travel in the wake of the terrorist attacks, Amtrak has seen a mild boost in ridership—in the first five days after the attacks, total ridership was up 17 percent—as well as a burst of new political support. It now seems likely that Amtrak will soon get \$3 billion in “emergency relief,” instead of the tough government response to dismal financial performance that was headed its way until the al-Qaeda hijackings.

Whether the new turn of events will make Amtrak politically untouchable remains to be seen. Certainly the rail service continues to be riddled with fundamental flaws. And Congress had in recent years shown some determination either to reform or reconstitute Amtrak.

Amtrak had grown increasingly frantic over the last couple of years as it faced a rapidly approaching Congressional deadline to wean itself off the government dole. After reporting an operating loss of \$944 million in 2000, the largest in its long money-losing history, Amtrak president George Warrington ordered a drastic 15

percent cut in management in July. Warrington has also floated the possibility of significant cuts in union employment, or curtailment of service. Such long-overdue streamlining has always stalled in the past due to Amtrak's extremely restrictive labor contracts and its historical reluctance to pare down its lines for fear of annoying Congressmen along the abandoned routes.

Like an old, pathetic gambler, Amtrak has spent the better part of its life claiming that it is *this close* to turning things around—with just a little more money. Kindhearted bookie that he is, Uncle Sam repeatedly declined to cut off the credit. But in 1997, Congress tried to get tough. It served notice that from then on a big guy named Rocco—also known as the Amtrak Reform Council—would be looking over Amtrak's shoulder. And if the rail service hadn't reached operational self-sufficiency by the end of 2002, Congress said it would bring out the pruning shears.

With that five-year deadline now only 13 months away, there is scarcely a soul outside of Amtrak's P.R. department who believes the company can cover the spread, even with its recently increased ridership. (The railroad admits it may actually be turning those extra riders—somehow—into *bigger losses*. The magic of government enterprise.) So what happens to Amtrak after 2002 is the multibillion-dollar question.

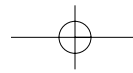
America's scarcely used passenger rail service (Amtrak had a total of 22.5 million passengers in 2000—less traffic than the Charlotte airport had that year) has an uncanny knack for survival. From time to time the profligate son gets



spanked by fiscal conservatives, but he can ultimately count on support from a network of mayors, governors, and Congressmen who are determined to see the Amtrak gravy train keep rolling through their districts. While train service brings relatively little economic benefit to the areas it serves, politicians have convinced themselves that the political benefits are immense, according to transportation specialist Ron Utt of the Heritage Foundation. “There are a lot of mayors who think they'd be important if they had high-speed rail service,” he says.

Amtrak deliberately cultivates patronage by maintaining a skeleton nationwide rail network, touching as many places as possible with infrequent service, even though such an endeavor is inherently unprofitable. “Amtrak has always operated under the assumption that it has to be national to get a sufficient majority in Congress to maintain its subsidies,” said Utt. “If it were to shrink to an economically viable size, it would lose Congressional support.”

Currently, the only section of rail in the United States considered to be economically viable is the Northeast Corridor between Washington, D.C. and Boston—a relatively short route serving a concentrated population. But in its efforts to remain a nationwide rail service, Amtrak maintains lines such as the one between Chicago and Janesville, Wisconsin (insti-



tuted—what a coincidence!—when Wisconsin governor Tommy Thompson was also acting as Amtrak's chairman). This line was shut down temporarily in January of this year, ostensibly because of weather-related problems; in the three months before its cancellation, it had been carrying fewer than five people per train.

Amtrak's rare profitable lines are simply incapable of making up for the dead weight of such boondoggles. To partially compensate for its politically popular, economically hopeless ghost trains, Amtrak has undertaken an array of non-passenger-related schemes to boost revenue. In fact, Amtrak now derives 43 percent of its revenue from non-passenger businesses, up from 29 percent in 1990. Amtrak delivers packages, first class mail, periodicals, even apples, from coast to coast. It allows telecommunications companies to run wires along its track. It sells train-oriented souvenirs. Earlier this year it even mortgaged New York's Penn Station to raise cash. Yet none of this is enough to plug the gaping hole created by the network of wildly unprofitable passenger service.

In fairness to Amtrak, it has been plagued from the outset by the conflicted mission from Congress: Stick to an inherently money-losing business without losing money. "For 30 years, Amtrak has been expected to perform like a business, and at the same time serve community needs like a non-profit organization," Amtrak's Warrington told a crowd at the National Press Club in May.

What needs to happen, Warrington and many others believe, is for Congress to debate what inter-city passenger rail should look like in the coming decades. Does America need a vast network of passenger rail routes, regardless of ridership or profitability? If so, expect to pay through the nose to subsidize such a network. (Even in smaller and densely populated Europe, which makes rail a more natural choice than in the U.S., rail subsidies cost EU countries a staggering \$30 billion per year.) If not, Congress must force Amtrak to begin closing down some of its unsustainable routes.

Amtrak's defenders contend that the railroad provides—or could provide

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with more funding—relief to congested highways and airports. Yet "most of our highway congestion is people commuting to work. You can invest all the money in the world in Amtrak and it won't alleviate that," argues Utt. The U.S. General Accounting Office recently told Congress that passenger trains between Los Angeles and San Diego, for instance, keep only about 2,000 cars off the highway each day—a drop in the bucket given the millions of motorists who traverse that busy route.

The idea that rail can alleviate airport congestion is also suspect. Currently, Amtrak carries 1 percent of inter-city traffic. Regardless of whether America gets higher-speed trains, rail will probably always be too slow to compete broadly with most air travel. A train averaging even 150 mph would still take nearly five hours from Washington, D.C. to Chicago. The same trip takes two hours by plane. Even with longer waits at airports due to increased security, business travelers going more than a few hundred miles will be faced with the same basic math.

And that's assuming proposed "high-speed" rail lines would actually live up to their name. While trains capable of reaching speeds of up to 186 mph can be purchased today, the fact is this is possible only under optimal track, weather, and terrain conditions. The U.S. has almost no routes capable of supporting such speeds, and upgrading them would involve enormous right-of-way, engineering, and financial obstacles.

Amtrak's first experiment in high-speed rail is a case in point. The Acela Express, which runs from Washington to Boston, is theoretically capable of hitting 150 mph. In reality, the train reaches that speed over only 18 miles of track, often

moving as slowly as 30 mph due to freight traffic, urban congestion, and tunnel, bridge, and grade-crossing bottlenecks. Amtrak does have plans to upgrade the Acela's track: The cost would be \$12 billion, and the estimated date of completion is 2025. The time to be shaved off the Washington to Boston route after all this work: a half hour.

Prior to the September 11 attacks, there was one major Amtrak bill on the table in Congress, a measure proposing to give Amtrak \$12 billion over ten years to start building high-speed rail lines around the country. At the end of September, House Transportation Committee Chairman Don Young (R-AK) upped the ante with a bill offering \$71 billion dollars over a number of years to finance high-speed trains and rail improvements. Congress has been on something of a spending binge since the bombings, and lawmakers seem not to be in a mood to trim rail service in any part of the country.

The Amtrak Reform Council, charged with determining whether Amtrak has met Congress's 2002 deadline for straightening out its finances, has proposed a structural separation between train operations and track management. The aim is to have a profit-focused Amtrak keep the trains running on time, while the government assumes responsibility for maintaining and improving tracks. Warrington has compared the ARC's proposal to rearranging deckchairs on the *Titanic*, and those who think Amtrak needs to streamline its operations down to a few corridors, serving public demand rather than political whim, tend to agree.

Very likely, though, the current operation will now remain afloat for years to come, puttering along on taxpayer subsidies. Amidst the travel panic created after September 11 we may even end up spending billions to make sure the empty trains run a little faster.

In the months ahead Americans will doubtless return to the skies. But our nation's feckless passenger rail service will keep rolling down the tracks—whether anyone's on board or not.

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