

Executive Summary Backgrounder

No. 2072
September 20, 2007



Published by The Heritage Foundation

Congress Should Link Amtrak's Generous Subsidy to Improved Performance

Ronald D. Utt, Ph.D.

This fall, Congress will have two opportunities to put Amtrak on the path to fiscal independence and free the taxpayer of the obligation to provide the troubled passenger train system with its annual federal bailout, which has risen to almost \$1.3 billion per year. One opportunity will be the annual appropriations process in which Congress can link spending to performance, and the other is the opportunity to thwart an effort by several Senators (through S. 294, the Passenger Rail Investment and Improvement Act of 2007) to undermine what little reform is taking place in the system.

Since Amtrak's inception in 1970, the annual business-as-usual bailout has allowed it to squander \$30 billion in taxpayers' money for the benefit of a tiny fraction of the traveling public and its overpaid workforce. Despite this massive subsidy and endless promises of improvement by a series of recent managers, Amtrak is no closer to service sustainability today than it was in 1971 when the system began service.

New Excuses. This year, confronting sluggish growth in passenger boardings despite a taxpayer subsidy matching the ticket price almost dollar for dollar, Amtrak switched its promotional focus from transportation to its potential to increase energy independence and reduce greenhouse gas emissions. However, the facts indicate that no such opportunities exist.

Data provided by several independent sources of expertise in energy use and greenhouse gas emis-

sions indicate that greenhouse gas emissions and energy use attributable to rail passengers could be reduced by two-thirds if all intercity rail passengers were shifted from Amtrak to buses. Indeed, U.S. Department of Energy data show that even scheduled airline service has become more energy-efficient and is now only 17 percent less energy-efficient than Amtrak. This is a reasonable trade-off since time has value and a trip from Washington, D.C., to Chicago takes only two hours by air compared to 19 hours on Amtrak.

While neither Congress nor the White House will likely agree to shutting down Amtrak and encouraging its passengers to shift to buses and hybrid automobiles, they might seriously consider a plan to cap and then reduce Amtrak's burden on the taxpayer in a process that would also significantly improve performance. To do this, Congress needs to link Amtrak's subsidy to performance, and the most cost-effective performance measure would be Amtrak's ability to increase its load factor (the percentage of seats occupied).

For fiscal year (FY) 2006, Amtrak's load factor reached 47.6 percent compared to 47.2 percent in

This paper, in its entirety, can be found at:
www.heritage.org/research/Budget/bg2072.cfm

Produced by the Thomas A. Roe Institute
for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002-4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

FY 2005. During the first nine months of FY 2007, its load factor was 47.2 percent, compared to 46.2 percent for the same period in FY 2006. The absence of passengers is a system-wide problem, even in the Northeast Corridor, where Amtrak has invested heavily in Acela to provide quality and timely service. The FY 2006 load factor was only 45 percent in the Northeast Corridor, below the 47.6 percent system-wide average. It was also well below the 76.8 percent load factor for scheduled airlines during the same period.

Improving Amtrak. Given Amtrak's exceptionally poor ridership metrics, Congress should consider linking the generous federal subsidy to improvements in its load factor. For example, Congress could give Amtrak the same subsidy in FY 2008 as it received in FY 2007 but condition future subsidies on Amtrak's increasing its load factor for FY 2008 to 50 percent. If Amtrak does not meet this target, the FY 2009 subsidy would be reduced by \$100 million for every 1 percentage point the FY 2008 load factor is below 50 percent. Furthermore, the target for each subsequent year would be increased by 5 percentage points until Amtrak matches airline performance. Setting such reasonable goals would force Amtrak managers to shift their focus from congressional lobbying and train schedules steeped in nostalgia to passenger satisfaction and the basics of modern transportation.

What Congress Should Do. To put Amtrak on the path to fiscal independence and to begin freeing the taxpayer of the burden of subsidizing Amtrak's poor performance, Congress should:

- **Request that the Congressional Research Service and the Government Accountability Office update their studies** on per passenger subsidies and energy efficiency to assist Congress

in making rational choices among competing policies and special interests seeking transportation subsidies;

- **Reject any attempt to increase the federal subsidy of Amtrak;** and
- **Cap the Amtrak subsidy at \$900 million** and condition future subsidies on Amtrak's steadily increasing its passenger load factor to match airline performance. Congress should also steadily reduce the Amtrak subsidy from each year to the next.

Conclusion. The loss of life stemming from the tragic collapse of the I-34 bridge in Minneapolis focused the nation's attention on the number of structurally deficient bridges throughout the country and the high cost of remedying the problem. Despite progress in reducing the number of problem bridges in recent years, 72,033 bridges (12 percent of all bridges) are currently rated as "structurally deficient." And despite the safety risks that these problem bridges pose to the American motorist, Congress has consistently diverted federal transportation money to wasteful and/or low-priority projects, including thousands of earmarks in recent highway bills and the costly subsidies required to keep Amtrak afloat.

With all of these issues still subject to legislative action during the last few months of this legislative session, the wiser course would be to hold the line on Amtrak subsidies and devote the money saved to essential bridge repair.

—Ronald D. Utt, Ph.D., is Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.

Background

No. 2072
September 20, 2007



Published by The Heritage Foundation

Congress Should Link Amtrak's Generous Subsidy to Improved Performance

Ronald D. Utt, Ph.D.

In January 2007, Senators Frank Lautenberg (D–NJ) and Trent Lott (R–MS) introduced the Passenger Rail Investment and Improvement Act of 2007 (S. 294), the most recent version of a costly Amtrak bailout bill that was introduced in the previous Congress.¹ In late May, the Senate Committee on Commerce, Science, and Transportation reported it out to the full Senate, following the long Senate tradition of proposing costly Amtrak bills each spring. As of September 2007, no similar bill had been introduced in the House.

Over the past several years, fiscally responsible Members of Congress have succeeded in thwarting enactment of these expensive reauthorization proposals, but the recent changeover in Congress may make this more difficult in the near future. Compounding the problem, the Administration has decided not to reintroduce its more responsible proposal (H.R. 1713, 109th Congress), leaving Amtrak skeptics without an attractive alternative to the Lautenberg–Lott bill.

The Massive Amtrak Subsidy

Since Amtrak's creation in 1970, the executive branch has consistently proposed the least costly Amtrak budget. President George W. Bush has proposed that Amtrak receive \$900 million in taxpayer subsidies for fiscal year (FY) 2008,² the same amount that he proposed for FY 2007. However, Congress rejected the President's FY 2007 request and instead provided Amtrak with a subsidy of \$1.294 billion, the same as for FY 2006.³

By contrast, Amtrak has asked Congress for \$1.680 billion for FY 2008—a significant increase over the FY

Talking Points

- For FY 2007, Amtrak will receive a subsidy of \$1.294 billion from U.S. taxpayers even though Amtrak carries less than 1 percent of the nation's intercity passengers.
- Amtrak's most recent annual report reveals that the railroad fails to fill even half of its seats on any given day, and ridership has remained largely unchanged since 2005.
- A U.S. Department of Transportation report concluded that Amtrak receives by far the highest federal subsidy (\$210.31 per passenger per 1,000 miles) of all modes of transportation.
- According to several independent studies, intercity buses are significantly more energy-efficient and environmentally friendly than passenger rail, which suggests that shifting passengers from trains to buses would reduce greenhouse gas emissions and conserve energy more effectively.
- Congress should cap Amtrak's subsidy at \$900 million for FY 2008 and condition future subsidies on steady improvement in Amtrak's ridership.

This paper, in its entirety, can be found at:
www.heritage.org/Research/Budget/bg2072.cfm

Produced by the Thomas A. Roe Institute
for Economic Policy Studies

Published by The Heritage Foundation
214 Massachusetts Avenue, NE
Washington, DC 20002–4999
(202) 546-4400 • heritage.org

Nothing written here is to be construed as necessarily reflecting the views of The Heritage Foundation or as an attempt to aid or hinder the passage of any bill before Congress.

2007 subsidy—but unlike the previous year's request,⁴ this year's makes no particular commitment to implement major reforms. Indeed, at a time when it should be attempting to follow the airlines' successful lead and seek reductions in the wages of Amtrak's overpaid workforce (\$54,000 per year plus tips for snack car workers), Amtrak's new president announced early this year that he will "Strive to achieve labor agreements providing reasonable wage increases."⁵

Of all of the proposals put forward, the most expensive is the Lautenberg–Lott bill, which would reauthorize Amtrak and establish annual funding levels from FY 2007 through FY 2012. In addition to spending \$11.3 billion on Amtrak between FY 2008 and FY 2012, including nearly \$1.8 billion in FY 2008 alone, it would change the federal statutes governing Amtrak's operations in a way that would interrupt the timid reforms now underway or promised by Amtrak's new management, absolve Amtrak of any requirement to break even, and foreclose the introduction of other reform opportunities by severely limiting their application to the system's operation. The bill was reported out of the Senate Commerce, Science, and Transportation Committee on May 22, 2007, and now awaits action by the full Senate. At present, there is no companion bill in the House.

The President's \$900 million proposal for FY 2007 would be the best of these choices. Keeping Amtrak on a tight budget would force its management to reduce excessive costs, implement operational efficiencies, and improve the quality of service. The Canadian government has imposed a

similar budgetary restraint on VIA Rail, its under-achieving passenger system, and has achieved considerable success by forcing operational efficiencies on a floundering bureaucracy. Because Amtrak is technically an independent corporation, its board has broad powers over system operations, and a cap on taxpayer subsidies would force the board and management team to earn their pay and use their considerable influence to serve passengers and taxpayers and keep Amtrak financially solvent.

With so much money at stake this fall, Amtrak and its many advocates and congressional followers will make exaggerated claims about the railroad's performance and its benefit to the nation. Indeed, perhaps the greatest threat to a fiscally responsible solution in 2007 is a renewed effort by many of Amtrak's proponents to present the railroad as a "green" alternative and a means for energy independence.

In his recent grant request to the Congress, Amtrak's president claimed—with questionable technical support—that "The growing attention to environmental quality and energy efficiency has accelerated the push to expand the role of freight and passenger rail."⁶ However, the evidence shows that Amtrak is by no means a particularly energy-efficient mode of travel. Based on the Department of Energy data that Amtrak's advocates cite, the preferred green solution would be to move Amtrak passengers to intercity buses, van pools, and hybrid cars. Ending Amtrak's federal subsidy could accomplish these environmental and energy goals overnight.

1. See also S. 1516, 109th Cong.
2. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2008* (Washington, D.C.: U.S. Government Printing Office, 2007), p. 110, at www.whitehouse.gov/omb/budget/fy2008/pdf/budget/transportation.pdf (September 6, 2007).
3. John Fritelli and David Randall Peterman, "Amtrak: Budget and Reauthorization," Congressional Research Service *Report for Congress*, updated April 26, 2007, at <http://lieberman.senate.gov/documents/crs/amtrak.pdf> (September 7, 2007).
4. Amtrak, "FY07 Grant and Legislative Request," March 2006, at www.amtrak.com/pdf/FY07GrantLegislativeRequest.pdf (September 11, 2007).
5. Alex Kummant, president and chief executive officer, National Railroad Passenger Corporation, letter to Congress transmitting Amtrak's FY 2008 Grant and Legislative Request, February 15, 2007, at www.amtrak.com/pdf/FY08GrantLegislativeRequest.pdf (September 6, 2007).
6. *Ibid.*

Mixed Trends in Ridership

In an effort to present Amtrak favorably for the record-breaking subsidy request, Amtrak’s new president announced on May 15, 2007, that “ridership across the country reached 14.3 million during the first seven months of the fiscal year, an increase of 5 percent over last year.”⁷ A month earlier, based on “increased demand for passenger rail service and rising gas prices, the NARP [National Association of Rail Passengers] urged Congress to invest \$1.68 billion in Amtrak next year and steer clear of route cutting discussions.”⁸

Unhappily for both, Amtrak’s monthly releases on ridership do not support the bullish press announcements about ridership trends, but instead reveal a still-troubled system losing market share and riders in its key service areas. Table 1 provides Amtrak’s total ridership over the first nine months for the past four fiscal years.

Fiscal Year	All Amtrak (thousands)	Northeast Corridor (thousands)
2004	18,712	8,592
2005	18,862	8,470
2006	17,938	7,089
2007	18,903	7,460

Sources: Amtrak, *Monthly Performance Report for June 2005*, and *Monthly Performance Report for June 2007*, August 8, 2007, p. A3.5, at www.amtrak.com/pdf/0706monthly.pdf (September 7, 2007).

Amtrak’s current ridership is up from FY 2006, but FY 2006 was not a good year for the system. The current level of ridership is barely higher than ridership for FY 2005. Whether or not Amtrak is performing well or poorly depends on what year and

Fiscal Year	Total Passengers
2004	25,053,564
2005	25,374,998
2006	24,306,965

Sources: Amtrak, *Monthly Performance Report for September 2006*, December 4, 2006, pp. A3.3 and C1, at www.amtrak.com/pdf/0609monthly.pdf (September 7, 2007), and *Monthly Performance Report for September 2005*, November 4, 2005, pp. A2.3 and C1.

month is used as the benchmark. It also depends on which ridership measures Amtrak chooses to use, because its monthly reports for the past three years contain different ridership data for FY 2005.

Given that month-to-month ridership patterns often include seasonal anomalies that can mask broader and more permanent trends, a better approach would be to compare fiscal year totals, which show essentially flat ridership over the past few years. Amtrak’s total ridership fell from FY 2005 to FY 2006 (according to one set of Amtrak reports), so the gains so far this year look good because FY 2006 was so bad. (See Table 2.) A Congressional Research Service (CRS) report confirmed this assessment, noting that “Amtrak ridership increased by 276,000 passengers (from 24.031 million to 24.307 million) from FY 2005 to FY 2006, but declined by 747,000 passengers between FY 2004, when ridership was over 25 million, and FY 2006.”⁹

Even these trends may exaggerate Amtrak’s performance because much of the recent gain in ridership has been on the 19 routes that Amtrak operates in partnership with states (e.g., Portland, Maine–Boston; Portland, Oregon–Seattle; and St. Louis–Chicago). In such cases, the state selects the routes, frequency and quality of service, level of fares, and

7. News release, “Ridership Surges As Amtrak Celebrates National Transportation Week,” Amtrak, May 15, 2007, at www.amtrak.com/servlet/ContentServer?pagename=Amtrak/am2Copy/News_Release_Page&c=am2Copy&cid=1178293982334 (September 6, 2007).

8. News release, “Rail Passengers Urge Congress to Support Passenger Rail Growth, Not Downsizing,” National Association of Rail Passengers, April 17, 2007, at www.narprail.org/cms/index.php/news_releases/more/2007/04 (September 6, 2007).

9. Fritelli and Peterman, “Amtrak,” p. 5. CRS numbers differ slightly from those in Tables 1 and 2, perhaps reflecting Amtrak’s data differences from one report to another. Nonetheless, the trends are the same, as are the magnitudes of change.

level of subsidy financing. Most of these state-supported routes are between paired cities that are close enough for the route to be competitive in time and convenience with commercial airlines and automobiles. These routes also benefit from substantial state and federal subsidies that reduce ticket prices. When Amtrak's overall ridership went up by 1.1 percent in FY 2006, ridership of state-supported routes went up by 4.5 percent, implying that ridership on routes operated solely by Amtrak fell by 1.5 percent (and by 1.9 percent in FY 2005), which is a particularly poor performance during a period when the economy and the travel market were booming.¹⁰

Because of frequent changes in how Amtrak reports on its routes and ridership, analyzing ridership trends is difficult. One reason that ridership in the Northeast Corridor appears to have improved of late is that Amtrak no longer includes ridership figures for its once-faltering Clocker service between Philadelphia and New York and has adjusted past performance reports to reflect this. Under Amtrak's stewardship, the Clocker service got so bad that the state of New Jersey asked to take it over, and the service is now operated by New Jersey Transit.

In effect, the consequences of past poor performance allow Amtrak's present situation to appear more favorable. Perhaps recognizing that state-partnership routes outperform its own routes, Amtrak no longer reports a separate state-supported category and instead lumps them in with some of its own poorly performing, short-distance routes, thereby distorting both ridership and cost patterns by system segments.

High Costs Undermining the System

Amtrak's FY 2006 annual report reveals continued financial and operational problems, with large financial losses and limited improvement in passen-

ger support. At the same time, evidence suggests that the new board and the rotating presidency have slightly improved the financial efficiency of Amtrak's operations. Amtrak's net losses peaked at \$1,308,892 in FY 2004, falling to \$1,067,990 in FY 2006. Nonetheless, Amtrak's federal subsidy equals about 64 percent of its revenues from all other sources (e.g., tickets, food service, and state subsidies) and nearly equals total ticket revenue for the year.¹¹ In effect, for every dollar spent on a ticket, the rail passenger receives another dollar from U.S. taxpayers, making Amtrak the most heavily subsidized transportation mode in the nation.

According to a U.S. Department of Transportation (USDOT) report in December 2004, Amtrak is by far the most heavily subsidized mode of travel in the U.S. Between its huge federal subsidies and its minuscule share of the intercity passenger market (less than 1 percent), Amtrak costs \$210.31 per passenger per 1,000 miles, compared to \$4.66 for intercity buses and \$6.18 for commercial airlines in FY 2002. Because motorists pay far more in federal user fees than they get back in federal transportation spending, USDOT estimates that the federal government earns a "profit" of \$1.79 per passenger per 1,000 miles from automobiles.¹²

Before 2001, commercial aviation also earned a profit for the government from fees paid by the airlines and passengers, which exceeded the federal costs of overseeing and managing the system. However, this earlier gain turned into a loss after the 9/11 terrorist attacks as passenger volumes declined and security costs increased.

Obviously, an important goal for Congress, USDOT officials, and Amtrak management should be to reduce Amtrak's federal subsidy cost and bring it more closely in line with that of the airlines or,

10. Because of so many differences in the way Amtrak reports ridership and routes in 2005 and 2006, for year-to-year consistency, this analysis uses the set of Amtrak numbers that contend that 2005 ridership totals were lower than previously reported, largely due to misleading adjustments to reflect the loss of the Clocker service.

11. Amtrak, *2006 Annual Report: The Travel Solution for Our Time*, p. 5, at www.amtrak.com/pdf/AmtrakAnnualReport_2006.pdf (September 7, 2007).

12. U.S. Department of Transportation, Bureau of Transportation Statistics, "Federal Subsidies to Passenger Transportation," December 2004, Table 3, at www.bts.gov/programs/federal_subsidies_to_passenger_transportation/pdf/entire.pdf (April 26, 2006). The December 2004 report on subsidies by mode was the last time that USDOT provided such information. Since then, Congress has prohibited USDOT from using appropriated funds to conduct the analysis and publish the findings.

better yet, intercity buses. Regrettably, any attempt to improve Amtrak's cost structure will be hobbled by Amtrak's primitive accounting system. As a consequence, making sense of Amtrak's cost problems is even more challenging than trying to make sense of its ridership trends.

Part of this problem stems from a long-standing pattern of publicly releasing only limited cost information and changing reporting formats in ways that make year-to-year comparisons difficult. Indeed, if Amtrak's public cost data are similar to its internal cost data, then Amtrak's management is severely limited by the absence of meaningful information.

FY 2006 cost data for Amtrak's 44 routes illustrate this problem:

- Amtrak's costliest route is the Sunset Limited, which connects Los Angeles and Orlando in a grueling cross-country trip. In FY 2006, it served only 51,860 passengers and generated \$6.5 million in revenue but ran at an annual operating loss of \$27.2 million (\$524.49 per passenger). In FY 2005, the route generated \$10.8 million in revenue but lost \$35.2 million (compared to \$29.3 million in 2004), yielding a loss of \$433 per passenger.¹³ Amtrak could save money by shutting down the line and buying each passenger an airline ticket.
- The Silver Service (Silver Meteor and Silver Star) between New York and Florida lost \$132.6 million in FY 2006 (\$226.90 per passenger). In FY 2005, it lost \$105.3 million (compared to \$87.9 million in 2004), yielding a loss of \$146 per passenger.¹⁴
- The Coast Starlight from Seattle to Los Angeles sold \$31.8 million in tickets in FY 2006 but lost \$43.9 million, or \$132.25 per passenger, compared to a loss of \$97.50 per passenger in FY 2005.¹⁵
- According to Amtrak's accounting system, long-distance trains accounted for 137 percent of allocated cash operating losses (\$460.3 million out of a total of \$336.0 million) while carrying only 15.3 percent of its passengers during FY 2006. Their share of the system's losses exceeds 100 percent because a portion of their losses is offset by the trains running in the Northeast Corridor, which earned a "profit" of \$222.1 million.¹⁶
- Of the routes losing money, state-supported routes accounted for only 18 percent of the losses while carrying 40 percent of Amtrak's total passengers and 67 percent of the passengers on the loss-making routes.¹⁷

Despite their exceptionally poor performance, Amtrak refuses to acknowledge that long-distance routes are a problem, in large part because of congressional resistance to change and intense support for those routes from a well-organized national coalition of rail hobbyists. As a consequence of these pressures, Amtrak's leadership seems to act less like managers of a real transportation system and more like museum directors responsible for preserving and displaying a series of curious transportation artifacts from a bygone era. In support of this approach, Amtrak's new president recently announced that "Amtrak believes that a national system of long-distance routes should continue to be part of the fabric of a future rail network."¹⁸

13. Amtrak, *Monthly Performance Report for September 2006*, December 4, 2006, pp. A3.3 and C1, at www.amtrak.com/pdf/0609monthly.pdf (September 7, 2007), and *Monthly Performance Report for September 2005*, November 4, 2005, pp. A2.3 and C1.

14. *Ibid.*

15. *Ibid.*

16. Amtrak, *Monthly Performance Report for September 2006*. Because Amtrak does not allocate depreciation charges and certain other expenses (\$790 million in FY 2006) to individual routes, all route loss figures are substantially understated, and the alleged profits reported for Northeast Corridor routes would likely turn into substantial losses since Amtrak's largest physical (and depreciable) asset is the Northeast Corridor roadbed and related infrastructure.

17. Amtrak no longer provides separate reports for the much better performing state-supported routes, but that information can be derived by excluding non-state routes from the current cost table, which shows that the state-supported routes lost \$61.8 million, not the \$97.8 million implied by Amtrak.

In contrast, a November 2006 Government Accountability Office (GAO) report on comprehensive intercity rail passenger argued:

The existing intercity passenger rail system is in poor financial condition and the current structure does not effectively target federal funds to where they provide the greatest public benefits, such as transportation congestion relief. Routes of 750 miles or more, while providing service for some rural areas and connections between regions, show limited public benefits for dollars expended. These routes account for 15 percent of riders but 80 percent of financial losses. “Corridor” routes (generally less than 500 miles in length) have higher ridership, perform better financially, and appear to offer greater potential for public benefit.¹⁹

In a normal business, such per passenger costs by routes would provide Congress and Amtrak’s management with valuable information on where costs can be trimmed and losses reduced. For example, given that long-distance routes carry only 15 percent of the passengers and account for a substantial portion of Amtrak’s losses and that routes operated in partnership with states are much more cost-effective than those operated solely by Amtrak, the logical response would be to terminate the long-distance routes and rely more on state partnerships. However, Amtrak, its supporters, and its critics note that these route cost estimates provided by Amtrak reflect only a portion of the costs and exaggerate the alleged profitability of the Northeast Corridor.

In Amtrak’s monthly and annual reports, a table titled “Reconciling Items between SBL and Consolidated Statement of Operations” shows that the \$336 million in losses attributed to individual routes in FY 2006 reflects only 30 percent of Amtrak’s losses of \$1,126.9 million that year, meaning that the other \$790.9 million is not attributed (at least publicly) to individual routes. The consequences of this misreporting are that:

- **Total losses on individual routes may be understated by two-thirds.** If the unallocated costs are prorated among the 44 routes, per passenger loss on the Sunset Limited could run as high as \$1,600 per passenger rather than the reported \$524. Similarly, the Coast Starlight would have lost \$400 per passenger, not the reported \$132.
- **The reported “profits” of \$222.1 million on the Northeast Corridor would be wiped out and replaced by a loss.** As a CRS report noted, “Only Amtrak’s signature ‘high speed’ service on the Northeast Corridor, the Acela, and its companion Metroliner service, consistently earn more than their operating costs. However, the annual maintenance cost of the Northeast Corridor dwarfs the operating profit generated by Acela and Metroliner service.”²⁰
- **Amtrak’s management is unable to make informed decisions** about the relative efficiency—or inefficiency—of its many lines of business, leaving it as little more than a caretaker of an inefficient enterprise in which decisions rely more on habit than opportunity. For the same reasons, neither Congress nor the Administration can conduct effective oversight of Amtrak’s operation or make meaningful judgments about its management’s performance. As a result, most decisions (or non-decisions) end up being based on pressure-group politics.

Although Amtrak contends that the limited cost allocations that it provides are the best that it can do, this seems unlikely. One major cost item that Amtrak does not allocate by route (at least publicly) is the annual depreciation charge. If Amtrak’s accountants are accurately reporting that system-wide depreciation totaled \$545.3 million in FY 2006, they must also know which assets depreciated and which services and routes used those assets.

For example, the roadbed and signal system for the Northeast Corridor—the only routes where

18. Kummant, letter to Congress transmitting Amtrak’s FY 2008 Grant and Legislative Request, p. 4.

19. U.S. Government Accountability Office, *Intercity Passenger Rail: National Policy and Strategies Needed to Maximize Public Benefits from Federal Expenditures*, GAO-07-15, November 2006, at www.gao.gov/new.items/d0715.pdf (September 7, 2007).

20. Fritelli and Peterman, “Amtrak,” p. 3, footnote 9.

Amtrak owns the roadbed and related infrastructure—probably accounts for a significant portion of the depreciation charge. This portion could easily be prorated among the few routes that use the Northeast Corridor to portray more accurately the costs of the Acela and other trains serving the corridor. Maintenance costs could also be prorated.

Amtrak's lack of knowledge about its cost structure extends to many of its other services. An embarrassing set of congressional hearings in June 2005 revealed the extent to which Amtrak loses money on virtually every service that it provides, including the sale of beer and hamburgers. Although federal law states that Amtrak "may provide food and beverage service on its trains only if revenues from the services each year at least equal the cost of providing the service,"²¹ Amtrak food service operations have racked up huge losses year after year, despite congressional efforts to impose financial benchmarks on the system. The President's FY 2008 budget request demands the same food service performance, but Amtrak is certain to ignore that requirement as well.

In 2003, according to the GAO, Amtrak spent \$158.8 million on food and drink that it sold to passengers for \$78.4 million, for a loss of \$80.4 million. Moreover, this may actually understate the loss. According to the Amtrak Inspector General, Amtrak spends another \$50 million annually to operate and maintain its dining, snack, and lounge cars.

Even Amtrak's management has acknowledged the food service losses and promised to remedy the problem. Its FY 2006 grant request described how, "in an effort to significantly reduce annual losses from food service operations that now approach \$100 million, Amtrak is evaluating several options for immediate action."²² Financial losses on food

service accounted for about 20 percent of Amtrak's annual federal operating subsidy for that year.

However, Amtrak's most recent grant request was silent on food service reforms, and union opposition is probably one reason why Amtrak seems to have abandoned the reforms. In November 2005, in an attempt to provide attractive food service choices to Amtrak passengers on its Empire Service (New York City–Albany), Amtrak contracted with a Subway franchisee to provide food service on a route that previously had no food service. Recognizing the potential for better and profitable service from Subway to make the union workers appear costly and inefficient, union members staged a series of intimidating on-board demonstrations that forced the food chain to give up the service after a few days.²³ There are no plans to restart the service, and Amtrak appears to have abandoned this opportunity to cut losses through competitive contracting.

In a separate report, the USDOT Inspector General concluded:

Our analysis shows that eliminating sleeper cars, dining cars, entertainment, lounge seating, [and] checked baggage service on Amtrak's long-distance routes could save between \$375 million and \$790 million in operating savings and \$395 million in avoidable planned capital expenditures over 5 years.²⁴

How can a company lose so much money selling food and renting clean beds? Paying its food service workers \$54,800 per year plus tips is likely part of the problem.

Amtrak's shortage of customers also plays a role. On average, Amtrak trains are less than half full (47.2 percent load factor for the first nine months of FY 2007) when they leave the station.²⁵ Yet despite

21. 49 U.S. Code § 24305.

22. National Railroad Passenger Corporation, "Amtrak Strategic Reform Initiatives and FY06 Grant Request: Rebuilding America's Passenger Rail System," April 2005, p. 24, at www.amtrak.com/pdf/strategic06.pdf (April 26, 2006).

23. See press release, "Amtrak and Subway Restaurant Chain Team Up for 'Fresh Idea' on Empire Service," Amtrak, November 14, 2005, at www.amtrak.com/servlet/ContentServer?pagename=Amtrak/am2Copy/News_Release_Page&c=am2Copy&cid=1093554027594 (September 7, 2007), and "Subway Food Project with Amtrak Tubed," *California Rail News*, April–May 2006, p. 7, at www.calrailnews.com/crn/0406/0406_7.pdf (September 7, 2007).

24. U.S. Department of Transportation, Office of Inspector General, "Analysis of Cost Savings on Amtrak's Long-Distance Services," Report No. CR-2005-068, July 22, 2005, at www.oig.dot.gov/StreamFile?file=/data/pdfdocs/CR-2005-068.pdf (April 26, 2006).

the high costs, Amtrak service is nowhere near the level of quality and attentiveness offered on most scheduled airlines. Any Amtrak passenger can confirm this by asking the conductor for a pillow and blanket or a complimentary coffee or soft drink.

The inefficiencies and incompetence that cause Amtrak's food service losses are present throughout the system—in the maintenance yards, ticket sales, train operations, stations, baggage carousels, signal and track repair, janitorial services, and a host of other services. All of these combine to create huge per passenger losses on some of the routes that Amtrak inherited from a bygone era.

In addition to the potential savings that would accrue from applying market competition to its food service operations, much of Amtrak's federal subsidy is spent on long-distance routes to subsidize vacations for families and individuals who are capable of paying for their own recreation and entertainment. Shutting down these routes or requiring passengers to pay the full cost of the service could wipe out a substantial portion of Amtrak's operating losses.

Relying More on State and Private-Sector Solutions

The President's FY 2007 legislative proposal²⁵ would have addressed this record of poor performance and large federal subsidies in a number of ways. One key proposal would require the states served by Amtrak to participate in the financial support, guidance, and operation of the routes running through their state. As noted earlier, existing Amtrak partnerships with states have yielded significant success in both increased ridership and reduced need for federal subsidies.

At present, there are 44 Amtrak routes. Of these, 19 are operated in partnership with the states and carry 40 percent of the system's passengers. During

2005, these 19 partnership routes experienced an 8 percent increase in ridership, while ridership on the 22 routes operated solely by Amtrak fell by 2 percent. Indeed, if not for the state partnership routes, Amtrak would have experienced an overall decline in ridership during 2005. In FY 2006, ridership on state-supported routes increased by 4.6 percent, while ridership on solely Amtrak routes declined by 1.6 percent.²⁷

The state-supported routes also impose smaller burdens on federal taxpayers. These routes carried 40 percent of the system's passengers but accounted for only 15 percent of its financial losses in FY 2006, compared to a 35 percent share in FY 2005 for 16 percent of losses.²⁸ Given this extraordinary difference in performance, congressional resistance to the President's proposal to shift more decision-making and operating responsibility to the states is both inexplicable and fiscally irresponsible.

Learning from Abroad and from the States

The scale of losses that Amtrak experiences each year is not unique to passenger rail service, but rather stems from the archaic socialist model that Congress imposes on Amtrak. Many other countries have struggled with the same inherent inefficiencies of passenger rail, and most have turned to some form of privatization to reduce costs and improve service.

Japan. Japan began to privatize its passenger rail system in 1987, when accumulated losses totaled approximately \$600 billion and debt exceeded \$300 billion. The system was split into six vertically integrated systems, and three were fully privatized. Since then, subsidies have been reduced, and three of the six privatized services are earning a profit and receiving no government subsidy. The other three, which serve the southern and northern islands, still depend on state support.²⁹

25. Amtrak, *Monthly Performance Report for June 2007*, August 8, 2007, p. A2.2, at www.amtrak.com/pdf/0706monthly.pdf (September 7, 2007).

26. Passenger Rail Investment Reform Act, H.R. 1713, 109th Cong. The Administration's bill was introduced by Representatives Don Young (R-AK) and James Oberstar (D-MN). For reasons the Administration has not revealed, it has not reintroduced a similar bill in the 110th Congress.

27. Amtrak, *2006 Annual Report*.

28. *Ibid.*

The United Kingdom. In 1993, the United Kingdom began a five-year process to reform its troubled passenger rail system by contracting out the operation of its many routes to several private companies. The effort has had some problems, and Railtrack, the original infrastructure company, turned out to be a disappointment in its management of the system's roadbeds and signals. Railtrack has since been reorganized as a not-for-profit company called Network Rail to upgrade the system's infrastructure, which suffered from underinvestment during its long period of socialist operation. Notwithstanding the controversy, ridership has surged to its highest level since the late 1940s, and measures of safety have improved from those recorded during the system's public operation.³⁰

Germany. In Germany, Deutsche Bahn (DB) was created as a government-owned commercial operation to oversee and operate passenger rail service. Private operators are allowed to bid to operate routes of their choosing. Today, over 300 operators compete with DB to operate the many rail routes crisscrossing Germany. The federal government subsidizes the system through grants to the individual German federal states (Länder), which use these federal funds to contract with DB or a private operator to operate the routes in the state. DB is now making a "profit" on its regional and long-distance routes as a result of the competition with private operators and a shift of subsidy responsibilities to state governments. The German government is considering privatizing DB in the near future.³¹

Canada. VIA Rail Canada has much in common with Amtrak. It is an inconsequential part of the nation's transportation system and attempts to serve a continental market with slow and infrequent service. Confronted with escalating costs and losses and higher subsidy requests, the Canadian government capped VIA's subsidy in 1991 and lowered the cap in

subsequent years to force its management to reduce costs or go out of business. VIA has maintained much of its route structure, even though its government subsidy has been reduced from \$315 million (in Canadian dollars) in 2001 to \$197 million in 2004 and \$169 million in 2006. Over the same period, VIA ridership increased from 3.87 million to 4.09 million passengers per year, thereby serving more people with a smaller federal subsidy.³²

While Amtrak and its congressional supporters have successfully thwarted implementation of similar reforms, states and metropolitan areas that can choose who runs their commuter rail services have embraced the competitive model to reduce costs and improve service. At the same time, passengers looking for reliable and attractive long-distance rail service in the United States and Canada have spurred the creation of several private companies.

- Over the past few years, Los Angeles, Boston, and California have replaced Amtrak as operator of their commuter rail services with private companies that provide better service under competitive contracts at lower costs. Veola, one of these private operators, runs several commuter rail systems in the U.S. and carries more passengers per day than Amtrak. As noted, New Jersey has replaced Amtrak with New Jersey Transit as the operator of the state's Clocker service.
- In the U.S., GrandLuxe Rail Journeys, a private company, has been offering for-profit passenger rail excursions in its own cars on a changing series of routes in the United States. In 2007, it offered rail tours titled Grand Canyon and the Southwest, National Parks of the West, Great Northwestern National Parks, Western and Pacific Coast Treasures, and the Rockies, Sierras, and Napa.³³ Amtrak and GrandLuxe will partner on a "hook and haul" basis to offer luxury service

29. U.S. Government Accountability Office, *Intercity Passenger Rail*, pp. 135–137.

30. *Ibid.*, pp. 137–139, and Iain Murray, "Privatizing Rail, Avoiding the Pitfalls: Lessons from the British Experience," Competitive Enterprise Institute *Issue Analysis*, May 19, 2005.

31. U.S. Government Accountability Office, *Intercity Passenger Rail*, pp. 132–134.

32. *Ibid.*, pp. 128–130, and VIA Rail Canada, *2006 Annual Report: People Moving People*, at www.viarail.ca/pdf/an2006/VIArail_ar2006_en.pdf (September 7, 2007).

33. See GrandLuxe Rail Journeys, Web site, at <http://americanorientexpress.com> (September 7, 2007).

on select Amtrak lines on select dates in late 2007 and early 2008.

- In Canada, Rocky Mountaineer, a private passenger rail operator, was created several years ago to provide upscale service on select routes in British Columbia and Alberta. In 2007, it is offering service on three western routes: Vancouver–Whistler–Jasper, Vancouver–Kamloops–Jasper, and Vancouver–Banff–Calgary.³⁴

If contracting out and using private operators can produce such gains in service and savings in the U.S. and other nations, why are Amtrak and Congress so reluctant to apply this formula to America's bankrupt passenger rail system?

Alibis for Amtrak: Reality and Mythology

Despite Amtrak's 36 years of huge losses and worsening service, its many supporters in Congress, the unions that represent its workers, and a nationwide network of train clubs have succeeded in preserving its mediocre performance. In arguing that Amtrak deserves even larger taxpayer subsidies, the railroad's leaders and supporters often make claims that are contrary to the facts.

Amtrak's "Fair" Share of Federal Subsidies.

One of the more common justifications for more money is that Amtrak does not receive its fair share of federal transportation subsidies in comparison to highways and aviation. If it did, its defenders argue, train service would be better and ticket prices would be lower. A variant of this complaint contends that "The federal highway program doesn't make a profit, so why should Amtrak?"

In fact, the federal highway program is expected to make a profit and does so every year. Funded largely by a per gallon tax on gasoline and diesel fuel, the federal highway trust fund devotes only

about 60 percent of its revenue to general-purpose roads. The rest is diverted to urban mass transit (20 percent to 25 percent) and other purposes, including commuter rail systems that pay Amtrak to run their trains under contract.³⁵

Likewise, the Federal Aviation Administration (FAA) aviation trust fund—which finances the air traffic control system, provides grants to small airports, and oversees safety and inspections—is supported by up to 17 separate taxes and fees levied on passengers, planes, and airlines, including an annual assessment of \$350 million paid by the scheduled airlines to help finance the federalized airport security system.³⁶ In 2005, these fees and taxes totaled just over \$16 billion. Until recently, they covered all of the FAA's costs in serving commercial aviation, but after 9/11, falling revenue caused by the decline in air passenger travel and higher security costs led to losses and a need for taxpayer subsidies.

USDOT estimates that the federal subsidy per commercial air passenger per 1,000 miles was \$6.18 in 2002 compared to \$210.31 for Amtrak. In contrast, Amtrak passengers—including passengers on trolleys, buses, and commuter rail—pay no taxes on the services that they receive beyond the fare, and the fares cover only a fraction of the costs incurred. Their train and trolley trips are subsidized by general tax revenues or by the highway trust fund. In some cases, these subsidies are substantial. A Heritage Foundation analysis of Virginia Railway Express (VRE), a commuter rail program that serves northern Virginia and Washington, D.C., found that the per passenger subsidy was \$21 per day, or \$4,481 per year.³⁷ A separate transit system serving the same region in Virginia as VRE earned fares that covered only 1 percent of its operating costs. The other 99 percent came from local, state, and federal taxpayers.³⁸

34. See Rocky Mountaineer Vacations, Web site, at www.rockymountaineer.com/our_trains (September 7, 2007).

35. See Wendell Cox, Alan Pisarski, and Ronald D. Utt, *21st Century Highways: Innovative Solutions to America's Transportation Needs* (Washington, D.C.: The Heritage Foundation, 2005), p. 170.

36. A few of these taxes and fees apply only to international travel.

37. Ronald D. Utt, "Getting Urban Transit Systems Focused on Cost and Service," Heritage Foundation *WebMemo* No. 717, April 11, 2005, at www.heritage.org/Research/SmartGrowth/wm717.cfm.

38. Steve Dunham, "Regional Bus System Manager Envisions Many Improvements," *Free Lance-Star* (Fredericksburg, Va.), August 19, 2007, at <http://fredericksburg.com/News/FLS/2007/082007/08192007/308464/index.html> (September 13, 2007).

Grasping for a Role in Disaster Relief

In response to its lackluster ridership and poor performance, Amtrak often seeks to link its alleged benefits to non-transportation goals that are politically popular or of some urgency when Amtrak is seeking its taxpayer subsidies. While most Americans saw the terrorist attacks of September 11, 2001, as a national tragedy, Amtrak supporters saw it as a fundraising opportunity:

Within two days of the attack, the head of the National Association of Railroad Passengers (NARP), an Amtrak support group advocating federal subsidies, e-mailed members that “The tragedy and its aftermath raise the possibility that more Americans will see the need for more modern passenger trains. We will be pointing this out.”

Apparently, Americans did not see it as quickly or as clearly as NARP’s head hoped, because Amtrak was not included as part of the airline bailout despite its best efforts to wriggle into a place at the trough. So NARP’s next e-mail tried to make things clearer with the perversely accurate assertion that “Amtrak took on unusual importance right after the tragedy.” Unusual indeed: Within hours of the attack, Amtrak trains scheduled to leave Washington, D.C., as well as those of the Amtrak-operated Virginia Railway Express, were canceled, stranding more than 5,000 commuters in a city under terrorist assault.³⁹

Almost exactly four years after 9/11, Amtrak’s supporters saw another fundraising opportunity in the tragic aftermath of Hurricane Katrina. Notwithstanding that Amtrak canceled its Florida and Gulf Coast service two days before the hurricane struck and did not restore service east of New Orleans until many months later, Amtrak supporters saw the event as a validation of Amtrak’s value during a natural disaster. They noted that two Amtrak trains

evacuated 298 people from Houston to San Antonio in advance of Hurricane Rita and that an Amtrak train stranded in New Orleans when Katrina struck was used to evacuate 97 people to Lafayette, Louisiana, a few days after the hurricane hit the city.⁴⁰ Officials are considering rewarding Amtrak’s inconsequential storm performance by spending millions of dollars to fund a new passenger rail evacuation service between New Orleans and Baton Rouge.⁴¹

Amtrak the Environmentalist

With the change in political fashions, Amtrak is now shifting its emphasis from national security and natural disaster response to increasingly popular environmental causes. With policymakers and elected officials focusing on ways to reduce energy consumption and combat global warming and greenhouse gas emissions, their natural inclination is to validate such concerns by spending vast sums of taxpayers’ money on a variety of costly schemes that may or may not address the energy or greenhouse gas issues. Amtrak has joined with a host of lobbyists, special interests, and perennial federal corporate welfare recipients to line up for a piece of the action.

Over the past few years, Amtrak and its supporters have mounted a publicity campaign to present the railroad as a “green” alternative to other modes of transportation, which by implication are presented as not being as environmentally friendly as trains. Linked to this campaign are claims of fuel efficiency that allegedly allows the nation to rely less on imported energy. Yet like earlier claims about federal subsidy costs, these contentions are exaggerated and unsupported by the facts.

Typical is the congressional testimony of a lobbyist for passenger rail on June 26, 2007:

The debate must change from “Amtrak, how much did you lose last year and what can you do to reduce federal funding?” to “What can

39. Ronald D. Utt, “Lobbyists Use Tragedy to Raid American Taxpayers,” Heritage Foundation Executive Memorandum No. 781, October 10, 2001, at www.heritage.org/Research/Taxes/EM781.cfm.

40. News release, “Passenger Rail Helps Evacuate Houston,” National Association of Rail Passengers, September 27, 2005, at www.narprail.org/cms/index.php/news_releases/yearly/2005 (September 7, 2007).

41. Associated Press, “New Orleans–Baton Rouge Amtrak Route Considered,” *USA Today*, April 11, 2006, at www.usatoday.com/travel/news/2006-04-11-la-amtrak_x.htm (September 7, 2007).

you do to reduce our dependence on oil and further reduce carbon emissions, air and highway congestion and highway fatalities, and to increase safe mobility choices?”⁴²

The lobbyist went on to support his case by providing selective evidence that relied on recent (and partial) data produced by the Oak Ridge National Laboratory.⁴³ For Amtrak supporters, recent Oak Ridge data reports offer the advantage of excluding energy consumption data since 2001 for intercity buses, Amtrak’s nearest competitor. Table 3 illustrates how this exclusion alters impressions.

Perhaps because of data problems, 2000 is the most recent year for which Oak Ridge has provided information on bus performance. As Table 3 shows, intercity buses consumed an estimated 932 BTUs⁴⁴ per passenger mile in 2000, compared to Amtrak’s 3,253 BTUs per passenger mile, making buses almost four times more energy-efficient than rail. The 2004 data show that airlines have made impressive gains in fuel efficiency, narrowing the energy efficiency gap between planes and trains to only 17 percent. Other than walking or bicycling, buses still offer the most energy-efficient transportation option.⁴⁵

Findings from a similar CRS report in 1996, updated in 1999,⁴⁶ indicate that the automobile is more energy-efficient and environmentally friendly

Mode of Transportation	BTU per Passenger Mile	
	2000	2004
Automobiles	3,611	3,496
Rail Transit	2,729	2,750
Van Pool	1,362	1,294
Certificated Airlines*	3,952	3,339
Amtrak	3,253	2,760
Intercity Buses	932	n.a.

*Includes only domestic service.
Source: Stacy C. Davis and Susan W. Diegel, *Transportation Energy Data Book: Edition 26*, U.S. Department of Energy, Oak Ridge National Laboratory, 2007, at http://cta.ornl.gov/data/tebd26/Edition26_Full_Doc.pdf (September 7, 2007).

than Amtrak for travelers heading north from Washington, D.C., to Philadelphia, New York, or Boston or traveling from Chicago to St. Louis. Intercity buses are almost three times more efficient than Amtrak, about the same relationship that Oak Ridge researchers found up through 2000. (See Table 4.)

The CRS report was originally published in 1996, and even the 1999 update relies on fuel consumption data from the early to mid-1990s. Yet much has happened in engine technology, and

- 42. Ross Capon, statement before the Subcommittee on Railroads, Pipelines and Hazardous Materials, Committee on Transportation and Infrastructure, U.S. House of Representatives, June 26, 2007, at www.narprail.org/cms/index.php/resources/more/house_ti_062606 (September 7, 2007).
- 43. Stacy C. Davis and Susan W. Diegel, *Transportation Energy Data Book: Edition 26*, U.S. Department of Energy, Oak Ridge National Laboratory, 2007, at http://cta.ornl.gov/data/tebd26/Edition26_Full_Doc.pdf (September 7, 2007).
- 44. A British thermal unit is defined as the amount of energy needed to raise the temperature of one pound of water one degree Fahrenheit or about 1,055 joules.
- 45. This is not the first instance of Amtrak advocates withholding information on the comparatively better performance of buses over trains. An earlier attempt to assert this claim was offered by Friends of the Earth (FOE). Claiming to be presenting the energy efficiency results reported by the Congressional Research Service (CRS), FOE argued that Amtrak is more energy-efficient than domestic air travel and the automobile. This claim, however, misrepresents the CRS report. The CRS report presented measures of automobile efficiency for two types of driving: trips over 75 miles and all trips, which includes mostly short trips and trips around town and to work. The FOE report excludes the CRS auto fuel-efficiency measures for longer auto trips and apparently miscalculated bus efficiency: It claims that the CRS says buses are the least efficient, but the CRS report says they are the most efficient. If these data had been included in that estimate, FOE would have been forced to acknowledge that the automobile is slightly more energy-efficient than Amtrak on longer trips, which are more comparable to what Amtrak offers, and that buses are much more efficient. The FOE report also includes Acela, which did not enter service until late 2000, thereby further distorting the presentation by comparing pre-1996 measures with those of 2000 and later. Stephen J. Thompson, “Amtrak and Energy Conservation: Background and Selected Public Policy Issues,” Congressional Research Service *Report for Congress* No. 96–22 E, updated January 19, 1999.
- 46. Thompson, “Amtrak and Energy Conservation.”

Table 4 B 2072

Fuel Intensity of Competing Modes of Intercity Passenger Transportation

Mode of Transportation	BTU per Passenger Mile	BTU per Passenger Mile Versus Amtrak
Intercity Buses	953	36%
Autos, trips over 75 miles	2,625	99%
Amtrak	2,646	100%
Autos, all trips	3,593	136%
Air, certified domestic	4,482	169%
Air, general aviation	8,582	324%

Source: Stephen J. Thompson, "Amtrak and Energy Conservation: Background and Selected Public Policy Issues," Congressional Research Service Report for Congress No. 96-22 E, updated January 19, 1999.

most engines are cleaner and more fuel-efficient today than they were in the early 1990s. As a result of these technological advances, the relative rankings among transportation modes may have changed.

With regard to Amtrak, the CRS report concluded:

[One] rationale for federal financial support to Amtrak has been that rail service conserves energy, compared to other forms of intercity passenger transportation. The numbers discussed in this report suggest that the rationale might not be valid with regard to autos and buses.⁴⁷

The report also notes that:

The far greater fuel efficiency of intercity buses compared to Amtrak suggests that federal financial assistance to intercity bus service might conserve more energy than federal financial assistance to Amtrak, even if additional buses caused some increase in congestion.⁴⁸

Reflecting the public policy issues at the time the study was produced, the CRS focuses on BTU use, not greenhouse gas emissions. Although BTU use

can serve as a rough proxy for CO₂ emissions, Clean Air-Cool Planet, a nonprofit group in New Hampshire, has prepared a more current analysis of greenhouse gas emissions at the request of *The Washington Post*.⁴⁹ Table 5 provides estimates of the volume of greenhouse gases that would be emitted to transport two people from Washington, D.C., to Orlando and from Washington, D.C., to New York City.

The results confirm the CRS and Oak Ridge studies. Intercity buses are far more environmentally friendly than Amtrak, and mid-sized cars are only marginally less so. Other work by Clean Air-Cool Planet indicates that automobiles with better gas mileage than a mid-size car would outperform Amtrak in the greenhouse gas contest. If Congress wants to reduce fuel consumption and greenhouse gas emissions, a better policy would be to encourage intercity passengers to shift from Amtrak to buses or sub-compacts with gas mileage over 35 miles per gallon.

More recently, a report prepared by the Center for Clean Air Policy and the Center for Neighborhood Technology and funded by the Environmental Protection Agency evaluated the potential environmental and fuel-efficiency benefits from establishing a nationwide system of high-speed rail that performed at the level of Denmark's IC3 system,

Table 5 B 2072

Greenhouse Gas Emissions by Mode

Mode of Transportation	Pounds of CO ₂	
	From Washington, D.C., to:	
	New York City	Orlando
Mid-Size Car	412	1,591
Commercial Airliner	1,135	2,715
Passenger Rail	342	1,366
Bus	159	615

Source: Cindy Loose, "Guilty About Flying? Just Click," *The Washington Post*, June 10, 2007, p. P1, at www.washingtonpost.com/wp-dyn/content/article/2007/06/08/AR2007060801118.html (September 10, 2007).

47. *Ibid.*, p. 1.

48. *Ibid.*, p. 3.

49. Cindy Loose, "Guilty About Flying? Just Click," *The Washington Post*, June 10, 2007, p. P1, at www.washingtonpost.com/wp-dyn/content/article/2007/06/08/AR2007060801118.html (September 10, 2007).

which has a top speed of 99 miles per hour (mph).⁵⁰ The estimated greenhouse gas emissions by mode are presented in Table 6.

The EPA-funded study comes to the same conclusion as the Oak Ridge, CRS, and Clean Air-Cool Planet studies: Intercity buses are the most fuel-efficient and environmentally sound form of transportation. Regrettably, the authors see this analytic setback as an advantage and come to a contrary conclusion by assuming that, even though it has no particular advantage over competing modes, passengers will flock to a “high-speed” rail system that may be slightly faster than existing U.S. rail systems. Despite recognizing that conventional rail and buses outperform high-speed rail on greenhouse gas emissions, the authors come to the counterintuitive conclusion that the availability of high-speed rail will diminish greenhouse gases by presuming that as many as 112 million passengers will abandon airplanes and cars by 2025 for the opportunity to use “higher” speed rail, which, at the 99 mph proposed in the study, is slower than the top speed of a Dodge Caravan (120 mph), the Acela (150 mph), and a commercial airliner (550 mph). This, of course, is preposterous, in large part because it is based on biased and exaggerated passenger projections prepared earlier for each of the contemplated high-speed rail routes in the U.S.

Notwithstanding the claims by Amtrak advocates, each of these studies, from different research institutions using different methodologies, concluded that Amtrak is not particularly energy-efficient and that better options are available. Nonetheless, beliefs that are contrary to these facts have become persistent and popular urban myths among rail advocates. Issues of fuel efficiency and environmental benefit now loom larger than they did a decade and a half ago and may influence how Congress spends billions of taxpayer dollars. As a

Table 6 B 2072

Summary CO₂ Emissions Factors by Mode

Mode of Transportation	Emissions per Passenger Mile (pounds CO ₂)	Emissions per Vehicle Mile (pounds CO ₂)	Passengers per Vehicle
Bus	0.14	4.87	35
Conventional Rail	0.21	66.96	322
High-Speed Rail (IC3)	0.26	25.10	97
Automobile	0.53	0.85	1.6
Airplane	0.62	48.04	77

Source: Center for Clean Air Policy and Center for Neighborhood Technology, “High Speed Rail and Greenhouse Gas Emissions in the U.S.,” January 2006, at www.cnt.org/repository/HighSpeedRailEmissions.pdf (September 7, 2007).

consequence, Congress should seek an independent analysis of comparative modal energy efficiencies before devoting substantial resources based on popular mythology, lobbyists’ claims, or intuition.

How to Improve Amtrak

For the past several decades, articles and reports critical of Amtrak’s performance—including many from The Heritage Foundation—have usually offered recommendations to Congress and the President on how to improve the rail system and cut losses. Such recommendations have included various legislative proposals that would make some significant change in Amtrak by forcing it to restructure, economize its financial resources, and/or privatize or contract out some or all of its operations.

In effect, the thrust of these recommendations has been to urge the federal government to impose some sort of a solution on a reluctant Amtrak, which is incapable of reforming itself. Some of the proposals were better than others, and the President’s proposal for FY 2007 was a decent effort in this regard, but it has not been reintroduced in this Congress.

The Lautenberg-Lott bill is a top-down approach that would only disrupt the hesitant reform process currently underway and perpetuate low-quality service, albeit at a much higher cost to taxpayers. While

50. Center for Clean Air Policy and Center for Neighborhood Technology, “High Speed Rail and Greenhouse Gas Emissions in the U.S.,” January 2006, at www.cnt.org/repository/HighSpeedRailEmissions.pdf (September 7, 2007).

it lacks any substantive reform proposals, it is replete with directives, alterations, restructurings, subsidies, studies, reports, metrics, five-year plans, transitions, and other forms of top-down micromanagement designed to create the impression that spinning wheels represent forward movement. More troubling, however, is that these added administrative processes would largely get the Amtrak management team off the hook for several years as they await the results of the time-consuming bureaucratic processes that the bill would establish.

Heritage Foundation reports in 2006 instead advocated that Amtrak's new board and management team be given time to use their considerable discretion to implement reforms to cut costs and eliminate low-valued services.⁵¹ This now appears unlikely to happen, and Amtrak's management has clearly indicated that no big changes will occur, every long-distance route will be preserved regardless of how underutilized and costly it may be, and union interests will take precedence over the interests of customers and taxpayers.

Under these circumstances, the best policy approach to Amtrak may be to attempt to reduce Amtrak's funding in FY 2008 or at least freeze it in nominal terms (reduced in real terms) as was done in FY 2007. The Canadian government implemented such a plan in the 1990s for VIA, which compelled management to implement reforms that increased ridership while taxpayer subsidies were reduced. Amtrak could benefit from a similar approach that conditioned future subsidies on Amtrak's meeting quantitative performance measures.

One of the great ironies of Amtrak's perennial requests for more funding and more investment to increase its service is the extent to which the service it does offer is grossly underutilized and largely ignored by the traveling public. Amtrak carries less

than 1 percent of the nation's intercity passengers. It filled only 47.2 percent of its seats during the first nine months of FY 2007, which was only marginally better than the 46.2 percent for the same nine-month period in FY 2006.⁵² For FY 2006, Amtrak's load factor reached 47.6 percent compared to 47.2 percent for FY 2005.

The absence of passengers is a system-wide problem. In the Northeast Corridor, where Amtrak has invested heavily in Acela to provide quality and timely service in that corridor, the FY 2006 load factor was only 45 percent for all trains serving that route,⁵³ which is below the 47.6 percent system-wide average and significantly below the 76.8 percent load factor for scheduled airlines.⁵⁴

Given Amtrak's exceptionally poor ridership metrics, Congress may want to consider linking the generous federal subsidy to improvements in its load factor. For example, Congress could give Amtrak the same subsidy in FY 2008 that it received in FY 2007 but condition the FY 2009 subsidy on Amtrak's increasing its load factor for FY 2008 to 50 percent. If Amtrak failed to fill at least half its seats in FY 2008, then the FY 2009 subsidy would be reduced by \$100 million for every percentage point the FY 2008 load factor fell below the 50 percent target. Regardless of whether Amtrak met the target, each subsequent year's target would be increased by 5 percentage points until Amtrak matched airline performance. By setting such reasonable goals, Congress could force Amtrak's managers to shift their focus from congressional lobbying and antiquated train schedules to passenger satisfaction and the basics of modern transportation.

What Congress Should Do

This fall, Congress could put Amtrak on the path to fiscal independence and begin to free the tax-

51. Ronald D. Utt, "Springtime for Amtrak and America," Heritage Foundation *Background* No. 1932, May 3, 2006, at www.heritage.org/Research/Budget/bg1932.cfm, and "Will the Senate Raid the Treasury for Amtrak?" Heritage Foundation *Background* No. 1956, September 5, 2006, at www.heritage.org/Research/Budget/bg1956.cfm.

52. Amtrak, *Monthly Performance Report for June 2007*, p. A2.2.

53. Amtrak, *Monthly Performance Report for September 2006*, p. A1.3.

54. Press release, "March 2007 Airline Traffic Data: First-Quarter 2007 System Traffic Up 1.6 Percent from First-Quarter, 2006," U.S. Department of Transportation, Bureau of Transportation Statistics, June 21, 2007, Table 1, at www.bts.gov/press_releases/2007/bts028_07/html/bts028_07.html (September 7, 2007).

payer of the burden of subsidizing its poor performance. Specifically, Congress should:

- **Request that the CRS and GAO update their studies on per passenger subsidies and energy efficiency** to assist Congress in making rational choices among competing policies and special interests seeking transportation subsidies;
- **Reject any attempt to increase the federal subsidy of Amtrak;**
- **Cap the Amtrak subsidy at \$900 million** and condition future subsidies on Amtrak's steadily increasing its passenger load factor until it matches airline performance. Congress should also steadily reduce the Amtrak subsidy in each successive year regardless of whether or not it meets the load factor goal.

Conclusion

The loss of life stemming from the tragic collapse of the I-34 bridge in Minneapolis focused the nation's attention on the number of structurally deficient bridges throughout the country and the high cost of remedying the problem. While progress

has been made in reducing the number of problem bridges in recent years, 72,033 bridges (12 percent of all bridges) are currently rated as "structurally deficient." For example, the percentage of structurally deficient bridges in Missouri, Pennsylvania, Oklahoma, Iowa, and Mississippi is significantly worse than the national average.⁵⁵

Despite the safety risks these problem bridges pose to the American motorist, Congress has consistently diverted federal transportation money to wasteful and/or low-priority projects, such as the thousands of earmarks in recent highway bills and the costly subsidies required to keep Amtrak afloat to benefit the tiny fraction of the traveling public that enjoys the novelty of passenger rail.

With all of these issues still waiting for legislative action during the last few months of this legislative session, the wiser course would be to hold the line on wasteful spending and Amtrak subsidies and to devote the money saved to essential bridge repair.

—*Ronald D. Utt, Ph.D., is Herbert and Joyce Morgan Senior Research Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.*

55. U.S. Department of Transportation, Bureau of Transportation Statistics, "Condition of U.S. Highway Bridges by State: 2007," August 13, 2007, at www.bts.gov/current_topics/2007_08_02_bridge_data/html/bridges_by_state.html (September 13, 2007).