

Lessons Learned

As Congress and the passenger rail community turn their attention to the Bush administration's proposal to restructure Amtrak by cutting federal funding from \$1.2 billion to nothing this October and force the carrier into bankruptcy, it may be helpful to look at the past. Elements of the Bush plan have been used by railroads for almost as long as the industry has been in existence. Congress, meanwhile, has been grappling with Amtrak for the past 34 years and has yet to get it right. Here are some lessons from railroad history.

Lesson one: reorganization under bankruptcy law is not necessarily a bad thing. In the 19th and early 20th centuries, financial distress was chronic among railroads. With insolvencies commonplace, the courts allowed creditors to appoint a receiver and reorganize a railroad under legal protection. Mismanaged or overextended railroads were able to shed onerous debt and borrow additional capital, while the receivers kept the trains running and protected existing property and equipment.

An Amtrak bankruptcy would no more likely lead to liquidation than Penn Central's bankruptcy in 1970 led to the cessation of freight and passenger service in the Northeast. Quite the opposite: The seismic shock of PC's collapse forced regulators, unions, politicians, shippers, and management to tackle structural problems that had plagued PC and its predecessors for decades. The end of Amtrak as we now know it, much like the demise of Penn Central,

could be a prelude to long-term financial health.

Lesson two: the current method of yearly appropriations voted on by Congress to keep Amtrak afloat runs counter to any kind of stable or successful enterprise. Amtrak can't become a business if it is always treated like a political football.

Thirty-four years of ritualized torture – including threats of funding termination by the Ronald Reagan and George H. W. Bush administrations and last-minute deals struck on Capitol Hill – have resulted in a risk-averse Amtrak culture. A critical problem identified by the current Bush administration is the lack of any serious plan by Amtrak to heal itself.

Lesson three: the argument that Amtrak *deserves* a subsidy because the government pays for highways and airports has outlasted its welcome. Americans didn't like it when railroad presidents bleated about unfair truck competition and commuter-train losses in the 1950s, and people don't like whiners any better today.

Amtrak has received nearly \$30 billion in public aid since 1971, but has relatively little to show for it. That's because too little money has gone to capital investment needs and too much money has gone to operate routes that satisfy Congressional and other supporters.

Lesson four: Amtrak's reign of incompetence cannot be ignored. State and regional agencies have made impressive strides in improving and expanding what seemed to be hopelessly antiquated commuter lines of 30 years ago. Amtrak, on the other hand, has mostly spun

its wheels outside of the Northeast Corridor – and now even inside the Corridor, where its heralded Acela high-speed trains were sidelined in April 2005 because of cracks found in their disc brakes.

Congress should exit the railroad business. The current model of a skeletal national passenger-train system run over private freight routes is flawed. But while reforming Amtrak (either by court reorganization or Congressional action), concurrent reforms must be made in the way Washington runs the nation's transportation business.

Passenger rail advocates and their Congressional allies must demand, as a prerequisite to any deal over Amtrak, that the Bush administration place passenger-train transportation on the same financial footing as highways and airports.

A good start would be establishing a federal-state matching grant program in which the government would underwrite rail infrastructure improvements, focusing on the under-500-mile corridors where fast trains outperform air and auto transportation.

State and regional agencies, private entrepreneurs, and a reorganized Amtrak could all bid on train services over these corridors. Moreover, reliable government funding could help revive proposals that were developed independently of Amtrak in the 1990s, such as the Florida Overland Express between Miami, Orlando, and Tampa, and the Los Angeles-San Diego Bullet Train. Demand for unclogged transportation in these corridors has certainly not diminished.

A variation of the federal land-grant program is another possibility. To encourage private capital to fund railroads in the sparsely populated West, Congress granted large tracts of land to the railroads in the 19th century. Tax benefits, real estate opportunities around terminal hubs, and other incentives could be established for operators of fast, safe, and comfortable passenger trains.

A government policy that increases the value of rail passenger service to the public – rather than draws subsidies from the public – is the ultimate goal.

—Mark Reutter



A cartoonist's take on Amtrak's travails.