STATEMENT OF JOHN W. INGRAM, FEDERAL RAILROAD ADMINISTRATOR, BEFORE THE SURFACE TRANSPORTATION SUBCOMMITTEE OF SENATE COMMERCE COMMITTEE REGARDING AMENDMENTS TO THE RAIL PASSENGER SERVICE ACT OF 1970, MAY 16, 1973 at 10:00 a.m.

Mr. Chairman and Members of the Committee:

I appreciate this opportunity to appear before you today to discuss S. 1763, which contains the text of the Department of Transportation's legislative recommendations initially submitted in the March 15, 1973, Report to Congress on the Rail Passenger Service Act of 1970 (Act). I would also like to take this opportunity to highlight the more important portions of the report and express the mutual interest of the Department and Amtrak in the continued improvement of intercity rail passenger service.

In the twenty-three months that Amtrak has been operating, it has made significant progress toward meeting the objective of improving rail passenger service.

The period to July 1, 1973, can be viewed as the first phase of the experiment to determine the appropriate role of rail passenger service in a balanced national transportation system.

We see among the initial indicators of progress:

-- An 11% increase in ridership for the period May-November 1972 vs. 1971.

-- A projected decrease in operating loss of $28.7 million from FY 1972 to FY 1973.

-- The refurbishment of many of the passenger cars operated by Amtrak.

-- Improved station and on-board services.

Net cash loss from operations is expected to decline from $152.3 million in FY 1972 to an estimated $124 million for FY 1973 and down to $95.6 million estimated for FY 1974.

Many of the improvements made by Amtrak have not yet become apparent to the traveling public. For example, a new computerized reservation system will be phased in beginning this year which will make rail travel more convenient. The assumption of most railroad functions and personnel relating to on-board personnel and ticketing will be completed this year. Time is needed to properly evaluate the impact of these and other changes.

The Department reviewed the first 23 months of Amtrak's activities in a March 15 Report to Congress, which I would like to submit for the record. We noted much had been done but also that there are some problem areas that Amtrak management must address more strongly. Amtrak should move ahead to refurbish many of its stations, and to reduce equipment malfunctions. The budget includes sufficient money for new locomotives and cars to improve on-time performance.

The Department believes that Federal funding of Amtrak's projected deficit is warranted to continue the experiment and evaluate the effect of both the service changes that are now being implemented and the investment in new equipment and facilities.

The capital program continues to devote substantial resources to the acquisition of new high speed corridor equipment, new locomotives and the refurbishment of passenger cars. These capital investments will yield better on-time performance, reduced operating expense and more attractive service. Additionally, Amtrak's fiscal year 1974 budget calls for capital expenditures for track upgrading in high density markets.

As described in the Secretary's March 15 report, the Department has conducted an extensive evaluation of all Amtrak routes. Utilizing Amtrak operating and financial data the evaluation was based on the original eight criteria used to identify the Basic System, which included the economic feasibility of each route in relation to the system, and the public convenience and necessity.

In the evaluation process, it was felt that two factors should be considered heavily if a route was determined to be questionable under the eight criteria: Those two factors were (1) the 1975 level of patronage as projected by Amtrak, and (2) the availability of acceptable alternative transportation. If a route is expected to continue a low level of rider use, it is questionable whether it is fulfilling a public need and whether it merits a further investment of public resources.

In summary, the Department has recommended the following route changes:

1. The current Chicago-Florida service should be rerouted to operate over existing routes via Richmond, Virginia. The current route suffers from very low patronage, averaging only 57 passengers on-board.

2. Discontinue the Newport News-Richmond segment of the Chicago-Washington/Newport News Route. The entire route has experienced poor ridership. However, the routing of Chicago-Florida service through Richmond and existing ridership and mail revenues from both services should strengthen the principal portion of the Route. Actual and projected traffic is insufficient

to warrant continuation of the Richmond-Newport News segment.

3. Consolidate the Chicago-Houston and Chicago-Los Angeles service between Chicago and an operationally feasible point in Kansas during eight months of the year. These two routes are identical between Chicago and Kansas City, and the overall Chicago-Houston route has a low level of patronage. Combining these routes will strengthen the performance of the now "marginal" Chicago-Houston service.

4. Discontinue the New York/Washington, D.C. to Kansas City service. The actual and projected ridership on this route is poor. Amtrak has projected the average on-board ridership to be only 34 by 1975.

5. The experimental service between Washington, D.C. and Parkersburg, West Virginia, has proved unsuccessful and has been discontinued. This service was initiated as experimental under Section 403(a) of the Act, and is not part of the Basic System. The route suffers from high operating losses and extremely low patronage with an average of five passengers on-board

beyond the commuter territory which is also served by the C&O/B&O Railroad.

These recommended changes will reduce Amtrak's train miles by 14% while affecting only 3% of Amtrak's passenger miles. The detailed process by which we arrived at these recommendations is included in the Secretary's March 15 Report, which I previously submitted for the Record.

It is appropriate here to also discuss additional service, since this issue is always a matter of interest to the Congress, states and communities. The Department believes that Amtrak is in a formative stage. The addition of any service should be based on an assessment of markets, ridership, revenue potential and costs. Clearly, the level of existing service must be stabilized and improved prior to making additions, except in those instances where a State, regional or local agency chooses to use the provisions of Section 403(b) of the Act to reimburse Amtrak for a major portion of any losses. I recommend that state and local governments desiring service outside the basic system and in addition to the revised route structure recommended by the Department approach Amtrak regarding the possibility of contracts under section 403(b). That section provides that any state, regional, or local agency may request of Amtrak rail passenger service beyond that included within the basic system, and that Amtrak shall institute such service if state, regional, or local agencies agree to reimburse Amtrak for a reasonable portion of any losses associated with such services. Section 403(c) defines the term "reasonable portion" as not less than 66 2/3 percentum of, and no more than, the solely related cost and associated capital costs attributable to the service.

Assuming that the recommended route changes are implemented, Amtrak will require an appropriation of $93 million for fiscal year 1974 to cover its projected operating deficits. In addition to this direct operating grant, Amtrak will use the $54.7 million remainder of the railroad entry fees and $100 million in loan guarantees for its capital program. As noted in the Department's report, Amtrak's FY 1974 budget has a major contingency item in the form of a compensation dispute beteeen Amtrak and the Penn Central Transportation Company regarding the operation of intercity passenger trains by Amtrak over Penn Central's lines.

The Department's legislative recommendations are designed to facilitate the long term goal of decreasing Amtrak's deficits and achieving break-even operations. The Department anticipates that loan guarantees for Amtrak's capital program will be required for the foreseeable future. The provisions of S.1763 will help Amtrak and the Department achieve these goals by providing flexible appropriation authorizations, authorizing increased loan guarantees, and by permitting Amtrak to more readily implement its managerial decisions.

As was indicated in the March 15 Report, Amtrak's financial requirements contain an unusual element of uncertainty. Thus, while the Department has requested a $93 million grant for FY 1974, such uncertainties as future contract negotiations and the projections of fares, ridership, and costs has lead the Department to recommend general, rather than specific, appropriations authorizations. I recognize that Government activities can usually be limited to the amount of an appropriation but given the uncertainties I have mentioned, if an authorization were specified and proved inadequate, it would be necessary not only to obtain a supplemental appropriation but, prior to that, a separate bill to increase the authorization.

Section 5 of S. 1763 would therefore amend section 601 of the Act to provide for general appropriations. Section 6 of that bill would authorize a total of $500 million in loan guarantees for Amtrak's capital program. Improvement of plant and equipment is an important element in reducing Amtrak's operating deficit. Section 6 also contains certain technical amendments that would conform the Amtrak loan guarantee program with other such programs throughout the government. In addition to these changes, section 306 of the Act would be amended to make Amtrak's and the Department's reports to the Congress conform to the budget cycle. This should insure more expeditious preparation of budget requests based on the latest detailed information released to the public and the Congress.

The remaining legislative proposals address Amtrak's continuing relationship with the rail industry and the Interstate Commerce Commission. Section 404(b)(3) would be amended to eliminate the requirement that Amtrak follow the procedures of section 13(a) of the Interstate Commerce Act and would authorize Amtrak's Board of Directors to reduce train service if the cost of a particular service did not warrant its continuation. However, if a reduction in service would constitute a discontinuance of service between points specified within the basic system established by the Secretary, the discontinuance would require the Secretary's approval. I believe the proposed amendment is justified in light of Amtrak's experimental, public nature, and will relieve Amtrak of the expensive and protracted litigation that has characterized discontinuance proceedings while protecting the public against unjustified discontinuance of intercity rail service. As in the case of establishing the basic system, the Secretary's decisions would not be subject to judicial review.

In addition the bill would amend section 801 of the Act to eliminate the possibility of conflict between the Secretary and the Commission in the exercise of their respective Amtrak regulatory functions. One possible area of conflict is in rail safety matters. In light of the inclusive rail safety authority provided the Department by the Federal Railroad Safety Act of 1970, section 7 of the bill would require the Commission to take into account the rail safety regulations of the Secretary.

Section 801 would also be amended by section 7 of the bill to clarify the extent of the Commission's control over Amtrak's service characteristics. In directing the Secretary to establish the basic system for intercity rail passenger service in the United States, Congress directed in section 201 of the Act that the Secretary establish the basic service characteristics of operations to be provided within the basic system. The ambiguous language of section 801 can be construed to empower the Commission to impose conflicting service obligations on Amtrak and to impair the exercise of Amtrak's operating managerial discretion. This does not appear to have been Congressional intent under the Act. Section 7 of the bill would therefore amend section 801 to exclude from the Commission's jurisdiction the authority to promulgate regulations that relate to the scheduling, frequency of service, or the number or type of cars in a train consist. The Commission would retain authority to ensure that Amtrak provides an adequate level of amenities on its trains and in its facilities.

Finally, section 3 of the bill would grant Amtrak a limited power of eminent domain to acquire private property. This power is possessed by most domestic utilities and should facilitate Amtrak's efforts to build modern, efficient terminals in core urban areas and is essential if Amtrak is to acquire property in such areas at reasonable prices. If the dispute over the acquisition of the property is between Amtrak and a railroad, the dispute would be referred to the Commission. Within 120 days the Commission would resolve the public interest aspects of the competing claims for the use of the property for rail purposes. The power would not reach public property.

In conclusion, I would state that Amtrak's progress to date indicates that the 1970 Act has been effective in reversing the previous trend of declining ridership and in improving intercity passenger service. Further improvements now being implemented should increase the progress that has already been made, and, therefore, the Amtrak experiment should be continued. The proposed amendments should aid this development.

This concludes my testimony, Mr. Chairman. I would be pleased to answer any questions the committee may have.