

STATEMENT OF JOHN W. BARNUM, DEPUTY SECRETARY,
U. S. DEPARTMENT OF TRANSPORTATION, BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION AND COMMERCE OF
THE HOUSE COMMITTEE ON INTERSTATE AND FOREIGN
COMMERCE, REGARDING AMTRAK, TUESDAY, MARCH 9, 1976.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here and to participate in this hearing on Amtrak. I would like to focus today on two basic issues pertinent to the hearing: first, an examination of the future role of rail service in intercity passenger transportation in the United States, and secondly, the financial needs of Amtrak and the Department's proposal.

We strongly believe that Amtrak provides today and can continue to provide in the future a useful service in a number of intercity markets. But the rationale for providing that national support should not rest--as it does today--upon an arbitrary "connect-the-dots" exercise which dictates services between geographic points without regard to cost or ridership. It should rest, rather, upon the overall ability -- including an adequate assessment of economic, social, and environmental factors -- of a given market to support rail passenger service along with the other common carrier modes.

Experience has shown that Amtrak's contribution may be greatest in the corridors that link highly populated metropolitan areas. It is in these same markets that we appear to be running out of land to build additional highways and airports or where the building of additional highways and airports may be far too costly both in human and dollar terms. It is also in these markets that rail service has the critical number of passengers to support a service level that is adequate in terms of quality and frequency. In some ways, Amtrak can contribute to improving the quality of our life in these crowded urban corridors.

Outside of these densely populated corridors, the needs, costs and the benefits associated with providing rail passenger service vary significantly. Amtrak's experience has indicated that there may be useful and well-patronized routes in both the short-haul and long-haul categories whose ridership warrants continued public support. But a number of Amtrak's services simply have not proved to be worthwhile additions to the Nation's transportation system, either on their own merits or as feeders to other Amtrak routes.

In addition, outside those corridors there is not the need to build new facilities or to overburden our existing alternative sources of transportation. We have fine intercity bus systems and

air transportation systems. If a light density Amtrak route were discontinued, the buses and airlines could easily absorb the additional passengers without adverse impact. On average, long haul planes are less than 60 percent filled. The Nation's intercity bus industry is also operating at somewhat less than 50 percent capacity. In a time of growing concern over both the environment and the unnecessary use of fuel, we should be concentrating our transportation resources where they will do the most good -- not arbitrarily spreading them throughout every mode.

Moving on to the question of the appropriate level of Federal financial support, we believe that the definition of the Amtrak system must be based on a clear understanding of the costs to the public of providing Amtrak service contrasted to the costs of providing alternative service. In this connection, it has to be recognized that the Federal commitment to Amtrak has been immense, while the number of people who can be said to have benefited has been limited. Since 1971, a total of \$1 billion sixty-four million has been appropriated for Amtrak operations, along with \$900 million in federal loan guarantees and \$136 million in grants for Amtrak's capital programs. And you have just passed

the monumental Railroad Revitalization and Regulatory Reform Act of 1976 for which this Subcommittee can be justly proud of its role. As you are aware, that Act authorizes, in addition to the assistance for the Nation's rail freight network, almost \$2 billion in additional funds that will benefit Amtrak, principally for rebuilding and improving the Northeast Corridor rail facilities. But on the other side of the ledger we must face the fact that less than one-half of one percent of intercity travelers go by train. We must also face the hard reality that, on the average, the Federal government currently pays more money to Amtrak than Amtrak receives from its passengers. The taxpayer is now paying approximately \$1.25 to Amtrak for every \$1 that Amtrak receives in revenues, and this gap is increasing every year. The Subcommittee would be shocked if I went down to Union Station, or any other Amtrak station, and started handing out \$10 bills for each passenger, but that is in essence what is happening each year when we approve Amtrak's operating grants.

Taken in this light, we firmly believe that our request for an authorization of \$378 million for Amtrak operations in FY 1977, and \$410 million for FY 1978 is reasonable.

I would emphasize that the \$378 million for operating subsidies in fiscal year 1977 is \$23 million more than the \$355 million figure

that Congress last year authorized for that period, and \$49 million more than Congress appropriated for that period. In approving the \$355 million authorization which had previously been recommended by the Administration, Congress indicated that it was prepared to consider added amounts for inflation. This was also contemplated in the Administration's proposal. The addition of \$23 million represents a reasonable federal contribution to account for the impact of inflation on Amtrak. The recommended authorization of \$410 million for fiscal year 1978 was calculated by increasing the fiscal year 1977 figure of \$378 million to account for further inflation. The amounts we are proposing are sufficient to cover the appropriate Federal share of a basic system for Amtrak.

We are all aware that Amtrak would prefer more money; the figure they are now using is \$460 million for FY 1977. I for one am convinced that Amtrak would easily use up that \$460 million and more. The problem is that we are living in a time of an increased awareness of the limits of Federal spending.

Just as important though is the fact that giving Amtrak that extra \$82 million will not necessarily produce any real benefit to the American public. Amtrak has contended that an authorization of \$378 million will mean a drastic reduction in service. It is true that the \$378 million will mean that Amtrak will have to tighten

its belt. But the complete discontinuance of many routes or services is only one way to cut costs. Amtrak has other opportunities to improve its economic efficiency without decimating its routes or service. Amtrak is beginning to exercise more innovative and effective fare policy, rather than just imposing across-the-board fare increases without regard to market differences. The recent Amtrak roundtrip discount fares for passengers travelling during periods of low patronage is an example of this. Particular promise for gains in efficiency appears to lie in the areas of maintenance and car utilization. As new Amtrak fleet equipment is put into operation over the next two years unit costs should go down, and the improved reliability of equipment should permit a significant lowering in the number of cars held for back-up service in case of failure. As equipment reliability improves, train makeup can be better conformed to the number of passengers. The Amtrak figure of \$460 million appears to give short shrift to both efficiency improvements and service adjustments.

Besides funds for operating subsidies, there are three other categories of authorizations for Amtrak addressed in our bill. For the Corporation's capital program, we are recommending

the authorization of \$110 million for fiscal year 1977 and \$100 million for fiscal year 1978. These amounts should provide for an adequate program, especially in view of the large additional expenditures that will be made to upgrade the Northeast Corridor rail facilities. With respect to the Northeast Corridor, however, we are seeking, for fiscal years 1976, 1977, and 1978, an open-ended authorization for appropriations to the Secretary to meet the expected but as of yet undetermined increases in operating expenses of the Corporation due to its takeover of the Corridor facilities pursuant to Title VII of the Railroad Revitalization and Regulatory Reform Act of 1976. By law any sums for this purpose cannot be used to subsidize losses incurred in providing either rail freight or rail commuter services.

The third category of authorizations represents, quite literally, a debt from the past. Under section 602 of the Rail Passenger Service Act, the Secretary was authorized to guarantee Amtrak's obligations up to a principal amount of \$900 million on the premise that the Corporation would be able to repay this debt from its profits. Since it is expected that almost the entire \$900 million will be guaranteed by the end of this fiscal year and since it is apparent that the Corporation has no hope of ever paying off these debts, it is both candid and prudent for the Government to

retire these debts, and thus to reduce the interest burden on the Corporation. Accordingly, we are recommending an authorization of \$25 million to be used for this purpose in fiscal year 1978.

Our recommendation includes the proviso that the amount authorized to be guaranteed will be reduced by the amount appropriated. Thus if the full amount of \$25 million is used in fiscal year 1978 to pay off the principal amounts of loans, the ceiling amount of obligations authorized to be guaranteed would be reduced from \$900 million to \$875 million. We believe this to be a step that should be taken and urge that you authorize this program of debt repayment.

Now, I would like to explain one other provision of our bill, Section 2, which allows Amtrak to enter into through route arrangements with bus carriers without some of the regulatory restraints which exist today. What we are talking about here is simply allowing travellers to buy one ticket that will cover, for example, both their bus transportation to the Amtrak terminal and the subsequent connecting rail service to their final destination. There is a significant potential for the integration of intercity bus and train service, to the financial benefit of both modes and to the traveling public as well. Integrated service would, in some instances, make Amtrak service more accessible to citizens of rural and small urban communities which cannot be directly served

by Amtrak. Such integrated service might also be a very efficient and effective means of supplementing or replacing rail service on routes on which passenger levels are low or subject to seasonal fluctuations. The key is to offer transportation service, not just rail or bus transportation.

The beneficial results of integrated transportation can be achieved without significant additional cost to Amtrak or the intercity bus industry. Unfortunately, existing Federal and State regulation impedes the implementation of such a sensible arrangement. Intercity bus connecting service may not be performed today without certification from the Interstate Commerce Commission, or in some cases, the State Public Utility Commission. Such certification often involves extended filings and procedures, which involve unnecessary costs and delays, all providing a disincentive to such arrangements.

We are proposing a very modest change in this arrangement. Under our bill, Amtrak could enter into through route service with bus companies free of ICC or State interference with respect to licensing or rates. But these arrangements would still be subject to Federal and State safety laws and regulations. In addition, to minimize the impact of the change on bus carriers' existing operating rights, Amtrak would first be required to negotiate with the

certificated carrier who operates between the two bus points that would be joined to the Amtrak service. Only if this certificated carrier refused to enter into an agreement with Amtrak, could Amtrak proceed to negotiate on the same terms with non-certificated carriers. This provision is consistent with the thrust of our regulatory reform legislation.

Mr. Chairman, we believe that the Department's draft bill provides an appropriate and responsible level of Federal financial support for Amtrak and we urge that the Subcommittee act upon it favorably.

This concludes my prepared testimony and I would be happy to answer any questions you may have.