

STATEMENT OF JOHN W. BARNUM, DEPUTY SECRETARY,
U. S. DEPARTMENT OF TRANSPORTATION, BEFORE THE
SURFACE TRANSPORTATION SUBCOMMITTEE, SENATE
COMMITTEE ON COMMERCE, REGARDING AMTRAK,
WEDNESDAY, MARCH 3, 1976.

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here and to participate in this hearing on Amtrak. Your letter indicated that the focus of the hearing would be on three areas:

- (1) an examination of The Criteria and Procedures for Making Route and Service Decisions, as submitted by Amtrak;
- (2) the financial needs of Amtrak and the Administration's proposal;
- (3) an examination of the future role of rail passenger service in intercity transportation in the United States, and the proper role of federal support.

I would first like to address the question of the role of Amtrak because it is basic to consideration of the other two questions. We strongly believe that Amtrak provides today and can continue to provide in the future a useful service in a number of intercity markets. Experience has shown that

Amtrak may be of the greatest benefit in the corridors that link highly populated metropolitan areas. It is in these same markets that we may 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 we have 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 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. In addition, outside the 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 the environment and over the unnecessary use of fuel, we should be seeking to rationalize and consolidate our transportation resources -- not to spread them thinly throughout every mode. In this way, we can improve service. I recognize that there is a certain romance to a trip on a long-haul passenger train which many feel they would appreciate. But those who prefer it should also pay for it.

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 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. I have attached two charts to this testimony which illustrate the dimensions of this problem. 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 appropriations grants for Amtrak's capital programs. And we have just passed the monumental Regulatory Reform and Railroad Revitalization Act of 1976 for which this Subcommittee can be justly proud of its role. As you are aware, this Act authorizes, in addition to the assistance for the Nation's freight rail 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 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 quite reasonable and even generous.

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 \$23 million addition 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 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 produce any real benefit to the American public; it will simply encourage Amtrak to spend it. 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 now just beginning to exercise more innovative and effective fare policy, and not to just impose 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 begin to pay off the principal of these debts, and thus to reduce the interest burden on the Corporation's expenses.

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.

Before discussing the question of The Criteria, 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.

I would now like to discuss the question of the proposed Amtrak criteria. To contain the level of future Federal subsidy, it is imperative that Amtrak be given the authority to manage its routes and service. Amtrak's "Criteria and Procedures for Making Route and Service Divisions" is a key element in reaching this objective. We in the Department strongly support these criteria.

I would like to emphasize that preparing criteria such as these is a very difficult and painstaking process. For although you must set forth clearly the type of objective information needed for a proper decision, you must at the same time leave the decision maker sufficient leeway to apply his judgment to the many important subjective factors that must be considered when dealing with the real world. Many of these elements are not susceptible to a precise mathematical balance, and to produce criteria that exclude these judgmental factors would ignore reality. I know some would prefer a more precise set of criteria that could simply be programmed through a computer to reach a uniform result. But as one who participated in the deliberations on this matter in the Amtrak Board and who is familiar with the experience the Department gained in working on this problem, I would urge you to refrain from such an imprudent course. As members of the Congress you are well aware of the complexities and judgmental factors inherent in such decisions.

The 1975 Amtrak Improvement Act, as passed, provided the first hope that the Board of Directors could restructure the Amtrak system to provide efficient service within reasonable budget restrictions. The provision for Route and Service Criteria in the '75 Act was a step towards concentrating responsibility and

authority in the Amtrak Board of Directors and this the Department wholeheartedly supported. At last year's Amtrak authorization hearings we emphasized the need for this flexibility as a key element in increasing the efficiency of the Amtrak process.

Amtrak has now proposed criteria and procedures for analyzing route and service changes. We feel these criteria will be a significant step toward responsible management and would enable Amtrak to control its cost and revenue ratios and thereby allow operation within a relatively stable -- and hopefully declining -- operating grant ceiling.

The criteria for determining routes and services are categorized in three areas:

1. Economic - measuring the impact of a route or service on Amtrak's current and projected financial status;
2. Social - measuring the impact of a route or service on the population served by Amtrak and on current and future ridership;
3. Environmental - measuring the impact of a route or service on energy consumption, air quality, and land use.

The first step taken by Amtrak when evaluating route or service changes would be to assess the economic effects of a change. The evaluation would show both the current and projected financial performance of serving the route as well as the capital investment required to maintain or upgrade service, and will give a much more realistic appraisal of the relative financial contribution of any one route versus all other routes in the system. Amtrak proposes to use five economic criteria, which are described in detail in the October 29 submission to Congress.

Amtrak, however, would not use the economic evaluation of a route as the sole determinant of route and service alternatives. The social and environmental impacts as detailed in the Amtrak submission would also be evaluated. These social indicators and environmental criteria give Amtrak a chance to examine the impact of service changes on the basis of their impact on the public.

Utilizing all three sets of these criteria, and relating them to objectives and performance standards established by the Board of Directors for the entire system, each route would be analyzed for its economic, social, and environmental contributions.

Upon review of these factors, the routes would be placed in one of five categories ranging from routes to be continued (category 1) to routes where all factors suggest discontinuance (category 5).

Complementing this internal decision-making process is Amtrak's plan to solicit public comment for proposed route or service change proposal when appropriate. These comments would be incorporated in Amtrak's route and service analyses. In special cases involving proposed route discontinuance it may be determined by the Board of Directors that a public hearing is needed. The Board of Directors would receive a summary of the hearing for use in making the final decision on the discontinuance of such a route.

We believe the data developed in the application of these criteria will provide Amtrak with a much more objective basis for making decisions on routes and service. Yet, as I have indicated before, there obviously will remain an element of judgment, particularly in weighing social and environmental considerations which, of course, cannot always be precisely measured in dollars or other terms. We firmly believe, however, that the criteria accurately identify the relevant considerations and specify the pertinent information needed to make these decisions in a way that best serves the public interest. We do not see any way

that they could be made more precise or more comprehensive without making their application impossibly complex and burdensome.

Again, I would emphasize my support for The Criteria. This concludes my written comments and I would be happy to answer any of your questions.

