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BEFORE THE
SUBCOMMITTEE ON COMMERCE, TRANSPORTATION AND TOURISM
COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES
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Mr. Chairman, and members of the Subcommittee, I am pleased to appear before you today to discuss the Administration's legislative proposals for authorization of funds for Amtrak.

In 1981, the Administration and Congress began a joint effort to establish Amtrak's operations on a more business-like basis and to reduce its financial dependence on the Federal Government. The Administration recommended, and the Congress agreed to, the first reductions in Amtrak's subsidy since its inception. Congress appropriated \$735 million in Fiscal Year 1982, down from \$896 million in Fiscal Year 1981. This trend was continued in Fiscal Year 1983 with a further subsidy reduction to \$700 million.

Amtrak was also directed to improve the efficiency of its operations to meet a statutory ratio of revenues to costs. In addition, Congress required greater objectivity in route and service decisions through the adoption of criteria governing evaluation of route performance. I am pleased to be able to report that Amtrak is meeting its financial and operational mandate.

Before proceeding with the Administration's proposals, I would like to compliment Graham Claytor and the entire Amtrak management team for meeting its budgetary and operational challenges. Amtrak has:

- o reduced its need for Federal funds with no significant reduction in the amount or quality of service provided the public;
- o negotiated a precedent-setting agreement establishing an hourly basis of pay for employees in Northeast Corridor service which will reduce Amtrak's operating costs;
- o improved its revenue to cost ratio from 42 percent in Fiscal Year 1981 to 50 percent in Fiscal Year 1982 in accordance with the statutory mandate; and
- o improved on-time performance throughout the system, and further reduced travel times on its express Metroliner service.

The Administration, mindful of those achievements, is proposing a two-year authorization for Amtrak including \$682 million for Fiscal Year 1984 and \$650 million for Fiscal Year 1985.

We have discussed this proposal with Amtrak. DOT and Amtrak agree that the proposed level for Fiscal Year 1984 will cover operating expenses, labor protection payments, and Amtrak's planned capital program. Under this budget, Amtrak will be able to continue to operate its current national route system.

The proposed capital budget assumes that the earmarkings for capital projects in the Fiscal Year 1983 Appropriations Act are removed. With a \$30 million carryover from Fiscal Year 1983 and \$5 million in diversification income, Chairman Claytor agrees that \$68 million in new appropriations is sufficient to meet Amtrak's capital needs in Fiscal Year 1984.

Since the budget includes the anticipated savings from our proposed legislative changes, and excludes funding for certain capital projects for which funds were previously earmarked by Congress, our proposed authorization is smaller than the authorization proposed by Amtrak. The attached table explains the differences.

The Administration is proposing legislation to implement three policy changes to enhance Amtrak's ability to maintain a

national rail passenger system. They are: increasing State and local funding for 403(b) services to an appropriate level; transferring responsibility for funding Amtrak commuter services to State and local transportation agencies; and changing Amtrak's labor protection program to make it consistent with other publicly funded railroad labor protection programs.

The Administration is proposing amendments to section 403(b) of the Rail Passenger Service Act that would increase the State and local subsidy for these State-requested services to one hundred percent of the long-term avoidable losses of operating the service, plus the associated capital and labor protection costs. The Federal Government's responsibility for funding Amtrak services should be limited to the basic national system of intercity rail passenger service. Services added to the basic system at the request of State and local governments to serve the needs and interests of their citizens should be funded by the State and local governments requesting the service. We recognize that this change may result in the discontinuance of some routes. However, many of these trains are experiencing low ridership counts. It is up to the States to determine whether the benefits to their citizens outweigh the real costs involved in operating local services.

Amtrak-operated commuter services also pose a continuing problem. For the most part, these services are now operated by Amtrak without financial assistance from State and local governments. Operation of commuter services, however, is a local, rather than a national, responsibility. Accordingly, commuter services operated by Amtrak should not be funded by the Federal Government. These services were identified as commuter operations in the Amtrak Reorganization Act of 1979, which established an orderly procedure and timetable for transferring responsibility for funding these services from Amtrak and the Federal Government to State and local governments. The Rail Passenger Service Act has been amended several times since 1979 to extend the date for transfer of responsibility and finally to eliminate this requirement entirely. The Administration believes that the 1979 Act correctly reflected the appropriate allocation of funding responsibility for these routes. We therefore propose that these commuter services be funded on the same basis as 403(b) trains, with State and local entities providing at least one hundred percent of the long-term avoidable losses of operating the service plus the associated capital and labor protection costs.

Amtrak is presently required to provide certain labor protection arrangements for its employees. The Administration is proposing changes that will make those arrangements

consistent with the Conrail labor protection program. A labor protection requirement was included in the Rail Passenger Service Act as enacted in 1970 to protect the interests of employees adversely affected by the transfer of passenger service from the private railroads to Amtrak. Later, this labor protection requirement was extended to Amtrak and its employees. It was anticipated, however, that the costs of these arrangements for Amtrak employees would be paid out of profits of the Corporation. This has not occurred. Instead, labor protection has been paid out of Federal subsidies to Amtrak. We are proposing that the labor protection program for Amtrak employees be revised along the lines of the federally funded program instituted for Conrail in the Northeast Rail Service Act of 1981.

Under the Administration's proposed legislation, the Secretary of Transportation and the representatives of Amtrak's employees would agree upon a new program of benefits. Funds provided could be used for allowances to employees deprived of employment, reimbursement for moving and retraining expenses, termination allowances, health and welfare insurance premiums, and other appropriate purposes as agreed to by the parties. Total benefits, as with the Conrail program, could not exceed \$20,000 per employee. In addition, in keeping with the goal of

limiting the cost of labor protection to the Federal Government, Amtrak's responsibility for reimbursing railroads for the costs of protection for railroad employees would be limited to the level of benefits that would be provided to an Amtrak employee with equivalent years of service.

This completes my statement, I will be happy to answer any questions the Committee may have.