

OPENING STATEMENT OF THE
HONORABLE ELIZABETH HANFORD DOLE
SECRETARY OF TRANSPORTATION
BEFORE THE SUBCOMMITTEE ON COMMERCE, TRANSPORTATION, AND TOURISM,
HOUSE COMMITTEE ON ENERGY AND COMMERCE
GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION
APRIL 23, 1985

MR. CHAIRMAN, I AM PLEASED TO HAVE THIS OPPORTUNITY TO MEET WITH YOU AND MEMBERS OF THE SUBCOMMITTEE.

THIS HAS BEEN A YEAR OF EXTREMELY DIFFICULT BUDGET CHOICES. I KNOW HOW TOUGH THEY HAVE BEEN FOR THE COMMITTEE. I CAN ASSURE YOU, THEY WERE NO EASIER FOR ALL OF US IN THE ADMINISTRATION. COLLECTIVELY WE FACE A DEFICIT IN THE RANGE OF \$200 BILLION, AND THAT DEFICIT THREATENS EVERYTHING WE HAVE ACCOMPLISHED OVER THE PAST THREE YEARS, IN TRANSPORTATION, IN QUALITY OF LIFE, IN EVERY FIELD.

ALL OF THE CHOICES ARE TOUGH, AND THE RECOMMENDATION ON AMTRAK FUNDING REFLECTS THE REALITY THAT, WITH A DEFICIT OF THIS MAGNITUDE, THE FEDERAL GOVERNMENT SIMPLY CANNOT AFFORD THE THREE-QUARTERS OF A BILLION DOLLARS THAT GOES INTO AMTRAK SUBSIDIES EACH YEAR. ACCORDINGLY, THE PRESIDENT'S BUDGET FOR FY 1986 CONTAINS A RECOMMENDATION FOR NO FURTHER APPROPRIATIONS TO SUBSIDIZE AMTRAK OPERATIONS AND CAPITAL CONSTRUCTION. THIS WAS A DIFFICULT BUDGETARY DECISION FOR US, BUT AT A TIME WHEN THE FEDERAL GOVERNMENT FACES A \$200 BILLION DEFICIT, A BUDGETARY ITEM THAT WILL COST TAXPAYERS \$684 MILLION --\$8 BILLION OVER THE NEXT DECADE-- CANNOT BE IGNORED. THIS DECISION IMPLIES NO DISSATISFACTION WITH AMTRAK'S MANAGEMENT OR SERVICE; FAR BE IT FROM THAT, I BELIEVE GRAHAM CLAYTOR AND HIS TEAM ARE PERFORMING

SUPERBLY WITH THE RESOURCES THEY HAVE BEEN GIVEN.

MR. CHAIRMAN, I WANT TO ASSURE AMTRAK'S STAKEHOLDERS THAT THE DEPARTMENT WILL WORK WITH THEM IN THEIR EFFORTS TO CONTINUE AMTRAK SERVICES IN THE ABSENCE OF FEDERAL SUBSIDY. WE ARE DEFINING THE OPTIONS AVAILABLE TO STATES, COMMUNITIES, AND RAIL CARRIERS WHO BENEFIT FROM AMTRAK SERVICES. WE ARE SHARING THAT INFORMATION WITH REPRESENTATIVES OF THE AFFECTED CARRIERS AND COMMUNITIES, AND WILL CONTINUE TO DO SO. WE WILL WORK WITH STATE OFFICIALS IN IMPLEMENTING ANY REASONABLE PLAN TO REPLACE THE FEDERAL GOVERNMENT AS SUBSIDIZER OF AMTRAK SERVICES.

THE FUTURE OF AMTRAK SERVICE DEPENDS ON WHAT ACTION THOSE PARTIES WITH A STAKE IN AMTRAK -- STATES, COMMUNITIES, RIDERS AND LABOR -- ARE PREPARED TO TAKE. I DO NOT UNDERESTIMATE THE DIFFICULTY OF THE CHALLENGE THEY FACE. I CANNOT GUARANTEE SUCCESS. BUT I WILL TELL THE COMMITTEE THAT I AM COMMITTED TO DOING EVERYTHING WITHIN MY POWER TO WORK WITH THEM IN EVALUATING THEIR OPTIONS, AND IMPLEMENTING REASONABLE ALTERNATIVES.

LET ME NOW GO INTO SOME OF THE REASONS WHY CONTINUING FEDERAL SUBSIDIES TO AMTRAK HAS BECOME INSUPPORTABLE.

AMTRAK COSTS TO THE TAXPAYER

AMTRAK WAS ORIGINALLY AUTHORIZED ON A TWO-YEAR TRIAL BASIS BACK IN 1971 AS A "FOR PROFIT CORPORATION." IT WAS ANTICIPATED THAT THE EXISTING, MONEY-LOSING RAIL PASSENGER BUSINESS COULD BE CURTAILED TO THOSE PORTIONS OF THE PASSENGER NETWORK THAT WERE THEN THOUGHT NECESSARY AND ULTIMATELY RETURNED TO A PROFITABLE BASIS. THOSE WHO HOPED THAT THESE REMAINING LINES WOULD BECOME PROFITABLE SOON FOUND THAT THIS WAS NOT TO BE. WE HAVE SPENT \$9 BILLION ON AMTRAK SINCE THAT TIME AND ANOTHER \$2 BILLION ON THE NORTHEAST CORRIDOR PROJECT. ALTHOUGH AMTRAK HAS MADE SOME SIGNIFICANT IMPROVEMENTS IN ITS COST VS. REVENUE PICTURE OVER THE

LAST SEVERAL YEARS, IT IS EXPECTED AMTRAK WILL COST THE TAXPAYERS ANOTHER \$8 BILLION IN THE NEXT DECADE. THIS IS MORE THAN WE CAN AFFORD.

AMTRAK SUBSIDY PER PASSENGER

THE UNREASONABLE COST OF AMTRAK SUBSIDIES BECOMES QUITE CLEAR WHEN VIEWED ON A PER PASSENGER BASIS. TODAY, IF ONE DIVIDES THE TOTAL AMTRAK APPROPRIATION BY THE TOTAL NUMBER OF PASSENGERS, THE SUBSIDY COMES TO ABOUT \$36 PER PASSENGER.

SOME MAKE THE ARGUMENT THAT OTHER INTERCITY PASSENGER TRANSPORTATION MODES RECEIVE AT LEAST AS BIG A SUBSIDY, BUT I BELIEVE A REASONABLE EXAMINATION OF THE FACTS SHOWS THAT CONTENTION TO BE INCORRECT. IN BUS TRANSPORTATION, FOR EXAMPLE, LAST YEAR EACH PASSENGER ON CLASS 1 INTERSTATE BUS CARRIERS BENEFITED FROM A FEDERAL SUBSIDY --BUT IT ONLY AMOUNTED TO 16 CENTS PER TRIP. SIMILARLY, EACH AIRLINE PASSENGER BENEFITED FROM A FEDERAL SUBSIDY, BUT ON THE AVERAGE IT ONLY AMOUNTED TO 60 CENTS, AFTER TAKING INTO ACCOUNT THE USER TAXES PAID BY THESE PASSENGERS.

I HAVE ALSO HEARD THE ARGUMENT THAT THERE IS A DE FACTO AIRLINE SUBSIDY OF \$33 PER AIRLINE PASSENGER BY VIRTUE OF BUSINESS TAX DEDUCTIONS. THIS ARGUMENT IS JUST NOT RELEVANT. THE BUSINESS TRAVEL DEDUCTION IS NOT A SUBSIDY TO ANY ONE MODE OF TRANSPORTATION. IT FOLLOWS THE INDIVIDUAL, WHETHER HE GOES BY BUS, TRAIN OR PLANE. IT IS THEN UP TO EACH MODE TO COMPETE FOR THE RIDER. IT IS A DEDUCTION THAT FLOWS TO THE RIDER OR HIS EMPLOYEE, NOT TO THE CARRIER.

THE KEY FACT TO REMEMBER IS THAT IN THE CASE OF THE AIRLINE, AFTER THE DEDUCTION HAS BEEN CLAIMED, THERE IS NO FURTHER SUBSIDY. WITH AMTRAK, AFTER CALCULATING THE IMPACT OF THE DEDUCTION, YOU MUST ADD ON A \$36 PER PASSENGER DIRECT SUBSIDY.

MR. CHAIRMAN, THERE ARE AFFORDABLE, CONVENIENT ALTERNATIVE MEANS OF TRAVEL IN ALMOST EVERY COMMUNITY AMTRAK SERVES. AMTRAK NOW SERVES 558 COMMUNITIES, WHILE BUSES OFFER SERVICE IN 14,000 COMMUNITIES, WITH NO DIRECT FEDERAL SUBSIDY. ONLY THREE OF THESE 558 COMMUNITIES DO NOT HAVE BUS SERVICE WITHIN 20 MILES, AND THE PRESIDENT OF THE AMERICAN BUS ASSOCIATION HAS PUBLICLY PROMISED THAT NO COMMUNITY CURRENTLY SERVED BY AMTRAK WOULD BE LEFT WITHOUT BUS SERVICE IF AMTRAK SERVICE WERE DISCONTINUED. IN ADDITION, MANY SMALL COMMUNITIES ARE WITHIN ONE TO TWO HOURS DRIVING TIME OF A MAJOR HUB AIRPORT.

THE CHOICE WE MUST MAKE IS NOT AN EASY ONE, MR. CHAIRMAN. BUT GIVEN THE GRAVITY OF THE FEDERAL BUDGET DEFICIT, SUBSIDIES FOR AMTRAK SIMPLY CANNOT BE DRAWN ANY LONGER FROM FEDERAL TAXPAYERS.

AS I SAID EARLIER MR. CHAIRMAN, I AM COMMITTED TO WORKING WITH THE COMMUNITIES NOW SERVED BY AMTRAK, TO SHARE DATA, DEFINE OPTIONS, AND ASSIST IN IMPLEMENTING REASONABLE ALTERNATIVES TO FEDERALLY SUBSIDIZED SERVICE. THIS CONCLUDES MY PREPARED STATEMENT, AND I WILL NOW BE PLEASED TO RESPOND TO THE COMMITTEE'S QUESTIONS.