

**TESTIMONY OF JOLENE M. MOLITORIS
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BEFORE THE
COMMITTEE ON COMMERCE, SCIENCE AND TRANSPORTATION
UNITED STATES SENATE
ON AMTRAK'S FUTURE**

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Mr. Chairman, distinguished members of the Committee, it is my privilege to appear as the Administrator of the Federal Railroad Administration on behalf of the Department of Transportation to discuss the important role of the National Railroad Passenger Corporation, better known as Amtrak, in our national transportation system.

Introduction

Beginning with Vice President's National Performance Review, the Clinton Administration and now the 104th Congress are reviewing fundamental assumptions about the federal government, and specifically about the appropriate federal role in ensuring a safe, technologically-advanced and efficient national transportation system. Some have questioned the role of intercity rail passenger service for our Nation, but I am here today to reaffirm the Department's belief in a Federal role in helping to secure the viability of Amtrak and intercity rail passenger service.

The Committee's examination of this issue is well-timed because, over the last several years, Amtrak has struggled to maintain a national rail passenger system with inadequate resources. It should be no surprise that Amtrak is in financial

straits. Addressing a very real crisis, Amtrak management and its Board have taken steps to position the Corporation for a future where it will be able to continue to provide this valuable transportation asset to the American people.

Amtrak has had to make some painful decisions over the last several months. The scheduled cuts in employment and service that the Board agreed to last month were tough, but sound, business decisions designed to improve efficiency, reduce costs, and eliminate Amtrak's projected FY 95 deficit.

One thing I would like to assure the committee is that these decisions were based solely on economic analysis with no consideration of political ramifications of any specific cuts. Many of your constituents want to preserve or expand Amtrak service, but we must recognize the limitations imposed by Amtrak's available resources. Together, we must make choices about the nature of the Federal interest in promoting intercity passenger rail.

In my testimony this afternoon, I will summarize the importance of the Federal role in assuring the viability of intercity passenger rail service, discuss Amtrak's recent business decisions, and explain the importance of Amtrak's strategic plan for the remainder of this century. I support the initiative of the full committee in focusing on these issues in its first hearing of the new Congress on surface transportation, because only together -- with the Administration, the Congress, the States, and other stakeholders working in partnership -- can we determine the appropriate role of intercity rail passenger service for ~~the~~ 21st century.

Amtrak is a Valuable National Resource

Intercity rail passenger service is a safe and energy efficient means of transportation. In the corridor between Washington and New York City, Amtrak has proven it can dominate the intercity common carrier transportation

of people in an area of growing urbanization. In some other corridors, intercity rail passenger service is viewed by the States as a preferred means of providing increased intercity mobility.

The message from many people, the people we see and talk to every day is that intercity rail passenger service can and should be a component of this Nation's transportation system. Last year, I had the opportunity to meet Doris Briggs, a senior citizen from Kensington, California. Doris came up to me at a meeting and told me how important Amtrak was to her and the valuable role it plays in her life and in the lives of many of the senior citizens across the country. I think that in discussing the future of Amtrak, we would benefit from what real people are saying about Amtrak. I have included with this testimony a recent letter that Doris wrote to me.

The baby boom is graying and soon the majority will be over 50. With these changing demographics, we must ensure that there is adequate and accessible public transportation to permit our older citizens to continue to lead full and meaningful lives. Amtrak is an important component of the transportation system of the future.

I would be pleased to provide the Committee with ample statistics on the benefits of intercity passenger rail, and will do so for the record if requested, but I did not want to focus on statistics today because Congress has historically listened to ~~constituents~~ constituents like Doris Briggs. The Commerce Committee, in particular, ~~has~~ advocated bipartisan support for a Federal role in assuring the viability of Amtrak. This Committee has also strongly supported high speed rail, and I am very encouraged by the endorsement of Republican and Democratic members alike in voting unanimously in the last Congress to enact the Swift Rail Development Act of 1994. These actions underscore a belief in a meaningful present and future role for rail passenger service in our country.

Yet, in a time of growing interest in a smaller federal government, this Committee, the Administration, States and other stakeholders must come to grips with the implications of these trends for rail passenger service. It is in this environment that Amtrak has taken the first hard steps to place itself on valuable financial and business footing.

Reinventing Amtrak

Let me now address some of the present day realities of Amtrak. Amtrak does not provide the quality of service that the traveling public deserves. For too long Amtrak has had to struggle with inadequate resources focusing on survival instead of improvement. Rather than investing in the future, Amtrak was required to defer maintenance, ignore depreciation and tolerate declines in the quality of service.

It is telling that almost 30 percent of Amtrak's passenger car fleet are "Heritage" cars, that is cars that were inherited by Amtrak from the private-sector railroads when Amtrak was created in 1971. Recently, I received a letter from an individual in Wyoming who had an unpleasant experience on an Amtrak sleeping car which she identified by car number. When my staff checked on this car, we found that it had been built in 1949! No scheduled airline or other common carrier in the United States would dare offer to provide service with equipment built nearly a half century ago, but we seem simply to accept this as far as Amtrak is concerned. Further, the historical insufficiency of capital investment brings with it higher operating costs, because not only does such antiquated equipment lack modern amenities, it is difficult and expensive to maintain.

There are other examples of the neglect experienced by the Amtrak system over the years, but we must not get hung up in trying to assess blame for how current conditions came to be. The fact is that we have reached the point where major changes are needed in Amtrak and its system. This in turn has

caused the Department to reevaluate the role of the Federal Government in providing intercity rail passenger service.

We believe that Amtrak should be an efficient, commercially-driven provider of quality transportation service. It must provide quality service at reasonable cost. It must be financially-stable yet recognize the reality of a declining availability of Federal financial resources. This is a tall order we must fill.

Secretary Peña has stepped up to this challenge. For the first time in a long time the Secretary of Transportation sees his role as an advocate rather than a custodian for Amtrak. Under Secretary Peña, the Department has requested the capital to begin to address years of neglect. But, importantly, the Secretary recognized that Amtrak must be changed if it is to meet the challenges of today and tomorrow in the 21st century.

A first step was in the selection of Amtrak's Board of Directors. In developing recommendations for nominees to Amtrak's Board of Directors, Secretary Peña recognized that solutions to the problems facing Amtrak will likely be developed through the give and take of discussions where all views are considered. For that reason, the Secretary sought a Board of Directors with a diversity of backgrounds and points of view. He also sought a new management team committed to change.

With a new Board and management team in place, the Secretary challenged the Corporation to reinvent itself. The top priority of management was to develop a strategic plan.

Amtrak's management undertook the first top-to-bottom analysis of the Corporation in many years. To address the challenges facing Amtrak, we needed to know more than just total revenues and costs. We need to know what services or operations require a disproportionate amount of Amtrak's resources and where the opportunities are for real cost savings. The first phase

of this review has just recently been completed.

Then, Amtrak recognized that it was top heavy in management and thus began a process that will eliminate 600 redundant senior management positions by spring 1995 and 400 more by the end of the year. The new management also recognized that the Corporation actually provided different kinds of service in different parts of the country.

The Northeast Corridor service of frequent and relatively short trips is different from the long distance trips between Chicago and Seattle and require a different management focus. To address the need for responsive management in these different areas, Amtrak divided into strategic business units (SBUs) -- a relatively common corporate management strategy, but one that was new to Amtrak.

Amtrak's December Initiatives

In the midst of trying to restructure the Corporation to meet the challenges of the 21st century, Amtrak found itself in the challenge of 1995. Despite \$542 million of operating assistance contained in the Fiscal Year 1995 appropriation, Amtrak was projecting a \$200 million shortfall. If this shortfall were not addressed, all Amtrak service would have stopped by summer. To meet that shortfall, in December the Board approved a number of measures that were developed through the strategic planning process aimed at increasing revenues and reducing costs to allow Amtrak to make it through 1995 and to begin to position the Corporation for the future.

A number of the measures were painful. Approximately 5,400 jobs -- 25 percent of Amtrak's total employment -- will be eliminated. Service is to be eliminated on a number of routes and the frequency of service was reduced on others -- in total accounting for a total reduction by 21 percent in the number of

train-miles operated. These reductions were developed by some of the foremost independent transportation management consultants in the country, retained by Amtrak to evaluate its system and identify those actions that could have the maximum economic benefit to the corporation. An objective methodology by them formed the basis of management's recommendations to the Board; which we accepted.

Amtrak has informed affected states that the elimination of routes can be avoided if the States assume financial responsibility for losses incurred.

Amtrak's management and its Board of Directors believe that these measures are necessary to restore financial stability and avoid more serious impacts on jobs and service in the future. The Department supports these actions by Amtrak.

The need for more action

The actions taken by the Board in December are just the first of many steps that must be taken over the next several years as we align intercity rail passenger service with today's fiscal and transportation environment. The Department believes that Amtrak must be shifted away from its reliance on Federal operating assistance. We will be working with Amtrak's Board of Directors and management over the next few months to develop a comprehensive strategy to meet this goal.

At the same time we believe that there is a continuing role for an essential level of Federal capital investment to support modernization of Amtrak's core system. Such investment will be an integral component of the program to eliminate Federal operating assistance. As an example, replacing a Heritage sleeping car with a new Superliner sleeping car provides Amtrak with 50 percent more passengers per car. At the same time, the maintenance expense on a car-mile basis is substantially reduced.

The Department also believes that there needs to be an increased role for the States and localities to provide capital and other assistance for Amtrak which in turn will lead to a larger role for these entities in determining which routes continue and which are abandoned.

For our part, the Department is actively rethinking the Federal role in facilitating intercity rail passenger service. But this is not a DOT-only effort. All of Amtrak's stakeholders must become part of the debate on the vision of Amtrak for the future. As we look anew at the kinds of transportation options that Americans deserve in the years ahead, we must identify clearly a realistic level of public sector involvement -- including Federal, State, and local commitment -- to ensure the availability of those transportation choices, for now and for the future. I look forward to working with this Committee and the Congress in the weeks and months ahead as we develop the vision for intercity rail passenger service in the year 2000 and beyond.

I appreciate the opportunity to appear before you today and am available to answer any questions you may have. Thank you.