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H.R. 6003 Would Be the Costliest Bailout in Amtrak's 40 Years of Federal Subsidies

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This June, Members of the House of Representatives will be asked to support or reject the Passenger Rail Investment and Improvement Act of 2008 (H.R. 6003), an Amtrak reauthorization bill that would substantially increase taxpayer subsidies beyond the extremely generous levels already provided. Whereas Amtrak complains that it receives only 2 percent of federal transportation spending, that amount is four times higher than its fair share given that Amtrak carries less than one-half of 1 percent of the nation's intercity passengers. Even more inequitable is the per passenger federal subsidy, which the U.S. Department of Transportation calculates at $210.31 per passenger per 1,000 miles for Amtrak passengers, compared to $6.18 for those using commercial airlines.

H.R. 6003 would tilt these inequitable subsidies further toward Amtrak's advantage. In comparison to the $1.35 billion federal subsidy that Amtrak will receive in fiscal year (FY) 2008, H.R. 6003 would increase the annual bailout to $2.2 billion in FY 2009 and $2.6 billion in FY 2010. Over the five-year life of the legislation, taxpayers would have to provide a total of $12.8 billion for the benefit of the tiny share of the nation's travelers using the system. A better policy would be to limit Amtrak's annual subsidy to $900 million per year and link the receipt of that subsidy to the requirement that Amtrak fill more than half of its seats on an annual basis.

Since Amtrak's inception in 1970, the annual business-as-usual bailout has allowed it to squander more than $30 billion in taxpayer money for the benefit of a tiny fraction of the traveling public and its overpaid workforce. Despite this massive subsidy and endless promises of improvement by a series of recent managers and board members, Amtrak is no closer to service sustainability today than it was 38 years ago, in large part because its passengers value the service at only a fraction of what it costs to provide it.

These losses have continued and worsened down to the present day: In FY 2007, Amtrak earned $1.7 billion in passenger ticket revenues but incurred costs of $3.2 billion serving those passengers. The loss for that year—$1.12 billion, up from $1.07 billion in the previous year—was covered by the taxpayers. As a result, Amtrak's recent modest increase in passengers has been at the expense of the American taxpayer.

Confronting several years of sluggish growth in passenger boardings despite taxpayer subsidies nearly as large as ticket sales, Amtrak has recently switched its promotional focus from transportation to its potential to increase energy independence and reduce greenhouse gas emissions. Amtrak contends that its service is energy-efficient and environmen-

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tally beneficial, but Department of Energy data reveal that the benefits are exaggerated, and even greater benefits could be achieved by replacing Amtrak with intercity buses.

Data provided by several independent sources of expertise in energy use and greenhouse gas (GHG) emissions[1] indicate that GHG emissions and energy use attributable to rail passengers could be reduced by two-thirds if all intercity rail passengers were shifted from Amtrak to buses. Indeed, U.S. Department of Energy data show that even scheduled airline service has become more energy-efficient and is now only 17 percent less energy-efficient than Amtrak—not a bad trade-off for the tremendous savings in time on most routes.

Linking Subsidy to Performance. While neither Congress nor the White House will likely agree to shutting down Amtrak and encouraging its passengers to shift to buses and hybrid automobiles, they might seriously consider a plan to cap and then reduce Amtrak's burden on the taxpayer in a process that would also significantly improve performance. To do this, Congress needs to link Amtrak's subsidy to performance, and the most cost-effective performance measure would be Amtrak's ability to increase its load factor (the percentage of seats occupied).

For FY 2007, Amtrak's load factor reached 48.9 percent compared to 47.7 percent in FY 2006. During the first seven months of FY 2008, its load factor was 48.3 percent, compared to 45.1 percent for the same period in FY 2007. In contrast to Amtrak's poor performance in utilizing its excess capacity, commercial airlines have been operating at a load factor of just under 80 percent in recent years.

Given Amtrak's exceptionally poor ridership metrics, one option might be for Congress to link Amtrak's generous federal subsidy to improvements in its load factor. For example, Congress could give Amtrak the same subsidy in FY 2009 as it received in FY 2008 but condition future subsidies on Amtrak's increasing its FY 2009 load factor to 55 percent.

If Amtrak did not meet this target, then the FY 2010 subsidy would be reduced by $100 million for every 1 percentage point the FY 2009 load factor was below the 55 percent target. Furthermore, the target for each subsequent year would be increased by 5 percentage points until Amtrak matches airline performance. Setting such reasonable goals would force Amtrak managers to shift their focus from congressional lobbying and obsolete train schedules to passenger satisfaction and meaningful transportation options.

More specifically, to put Amtrak on the path to fiscal independence and to get federal transportation policy better focused on energy efficiency, Congress should:

- **Request that the Congressional Research Service, the Department of Energy, and the Government Accountability Office update and expand earlier studies** on per passenger subsidies and energy efficiency to assist Congress in making rational choices among competing policies and special interests seeking transportation subsidies.
- **Reject any attempt to increase Amtrak's federal subsidy.**
- **Cap the Amtrak subsidy at $900 million** and condition future subsidies on Amtrak's steadily increasing its passenger load factor to match airline performance. Congress should also steadily reduce the Amtrak subsidy from each year to the next.
- **Terminate the 16 Long Distance Routes that Amtrak now maintains and that account most of its losses.** These routes account for less than 15 percent of Amtrak's ridership but reportedly incurred 130 percent of Amtrak's allocated operating losses in FY 2007 according to Amtrak's primitive accounting system, in which the reporting is distorted to claim that the trains on the NEC earn a substantial profit. The NEC does not make a profit, but maintaining the fiction that it does sustains East Coast congressional support and helps to thwart proposals to require

1. For more details on Amtrak energy use, see Ronald D. Utt, "Congress Should Link Amtrak's Generous Subsidy to Improved Performance," Heritage Foundation *Backgrounder* No. 2072, September 20, 2007, pp. 11–14.

the eastern states to help support the NEC in the same way that California, Washington, and Oregon are required to financially support much of their passenger rail service.

Conclusion. The transportation challenges confronting the United States over the next several years will be unprecedented in their scope and difficulty. As congestion worsens and undermines the economic vitality of some metropolitan areas, voter skepticism about the competence of federal and state transportation officials has increased and in the process has discouraged efforts to increase the public resources available for transportation investment. Legislation such as H.R. 6003 deepens that skepticism by demonstrating that Congress is more interested in pandering to influential constituencies than in finding solutions to mobility and congestion relief.

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