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President Obama Sees Amtrak as Key to America's Transportation

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*Gimme a ticket for an aeroplane,
Ain't got time to take a fast train.
Lonely days are gone, I'm a-goin' home,
'Cause my baby just a-wrote me a letter.*

—Box Tops, “The Letter” (1967)

President Obama's High-Speed Rail (HSR) program came to its unofficial end on March 11 when Transportation Secretary Ray LaHood announced that the \$2.4 billion in federal money promised to Florida would instead be redirected to passenger rail projects in other states. Florida's new governor Rick Scott followed the examples of Governors John Kasich (R-OH) and Scott Walker (R-WI) in February when he rejected a federal grant of \$2.4 billion to fund an HSR line between the Orlando and Tampa. Scott argued that the project's future subsidies and projected cost overruns would burden Florida's taxpayers and could not justify a costly project that would serve only a small fraction of the state's travelers.¹

With Amtrak now the key to the President's rail program, a review of Amtrak's recent performance reveals that this “transformational” event will take place upon a foundation of epic failure, gross mismanagement, and union featherbedding.

Shift to Slow-Speed Rail. While Florida's grant of \$2.4 billion was one of several dozen such passenger rail awards provided by the FRA in 2009 and 2010, it was one of only two (California being the other) that were targeted for genuine HSR service—i.e., trains that average 150 miles per hour (mph) or

more. The other grants were targeted to freight railroads to make track, station, and signal improvements to allow somewhat higher speeds for existing and proposed Amtrak service.

For example, the rejected Ohio rail project would have an average speed of only 39 mph,² slightly less than the top speed of Henry Ford's Model T, introduced in 1908. And while the California project remains on the books as the only genuine HSR proposal still standing, escalating cost estimates (now at \$63 billion compared to the initial \$43 billion)³ and an absence of viable funding options by the bankrupt state suggest that this line will never be built.

As a result, what is left of Obama's once lofty “transformational transportation” plan is now little more than an extravagant Amtrak bailout plan costing \$53 billion over six years.⁴

Amtrak's Poor Performance. Amtrak often boasts of its record ridership, and in its fiscal year (FY) 2008 annual report, its president noted that 2008 marked Amtrak's sixth consecutive year of record ridership. What is unmentioned is that Amtrak accounts for less than one half of 1 percent of all interstate passenger travel, and 40 percent of that travel occurs in the Northeast Corridor (NEC).

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Moreover, while its promotional materials suggest that Amtrak is the dominant mode of travel in that corridor, in fact it accounts for only a small fraction of NEC travel. According to Amtrak data, “Amtrak Rail” has a 6 percent market share in the NEC intercity market, with air at 5 percent and highway at 89 percent.⁵ This modest market share stems from rider disinterest, not seat availability. Amtrak’s load factor in 2010 averaged 47 percent, and Acela clocks in at about 55 percent, leaving plenty of available seats.⁶

Ridership has also faltered. As Amtrak data reveal, FY 2008 was the high-water mark for ridership in recent years. Ridership fell in FY 2009 and returned only to 2008 levels in 2010, when it reached 28.7 million nationwide,⁷ about 10 million fewer passengers than went through the Phoenix airport in 2009.⁸ To achieve this incidental market share, Amtrak required a federal taxpayer subsidy of \$4.4 billion over the three fiscal years in ques-

tion. As a result, Amtrak receives the highest per-passenger federal subsidy of any mode: \$237.53 per 1,000 passenger-miles compared to \$4.23 per 1,000 passenger-miles for commercial aviation.⁹

The \$117 Billion Boondoggle. Notwithstanding Amtrak’s long history of financial and market failure, President Obama is betting America’s transportation future on this hapless enterprise. He is not alone: As the President’s HSR program has collapsed from public rebuke, rail hobbyists, unions, foreign manufactures, Congressmen, and Amtrak management now recommend rebuilding Amtrak’s NEC to accommodate HSR. Amtrak claims that it would cost \$117 billion to do this, while others note—falsely—that the NEC and its pseudo-HSR Acela line already operate at a profit. So what’s to lose?

Well, \$117 billion for starters. Notwithstanding popular mythology, Amtrak’s NEC and Acela operate at a substantial loss. Amtrak’s management has

1. According to the *Miami Herald*, Scott’s decision was influenced by “documents provided by the libertarian Reason Foundation and the Heritage Foundation, a conservative think tank.” See Janet Zink, “High Speed Rail Is Profitable, Study Says,” *Miami Herald*, March 9, 2011, at <http://www.miamiherald.com/2011/03/09/2106646/high-speed-rail-is-profitable.html> (March 25, 2011).
2. James Nash, “Official: Trains Are the Ticket,” *Columbus Dispatch*, September 23, 2009, at http://www.dispatchpolitics.com/live/content/local_news/stories/2009/09/23/copy/TRAINBRAIN.ART_ART_09-23-09_B1_8HF5KF1.html?adsec=politics&sid=101 (March 25, 2011).
3. Ronald D. Utt, “Time to End Obama’s Costly High-Speed Rail Program,” Heritage Foundation *Backgrounder* No. 2520, February 11, 2011, p. 4, at <http://www.heritage.org/Research/Reports/2011/02/Time-to-End-Obamas-Costly-High-Speed-Rail-Program>.
4. For more details on the President’s latest rail plan, see Ronald D. Utt, “President Obama Busts the Budget for Pie-in-the-Sky Amtrak and ‘Livability’ Proposals,” Heritage Foundation *WebMemo* No. 3179, March 4, 2011, at <http://heritage.org/Research/Reports/2011/03/Transportation-Spending-Busting-the-Budget-for-Amtrak-and-Livability>.
5. Amtrak, *A Vision for High-Speed Rail in the Northeast Corridor*, September 2010, p. 4, at <http://tinyurl.com/29qj3cc> (March 24, 2011).
6. Amtrak, *Monthly Performance Report for September 2010*, January 21, 2011, p. A2.1, at http://www.amtrak.com/servlet/BlobServer?blobcol=urldata&blobtable=MungoBlobs&blobkey=id&blobwhere=1249221001538&blobheader=application%2Fpdf&blobheadername1=Content-disposition&blobheadervalue1=attachment;filename=Amtrak_1009monthly_final.pdf (March 24, 2011).
7. Amtrak annual reports for FY 2008 and 2009 and audited consolidated financial statements for FY 2010, all at <http://www.amtrak.com/servlet/ContentServer?c=Page&pagename=am%2FLayout&p=1237608345018&cid=1241245669222> (March 24, 2011).
8. Airports International Council, “Passenger Traffic 2009 Final,” at http://www.airports.org/cda/aci_common/display/main/aci_content07_c.jsp?zn=aci&cp=1-5-54-55_666_2__ (March 24, 2011).
9. Wendell Cox and Ronald D. Utt, “Federal Transportation Programs Shortchange Motorists,” Heritage Foundation *Backgrounder* No. 2283, June 3, 2009, at <http://heritage.org/Research/Reports/2009/06/Federal-Transportation-Programs-Shortchange-Motorists-Update-of-a-USDOT-Study?query=Federal+Transportation+Programs+Shortchange+Motorists:+Update+of+a+USDOT+Study> (March 24, 2011).

never claimed NEC profitability, but its supporters do, and management is complicit in its silence.

The false claim of profitability is based on Amtrak's inadequate line-by-line accounting standards that exclude several important costs, notably depreciation and interest expense, which in FY 2010 totaled \$695.2 million. If one takes the (very) conservative approach of allocating 40 percent (NEC's ridership share) of this \$695.2 million cost to NEC operations, then the addition of \$278 million in costs turns the purported NEC surplus of \$51.5 million¹⁰ into a loss of \$226.6 million.

Now Up to Congress. Having been thwarted in his initial HSR plans by several newly elected, fiscally conservative governors, the President has

shifted his costly "transformational" rail program to Amtrak, where only Congress gets to decide. With Amtrak requiring at least \$1.6 billion per year just to provide the current level of mediocre and underutilized service, the President's redirected challenge will test the mettle of the new Congress. Will it meet the challenge with the same gutsy determination as did Governors Scott, Kasich, and Walker? Or will it be business as usual in the go-along-to-get-along world of Washington, D.C.? Fiscal conservatives are waiting and watching.

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10. Amtrak, *Monthly Performance Report for September 2010*, p. C1.