

Long Haul Trains Still Threatened by RR Lobbyists

by Alan C. Miller

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The press has spoken: once again the feds bail Amtrak out at the last moment, first for a few weeks, now through the fiscal year (Sept. 30). Some are breathing a sigh of relief. I am not. I haven't felt so disheartened since we lost the *Pioneer*, the *Desert Wind*, the *National Limited*, the *Floridian*, the *Lone Star* and the *North Coast Hiawatha*.

We had several years relief from having to trot out the old argument: "All forms of travel are subsidized... blah, blah, blah." The 'other side' conveniently ignores airline and highway subsidy and trots out the highest subsidy of the worst-performing train in the country and shows how much taxpayers pay to subsidize their ticket. I had hoped we would not have to go through this 'preserve Amtrak' fight again, as if that should even be an issue!

There are some encouraging signs this time around. SB 1991 by Senator Ernest Hollings (D-So. Carolina) proposes major increases in rail funding and capital investment in future rail infrastructure including partnerships for high-speed rail. Senate subcommittees have recommended the full (\$1.2 Billion) funding Amtrak requested for FY03. Both the House and Senate have passed supplemental appropriations to fund Amtrak the needed \$205 million for the remainder of FY02 so the company doesn't run out of cash.

There are several legislative hurdles left, however, before Amtrak is fully funded for FY03, the largest one being the White House. Transportation Secretary Mineta has promised no one wants to see Amtrak shut down, yet the Executive Branch seems to have no clue about Amtrak's funding needs. They have offered Amtrak a mere \$520 million for FY03, which wouldn't even begin to fund the current system.

The media hasn't helped in this perception. Repeatedly the media reports Amtrak lost \$520 million this year, but is asking for \$1.2 billion for next year. This makes it appear the cost to run Amtrak jumped 130% in one year, which is hardly true. Rarely is it pointed out that the former figure is operating subsidy only, while the latter is operating subsidy plus capital needs. Even the ill-conceived and largely now-discounted congressional mandate that Amtrak be self-sufficient never asked for more than operational self-sufficiency. It was always assumed that the federal government would continue to fund Amtrak's capital needs. In essence the media is comparing oranges to apples plus oranges by leaving out this year's apples.

The White House seems to have an understanding of Amtrak's financing that doesn't go beyond reading the newspapers. It is offering this year's operating subsidy as the total subsidy for Amtrak for FY03, which actually starves Amtrak of capital. The ill-conceived agreements between Amtrak and the White House to mortgage Penn Station and increase Amtrak's debt largely contributed to this state-of-affairs.

David Gunn says he doesn't blame his predecessor for the current state of affairs at Amtrak, which only speaks to David Gunn's class as a person and his recognition that such statements would not serve to help Amtrak's future. I, however, do not need to be so kind. This is an era where a law was just passed by Congress which mandates jail time to heads of corporations who knowingly lie about the financial health of their corporation. Were this criteria applied to the former head of Amtrak ...well, I'll let you finish my train of thought.

If Amtrak's capital funding needs were similar in past years as is being asked for this year, how were these needs paid for? First of all, some of it must have been paid for through capital subsidy—but with the

Warrington administration's screwy accounting, it is difficult to say how much. Second, capital needs were largely deferred, leaving the system in a state of increased disrepair year after year, creating another de-facto debt by requiring increased capital spending for future years. Thirdly, the gap in capital funding was raised by borrowing, thus increasing Amtrak's debt to \$4 billion, again putting off the inevitable. If Warrington did one thing possibly right, he kept the entire system running until there was nothing left in his bag of financial duct-tape and superglue. He then jumped ship, and Amtrak found one of the few men who might be able to hold everything together and convince Congress that additional monies will be used responsibly. Mr. Gunn has pulled this off solely by the respect he has gained through his reputation and his straight talk.

Mr. Gunn is asking for the full \$1.2 billion promising that in the future Amtrak's accounting will be fully accessible to the public and Congress and no more games will be played to try to meet some unattainable mandate. Congress has obviously abandoned its former mandate that Amtrak be operationally self-sufficient and may place its faith in Gunn's abilities to turn rail transit systems around. Will the White House go along with this or continue to play the ridiculous game of pretending Amtrak can get by starving it of capital and increasing its debt?

Unfortunately, some forces exist at Amtrak which still don't seem to understand the threat. A very ill-conceived memo from Amtrak corporate communications dated July 9 only repeats the February 1 press-conference statement by Warrington which laid long-distance trains out as scape-goats and implies that only long-distance trains require operating subsidies. Despite the fact that Warrington later distanced himself from the remarks, they were repeated over and over in the press for months and used by anti-Amtrak forces as ammunition. The July 9 memo breaks down the \$1.2 billion request as follows:

- \$840 million in basic and mandatory capital investments (those needed to maintain current levels of safety, reliability and regulatory compliance)
- \$200 million to support the operations of the long-distance trains (after internal cross-subsidies)
- \$160 million for excess RRTA, a railroad retirement obligation.

Does anyone notice anything missing? Yes, this adds up to \$1.2 billion and there is no category for operating monies for any trains not categorized as 'long-distance'. I requested clarification from Liz O'Donoghue of Amtrak West. She assures me that "the operating support [for medium and short-distance trains] is there, just not called out." She also confirms that the wording is the same as that from Warrington's February 1 press conference.

While I understand the need to keep the amount requested consistent, apparently no one informed the source of this memo that David Gunn isn't willing to lay out the long-distance trains as sacrificial lambs the way Warrington was. This July 9 memo is extremely disturbing for three reasons. First, Warrington himself disavowed blaming long-distance trains for all the operating losses. Secondly, how was this memo released without David Gunn approving it? I have followed Gunn's speeches, statements and letters to employees and Gunn would never approve such wording. Thirdly, some personnel at Amtrak don't seem to get the fundamental reason that the White House continues to offer only shutdown-level subsidies to Amtrak. The White House knows Amtrak and most corridors will survive; what this is really about is:

This is an attack on long distance trains.

If you doubt this I refer you to an article by Bob Withers of the *Herald-Dispatch* in West Virginia dated June 27, 2002. In regard to earlier talks between the Mineta and Amtrak over the interim funding, the article states: "A key sticking point in the debate has been what to do about Amtrak's long-distance trains, including the Chicago-Washington *Cardinal*."

"*Mineta met with new Amtrak President/ CEO David L. Gunn about 10 days ago and offered the carrier a \$100 million bridge loan to cover operations through the end of August, said Karina Van Veen, an Amtrak spokeswoman in Washington, D.C.*

But Gunn, who is committed to saving the national Amtrak system in its entirety, turned him down because the deal would have required Amtrak to immediately begin dismantling its long-distance network and concentrate services in corridors only.

*Gene Poon, a travel agent with Sheehan's Travel in Rohnert Park, Calif., whose specialty is Amtrak, told The Herald-Dispatch that he was told the Cardinal was the No. 2 train on the cut list, second only to the Los Angeles-Orlando *Sunset Limited*. 'They would probably be the first to go,' Poon said.*

Next, Mineta met with the Amtrak Board of Directors Monday to make the same offer over Gunn's head. The board also turned him down. Gunn has made his position clear since assuming office May 15 that Amtrak's national system should be preserved, not dismembered ..."

The unlikely re-release of Warrington's February 1 comments hangs long-distance service out to dry with the bullet point: "\$200 million to support the operations of the long-distance trains." The obvious danger of this is it gives a line-item amount that the anti-long-distance-train forces can point to and say, "Let's give Amtrak just \$1.0 Billion and make them drop those pesky land cruisers and save taxpayers \$200 million." Those responsible for releasing this memo handed the Bush administration a grenade to toss back at Amtrak during funding negotiations. Are there forces within Amtrak itself that wish to dismantle these trains?

Why is the Bush Administration gunning for our long-haul trains? Well...

- Vice President Dick Cheney served on the UP Board of Directors until recently.
- UP laid a half mile of temporary track to the 2000 GOP convention site in Philadelphia to accommodate UP business cars. Union Pacific contributed more than three-quarters of a million dollars to Republican campaigns in the last election cycle.
- Union Pacific Railroad was honored recently by the Newcomen Society of the United States at the Petroleum Club in Houston. Dick Davidson, chairman and CEO of Union Pacific Corporation, was the guest of honor. Former President George Bush introduced Davidson.
- The recent anti-Amtrak *New York Times* article "Amtrak Must Die" spent multiple paragraphs attacking just one train: the *Sunset*. The author actually argues "Cutting the *Sunset Limited* might actually result in fewer trucks on the roads because it would be easier to ship freight by rail if Amtrak weren't given priority on the Union Pacific's tracks."

(Writers note: If you want a guaranteed laugh, tell *Sunset* passengers Amtrak has priority on the *Sunset Route*.)

- Secretary Mineta said recently: "[Amtrak] has embraced numerous business plans—including some that have set it in competition with the freight railroads."

While none of the above is absolute proof of anything, readers can draw your own conclusions about relations between the nation's largest railroad and the nation's highest office.