

Sen. Murray Challenges Amtrak on NEC Profit

U.S. Senator Patty Murray (D-Washington State), the energetic chair of the Senate Transportation Appropriations Subcommittee, is proving to be a key player in the Amtrak funding battle, but one who is not about to accept Amtrak's version of events at face value.

Murray wants Amtrak to succeed, but is severely critical of Amtrak's regional biases and its claims that the Northeast Corridor is profitable. She identifies Amtrak's omission of depreciation costs as a falsification of the NEC cost situation, and derides Amtrak and Bush appointees for short-term decisions (like the Penn Station mortgage) that provided quick cash at the expense of Amtrak's long-term health.

Senator Murray points out that "for 2001, Amtrak's total loss approached \$1.1 billion its highest level in history. When revenue and ridership increase, but losses increase even faster, we are not looking at a formula for self-sufficiency."

The following text is excerpted from Sen. Murray's statement at the beginning of her subcommittee hearings in March:

Currently, Amtrak is imposing drastic spending cuts-while attempting to manage its national rail network. Employment is being slashed. Basic rail car maintenance is being deferred. And environmental compliance projects are being shelved.

In addition, Amtrak is backing out of prior commitments made to the states to improve shared infrastructure. Worse still, Amtrak is engaging in a number of short-term financial transactions to put immediate cash into the railroad to avoid bankruptcy. Unfortunately, these short-term moves will only worsen Amtrak's long-term financial health.

All these measures are designed to milk the railroad along until it might receive a hoped-for federal infusion of money next year. Amtrak is asking this subcommittee to provide it with \$1.2 billion next year for its basic capital and infrastructure expenses. That's an increase of 130 percent above the level provided for this year.

The Bush Administration's posture toward Amtrak's financial situation has only made matters worse. The President's budget proposes that Amtrak funding be frozen next year at the level of \$521 million. Any informed source will tell you that, if we enact the President's budget, we will throw Amtrak into certain bankruptcy. This President's proposal is especially disappointing since this Administration knows every aspect of Amtrak's delicate financial condition.

Secretary Mineta sits on Amtrak's Board of Directors. His Deputy Secretary, Michael Jackson, has represented him at almost every Amtrak board meeting. As such, Mr. Jackson knows more about Amtrak's finances than anyone on this subcommittee, and that is why I have asked him to appear before us this morning.

Last year, Secretary Mineta and Deputy Secretary Jackson signed off on Amtrak's plan to mortgage off parts of Pennsylvania Station in New York for the sole purpose of getting Amtrak \$300 million in cash. That transaction-which boosted Amtrak's outstanding indebtedness for decades-was designed solely to give Amtrak enough operating cash to survive through the end of Fiscal Year 2001. I am told that similar transactions may now be necessary to keep Amtrak solvent through the current fiscal year.

I believe that those are the kind of issues that need to be laid out clearly on the record this morning.

Let me be clear. I want Amtrak to succeed. I believe that intercity passenger rail service plays a critical role in easing congestion in our country. I think it's an important travel option for the American public.

My State ranks second-only behind California-in the amount of direct state subsidy that has been put into supporting Amtrak serv-

ice. My state has put up money-even bought its own rail cars-while other states continue to enjoy far superior service while putting up nothing. My constituents have spoken on the importance of Amtrak.

I plan to do all that I can to help Amtrak succeed, but I plan engage in this issue with a clear attention to the financial facts. There has been a great deal of confusion and downright mythology that has surrounded the Amtrak debate. The greatest degree of confusion has surrounded the issue of the true costs of operating Amtrak's national system. One of my goals for this morning's hearings is to get down to the facts, and to debunk some of the myths.

One Amtrak myth that we need to confront is the representation that Amtrak has been making steady progress towards self-sufficiency.

This morning, the Inspector General will testify that while Amtrak has boosted revenues and limited certain expenses, the railroad has effectively made no progress toward self-sufficiency since the requirement was put into the law in 1997.

403(b) Payments to Amtrak

California	\$60 million
Washington/Oregon	\$13 million
Illinois	\$13 million
Missouri	\$6.2 million
North Carolina	\$5.7 million
Oklahoma	\$3.9 million
Pennsylvania	\$2.9 million
Vermont	\$1.6 million
New York	\$1.0 million
New Jersey	\$0

In fact, for 2001, Amtrak's total loss approached \$1.1 billion its highest level in history. When revenue and ridership increase, but losses increase even faster, we are not looking at a formula for self-sufficiency.

It was foolish for some Members of Congress to insist that Amtrak become the only self-sufficient national railroad in the world. That requirement appears only to have succeeded in pushing Amtrak into making short-term financial decisions that have undermined its long-term financial condition.

The second myth I would like to address is the representation that there are Amtrak routes that make a profit. There are none. ZERO. No Amtrak train-whether it is in the Northeast Corridor or anywhere else in the nation-will make a profit this year or next year.

Last week, Amtrak testified before the House Appropriations Subcommittee that so-called profitable routes were subsidizing other train routes.

Well, how can Amtrak make that claim if there are no profitable routes?

The answer is that Amtrak ignores the accounting rules that every other company in the United States must live under. Simply put, Amtrak's analysis ignores depreciation.

The concept of depreciation says that, when a company makes official representations regarding its financial condition, it must recognize that, over time, its assets are going to deteriorate and require replacement.

If a railroad ignores depreciation and hides from the fact that its rail lines and rail cars will need replacing, it can represent that it is profitable until the day when its last decrepit rail car falls off the track.

No company in the United States is allowed to represent that over the long term-either their entire company, or even a single line of business, is profitable while ignoring depreciation.

If they make this representation in public, they are inviting a shareholder lawsuit. If they make this representation on paper, the Securities and Exchange Commission will visit them. Amtrak's financial difficulties today are due in part to the way it has ignored the cost of depreciation.

We have not invested sufficient funds to replace the physical plant and equipment that

Amtrak owns. Instead, Amtrak has been required to borrow more and more money to make only the most necessary investments, boosting its debt burden to historically high levels.

Amtrak owns the Northeast Corridor. The vast majority of federal capital dollars that the railroad has received has gone into the Northeast Corridor. Even so, this corridor is in desperate need of between \$3 billion and \$5 billion just to maintain the current level of service. Over the next decade, it may require as much as \$20 billion.

As a member of the Budget Committee and Chairman of this Subcommittee, I don't see where that kind of money is going to come from. And if we are not going to make that kind of investment, it is not credible to represent that Amtrak's Northeast Corridor trains are somehow viable over the long term while other trains are not.

When you calculate in the actual depreciation and interest costs associated with the Northeastern trains, you find that a number of Northeast Corridor trains lose more money per passenger than trains elsewhere in the country. That is the reason why I am greatly disturbed by the structure of Amtrak's budget request.

Amtrak appears to be taking a bunch of trains hostage and telling a majority of Senators-you either boost our funding by 130 percent or we will kill your rail service. There is an implicit message that surrounds Amtrak's budget request.

That message is, if we only get a 92 percent funding increase to the level of \$1 billion, the states that currently enjoy the best rail service and put up none of their own money will continue to enjoy that service while the rest of the country will have to do without.

As Chair of this subcommittee, I intend to have some say in how Amtrak gets funded next year, and I don't intend to play by those rules.

When you look at Amtrak in the same way as you would look at any other company, the fact is that every Amtrak train requires a subsidy.

If we don't have enough money in 2003 to maintain a national system, then, as far as I'm concerned, we can disband the railroad, or let all the states not just a few pick up a portion of the needed subsidy.

Whether we are able to provide \$1.2 billion for next year or just half that amount, I don't intend to subsidize just a regional rail system that protects the status quo for certain states that have put up none of their own funding but throws most of the other states out of the national rail network.

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