

Introduction

Having second thoughts about one's convictions is a growth experience. I should know, because I had helped create Amtrak, and later advocated its expansion. In my exuberance for train travel, I was one of Amtrak's staunchest supporters. I've since recognized that my advocacy ignored powerful forces in the travel marketplace, and I helped perpetuate a discredited transportation concept. I offer a *mea culpa* to American travelers, commuters, and taxpayers. But this book is about more than trains—it is about a government enterprise that has failed so spectacularly that fundamental principles of business and good government are violated.

When Amtrak was formed, it was expected to enhance America's mobility by taking over the failing passenger train system operated by private railroad companies and revitalizing it. Advocates said Amtrak would become “modern,” and that putting all intercity trains under one organization would be cost-effective, thus improving the competitiveness of trains. Amtrak's first chairman, David W. Kendall, declared, “This new system can and will succeed because it unifies for the first time the operation and promotion of the nation's rail passenger service. Now, a single management can devote its energy exclusively to serving this passenger.”¹ Amtrak would bring about a new Golden Age of rail service. For good measure, politicians promised that Amtrak would eventually earn a profit.

What we have today is far different. Instead, Amtrak is nearly insolvent—seemingly always just one more government bailout away from bankruptcy—and it racks up high costs disproportionate to its meager traffic. The railroad fails America by running too many trains where they are not needed—a form of rolling “pork barrel.” Amtrak is unable to lift itself out of a morass of its own making.

2 END OF THE LINE

Public subsidies for passengers riding Amtrak long-distance trains are expensive. In the 1970s, former transportation secretary William T. Coleman said it would be cheaper for taxpayers to buy airline tickets and give them to passengers for free than to continue to subsidize their train rides. That view was echoed in 1998 by Wendell Cox, an economist and member of the Amtrak Reform Council, who pointed out that airline fare revenues per passenger-mile were less than Amtrak subsidies per passenger-mile, so it would probably be less expensive for the government to buy every Amtrak rider a discount air ticket.² And in 2003, as Amtrak costs continued to mount, the Union Pacific Railroad's chief executive, Dick Davidson, said of long-distance train riders, "You could buy them a plane ticket and save money."³ Each of these critics was correct.

In many cases, the reader need not take my word for the facts and assertions reported here. Because I expect Amtrak to contest my viewpoints, the work is exhaustively documented and footnoted. In many cases I used Amtrak's own words as they appeared in planning documents, press releases, news interviews, and congressional testimony. Also, the work synthesizes findings in nearly two dozen reports published since 1997 by the U.S. General Accounting Office (GAO),⁴ the inspector general of the Department of Transportation, the Amtrak Reform Council, and a special "blue-ribbon" panel assembled by a congressional committee. (The last two have completed their missions and are no longer in business.)

Some confusion exists regarding the Amtrak Reform Council and the Amtrak Reform Board. The Amtrak Reform Council was an oversight body given specific powers to look into Amtrak affairs and make recommendations. The Amtrak Reform Board holds fiduciary responsibilities for the railroad, makes policy decisions, and has hiring and firing authority over Amtrak executives.

As a point of disclosure, I served from February 1998 through July 2000 as a member of the Amtrak Reform Council. The Citizens Against Government Waste encouraged the appointment, which was made by Republican Senator Trent Lott of Mississippi. During my service, I experienced repeated attempts by Amtrak to stall responses to the council's requests for information or to refuse to respond at all. Yet the council was required by statute to request specific information for inclusion in reports to Congress. I concluded that the council was unable to fulfill effectively the

oversight role that Congress had intended when creating the agency. My resignation allowed me to speak more freely about Amtrak's deceptive campaign that it was on its way to becoming "profitable" (as Amtrak then defined the term). I also warned against granting additional billions of dollars in subsidies to finance "white elephant" Amtrak high-speed train schemes. I am gratified that I had a role in exposing such utter nonsense, including testifying before the Senate Commerce, Science, and Transportation Committee.⁵ My resignation also meant that I had no vote in the final council recommendation that Amtrak be broken apart.

I'm often asked what I think of Amtrak's latest president, David Gunn. On the one hand, I ought to feel indebted to Mr. Gunn for making me look good. In previous years I said Amtrak should never purchase another Acela Express train, and Amtrak sharply criticized me. Gunn took over the helm and revealed he would never buy another Acela Express train. I found fault with Amtrak for starting a money-losing program to carry freight in special cars attached to passenger trains, and Amtrak insisted I was wrong and that the program would become profitable. Gunn killed it for being a money-loser. I said Amtrak owed it to taxpayers to make its books transparent, and Amtrak refused, citing "confidentiality." Gunn has reconfigured the books in a more commonsense way and ordered the posting of financial information on Amtrak's website. Also, giving credit where credit is due, Amtrak has made some recent strides in its marketing campaigns, reservations system improvements, station cleanliness, equipment utilization, and cost controls.

On the other hand, Amtrak's leadership is still heading in the wrong direction. Think of the captain of a ship who is fighting mightily to keep afloat while water leaks in through faulty seams, the equipment breaks down, and the crew is disgruntled. The captain may do a wonderful job fixing leaks and repairing machinery, and may even have the resources from government subsidies to give salary increases to the crew. The captain succeeds in making it to port—but the problem is, it is the wrong port. That is what is happening with Amtrak. Locomotives are being repaired, but the trains are still heading in the wrong direction.

I prefer a nonfiction author to reveal *why* he is writing a book. In my case, I hope to document further how Amtrak is hopelessly flawed and to present possible solutions. Three primary issues emerge in this work:

4 END OF THE LINE

- The subsidies needed to keep Amtrak operating will continue to reach all-time highs despite the railroad's claims of lowered expenses and improved performance. The facts need to be on the record as to how and why Amtrak is frittering away billions of taxpayer dollars. The subsidy per Amtrak passenger is far higher than anything we find in our aviation or highway systems.
- Amtrak's credibility has plummeted to new lows. This book addresses how growing radicalism within the railroad causes it routinely to threaten to shut down when it has cash-flow problems—even saying it will halt trains on the busy lines where no justification exists for shutting down. Amtrak's promises about future progress are hollow.
- Amtrak has demonstrated a reckless disregard for public safety by ignoring critically needed safety upgrades in its New York tunnels—an issue of added importance in an age of terrorism. It is vital that we remove key facilities like the New York tunnels from Amtrak's bureaucratic grip and transfer them to a regional or local authority that will provide the competent stewardship that train passengers have every right to expect.

The focus of this book is on developments since the passage of the Amtrak Reform and Accountability Act of 1997 (ARAA). In explaining the need for the ARAA, Republican Senator John McCain of Arizona, chairman of the Commerce, Science, and Transportation Committee, said: “Let there be no mistake. Amtrak is on the brink of bankruptcy. Fundamental reforms are needed immediately if there is to be any possibility of addressing Amtrak's financial crisis and turning it into a viable operation. This measure is long overdue, and some fear, as I do, that even with these reforms Amtrak may not make it.”⁶ Amtrak indeed failed to reform. The intent of this book is to catalogue how that happened; it will demonstrate that Amtrak did not then, nor does now, plan to undertake reforms other than cosmetic ones.

Chapter 1 provides a brief history of Amtrak, which will be helpful for readers who may not be familiar with the many years of mismanagement that led up to enactment of the ARAA in 1997. Chapter 2 outlines the

proposed reforms, which actually were quite modest, and how Amtrak thwarted them. It tells how Amtrak managed to receive a massive tax refund—even though it has never paid income taxes—and how the railroad receives hidden subsidy after hidden subsidy. These developments reinforce arguments to liquidate Amtrak and favor replacement operators.

Chapter 3 addresses Amtrak's insatiable demands for more subsidies and includes a chronology of Amtrak's repeated shutdown threats. Developments since the reform attempt prove conclusively that Amtrak's future is hopeless, and preserving Amtrak is irrational. The federal government's effort to maintain the Amtrak status quo is worth censure. Amtrak represents Washington's difficulty in freeing itself of the grasp of special interests who are big spenders, not of their own money, but of taxpayers' money. The result is that Congress appropriates billions of dollars in subsidies without demanding serious changes to a dysfunctional rail system.

Further, congressional requirements that Amtrak spend money on capital improvements to lightly used routes are outrageous. Spending on long-distance routes fails to provide public benefits commensurate with the billions of taxpayer dollars needed to buy new trains and improve fixed infrastructure. Such wasteful spending leaves little for the heavily trafficked routes that indeed require capital improvements and costly security arrangements in an age of terrorism. In short, throughout Amtrak's history, it has devoted too much of its budget to where it is not needed, and not enough to where it is.

I wish every editorial writer in America would read chapters 4 and 5, entitled, respectively, "Myths About the Value of Amtrak" and "Fallacies About the Cost of Amtrak." When the Amtrak Reform Council recommended Amtrak be broken apart, these save-Amtrak arguments were made by some members of Congress and most railroad labor union officials. The chapters counter arguments by the small number of railroad buffs who argue with evangelical zeal to preserve Amtrak's nearly useless and breathtakingly costly long-distance passenger trains; it also counters false promises about future Amtrak-style high-speed trains.

Chapter 6 addresses the chilling threat of terrorism against rail passenger systems. Amtrak receives no criticism from me regarding current-day *threats* of terrorism against passenger trains or stations. The nation must focus on the prospects of terrorist attacks on all types of trains (not just

6 END OF THE LINE

Amtrak's), railroad stations, bridges, and tunnels. Ominous indeed are comments by Homeland Security Secretary Tom Ridge, who said his agency cannot apply an aviation standard to railroads and that "the security environment for trains will never resemble aviation."⁷

Where Amtrak and I part company, however, is when it comes to the condition of the railroad tunnels in New York City. Literally, lives are at stake should a train accident occur in the tunnels, with their inadequate firefighting equipment and constricted passageways that hamper passenger evacuation. Amtrak has known about the critical need for safety-related improvements for nearly thirty years, yet has done little about it. The urgency of performing these upgrades is greater than ever because of the possible consequences of an act of terrorism aboard a train.

Chapter 7 outlines how, in recent years, Amtrak has managed to alienate its major institutional customers—local commuter agencies and state transportation departments. Boston is a prime example, but it is likely that other public agencies that have contracts with Amtrak will seek alternative operators in the future.

It's time to replace Amtrak with something more workable and relevant. Chapter 8 focuses on what Great Britain, Japan, Canada, and the United States have done to privatize and devolve publicly owned railroads. This chapter and appendix C also outline how fifty-five nations are privatizing, franchising, or devolving their Amtrak-style railroad systems. A little more than a decade ago, every national passenger railroad in the world was owned and operated on the socialist model of a state-run enterprise. Today the only countries in the Western Hemisphere that run an essentially nationalized passenger rail system are the United States, Canada, and Cuba. On this score, Washington has more in common with Havana than it does with Mexico City, Buenos Aires, or countless other capital cities south of the Rio Grande.

Chapter 9 describes capabilities to replicate such lessons here and delves into the monopolistic practices Amtrak uses to thwart private-sector competition. I'm often asked, "Since private railroad companies got out of the money-losing passenger business years ago, how can we return trains to the private sector?" Fair question. The answer is that we need public-private partnerships whereby companies will compete for contracts to run trains, and companies are ready to do that. We need to create a sensible plan where

Amtrak is phased out while responsible private-sector operators take over the Amtrak routes that are worth continuing.

The chapter also examines the experimentation underway in the commercial airline and intercity bus industries. Air service is becoming more affordable to travelers in more places as a result of more efficient aircraft designs, relaxed labor work rules, cost reductions related to airline bankruptcies, and a lessened emphasis on high-cost hub airports. Amtrak—with its fundamental inability to reduce labor costs—will need even higher subsidies to compete against tomorrow's more nimble competition.

The conclusion addresses the difficulty of seeking change in Washington, D.C., which thrives on an entitlement mentality and pork-barrel spending sprees. Many books have been written about Washington's inability to abolish ineffective programs, a "hardening of the arteries," so to speak. One such work, Jonathan Rauch's *Demosclerosis*, vividly illustrates the many ways government has "calcified."⁸ Similarly, Brian Tracy has discussed what he termed "psychosclerosis"—"your natural tendency to fall in love with your own ideas, and then to vigorously defend them against anything new."⁹ These concepts help explain Amtrak's relationship with Congress, where both institutions fail to respect American taxpayers and travelers, leave vital improvements unfunded, thwart minor reforms, and then falsely promise that Amtrak will somehow become successful. The chapter calls for the elimination of disincentives toward private-sector involvement in rail passenger service.

The appendices present extensive information not found anywhere else in one place—the repeated warnings from government oversight agencies about Amtrak's financial practices and condition; a chronology that delineates the excessive delays in Amtrak's Acela Express development program; and an account of the widespread nature of railway privatization and devolvement, which clarifies how the United States is out of step with countries throughout the world on this issue.

Information in the tables, gleaned from dozens of government studies, documents how Amtrak financial forecasts are way off the mark; illustrates how puny Amtrak's total traffic is when compared with that of airports; outlines the financial losses per passenger on different routes; describes how the majority of Amtrak passengers are concentrated on just a few lines; and, most tragically, summarizes the number of fatalities in

8 END OF THE LINE

terrorist attacks on rail facilities worldwide (671 people between 1998 and 2004).

Amtrak is an enterprise with a negative net worth, unable to run itself in a business-like fashion. This brings up a point about my view of Amtrak as a business. I now serve corporate executives and entrepreneurs as a business performance coach. I help leaders define the next levels of success for their enterprises and help them achieve their goals and objectives. In so doing, I'm struck by how clients demonstrate vision, risk-taking, integrity, conscientiousness, skill, sensitivity, and determination to reach well-designed goals. Amtrak, however, routinely makes appalling decisions. Examples include opening a Wisconsin train line that supposedly would "enhance the area's economy"—a train that often ran empty and lost more than a thousand dollars for *each passenger* it carried.¹⁰ In Indiana, Amtrak started a new train on a slower schedule than had been in effect on the route in 1925, more than three quarters of a century ago. Amtrak's lack of sound decision making at the very time it was ordered to undertake reforms is nothing short of astonishing.

While Amtrak is not worth saving, it is possible to save America's most important trains. A decade ago, Amtrak's chief financial officer Elizabeth Reveal expressed a view that remains salient today:

I think there's two questions: "What's the future of passenger rail in America?" There is a completely separate question, which is, "What's the future of Amtrak?" You can imagine a brilliant future with passenger rail with Amtrak gone.¹¹

The federal government does not run a national airline. It does not operate a national bus company. It does not own the interstate highways (the states do), nor does it own toll roads, commercial airports, or bus terminals. From a public policy standpoint, there is no justification for the federal government to own and operate a national railroad passenger system that is essentially irrelevant to the transportation marketplace. It is time to establish a new paradigm for railroad passenger service in America.