A REVIEW OF AMTRAK OPERATIONS, PART III: EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES

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HEARING

BEFORE THE

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE HOUSE OF REPRESENTATIVES

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September 17, 2012

MEMORANDUM

TO: Members, Committee on Transportation and Infrastructure

FROM: Staff, Committee on Transportation and Infrastructure

SUBJECT: Oversight Hearing on "A Review of Amtrak Operations, Part III: Examining 41 Years of Taxpayer Subsidies"

PURPOSE

The Committee on Transportation and Infrastructure will meet on Thursday, September 20th, 2012, at 9:30 a.m. to receive testimony reviewing Amtrak's 41 years of taxpayer subsidies. Specifically, the hearing will investigate the monetary losses associated with Amtrak's operations; explore and compare Amtrak's level of federal subsidy with the subsidies provided to other modes of passenger transportation; and examine management deficiencies identified by the Amtrak Office of Inspector General in reviewing Amtrak's food and beverage operations and significant overtime expenses.

BACKGROUND

The Rail Passenger Service Act of 1970 (P.L. 91-518) created the National Railroad Passenger Corporation (Amtrak) and charged it with the responsibility for providing intercity passenger rail transportation on a basic route system designated by the Department of Transportation. Before Amtrak's creation, freight rail companies were required by federal law to operate passenger rail services. Amtrak was designed to serve long-distance passenger travel needs and is operated as a for-profit company, rather than a public authority.[1]

[1] *See* 49 U.S.C. §§24301, 24302.

41 Years of Taxpayer Subsidy

Funding for Amtrak's capital and operating expenses comes from operational revenues and appropriated funds. Amtrak's operations have never resulted in a net profit with most of its routes losing money. The system as a whole only accounts for 0.1 percent of America's passenger travel.[2] Over the past 41 years, Amtrak has received nearly $40 billion dollars taxpayer subsidies. The following chart illustrates Amtrak's taxpayer funding since its creation:

Fiscal Year	Annual Total (in millions)	Fiscal Year	Annual Total (in millions)
1971-72	40	1993	891
1973	170	1994	909
1974	140	1995	972
1975	277	1996	750
1976	651	1997	843
1977	801	1998	1,686
1978	1,116	1999	1,701
1979	1,269	2000	571
1980	1,244	2001	520
1981	1,256	2002	832
1982	905	2003	1,043
1983	895	2004	1,218
1984	816	2005	1,207
1985	712	2006	1,294
1986	603	2007	1,294
1987	624	2008	1,325
1988	608	2009	1,490
1989	604	ARRA 2009*	1,300
1990	629	2010	1,565
1991	815	2011	1,486
1992	856	2012	1,418
	Total	**41 Years**	**39,345**

* *$1.3 billion in capital funds appropriated for Amtrak in the American Recovery and Reinvestment Act of 2009.*
Source – Federal Railroad Administration

The average per passenger subsidy for Amtrak in 2011 was more than $49, as derived by dividing the total number of passengers by the total amount of federal appropriations. Over the past five years, Amtrak has averaged an annual taxpayer subsidy of more than $1.432 billion, which equates to an average subsidy of nearly $51 dollars per passenger.

Amtrak 5-Year Taxpayer Subsidy Per Rider			
Year	**Total Number of Passengers**	**Federal Appropriations**	**Per Ticket Subsidy**
2007	25.8m	1.294b	$50.16
2008	28.7m	1.325b	$46.17
2009	27.2m	1.490b	$54.78
2010	28.7m	1.565b	$54.53
2011	30.2m	1.486b	$49.25
Average	**28.1m**	**1.432b**	**$50.97**

[2] Randal O'Toole, *Gridlock: Why We're Stuck in Traffic and What to Do About It* (Washington: Cato Institute, 2009), p. 91.

Even without considering the almost $1 billion per year in capital grants to Amtrak, the corporation operates at an "above the rail" operational loss. Amtrak's 15 long-distance routes have the highest losses, with the largest per passenger subsidy being the Sunset Limited, which runs from Los Angeles to New Orleans. In 2011, the Sunset Limited carried only 99,000 passengers, while requiring a significant operational subsidy of more than $375 per passenger. Furthermore, the Southwest Chief running from Los Angeles to Chicago had a per passenger operational subsidy of more than $177. The chart below illustrates the 10 worst-performing Amtrak routes and the average operational subsidy per passenger for each route.

Amtrak's 10 Worst Performing Routes and Their Operational Subsidies (FY 2011)

Route Name	Ridership	Net Operating Loss	Subsidy Per Passenger
Sunset Ltd.	99,714	($37.4)	($375.1)
Southwest Chief	354,912	($63.0)	($177.5)
California Zephyr	355,324	($58.9)	($165.8)
Cardinal	110,923	($17.8)	($160.5)
Crescent	304,086	($42.4)	($139.4)
Coast Starlight	426,584	($50.6)	($118.6)
Hoosier State	37,249	($4.4)	($118.1)
Silver Star	424,394	($48.1)	($113.3)
Silver Meteor	373,576	($41.3)	($110.6)
Empire Builder	469,167	($51.1)	($108.9)

Intercity Bus Transportation

From 2006-2010, intercity bus transportation has seen a dramatic increase in demand. According to a December 2010 DePaul University study, intercity bus operations expanded annually by an average of nearly 7 percent between 2006 and 2010, including a 6 percent increase in 2010. By comparison, between 2009 and 2010, aviation operations grew by 3 percent, and Amtrak's increase in daily operations was only .5%. In particular, curbside intercity bus operators like the Boltbus and Megabus have expanded the number of departures by 23.9% and now account for more than 440 daily bus operations in the United States. The study also found that intercity bus service had the fastest growth of any intercity transportation mode from 2008-2009. From 2007 to 2010 Intercity Bus ridership grew at a rate nearly twice as fast as Amtrak.[3]

In order to improve the competitiveness of intercity bus transportation, operators have looked to increase the quality of their service over the past few years. In 2010, Greyhound introduced a premium service on select routes, offering passengers free WiFi internet, spacious cabins and guaranteed seating. In addition, the Red Bus operating between South and Central Florida as well as Atlanta offers seats that recline to near-horizontal positions as well as a GPS satellite monitoring system.

[3] Joseph P. Schwieterman, Lauren Fischer, Sara Smith, and Christine Towles, "The Return of the Intercity Bus: The Decline and Recovery of Scheduled Service to American Cities, 1960–2007," Chaddick Institute for Metropolitan Development, Chicago, 2007, p. 4; "Monthly Performance Report for September 2010," p. A-2.2, and "Monthly Performance Report for September 2007," Amtrak, Washington, p. A-2.2.

Cross-Modal Comparison of Transportation Subsidies

Historically, U.S. transportation financing needs have been funded through user fees rather than taxpayer subsidies. The Airport Development Aid Program and the Airport and Airway Trust Fund provide federal funding for development of the U.S. aviation system through aviation related user fees. Likewise, federal funding for the interstate highway system comes through the Highway Trust Fund (HTF). The HTF is funded with proceeds from gasoline and vehicle tax revenue. However, unlike federal funding for aviation and highways, Amtrak's federal financial support has typically come through annual taxpayer appropriations from the Department of Treasury's General Fund.

A 2011 Nathan Associates Inc. study on Federal Subsidies for Passenger Transportation found that per passenger intercity bus transportation had the lowest per passenger subsidy among aviation, intercity bus, Amtrak and mass transit. The following illustrates the significant disparity in per trip federal subsidies across different transportation modes.

- Aviation passengers received $4.28 per trip
- Mass transit riders received $0.95 per trip
- Amtrak riders received $46.33 per trip; and
- Intercity commercial bus passengers received $0.10 per trip

Amtrak Food and Beverage Service Losses

The sale of food and beverage items onboard Amtrak trains is performed by Amtrak employees. Amtrak provides various levels of food and beverage service ranging from snack/beverage services in lounge cars to full meals in dedicated dining cars. Amtrak has never broken even on food and beverage operations, and instead has seen a steady net loss of an average of $83 million per year over the last 10 years. Currently, Amtrak is spending $1.70 to provide food and beverage services for every $1 in food and beverage revenue.

Requirement to "Break Even" and Authority to Contract Out Food and Beverage Services

Under Amtrak's general authorities listed in section 24305 of title 49, United States Code, "Amtrak may...provide food and beverage services on its trains only if revenues from the services each year at least equal the cost of providing the services." (49 U.S.C. §24305(c)(4)) This provision was first added to the code as part of the Amtrak Improvement Act of 1981 to eliminate the deficit in Amtrak's onboard food and beverage operations by September 30, 1982. Therefore, for nearly 30 years, Amtrak has been statutorily banned from providing food and beverage services unless its costs at least equal its revenues of providing the services.

Amtrak 10-Year Food and Beverage Operations Financial Performance
In millions of nominal dollars

FY	Total Revenue	Total Expenses	Net F&B Loss	Labor Expenses	Labor Expenses as a % of Total Expenses
2002	84.1	164.5	80.4	83.8	50.9%
2003	78.4	158.8	80.4	83.3	52.5%
2004	80.4	164.2	83.8	89.2	54.3%
2005	90.9	181.4	90.5	98.3	54.2%
2006	88.3	180.7	92.4	96.3	53.3%
2007	94.5	177.6	83.1	92.1	51.9%
2008	102.6	184.0	81.4	97.0	52.7%
2009	106.4	181.3	74.9	100.0	55.2%
2010	109.3	191.7	82.4	108.0	56.3%
2011	121.5	206.0	84.5	117.0	56.8%

Source: 2002-2005 Government Accountability Office unaudited estimates, 2006-2011 Amtrak

Amtrak's Control of Overtime Expenses

Amtrak agreement-covered employees are eligible for overtime and are required to have field supervisors approve all incurred overtime hours. Over the past two years Amtrak has averaged more than $200 million annually in overtime costs despite being forced to report monthly on employees nearing or exceeding the $35,000 overtime cap. In CY 2011, 1,123 employees earned more than $35,000 in overtime.

The Amtrak OIG has cited Amtrak for control deficiencies related to timekeeping and payroll processes that would limit the risk of fraud for overtime charges. A September 2012, report from the Inspector General (Report No. OIG-I-2012-018) found that one Amtrak employee claimed overtime pay for hours he spent officiating high school sporting events, while another worker may have received more than $100,000 in bogus overtime.

In 2008, the Amtrak OIG issued a memo (Project# 105-2007) on an investigation that analyzed the overtime wages of 1,252 agreement-employees that made more than $100,000 during calendar year 2006. The investigation highlighted 167 employees that earned more than $100,000 in regular wages and more than $100,000 in overtime wages. The memo also stated that 97 of the 1,252 employees earned more in overtime wages than in regular wages.

WITNESSES

Mr. Joseph Boardman
President
Amtrak

Mr. Ted Alves
Inspector General
Amtrak Office of Inspector General

Mr. Peter Pantuso
President and CEO
American Bus Association

Mr. Randal O'Toole
Senior Fellow
Cato Institute

Mr. Ross Capon
Executive Director
National Association of Railroad Passengers

A REVIEW OF AMTRAK OPERATIONS, PART III: EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES

THURSDAY, SEPTEMBER 20, 2012

HOUSE OF REPRESENTATIVES,
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE,
WASHINGTON, DC.

The committee met, pursuant to notice, at 9:35 a.m. in Room 2167, Rayburn House Office Building, Hon. John Mica (Chairman of the committee) presiding.

Mr. MICA. Good morning. I would like to call the Committee on Transportation and Infrastructure to order. And I welcome everyone this morning. This morning is the third in a series of hearings that we are conducting to examine the operations of Amtrak, our national passenger rail system. And the first hearing that we conducted, we focused on some of the cost of food service. And I think the last hearing we talked about some of the subsidies for intercity passenger rail service, and also commuter rail service involvement of Amtrak. And today we are going to look at some of the issues relating to the ticket and passenger fare subsidization.

The order of business will be, first, opening statements. And I am going to proceed, as chair of the committee, with my opening statements. We will turn to Mr. Rahall. We are starting early this morning, and hopefully we will be joined by Members from both sides of the aisle who are—I know at least our side is in a conference this morning. But we do want to make certain, with a short week—and this is actually our last week before we return after the general elections—to get these hearings in, both the one we did last week, this one.

I also announce today that we will be doing a series of additional hearings on Amtrak during the lame duck session. We have at least three planned at this point. And as we get the subjects and the background information in preparation for the official calling of the hearing, we will notify the Democrat side of the aisle, so they can also prepare. But we will continue these through this Congress.

With that, I will recognize myself. Then we will go to Mr. Rahall, any other Members that are here. And then we have a panel of witnesses, we will recognize them, and proceed in that fashion.

So, again, welcome this morning. And let me say that, once again, the purpose of this series of hearings is to review some of the financial performance of Amtrak, to look at ways in which we can limit some of the expenditures and the subsidies, and provide better customer service. As I said at the opening of the last two sessions, I consider myself one of the strongest advocates for pas-

senger rail service in the United States. But we must do that as cost efficiently and effectively as possible, always with an eye on the bottom line for the taxpayers, particularly in light of the country running trillion-dollar subsidies.

And we do have to look at every operation within each committee. Our committee is responsible for transportation, and, specifically, Amtrak, one of those activities. And that activity has also had a cost subsidization, both in operation and capital expenses, in excess of $1 billion a year, almost consistently for many years now.

So, that is the reason we are here. As I said, this is the third in a series, and we will continue this series. We did look at the first hearing, again, and we found that about $833 million that Amtrak has lost in providing food and beverage services, not an insignificant amount over the last decade. Certainly also raised eyebrows that we found—we are going from 3 years ago, I think, approximately a $79 million subsidy to $84.5 million last year, also a significant increase in cost in a time when the country is literally on the verge of financial bankruptcy.

So, that was our first hearing. Then last week we looked at Amtrak's inability to compete in the commuter rail market. And we found that commuter rail agencies saved $107 million over that, 11.5 percent, by awarding operating contracts to private operators instead of Amtrak.

And today we will focus again on the needs of the Federal subsidy and requirements which have totaled some $40 billion since we began subsidizing that operation 41 years ago, an average of about $1 billion a year.

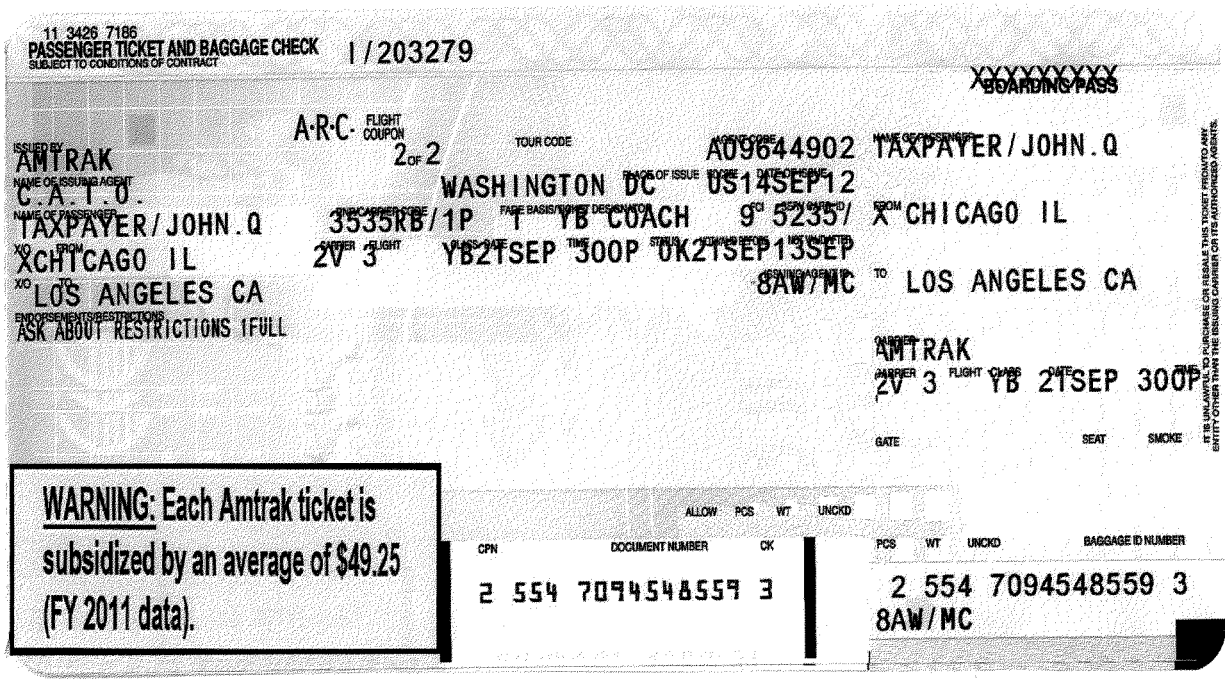
Let me start by pointing out that we have looked at a couple of—the route costs. And there was a report done in 2005, "Amtrak Management Systematic Problems Require Actions to Improve Efficiency, Effectiveness, and Accountability," and that highlighted some of the subsidization for passenger rail service. And then in 1998 there was another study that—and actually the last study that I found that actually examines some of the cost of subsidization of the various routes. So, without objection, we will at least refer to these in today's hearing proceedings.

What we want to do is look at some of the ticket subsidies that the taxpayers are incurring. And I have got a couple of slides up here, and we will point to them.

First of all, we have got a taxpayer paying for one of the routes, the Southwest Chief. And this shows the Chicago to Los Angeles route. The ticket has a warning on taxpayers that every single ticket, on average last year, in fiscal year 2011, was subsidized by the taxpayers at $49.25. So if we are up to—this last year was $28 million or $29 million you multiply that out, you get the subsidy. And that is calculated by taking both the operational underwriting by the taxpayer, and also capital expenses.

[Slide.]

Average Per Ticket Subsidy



Subsidy Calculation: FY11 Federal Funding ($1,486,625,000) / FY11 Ridership (30,186,733) = $49.25/ticket

Mr. MICA. We have a 5-year average we have calculated of the average subsidy per ticket is about $51. It's actually $50.97. That average, unfortunately, is staying fairly high, hovering around that. That is, again, for every single ticket on Amtrak. The average subsidy—Amtrak's average subsidy over that period was $1.4 billion per year, and that is a significant amount of money.

[Slide.]

Amtrak 5-Yr Subsidy Per Passenger

Year	Total Number of Passengers	Federal Appropriations	Per Ticket Subsidy
2007	25.8m	1.294b	($50.16)
2008	28.7m	1.325b	($46.17)
2009*	27.2m	1.490b	($54.78)
2010	28.7m	1.565b	($54.53)
2011	30.2m	1.486b	($49.25)
5-Year Average	**28.1m**	**1.432b**	**($50.97)**

** FY 2009 does not include the $1.3 billion Amtrak received in American Recovery and Reinvestment Act funding*

Mr. MICA. Over the last 5 years, Amtrak does not include in that figure $1.3 billion, which in 2009 was given to—provided Amtrak as stimulus dollars that went to Amtrak. If you add in that average and amortize it over a 3-year period, then the ticket subsidy rises to $67.84 per ticket, a extremely high subsidy when you look at cost of subsidies.

[Slide.]

Amtrak Subsidy with Stimulus

Year	Total Number of Passengers	Federal Appropriation
2009	27.2m	$1.490b
2009 Stimulus (ARRA)	N/A	$1.3b
2010	28.7m	$1.565b
2011	30.2m	$1.486b
3-Year Totals	**86.1m**	**$5.841b**

Including the $1.3 billion 2009 Stimulus, the average ticket subsidy over the past three years is $67.84.

Mr. MICA. Now, we do know, and it has also been recited by members of the committee, that almost all forms of transportation are underwritten by a subsidy. However, the latest information that we have got here from a report that was done several years ago—2008 data—this shows that the average subsidy per ticket in aviation was $4.28, mass transit $.95, intercity commercial bus at a $.10 per passenger ticket subsidy, and Amtrak, the average subsidy at that time was $46.33. Again, off the chart in the amount of subsidization by the taxpayers. Amtrak has, by far, the highest per-trip subsidy, about 11 times that of aviation and 463 times that of intercity bus services.

[Slide.]

Cross-Modal Comparison of Federal Subsidies

Passenger Transportation Mode	Average Subsidy/Passenger Trip
Aviation	($4.28)
Mass Transit	($0.95)
Intercity Commercial Bus	($0.10)
Amtrak	($46.33)

Source: Nathan Associates Inc., "Federal Subsidies for Passenger Transportation 1960-2009" (2008 data)

Mr. MICA. Furthermore, our aviation and highway subsidies are offset by user fees, while Amtrak subsidies come from the General Fund. As we know, with the General Fund right now, more than $.40 of every dollar that is spent out of the General Fund in the most recent past has been borrowed money. So we are actually using a large portion of deficit money to finance some of these subsidies for Amtrak.

In fact, too, it is important to note for the record that Amtrak has no service in four States—Hawaii, Alaska, Wyoming, and South Dakota—so the taxpayers in those States are paying towards Amtrak subsidization of these money-losing activities, and getting no service.

Last week Mr. Boardman argued at the hearing that capital support does not amount to a subsidy. Unfortunately, I disagree, and I think anyone in business would disagree. Someone has to absorb the expense. Amtrak subsidies, whether it is for capital or operation are not manna from heaven, they are actually dollars out of the Federal treasury, and all the taxpayers are paying for them. And if they are out of the general treasury, then we are right now borrowing about $.40 on a dollar.

Even if you applied this theory, much of Amtrak's operations do not make financial sense. For example, let's put up here that—the 10 worst money-losing routes on the system.

[Slide.]

Amtrak's 10 Worst Performing Routes
(FY 2011)

Route Name	Ridership	Net Operating Loss	Subsidy Per Passenger
Sunset Ltd. (Los Angeles – New Orleans)	99,714	($37.4)	($375.1)
Southwest Chief (Los Angeles - Chicago)	354,912	($63.0)	($177.5)
California Zephyr (San Francisco – Chicago)	355,324	($58.9)	($165.8)
Cardinal (Chicago – New York)	110,923	($17.8)	($160.5)
Crescent (New York – New Orleans)	304,086	($42.4)	($139.4)
Coast Starlight (Seattle – Los Angeles)	426,584	($50.6)	($118.6)
Hoosier State (Chicago – Indianapolis)	37,249	($4.4)	($118.1)
Silver Star (New York –Tampa – Miami)	424,394	($48.1)	($113.3)
Silver Meteor (New York – Charleston – Miami)	373,576	($41.3)	($110.6)
Empire Builder (Seattle – Chicago)	469,167	($51.1)	($108.9)

Mr. MICA. The worst offender, by far, is Sunset Limited. That is Los Angeles to New Orleans. Every ticket on that route is—was subsidized in 2011, $375.

Do we have the—on the Sunset Limited, do I have the information on the—just want to—again, I want to use this as an example.

We just checked—and you all can Google it, if anyone can Google it, go to Travelocity, KAYAK, or whatever your favorite site is, and you can get a ticket on a flight from New Orleans to LAX—we checked last night—for $170. That is a 4-hour flight. You can also hire a driver and a sedan to pick you up at the New Orleans airport for $58, and hire another Town Car, a sedan, to take you home, or to a downtown location for $95. The total cost—that is with chauffeur-driven car or sedan—plus an airfare, the airfare on site, was $323. The total travel time is 7 hours. It takes, what, 2 full days to get from New Orleans to Los Angeles, and the Federal subsidy for this train ride is $375. To me, that is absolutely outrageous underwriting by the taxpayers. And again, if we put people in limos door to door, flew them out there, we would save about $50 per ticket, with the current subsidy. So that is just one example of some of the loss.

Let's also compare some of the—Amtrak's biggest money losers to private-operated intercity bus service. Let's—and we took, for example, from Chicago to Indianapolis. There is a head-to-head competition between Amtrak, the Hoosier—the Amtrak's Hoosier State costs $23. It takes 5 hours, has one departure per day. That doesn't include, of course, the $40-some ticket subsidy. Megabus, on the other hand, takes—costs $22, takes 3 hours and 15 minutes, and has seven departures a day. So the Government is not only subsidizing a, again, a money-losing route. Passengers are inconvenienced by almost 2 hours, and they have one choice in Amtrak a day and a total of seven departures a day by their competition, Megabus. Amtrak is a Government-subsidized, taxpayer-subsidized operation. Megabus, on the other hand, is a private sector operation that actually makes a profit and pays taxes.

[Slide.]

Amtrak v. Intercity Bus
Chicago to Indianapolis

Service	Cost	Time	Departures
Amtrak Hoosier State	$23*	5 hours	1 per day
Megabus	$22	3 hours, 15 mins.	7 per day

*Price does not include $118.10 Federal taxpayer subsidy

Mr. MICA. Furthermore, again, the ticket does not account for the $118 Federal subsidy for this service. So the real price of the ticket is $141.10, $23 paid by the passenger and $118 paid by, again, the taxpayers by the—in this case, general treasury. And 40 percent of that is right now being borrowed in deficit.

The bottom line is in many instances Amtrak costs more, takes longer, and has fewer options.

So, those are some of the points that we wanted to make in updating the information from 1998 and from 2005. And my goal here, of course, is, first of all, to eliminate any of the wasteful spending we can. I read recently an article that I thought told it all. And this is Progressive Railroading. It said, "At Long Last, a Longer View." Heavily quoted by Mr. Boardman, the chairman. Also heavily quoted by Joe McHugh and the vice president of operations, DJ Stadtler. And they all said—and let me quote them—they said, "Whether taking small steps to minimize waste or larger steps to reduce Amtrak's required subsidies, all employees will need to get past the business-as-usual mindset, and general new ideas."

So, that is what this hearing is about. This, again, is a very strong advocate of passenger rail service and public transit. We have got to find the best ways we can do this, eliminating waste, inefficiency, routes that don't make sense, looking at cost-effective alternatives. And I think if we do that, we can first dramatically expand passenger service. I think we can actually increase the employment in Amtrak and those involved in this important industry, because instead of contracting—I see we have got many people who are workers with Amtrak.

The history of Amtrak to date is when I came to Congress there were 29,000 employees. Today—Mr. Boardman can correct me—I think it is somewhere around 19,000, and also diminishing. If that is the future that you want to look forward to, I think it is a very dim future. I think we have a potential, instead, to dramatically increase routes, operations, and join public-private partnerships, secure investments to broaden routes and enhance infrastructure, and also provide customer service in ways that we haven't even begun to approach.

So, I agree with the statement of the Amtrak executives that we cannot conduct business as usual, and that we have got to change our mindset, and that we have got to generate new ideas. And I look forward to working in a positive manner to accomplish just that.

In a minute we will hear from our witnesses. And now I would like to turn to our distinguished ranking member from the great State of West Virginia, Mr. Rahall. Recognize him.

Mr. RAHALL. Thank you, Mr. Chairman. And I appreciate your recognizing the many Amtrak workers that are in attendance this morning. They work all up and down the Northeast Corridor. We want to thank them for their labors and for their interest in this issue, and certainly for what they do for our traveling public.

You know, we are here yet again talking about Amtrak this morning. The railroad subcommittee has not had a single hearing since July 2011. Yet this is the third full committee hearing on Amtrak in 7 weeks. And I understand you have more to come.

While our committee is convened this morning we could be focused on other legislative issues, and Mr. Boardman could be running a railroad. Gee, what a novel idea. Instead of traipsing up here every week for what amounts to the same exact hearing: Amtrak-bashing.

I am wondering if in the next rail title, Mr. Chairman, if the Republicans are willing to establish a new line just to shuttle Mr. Boardman back and forth between his Amtrak offices and the committee room.

Today's hearing is titled, "Examining 41 Years of Taxpayer Subsidies," as if there is something wrong with subsidizing transportation. This committee supports big investments in transportation and infrastructure on a bipartisan basis. From highways to transit and aviation to rail. Amtrak should be no different. Investment means jobs. And it means jobs. And it means jobs. And improved transportation infrastructure.

But we know why we are really here. The Republicans want to outsource Amtrak's routes to the lowest bidder, a policy that they enshrined into their own party's platform last month, and borrowed from Mr. Mica's legislation earlier this Congress. The Republicans then want to give those winning bidders Amtrak's operating subsidy. That makes no sense.

I have said this before today, and I will say it again. Lowest bidder is code for low wages and little to no benefits. And here is a perfect example. In 2008, Congress passed the bipartisan Passenger Rail Investment and Improvement Act, PRIIA, which required Amtrak to develop performance improvement plans for the five worst-performing long-distance routes.

One of those five, identified by Amtrak—now I am not quoting from a 1998 study, Mr. Chairman—but one of those five is the Cardinal, which serves 53,515 passengers in my home State of West Virginia, more than half the passengers on the entire route. Mr. Mica has proposed outsourcing this route to the lowest bidder in his draft competition for Intercity Passenger Rail in America Act of 2011. Without the input of the host freight railroad, which is CSX Transportation. The Cardinal supports good-paying-wage jobs in West Virginia, and it invests over $3 million annually in wages back into our economy, not to mention the orders that Amtrak has made in the State, which exceed $2 million annually.

And I want to take this time to congratulate Mr. Boardman and Amtrak on its performance improvement plan for the Cardinal. It increases service on the route from 3 days a week to daily service, which eliminates some inefficiencies on that particular route. More service means more jobs for West Virginia and for our Nation at a time when jobs should be our main focus.

These types of proposals to improve service on our Amtrak lines support job creation in our communities, and they promote economic development, and this is what our committee should be examining, not looking at ways to dismantle our passenger rail service, or play the role of chief in the dining car.

And I might add the Cardinal is going to continue to improve as we have coming to southern West Virginia along the route's service by the Cardinal the Boy Scouts of America's National Jamboree next year and their Worldwide Jamboree in 5 years. Truly a game-

changer for our economy in southern West Virginia. And it would not be possible if it were not for the service provided by Amtrak and other modes of transportation.

But where are we instead? We are here again today confronting the Republicans' tortured logic when it comes to jobs and investment in our transportation network. The Republicans claim they want to create jobs. And I heard the chairman say that was his hope at the end of his comments just now. But then they also claim they want to reduce Amtrak's operating subsidy. In order to do that, you have to increase revenue. Except the Republicans want to eliminate routes and service, which are the only means that Amtrak has to generate revenue.

So, when you have to reduce operating—then you have to reduce operating expenses. And a quick look at Amtrak's operating expenses shows us that its two biggest expenses are fuel and labor.

Now, unless the Republicans are willing to go after big oil, which I kind of doubt it, then labor is the target. Now, they will tell you that they are for creating jobs. We all are for creating jobs. But what they are not telling you is that they are for creating low-paying-wage jobs, not maintaining good-paying union jobs.

And contrary to what you will hear today, Amtrak has actually requested and received less Federal operating assistance since enactment of PRIIA. The railroad, to its credit, chose to absorb increased operating costs and focused on growing its capital program. So it decreased its operating grant request and increased its capital grant request for fiscal year 2012 and 2013.

Unfortunately, the railroad ended up with across-the-board cuts to both its operating and capital programs. These cuts have, of course, yielded predictable results: decreased Federal funding has allowed for little more than maintaining the current status of the infrastructure in rolling stock. There are no available funds for addressing deferred maintenance, investing in improvements that would grow the business, or replace aged rolling stock.

In the rail title of H.R. 7, committee Republicans took this perplexing logic one step further and proposed permanently reducing Amtrak's operating grants. We offered, on our side, a sensible amendment to increase funding for capital, which would have helped Amtrak upgrade tracks, bridges, and other infrastructure, pursue efforts to expand Acela Express capacity, advance initial planning work for the Gateway program to provide additional capacity into Manhattan for intercity, commuter, and high-speed rail services, and continue the development of a Next Generation reservation system. That sound investment would have supported and created thousands of jobs and led to better service. Republicans rejected our proposal.

What we ought to be holding a hearing on today is how to mess up a railroad. We have a hearing, we put the squeeze on Amtrak even more, force them to beg for adequate Federal funding on an annual basis, and then turn around and criticize them for the way they run a railroad in the same breath. Give me a break. Give me a break.

Other nations, which are investing billions in passenger rail system must be—have to be—laughing at us. Had we invested like we did 41 years ago, we would not have the problems Amtrak suffers

from today. There wouldn't even be a need for a state of good repair program. There wouldn't be a need for today's hearings, and Mr. Boardman could be out running the railroad, like he should be doing.

Thank you, Mr. Chairman.

Mr. MICA. Thank you. Pleased to yield 5 minutes to the gentlelady from Ohio, Mrs. Schmidt. And I would ask her if I could have 30 seconds, just to lead.

Let me just respond, because I think the record should be clear that my position has always been that we would guarantee the wages and benefit for all Amtrak employees, and that none would be cast aside in any negotiations.

And furthermore, when Amtrak employees had to take on Amtrak and the Federal Government to secure their benefit and wages some years ago, I stepped up to the plate to support them when others did not.

And furthermore, for the record, the subsidization of the Cardinal route that was referred to here is $160 per ticket, and the loss is $17.8 million a year.

And finally, that we can do a better job. Even Romania, Bulgaria, Russia, and other countries are now looking at privatization and actually have implemented it and increasing routes, customer service. So the United States is slipping further behind as we protect the status quo, which is not acceptable.

Thank you, and I yield back.

Mrs. SCHMIDT. Thank you. And, first off, I want to thank you, Chairman Mica, for bringing all of these hearings before us. As you well know, about a year ago I brought to the attention of this committee the cost of food service and how we were losing millions of dollars each year, the fact that a hot dog that cost Amtrak to produce is $6.10 and yet we sell to a passenger for $4.50 shows that we have a problem.

I do support mass transit, mass transit in all forms. I think it is vital to our economic and national security in our country. But I also realize that we are over $16 trillion in debt, and that debt climbs a couple hundred billion dollars each and every day. And so we have to be smarter about the way we are spending the taxpayer dollars. Because if we are not, we are going over a financial fiscal cliff that will not be good for any of us, including the public service employees that provide services such as mass transit.

And so, I think it is imperative that all forms of mass transit take a good, hard look at the way they do business. And they have to say to themselves, "Can we do more with less? How can we economize our delivery without compromising passenger comfort and availability?" When you look at lines such as the Chicago to Indianapolis line, where you offer one route a day, and it costs more than if you were to take a bus, obviously passengers are going to take the bus. It is more convenient, it is less costly.

So, perhaps we have to look at a different paradigm for our rail transportation service. This isn't about us versus you. This is about asking all of us to collectively work together so that Amtrak can be a viable form of mass transit in the future.

But I am going to be leaving here at the end of December. And I can tell all of you this. If you don't get smart about this, the train

is going to stop, regardless of who owns the gavel, because there is just not going to be enough money at the Federal level to provide the services that the folks in this country deserve and need.

I yield back.

Mr. MICA. Thank you. Mr. DeFazio?

Mr. DEFAZIO. Thank you. I have to, given the so-called staff report on the Republican side, respond to a couple of things. It is a little bit disingenuous at best. They come up with this phenomenal number of $51 per passenger on Amtrak. But they ignore the bulk of the passengers that are actually carried by Amtrak, which I find curious. They apparently used only the long-distance routes, and divided that by the appropriation to come up with $51. If you take all of the passengers carried by Amtrak, you actually come up with a number that is $5.62. That is one-tenth this inflammatory number that has been put out there.

And then there is the further allegation that this is the only form of transportation that the Federal Government subsidizes. Well, that is blatantly not true, and certainly the other side of the aisle knows that. Just in the last 4 years, we have appropriated $53.3 billion into the Highway Trust Fund of General Fund money. Because we haven't changed the user fee, the gas tax, since 1993, and it is inadequate to meet the needs of a crumbling system. So, $53 billion in 4 years, and the total number for Amtrak over 40 years is $41 billion.

And then, aviation. We talked as though aviation gets no General Fund money. Actually, over the last 4 years, aviation has gotten $19.8 billion of General Fund money. So both surface transportation and aviation have received what would be these horrible subsidies that we are talking about that are going to Amtrak. And the money going to Amtrak is a tiny fraction of the monies that have gone to these other modes. And those other modes are also supported by user fees, which are essentially taxes on the American people.

So, you know, let's be a little bit fair here in our criticisms. And let's have an honest debate about the future of rail transportation, passenger rail transportation, in America. Are we going to become—yes, I hear a lot about American exceptionalism, American exceptionalism. Well, I guess, you know, we are going to be really exceptional. I mean for years we have been exceptional. It is the only industrial democracy on earth that can't figure out a way to provide health insurance to all of its citizens.

We are becoming exceptional in that we may be the first industrialized democracy in the world to end up without a postal service, because that has been ignored on the other side of the aisle. And now we want to become yet exceptional again and be the only major developed nation that doesn't have a national rail transportation network for passengers.

At a time when our population is aging, and air travel is becoming more and more and more miserable, I think the numbers we are seeing in terms of growth isn't just going to be in commuters, isn't just going to be in people avoiding the high cost of operating their automobile. It is going to be in people who are leisure travelers who are retired and have a little bit more time and don't

want to go through the TSA experience and get clammed in a Spam can, you know, in very uncomfortable circumstances.

So, I see, if we provide the proper equipment, if we provide the proper investment, a great future for a national passenger rail system. And, you know, we can agree or disagree over this. But let's be fair about the numbers we use. Thank you, Mr. Chairman.

Mr. MICA. Thank the gentleman. Mr. Barletta, gentleman from Pennsylvania.

Mr. BARLETTA. Thank you, Mr. Chairman. I just want to say that, you know, I am a freshman. This is only my second year here. And prior to coming to Washington, I had started my own business, along with my wife. And it was one of the greatest experiences that I have had. And it taught me a lot. It taught me that you don't only say your prayers in the morning and at night, you say them on the way to the post office, in hopes that there is a check there so that you can make payroll at the end of the week. And I also learned that every year I was responsible for the bottom line, and whether or not not only my job existed, but the jobs of everyone else existed.

I then went on to be mayor of my home town, which was another great experience, for 11 years. I took over a city that was bankrupt. And I made it pretty clear where I was coming from. It was never about taking away people's jobs. I would tell the employees there that the best way to save your job is for our organization to run more efficiently, that you needed to depend on management and the business model, so that this company can run efficiently. And that is how you save your own jobs. It is not by taxpayers throwing more money and continuing to use a business model that is clearly not working.

I don't think there is one person in this room or up here that, if this was their private business, would continue to operate at a loss. Just in food and beverage. If you owned the food and beverage sales on Amtrak, do you believe for 30 years you would lose money?

Now, we can't just have an open checkbook. We all understand that. We need to run more efficiently. And there is things that Amtrak does well. And we should improve on it. And there is things that you don't do well, and it must be fixed. We can't depend on the taxpayers to continue to throw money at it.

Now, my district was hurt by a flood, a terrible flood. People lost everything. They lost all their possessions, and I watched senior citizens cry, I watched a young man cry on a porch. And for 1 year, for 1 year, I worked to try to find $15 million so that we could help the people back home. And you know, in the short time that I am here, if we just stop the loss in the food and beverage sales on the train, that was $16 million.

So, I am not here to threaten or scare. I am here to say that I came to Washington on a message from the American people. They want their tax dollars spent wisely. So, you know, I am going to hang with you here, but I am going to say that I am probably not going to be so patient next year if this business model continues, because it is just—it is not working. The areas that work well, let's improve, and you do. There are areas that I am sure Amtrak does better than anyone else. But there are also areas that we have to admit must be improved. Thank you.

Mr. MICA. Thank you. Let me recognize Edie Bernice Johnson, the gentlelady from Texas.

Ms. JOHNSON OF TEXAS. Thank you very much, Mr. Chairman. You know, I feel that this committee's time and resources have been spent disproportionately on Amtrak hearings, and the intent has been less to effect positive policy changes than to act as a platform to expound partisan talking points.

As a nationwide rail network, Amtrak serves more than 500 destinations with an average ridership of 75,000 per day. During fiscal year 2011, Amtrak transported more than 30 million passengers, the largest annual total in Amtrak's history. Amtrak has reduced its Federal operating subsidies by 50 percent since fiscal year 2004, allowing the rail service to cover some 85 percent of its operating expenses on its own. And these numbers are something to be highlighted during this hearing.

My colleagues to the right are very critical of the Federal funds Amtrak receives. And I think this approach is short-sighted and wrong-headed. When we compare the investments that other countries devote to their passenger rail systems, the United States is woefully behind. As a nation, we have prioritized investment in service transportation, transit, ports, and passenger rail. This should not be any different.

In addition, every member of this committee knows that we must pursue a multimodal approach to accommodate increased population and address congested urban areas. According to the Federal Railroad Administration, by 2050 the United States will add some 100 million residents—this country is simply a magnet for attracting people—placing an unparalleled strain on the U.S. transportation networks. And rail offers the greatest opportunity for sustainable growth supporting these citizens.

We are at a point now where we simply cannot build our way out of these problems. And passenger rail does not only provide accessibility to both rural and urban areas, it takes cars off the roads and reduces emissions.

Mr. Chairman, we have a very few days left. As a matter of fact, 2 days before we recess for over a month. And we should be using this time to pursue more pressing matters like the reauthorization of the Water Resources Development Act, which committee is meeting as we speak, as a rail title that should have been introduced in MAP–21. And I regret that we continue to work on a problem where we really don't have much of a problem, in lieu of working on problems where we have massive problems.

Thank you, Mr. Chairman. I yield back.

Mr. MICA. I thank the gentlelady. The gentlelady from California, Mrs. Napolitano.

Mrs. NAPOLITANO. Thank you, Mr. Chairman. And I will make my remarks rather brief.

Thank Ranking Member Brown. She has been on this issue for many years. And I have been very much a strong supporter with her of Amtrak. It is vital to California. We have three of the five top busiest corridors, the Pacific Surfliner, the Capital Corridor, and the San Joaquin Corridors. The Sunset Limited travels right through my district, and it is plagued by delays because of the

issue of the Colton Crossing, which is a rail crossing that UP has in that area.

We need to be able to support Amtrak. If we do not have—especially in California—assistance in mass transit, we already are plagued by many traffic delays, by accidents, by road rage, by pollution of the air of the exhaust of the vehicles, by all those. And while everybody tells—especially my bus operators—that they can handle this, they get stuck in traffic, just like everybody else. Amtrak does not. Neither does any other rail passenger.

We need to be able to help. No public transit is unsubsidized. All of it is subsidized. And for me to say that our European counterparts have a better system, they do. But guess who owns the land? The government does. Here we do not own any land. The Government does not have the ability to tell any of the rail lines or any of the Amtrak lines that this is something that we need to expand or put out to bid.

It is important for both urban and rural. How do we get people who don't have the bus lines to be able to carry people back and forth into the cities where they can go to work? Or to medical appointments, or for school, for education? That is vital. And we need to continue to support it.

Certainly we need to look at cost cutting, in terms of being able to have better systems, whether it is in the—as it was pointed out—in the beverage section, or in other areas. But that is minimal. People rely on rail. We need to continue doing that. And also, for safety purposes, ensure that those lines are safe, that the rails are safe, that the crossings are safe.

So, many of those things that—I would like to continue to look at and see how we are able to support it. And while our bus lines are wonderful—I have supported those in my area, and especially getting UC&G buses—but they do run on highways that are subsidized and funded by the Federal Government. So there is money going into—to help them. The bus lines do not take care of the pavement.

So, I would love to hear more about this. I will maybe introduce some questions for the record, Mr. Mica. And I thank you for this time, and look forward to working with my colleagues.

Mr. MICA. Thank the gentlelady. The gentleman from Florida, Mr. Southerland, you are recognized.

Mr. SOUTHERLAND. Thank you, Mr. Chairman. And I would like to commend you on holding this hearing. And I would like to thank the representatives that are representing Amtrak here before us today.

As a new Member of Congress and having a district where Sunset rail runs through my district—or used to run through my district; it stops west of us now—I am often visited by counties and city officials throughout my district, asking that Amtrak be restored to my district. It is very difficult for me, in having those discussions with them, when learning that the subsidy per passenger is $375 per ticket. $375 per ticket.

I often ask those who do the fly-ins—and they come to my office, and they come to ask me about restoring that. And I always ask them, well, what time is their meeting with Amtrak officials. And many times they say, "Well, we don't have a meeting at Amtrak."

And I'm saying, "Well, let me get this straight. You are coming to me, asking me to restore or to support restoring, a part of the rail that subsidizes, per ticket, $375. You are asking me that. But yet you do not have a meeting with Amtrak, urging them that we got to find a better, more equitable way to run our operation." That just seems like common sense to me.

And when I learn that the money that is lost through just food and beverage, I am blown away by—because I came to Congress as a small business owner, having never served in an elected position in my life, not locally, not State, not Federal. I came from small business straight to Congress. And I am telling you that our family business, if we operated it this way, we would have been gone a long, long, long time ago. We would not have made it to the third generation.

And so, I am glad you're here. And, Mr. Chairman, I am thrilled that we are asking some very difficult questions. We all want rail. But I got to say this. We talk about the measure of the importance of our investment to rail, and we talk often times about what other countries spend. Well, let me say this. Many of those countries are not countries any of us want to go live. It is nice to visit, but you all know we want to come back right here to the United States.

It is not what we invest as the only question we must look at. It is what we receive back as a result of that investment. Is it effective? Does it create value for the taxpayer? I want you to be successful, because I think we need rail. That is a no-brainer. And I am looking at some of the things that you are doing in this study. You are asking the right questions, but at the same time we need to be courageous when we learn the answers that we may learn by asking those difficult questions.

What is going to be done to immediately implement the reforms necessary for us to restore Sunset? This isn't hard. And most Americans don't struggle with this. If we are subsidizing tickets by $375, I mean, really. How do we get to a point to where the American taxpayer is not taken to the cleaners here.

I am thrilled that we are having these discussions. Not for standing up and screaming and yelling. No, no, no, no. To get down to the core. Let's peel this onion from eight different sides, find out what the issues are, solve those issues, so we can have a rail system that is the leader of the world.

Mr. Chairman, thank you for having the courage to have this. And also, I want to thank those that are in attendance today. And I yield back.

Mr. MICA. Thank the gentleman. Do other Members seek recognition? Well, I'm going to go to Ms. Edwards. She was here first, and we will come back to you. The gentlelady from Maryland is recognized.

Ms. EDWARDS. Thank you, Mr. Chairman. And I want to first acknowledge I know here with us today are so many of the good workers of Amtrak. I am not just sitting here in Congress, I am a passenger and a customer. And I am proud of the service that the Amtrak workforce provides us.

It is disturbing that in the course, at least of this Congress, while we have a need to try to figure out how we make the kinds of investments in our Nation's infrastructure that are going to keep us

competitive, that will make sure that we strengthen corridors like the one that I live in, in the Northeast Corridor, which is so important to the economy along the entire northeast stretch, that instead we have spent so many hours in this committee figuring out ways not to fund our Nation's infrastructure, whether we are talking about our roads and our bridges, our mass transit, our rail infrastructure. And that is unfortunate, because it means that time has been lost, that we are not creating jobs and that we are not engaged in the work that is important to this Nation to make sure that we stay competitive in the 21st century. And that is a real loss. It is a loss for the American public, it is a loss for American workers, it is a loss for people who want to work.

We know that Amtrak has been engaged in a number of capital projects to modernize the system, and to repair existing infrastructure along the Northeast Corridor. I am looking forward to hearing from the panel today about what the real effect would be of ending or decreasing Government support for Amtrak, and the impact that that will have on the funding of these projects and rail traffic along the Corridor, in addition to other areas like safety and consumer satisfaction.

The United States spends .8 percent of our GDP on rail infrastructure, which—and I do think it is important for us to look at those international comparisons. It is far less than the percentage of the GDP that is spent in China and India. China spends about 11.7 percent more as a percentage of their GDP, and India 3.9 percent. The effect of these—this kind of financial contribution and the lack of it in the United States has a tremendous ability—a tremendous effect on our ability to be economically competitive, not just today but for generations in the future.

And as I look around the room at the former chairs of this committee, and I think about past Congresses, generations long before I came here made a decision about the importance of a Federal commitment to investing in our infrastructure because we realize that it is that Federal commitment, that national responsibility, that links this Nation and provides for our competitiveness, invests in our workforce. And I think that this committee is shirking our responsibility when it comes to future generations by not investing in the infrastructure in the way that we need.

I look forward to hearing, as well, from the panel. And I regret that I won't be able to stay because of other commitments, but will certainly look to the record as to the projections that will—of the trends that will continue over the next—course of the next several years for Amtrak to be able to meet 100 percent of its operating requirements from revenues, excluding income that is derived from real estate. These are really important questions.

But I have to tell you, as a taxpayer, as a passenger, as a customer, I am OK with putting a little bit extra in to make sure that we have an infrastructure that is competitive. I am OK with putting a little extra in so that we have a workforce that is paid a decent wage so that they continue to show up every day and are able to take care of their families. I am OK with investing in corridors around this country that are not as competitive as the Northeast Corridor is, even though I don't live there. Those are collective re-

sponsibilities, and it is time for this Congress to honor those. Thank you. And I yield.

Mr. MICA. Thank the gentlelady. Pleased to yield now to the chair of the rail subcommittee, distinguished Member from Pennsylvania, Mr. Shuster.

Mr. SHUSTER. Thank you, Mr. Chairman. And I think there are more people in here from the Ninth Congressional District than I have ever seen before. So I want to welcome all the railroad workers and retirees that—hopefully they are wearing that PA–9 proudly. So glad to have you here today.

And once again, to explore and examine ways for us to improve Amtrak. I think I have made it pretty clear over the past 2 years or so that—what my views are on passenger rail in this country. And I believe that we need passenger rail in this country. But I also believe strongly that we've got to find ways to reform it.

Now, my guess is that most of you guys out there—guys and gals that are from the Ninth District—are either working or retired railroad workers. And my guess is probably most of you work in the freight rail industry. And from the looks of some of the gray hair out there, most of you were around in the 1980s, when we reformed freight rail in this country. We saved freight rail. And, in fact, freight rail in this country is the envy of the world. We—our Federal Government does not have to put money into those freight rail operations. They do it themselves. They put massive investment back in there.

And so, the lesson we can learn—I am not sitting here saying that we can turn passenger rail and make it as profitable as the freight rails are, but I certainly think we can do better. I believe that we can do better. We got to put some reforms in place, because we need a strong passenger rail in this country. And again, if we do those reforms, we do those tough things—and it is going to take labor, management, and Congress, all of us sitting down and figuring out a way to move forward so that we have a strong passenger rail system in this country.

When you look at the reforms that have occurred in Europe, there are some lines over in Europe that have doubled and tripled. We see in Pennsylvania the Keystone Corridor. With investment and with reforms, we can have the same kind of success, I believe, that the Keystone Corridor from Harrisburg from Philadelphia—and what does that mean? That means more ridership. And if there is more ridership and there is more trains, that means more trains to be fixed. That means there is more passengers have to be taken care of. That means, I believe, more jobs. And over the last 15 to 20 years, Amtrak has gone from 29,000 workers to 19,000 workers. And if we keep doing the same things, I think it is going to become—there are going to be less and less.

So, the time for us to look at it is now. And it should be driven by the fact that the population of the United States of America is going to go from—we just—it took us 65 years to go from 200 million people to 300 million people, and we crossed that line in 2005, I believe. It is going to take us from 2005—already 2012—about another 25 years we are going to go from 300 million to 400 million people. And everybody is not moving to Florida and Arizona. When you look at the Northeast Corridor and the populated corridors

around the country, the population gets more dense, which—and we can't—look at I–95 through the Corridor; you can't add more lanes there. You got to figure out ways to transport people.

And the Northeast Corridor, as the chairman and I have worked on, is trying to take a new approach to how do we do that. Bring the private sector in. And so many times my colleagues on the other side of the aisle make the argument that, you know, "Look what Europe has done." I mean look what Europe has done. Look what they are doing today. They are adding competition to passenger rail. In fact, by 2014, the entire passenger rail system in Europe and the European Union, there is going to be competition on the lines. And so, what they believe is going to happen is better customer service, prices will be competitive, and that is going to drive more people to use the rail lines.

So, I think that reform is a good thing. And I hope, as we move forward, we can all sit down—it is not going to be easy, because when you have something that doesn't work very well, and you have to correct it, sometimes you have to have the castor oil. The medicine sometimes is a little bit bitter. But in the end of the day, it makes the patient better. And I think that is where we are, and that is what we have to do.

And, as I said, the passenger rail is something we need to grow in this country. But we need to grow with a new way of looking at it with these reforms. Some of these reforms, all of these reforms that we are talking about I think do that. I know Mr. Boardman has taken some steps at Amtrak and some positive things, but I don't think it is enough. I think we have to go further, and I think we have to, again, make sure if we are going to use taxpayer dollars—which we probably always will have a portion of taxpayer dollars—we got to make sure we are good stewards of the taxpayers' money, making sure we are doing the right thing.

So, again, I want to welcome our witnesses here today, and also the folks from the Ninth Congressional District. And again, Mr. Chairman, thanks for having this hearing.

Mr. MICA. I thank the gentleman. Others seek recognition? Mr. Cohen, you are recognized, the gentleman from Tennessee.

Mr. COHEN. Thank you, Mr. Chairman. I appreciate the opportunity to address Amtrak and the issues that we have before us. I am a big fan of Amtrak's. I am a big fan of passenger rail service. Partly, I think it has to do with my age. One of my first memories was traveling on the City of New Orleans and the Panama Limited to Chicago. And it was a great memory, traveling with my parents to Chicago. And I have done it since then many times.

I also travel frequently to New York from Washington, and vice versa, and get great service, and appreciate that service.

And the other thing is, beside just the memories of the nice service that I had in the past, and the opportunities I have today in the Northeast Corridor, is the fact that Memphis is a transportation center. And we have a hub airport which has been decreased in its opportunities to serve our community since the merger of Delta and Northwest. As a result of that, airfares are higher in Memphis than almost any other city in the country. Mid-cities' hubs have been decreased and fares have gone up. And the public

is very concerned about the expense. Many drive to Little Rock to get on Southwest Airlines and/or Nashville to do the same.

I believe in the future, as we have seen airlines consolidate, that we are going to see prices continue to go up and make it more and more difficult for the middle class that continues to be squeezed and eliminated in American society as a valued part of our country, that people will not be able to afford air traffic, and they are going to need rail traffic more and more in the future. And while it takes a lot more time, it is economically convenient and necessary to have competition to air.

There are a lot of people in my community can't afford air travel, and they take the train to New Orleans, or they take the train to Chicago. We would like to have train service out of Memphis to go to Nashville and to Little Rock. And in the long range plans, there is a study on traffic from Memphis to Little Rock to connect with Texas. I think the future in America is going to be more rail, not less rail.

And rail keeps—particularly in the Northeast Corridor, where it is profitable—keeps energy costs in line because we are not having to have all those cars on the road that are buying their gasoline from Middle Eastern or Venezuelan—or wherever—sources, which is one of the great problems we have as a future of oil, the expense of oil, the expense of a defense industry that is set up to protect those oil routes. And the more we can do to get away from reliance on gasoline, the better off we are.

So, when you look at Amtrak simply on its cost, you have to factor in—or you should factor in—how much we are not having to put in to defense costs defending the Strait of Hormuz, because we don't need gasoline to move those trains. And if we didn't have those trains, and everybody was driving from New York to Washington, or Memphis to New Orleans, or wherever, there would be more and more concerns about the Strait of Hormuz and other areas where we have troops to protect those routes to get that oil from the Middle East, and more and more lives lost over wars which have been fought over oil.

So I like Amtrak. I think it has a great future in our country. We don't do as much as the European countries and the Chinese do to keep it afloat and to put government monies into it. It is an efficient, clean energy that otherwise would have people in the roads. You couldn't get from New York to Washington if the trains didn't run. The highways would be that clogged. And it would hurt commerce, but it would also contribute more to pollution, more to global warming, and more to defense costs to protect those oil routes. Amtrak is the key to our future, and competition with the airline industry as well.

So, I thank you. I don't question the fact that there aren't possibly ways to save money. And I saw where Amtrak agreed with the food and beverage, to look into ways to make it more cost efficient. Sure, there can be more cost efficiencies. But it—when it is subsidized, it still does a public good, and that is why we do it, because it is important that we have a good rail system in our country and in the future we are going to depend on it more and more.

So, I thank you for what you provide, the service you provide. I certainly look forward to continuing—I hope one day I can go from

Memphis to Nashville or Memphis to Little Rock. And I think that a lot of people in this country would really benefit taking a train trip across the country with their children. Talk about family values. You get close when you learn about America on the rails, and you get to share that time with your children.

I thank the chairman for the time. I thank Amtrak for the service. And I—in the proverbial congressional spirit of being out of time, yield back the balance of my time.

Mr. MICA. Thank the gentleman from Tennessee. Others seek recognition? Mr. Altmire, you OK? OK.

I think all the Members have been heard, and thank them for their input. We will now turn to our witnesses. And I will announce once again that we will be doing at least three more hearings during the session after the election. It is called a lame duck session. I invite everyone to participate. We will probably end on a hearing regarding the Northeast Corridor.

When I became chairman during the beginning of this Congress, the very first hearing I held was a field hearing in New York City, at Grand Central Station, about the Northeast Corridor. And that was—that will be almost 2 years past. Very last hearing we will be doing during this Congress will also be on rail. So I am very committed to dramatically reforming passenger rail service, increasing dramatically the opportunities for employment, making certain that the—those who work in the industry get even better wages and treatment, and more stable management. And finally, that we do expand passenger rail service with a national network in the United States of America, and that we actually have high-speed rail in the United States in my lifetime. And that may not be that much longer.

So, with that, let me recognize our witnesses. Mr. Boardman, who is the president of Amtrak. Welcome back, and I thank you. You are actually the inspiration for these hearings, Mr. Boardman. You said that, in this Progressive Railroading article, "We want to run this company more as a business and less as a Government entity." And that is part of my inspiration for these continuing series of hearings that we will continue to do. And they are all based on the contents of what you and your associates, Mr. McHugh and your vice president of operations and others who are quoted in this article.

So then we have got also the distinguished inspector general of the Amtrak office, Ted Alves. And then we have the president and CEO of American Bus Association, Mr. Peter Pantuso. And we are pleased to welcome Mr. Randal O'Toole, a senior fellow from the Cato Institute. And then back, returning for another witness performance is Mr. Ross Capon, who is the president and chief executive officer of the National Association of Railroad Passengers, and strong advocate for railroad passengers.

Welcome to all of our witnesses today. If you have long statements that you would like to be made part of the record, you can do that. We would like you to try to summarize. Then we can have our discussion.

Also, in fairness, since this is a Majority report being presented today, I will also ask unanimous consent that we leave the record

open for 30 days for the Minority, the Democrat side, to present their views on the report.

[No response.]

Mr. MICA. And without objection, so ordered. So everyone will have an opportunity for input, both the witnesses, the other Members that are here, and others who wish to comment, and the Democrat side of the aisle, to contribute to the report.

So, with that, and without further ado—and you can tell there is a great deal of interest, Members have come and gone, but everyone has strong opinions on this—we are pleased to welcome the long-suffering, hard-working, ever-devoted-to-Amtrak president, Mr. Boardman. Welcome, sir. And you are recognized.

TESTIMONY OF JOSEPH H. BOARDMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMTRAK; TED ALVES, INSPECTOR GENERAL, AMTRAK OFFICE OF INSPECTOR GENERAL; PETER J. PANTUSO, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN BUS ASSOCIATION; RANDAL O'TOOLE, SENIOR FELLOW, CATO INSTITUTE; ROSS B. CAPON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. BOARDMAN. Thank you, Mr. Chairman. And now I know I am to blame, as well. I thought it was Rocky, since it was, you know—this would be Rocky III, there is IV, there is V, there is VI here. But I understand. Thank you for having me here today.

Last year, Amtrak actually—and I got my own prop today; I saw your ticket up on the wall, and I thought, gee, you know, I got a ticket, too, a ticket to ride—and last year Amtrak recovered 79 percent of its operating costs from fare box revenues. That is really better than any other passenger railroad in the United States. When you include the real estate and contract commuter revenues, Amtrak covers 85 percent of its operating costs.

Federal taxpayers pay just 15 percent of every dollar that Amtrak spends on its operations. And our Federal operating grant in fiscal year 2012 was $466 million. That works out to $1.48 per American. Less than a small cup of coffee at the Starbucks over in Washington Union Station. And the longest line at Union Station these days isn't for Starbucks, but rather to board our trains.

Amtrak ridership has grown more than 44 percent since 2000. That is a major reason for our inflation-adjusted operating need, which is half of what it was in 2004. We set annual ridership records in 8 of the last 9 years, and monthly records in 11 of the last 12 months. And we will do both again in 2 weeks. We halved our debt over the last 10 years from nearly $4 billion to $1.6 billion. On-time performance has improved on all of our business lines, increasing to over 88 percent on the Northeast Corridor during the first 11 months of fiscal year 2012, despite all the track work and bridge replacements that we are doing to bring the Corridor to a state of good repair.

We have achieved these accomplishments, even though passenger rail is only a tiny portion of the Federal budget. In the past 4 years, the Federal Government has appropriated $53.3 billion from the General Fund of the treasury to bail out the Highway Trust Fund. That is 30 percent more than the total Federal expenditure

on Amtrak since 1971. Revenue generated from highway users accounted for only 45 or 46 percent of total funding available for highways in 2010. The rest came from taxpayers.

Amtrak has significantly improved financial performance, while meeting the statutory obligation to operate a national rail passenger transportation system. None of our 15 long-distance train routes covers its operating costs. But long-distance trains are heavily utilized. Their ridership grew over 18 percent from fiscal year 2007 to 2011, and they accounted for 43 percent of our passenger miles in fiscal year 2011. They provide the only intercity passenger rail service on half of our system.

Most importantly, our long-distance trains are increasingly the only public transportation option for many who ride them. The Chinatown and other curbside buses are now prevalent between Washington and New York, providing service that is cheaper than our trains, but it is much slower and subject to traffic delays. Our ridership between Washington and New York has continued to grow since curbside buses entered the market, and even grew more as the buses entered Union Station. But you won't see a curbside bus, or increasingly, any bus in the small and mid-sized communities served by our long-distance trains. And we think that needs to change. And I talked a little bit to Peter about that before the hearing, where we can work better together in that area.

While intercity bus service is increasing in a few major city markets, it has declined precipitously elsewhere. Bus operators and airlines are cutting service to smaller cities and rural communities because services lose money. According to the BTS, the number of Americans who no longer have access to intercity bus or air service, and are served only by Amtrak, tripled in just 5 years.

We also hear a lot about privatization of passenger rail services in other countries. In a number of countries, including the United States, many commuter and local rail services are operated for profit by multinational companies that receive government subsidies. Only two major countries, Japan and Great Britain, have privatized intercity passenger rail to any significant extent.

Japan privatized its services after the government-funded construction of the country's major high-speed rail lines. It also provided a huge one-time infusion of funding to subsidize future losses from unprofitable services, and continues to fund construction of new high-speed rail lines.

In Great Britain, privatization actually increased public funding needs. Government expenditure on passenger rail rose from less than $3 billion in 1993/1994, the year privatization began in Britain, to over $7.4 billion in 2010/2011. The share of the railway system's costs, operating and capital, paid by the British public rose from 40 percent to 50 percent. No country has succeeded in constructing initial high-speed rail systems primarily or exclusively with private funding. Great Britain and Taiwan had to take over, at huge public expense, the private entities created to develop their initial high-speed rail lines.

Finally, I want to emphasize that Amtrak is not satisfied with our recent accomplishments. Rather, we aim to do much better. We have begun implementing our strategic plan by expanding our Safe-2–Safer initiative, restructuring our operating departments by

business line to improve our bottom line and enhance customer focus. We are adopting strategic management techniques used by the Nation's largest and most successful companies. We have ordered 70 new electric locomotives for the Northeast Corridor and 130 long-distance single-level cars to replace equipment that is more than 50 years old, some more than 60 years old.

We have successfully rolled out our nationwide eTicketing program, replacing 19th-century railway processes with innovative mobile technology that won an award from CIO magazine. We now offer WiFi on most of our trains. Federal expenditure on Amtrak during the last 41 years pales next to what virtually every one of our European and Asian competitors has spent on passenger rail. But Amtrak has provided a high return on limited Federal investment we have received. Our aim is to continue to do that in the years ahead. Thank you.

Mr. SHUSTER. [presiding.] Thank you, Mr. Boardman.

Mr. Alves, you may proceed.

Mr. ALVES. Good morning, Chairman Mica, Ranking Member Rahall, subcommittee Chairman Shuster, and members of the committee. Thank you for the opportunity to discuss how improvements in the efficiency and effectiveness of Amtrak's operations can lead to financial benefits and reduce Amtrak's reliance on Federal subsidies. I will address three issues today: first, Amtrak's initiatives to improves its operations; second, opportunities we have identified where Amtrak can build on those initiatives; and third, work we are doing to identify additional improvement opportunities.

Today Amtrak is very focused on improving its operations. It has issued a strategic plan with specific goals, metrics, and strategies to guide improvement efforts. It is also taking action to hold people accountable for results, integrate operating departments within geographic regions, realign along new business lines, and develop a system to focus resources on achieving strategic goals. We support these initiatives, but note that, to be successful, Amtrak will need to sustain them over the long term, and implement them effectively.

Our recent work shows that successfully implementing these initiatives has the potential to yield significant operational improvements. For example:

—We recently reported that multiple employees defrauded Amtrak by being paid for hours not worked, and committed other serious abuses. We also noted a pervasive lack of supervision by responsible union and management officials. Losses from this one case could be over $100,000. Amtrak acted quickly and aggressively to discipline the involved employees.

—Significant opportunities also exist to improve management controls over food and beverage operations. We conservatively estimated that $4 million to $7 million of onboard food and beverage sales could be at risk of theft because of inadequate management controls. In responding to our recommendations, Amtrak has established a loss prevention unit and a chief customer service position, which will have accountability for improving the program.

—Lastly, over the years we have identified more than $83 million in overpayments to host railroads. These errors went undetected because Amtrak did not have adequate management controls for its invoice review process. Over the last 2 years, Amtrak has established an invoice review process that should help to avoid future overpayments.

An underlying cause of each of these deficiencies is a breakdown in management controls. A sound system of controls, including well-defined and applied policies and processes, is critical to efficient and effective business operations.

In that regard, earlier this year we reported that Amtrak does not have an enterprisewide framework to manage risk. Central to such a framework is a strong management control system. We recommended that Amtrak ultimately implement a risk management framework for the entire company, but focus initially on its strategic goal to improve financial performance. The company is in the process of considering how it would implement such a system.

Turning to our future work plans, key issues we plan to address include:

—Reviewing how Amtrak manages its capital investment projects. Effective management of capital projects is critical, given that Amtrak spent almost $1.7 billion on capital investments in 2011,

—Completing a series of forensic audits in the acquisition and procurement area. This work is designed to identify opportunities to reduce losses to causes such as duplicate payments, and

—Reviewing the adequacy of contract management for two multiyear procurements valued at over $800 million.

In closing, we believe the keys to improving Amtrak's operations and reducing reliance on Federal support are sustaining and fully implementing its ongoing strategic initiatives, and continuing to develop and implement new initiatives, including a risk management framework.

Mr. Chairman, this concludes my statement, and I will be happy to respond to any questions that you or other Members may have.

Mr. MICA. [presiding.] I thank the inspector general. And we will get back to you and Mr. Boardman and others. We will go through all the panelists first.

Let me recognize Mr. Peter Pantuso, president and CEO of the American Bus Association. Welcome, and you are recognized.

Mr. PANTUSO. Thank you, Chairman Mica and members of the committee. Thank you very much for allowing us to testify this morning.

All segments of the private bus industry provided nearly 700 million passenger trips in 2010. It is a number comparable to domestic airlines and many times more than those provided by Amtrak. And ABA's 800 members provided approximately 60 percent of those trips. Our industry offers quality, efficient, safe, and cost-effective transportation.

According to a paper presented in 2011 at the Transportation Research Board, curbside and intercity bus travel has more than doubled in the Northeast Corridor in the last couple of years. Growth across America has been remarkable. Greyhound's annual pas-

senger volume is now over 20 million passengers, and Megabus, a relative newcomer to the industry, moves 8 million passengers a year. These two carriers alone provide nearly as many passengers as Amtrak does in their record year.

In addition, the bus industry creates a huge economic benefit of $112 billion. That includes 1 million jobs throughout the transportation, travel, and tourism industries. Private buses are also the most fuel-efficient and carbon-efficient mode of mass transportation. These services are provided by an industry made up mostly of small business men and women that receive virtually no or little subsidy.

The cost efficiency of bus travel is well documented. A round-trip ticket from DC to New York, for example, by bus, will cost somewhere between $36 and $58, or if you are lucky, you can do it for as little as $2, when the current Amtrak schedule prices the same round-trip fare between $98 and $300. And there is really only a modest difference in time between the regular train service and bus service.

The American public is hungry for more transportation options, as evidenced in a study released just last week by the Natural Resources Defense Council. The NRDC found that three out of four Americans are frustrated with their lack of transportation options. A major barrier to offering real transportation choice is a combination of an uneven playing field and modal stovepipe funding.

The private bus industry's advantages in cost, efficiencies, and flexibility argue for complete inclusion of intercity bus transportation and the intercity transportation system. If it is Congress' decision that there should be some areas where transportation needs to be subsidized, we propose a different paradigm. A subsidy should be limited. Transportation service must move to a point of operational efficiency, including all current and future costs.

One example that works very well is Boston Express. They provide bus service between Manchester, New Hampshire, and Boston South Station. Twenty-seven trips take place a day, round trips, and Boston Express has carried over 2 million passengers in only 4 years, while achieving a 94-percent fare box recovery. New Hampshire had a choice of bus or rail. They chose intercity bus.

Where population density does not warrant massive capital investment required for rail operations, buses should be considered as the primary intercity option. States should be given funding flexibility to determine how best to serve the needs of their traveling public. This is not unlike what we have proposed in the essential air service: Give communities the option to provide the most cost-effective and most frequent service in a given corridor. Once the corridor has been fully developed, then consider other options, whether they are more costly or not.

Transportation facilities should be multimodal. Now, it is not that Amtrak doesn't serve a vital part of the Nation's transportation system, but there also should be room for other modes.

As I mentioned earlier, intercity bus provided nearly 700 million passenger trips, serving more communities with more schedules, costing less money, using little or no subsidies, and, in some cases, more amenities than our national intercity rail or airlines. Imagine what this industry could do if the barriers to competition were re-

moved, or if States were given more flexibility in using their transportation dollars.

In closing, Mr. Chairman, let me also suggest that, while it may appear that ABA and Amtrak are on different pages, we very much serve the same customer. We very much have the same goal of getting people out of cars. The automobile is the competition for the bus and the train. They are not in competition with one another. And, as Mr. Boardman pointed out earlier, we actually work quite well together in many corridors. And he also reminded me that he is one of our largest bus customers, spending more than $20 million a year in bus services.

I thank you and the committee for your time, and I am certainly happy to answer questions.

Mr. MICA. Thank you, and we will defer. Let's hear from Mr. Randal O'Toole, senior fellow with the Cato Institute.

Welcome, sir, and you are recognized.

Mr. O'TOOLE. Thank you, Mr. Chairman and members of the committee, for inviting me to speak today. I have been in love with passenger trains ever since I was 5 years old and rode my first passenger train, which was the Great Northern Western Star, from Grand Forks, North Dakota, to Portland, Oregon. I have literally been obsessed with passenger trains ever since. But I don't happen to think that other people should have to subsidize my particular preferences or hobbies.

When Amtrak was created by Congress in 1970, I was young and naive enough to believe that a national rail transportation system could be operated efficiently, and could provide attractive service. Unfortunately, Amtrak has proven me wrong. At that time, in 1970, rail fares averaged about two-thirds per passenger mile as much as air fares. And so rail was the lower cost option. Since then, Amtrak has made rail into the high-cost option in almost any corridor and almost any route. Today, Amtrak rail fares are more than twice as much as airfares per passenger mile. Amtrak has—rail fares have increased since then, in terms of inflation-adjusted money, whereas airline fares have declined.

And so, Amtrak is not competitive in lots and lots of different routes. It is not hard to look up online routes such as Portland to Oakland, Oakland to New York, Chicago to Detroit, Chicago to Minneapolis, where air fares are lower than Amtrak fares. And, of course, the airlines operate more frequently and faster. Buses, too, are far more efficient than Amtrak. The fares are far lower than Amtrak. And there is numerous routes across the country where buses are more frequent and faster than Amtrak, as well as being less costly.

It is not just the fares, though. We also have to count the subsidies. And people like to say that all forms of transportation are subsidized. But the subsidies are hardly equal. According to the Bureau of Transportation statistics, subsidies to the airlines, which are mostly at the Federal level, average about $.02 a passenger mile. Subsidies to highways, which are mostly at the local level, average about $.01 a passenger mile. By comparison, subsidies to Amtrak average between $.25 and $.30 a passenger mile, and have done so consistently, in terms of inflation-adjusted dollars, since 1975.

So, we have Amtrak fares averaging $.30 a passenger mile, compared to about $.13 for airlines, Amtrak subsidies averaging $.30 a passenger mile, compared to about $.02 for airlines, $.02 or $.03 for airlines. The total result is that Amtrak costs four times as much as airlines, eight times as much as buses, and roughly four times as much as driving. This means that Amtrak is completely uncompetitive, compared to other systems.

Now, Amtrak will tell you that most of those subsidies go for capital improvements, and shouldn't be counted against a year-to-year operating revenues. But that is not true. In fact, much, if not most, of what Amtrak calls capital improvements is not a capital improvement. It is maintenance. Replacing a 50-year-old train car, replacing a worn out locomotive, replacing a dilapidated bridge or other infrastructure is maintenance. It is just as much maintenance as replacing the spark plugs on your car or replacing the furnace filters on your home. It is not a capital improvement. There are some capital improvements in Amtrak's budget. But much, if not most, of what they call capital improvements is maintenance.

Now, with the high cost of Amtrak, it is no surprise that Amtrak is essentially an insignificant player in the national travel market. While people say they want to keep Amtrak going, they hardly ever use it. Nationally, Americans, before the recession began, traveled almost 20,000 miles per year per capita. About 2,000 miles of that was by air, about 15,000 miles of that was by automobile. About 19 miles was by Amtrak, one-tenth of 1 percent. The average American rode Amtrak 19 miles.

Now, since then, Amtrak has increased its ridership, and per capita ridership has gone all the way from 19 miles to 21 miles. That is still less than it was in 1990, when it was 24 miles. But that 21 miles, or even 24 miles, just does not sound significant compared to the 1,850 miles the average American flies, or the 14,000 miles that the average American travels by car today.

Because Amtrak carries so few people, the savings in energy, the savings on air pollution, and the savings on other things that Amtrak provides are totally insignificant. And, in fact, they are diminishing. Airlines and driving is becoming energy efficient far faster than Amtrak. By 2030, Amtrak will be the brown form of travel. It will be the form of travel that consumes the most energy per passenger mile, and emits the most pollution per passenger mile.

Now, what should be done about Amtrak? Does Amtrak have the problems it has because it is—passenger trains are an obsolete form of travel? Or does it have these problems because Government is an inefficient manager of any mode of transportation? I think the answer is some of each.

And I don't think the answer to the problem is going to be to contract out or otherwise try to reform Amtrak. Contracting out can save money. The city of Denver—the State of Colorado requires that Denver's regional transit district contracts out half of all of its bus service, and operates only half of it with in-house. The half that is contracted out to private operators, private operators pay comparable wages to the regional transit district. Some of them are even unionized. And yet they charge taxpayers only 55 percent as much per bus vehicle mile as the regional transit district spends on its own buses. So that saves money. And yet, contracting out

still leaves Amtrak's major problem, which is that routes will be determined politically, and not based on demand or economics.

I think the real solution, ultimately, is going to be privatization. And if we privatize we might lose a few trains. We are probably going to lose the Sunset Limited. It is just not an efficient train. But there are other places where private operators will come in and make a big change. When Canada ended service between Calgary and Vancouver, a private operator came in. It has been operating profitably ever since. They now have four different routes, and they have begun operating service down to Seattle, Washington.

I think if we had private operations, we would start seeing private operators—cruise trains, if you want, in the West, business trains in major corridors in the east—continue to operate passenger trains without subsidies. And I think this should be done in the context of a broader effort to end Federal, State, and local subsidies to all forms of transportation.

Thank you very much.

Mr. MICA. Thank you. Very interesting testimony.

And we will turn now to Mr. Capon, who is the president and chief executive officer of the National Association of Railroad Passengers.

Welcome, and you are recognized.

Mr. CAPON. Thank you very much, Mr. Chairman. We have strongly supported—and I would ask that my full statement——

Mr. MICA. Without objection, all—any statements, additional information or data, will be made part of the record from all of our witnesses. Proceed.

Mr. CAPON. Thank you. We have strongly supported the Federal Government's investment in Amtrak. We think the investment has been worthwhile and brought important benefits to the Nation, including both to passengers and others. We think it looks smarter today than it did 20 years ago, and will probably look smarter still 20 years hence.

Amtrak fares are not "completely uncompetitive." The ridership keeps rising, which is one indication that the public wants it. Part of the reason the ridership is going up is gasoline prices are also going up. And part of the reason is that young people are more interested in being connected than they are in driving, compared with 10 years ago. And the senior population is growing, which increases the need for all forms of alternatives to driving.

As has previously been suggested in the opposite context, Amtrak has not been giving away the store; the fares have been rising. But you can get a very misleading impression by looking at national statistics, systemwide statistics, on Amtrak because the fares are very competitive in most markets. The Acela fares, as you know, are very high because the market there is dominated by business travelers who are willing to pay a lot in congested markets. And so, the result is that Amtrak is really a series of systems. And giving a single average fare for nationwide Amtrak is very misleading.

I have a long list in my testimony of benefits that Amtrak provides, both for the riders and for others, including bus companies, as Mr. Pantuso noted. Amtrak and the bus companies work very well on many fronts. Just on July 31st, the Oak Ridge National

Laboratory report, "Transportation Energy Data Book," came out showing actual energy consumption by mode. This shows that in the most recent year they have covered, which is 2010, Amtrak improved relative to trucks, automobiles, and aviation. Amtrak is 41 percent more energy efficient than personal trucks, 34 percent more efficient than automobiles, 17 percent more efficient than domestic commercial aviation. They don't have the data for intercity buses, so they don't include it. But I would emphasize that those numbers are not theoretical ideas about what could happen if the train was full; those numbers are based on actual energy consumed and actual passengers traveled.

There has been a lot of criticism about the long-distance trains that is evidently based on the theory that most of the people are riding from one end of the route to the other. On page three of my written statement I show that, for example, on the Southwest Chief 35 percent of trips are over 1,000 miles, 34 percent of trips are 501 to 999 miles and only 8 percent of the passengers are riding all the way from Chicago to Los Angeles. I think there is a similar pattern on the Sunset Limited. It is not about New Orleans to Los Angeles. But I did look at the fare yesterday. And the coach fare on the Sunset Limited is actually somewhat lower than Greyhound.

I think that I will agree with Mr. O'Toole on one point, and that is that subsidy per—or the cost per passenger mile is a more accurate measure than cost per passenger. To a large extent, when we rank Amtrak routes by loss per passenger, we are simply really ranking them by the length of route. The Southwest Chief, which you had cited critically, actually in terms of a subsidy per passenger mile, is slightly lower than the average—it is one of the stronger routes.

I need to talk about food service. Mr. Crosbie, in 2005, before this subcommittee testified—he was the Amtrak vice president of operations—that the primary purpose of onboard food service is to enhance ticket sales and ridership, not serve as a profit center. In 1981, when Congress passed the break-even mandate, committee reports urged Amtrak to attribute up to 10 percent of ticket revenues to food service for purposes of determining compliance with that provision. And I believe Amtrak has calculated that they are breaking even, even if just 5 percent of ticket revenues are attributed to food service. The point being that if there is no food service, a lot of the revenue—a lot of the ticket revenue—is going to disappear, because people won't ride the train.

We feel that a lot of the investment in Amtrak is investment and not a subsidy. I won't repeat—I think Mr. DeFazio made the point about the number of riders that Amtrak handles when you take into account the infrastructure that Amtrak owns.

We believe that the mode-specific trust fund itself constitutes a huge subsidy, because it directs investment into modes based on their current dominance, rather than on their usefulness in solving problems our children and grandchildren will face. In most other countries, fuel taxes are higher and go into the General Fund. In most other countries, the tracks are owned by the government, which is free to assign them to private operators. In this country, most of the tracks that Amtrak uses are owned by private railroads

that are not interested, in most cases, in having other companies—whose stability they are not sure of—use their tracks.

I think Amtrak should be given credit for a couple of innovations that certainly improve the bottom line. One is the fact that when the Web was developed, they were very early—I think Amtrak was selling tickets on the Web before most airlines. And Amtrak has, in spite of the intense complexity of its system, because of the number of intermediate stops that trains make, it now has eTicketing on a nationwide basis. I have actually had to use Amtrak in the past couple of months on a couple of trips, and eTickets are much more efficient for the passenger, because you no longer have to figure out where can I get to the station to buy the ticket, or where is there a Quik-Trak machine. You just make the purchase online, and Amtrak immediately sends you an eTicket, which makes travel much easier.

I think I will leave it at that. Thank you very much for your attention. And I know you will read every word of my written statement.

Mr. MICA. Well, thank you. And thank you for appearing again before the committee, and all of our witnesses, for their contributions today.

And we will start questioning, and I will take the first round. Again, Mr. Boardman, I said I was inspired by some of your comments, particularly the one that said, "We want to run this company more as a business and less as a Government entity," and I know that has been your goal from the beginning of your tenure.

And let me just say, too, I think you understand, Mr. Boardman, that I am fairly conservative, from a fiscal standpoint. I am a strong supporter, as you know, of passenger rail. I think we should be having four times as much service and twice as much employment, and more routes, et cetera, but they have to make sense.

You are aware that there is a—you know, there was a wave last time of how many Members that came that were pretty conservative. And you know after this election—you all do know that there is another wave coming. And that wave is going to also be met here by a tsunami which is called the fiscal financial cliff of the United States of America, where $16 trillion—now, I can't solve the problems for the whole Government. I will have a very narrow scope of responsibility within the jurisdiction of this committee.

So, my goal is to see how we can expand service for passenger rail, how we can do it with less subsidization. I think that is your goal, too, is it not? I think you cited that. Is that your goal, Mr. Boardman?

Mr. BOARDMAN. [Nodding.]

Mr. MICA. Yes. OK. So that—I think we have a similar purpose and goal, as strong advocates in passenger rail.

Mr. Capon, you spoke of the benefits as far as energy and efficiency. And certainly rail—I will be glad to give the statistics that—I have been trying to put a commuter rail line in since December of 1992 in central Florida, and fighting sometimes Neanderthal thinking that people don't understand, even who are fiscal conservatives, that rail can be very, very cost effective, energy efficient, as far as emissions, for the atmosphere. And also, it has a difference between bus and other modes, because the buses are still

stuck in traffic. I mean, again, it is a great option. But we do have to look at efficiencies and how we can bring costs down.

My point is, too, that if you think I am tough on Amtrak, there is another group coming in January. And you ain't seen nothing yet as far as, again, the steps they are going to have to take to get the country's finances in order. And every agency and activity financed by the Government is going to face similar scrutiny.

So, my intent, from the first hearing, was to dramatically increase the timeframe that we have for putting in high-speed rail, put it in the Northeast Corridor, where we own that line, as—Mr. Boardman, isn't that the only corridor that we own that is conducive to high-speed rail? Is that correct?

Mr. BOARDMAN. [Nodding.]

Mr. MICA. Just answer——

Mr. BOARDMAN. Oh. Yes.

Mr. MICA. "Yes," OK. And we should have 10 times the service, 10 times the passengers, and the whole country benefits by that, folks. So, if you want to come out and try to keep the status quo and keep things going as they are, I think you are undoing yourself and what you propose to support.

So, that is the purpose of the hearing. And Mr. Boardman is doing his best to bring in efficiencies. We bring in the inspector general. We task him at looking at where there is waste and inefficiency in this agency. And we have inspector generals for almost every other activity. He has pointed out today that we have a lack of management.

Mr. Alves, did you not say that the primary shortcoming with some of these losses is lack of management?

Mr. ALVES. The underlying problem——

Mr. MICA. Management controls.

Mr. ALVES. Management controls, yes, the underlying——

Mr. MICA. Right, OK.

Mr. ALVES. Go ahead.

Mr. MICA. Yes. And Mr. Boardman—and actually, I recommend this Progressive Railroading article to folks, because others are quoted in here—and how he is trying to restructure the activities so there—it can be run more like a business and get responsive—positive response from each of the activities.

Capital investments. Now, that concerns me, and I am going to ask the staff to do some further investigation. And if you would, work with our staff because—did you say $1.7 billion in capital investments?

Mr. ALVES. Yes. And that includes money from all sources.

Mr. MICA. Stimulus?

Mr. ALVES. Yes.

Mr. MICA. And what is also cited. And you see that as—the oversight and accountability for that as an issue?

Mr. ALVES. Yes. That is such a large amount of money, we want to make sure that there are——

Mr. MICA. That it is properly—and you cited there were duplicate payments?

Mr. ALVES. This is one of the things that we are going to look for in this forensic analysis.

Mr. MICA. OK. All right. Well—and I also direct our staff to work with you and look at the same thing. We have congressional staff and I have investigative staff. We corroborate and we try not to interfere or duplicate, but we also want to get the facts where there are losses, and get the information to Mr. Boardman, so he can make the management controls that should be instituted, if we have a $1.7 billion capital program and we have problems there.

The other thing that concerned me is you had mentioned also continued losses in—I guess there is some cash practices, either for tickets or for food service. And we still have a cash system. This was brought up at another hearing. And, Mr. Boardman, how far are we now from going to a cashless system for food service or other areas where we have seen losses that we might be able to avoid?

Mr. BOARDMAN. Mr. Chairman, from 3 weeks ago we haven't moved.

Mr. MICA. OK. So that is still the same.

Mr. BOARDMAN. It would be—we do have the point of sale service that we are expanding. And I believe it will be probably done in the next fiscal year, where that helps us a lot.

But there are other things that really have to happen. And I think that the IG has recommended, and I have agreed to, a pilot program where we could see what the issues would be to implement that more widely.

Mr. MICA. Well, again, I think, coming from a business standpoint, I am sure there are vendors out there, if a tender was put out, that could change the system out relatively quickly with a modern, state-of-the-art billing, without cash, and cut our losses. Just a suggestion. Just another area that—in which I think we can improve our operations and our losses.

The Sunset Limited, Mr. Boardman, it is the—by all accounts—Mr. O'Toole, and I think everyone had confirmed that the underwriting and subsidy for the Sunset Limited is the highest. Anyone disagree with that?

Mr. BOARDMAN. Yes.

Mr. MICA. You do? There is a route that is more subsidized?

Mr. BOARDMAN. Yes.

Mr. MICA. What is it?

Mr. BOARDMAN. It is the Chief.

Mr. MICA. The Chief is worse? The Chief, we get 177, Los Angeles to Chicago. Money being at loss we have is 375. Again—but they both are losing money in a significant amount per——

Mr. BOARDMAN. All the routes lose money, significant money, in the way that it is calculated.

Mr. MICA. And I was quite interested, Mr. O'Toole. You said that in Canada they had changed out some of those routes and actually now—did you say they were profitable, some of the routes that were, say, less traveled but also had potential for rail crews or—I forget exactly how you phrased it.

Mr. O'TOOLE. Well, it was a cruise train. I was actually on the very last run of a Canadian train from—a Government-subsidized Canadian train from Calgary to Vancouver. And that was in 1990. And immediately after the government ended that train, a company sprang up called the Rocky Mountaineer, and they operate

cruise trains from Vancouver to Calgary going through Banff. And since then they have expanded. They go to Whistler, they go to Jasper, and they now have trains coming from Seattle, as well as Vancouver. They operate on private tracks, Canadian Pacific and Burlington Northern Santa Fe tracks, and as well as Canadian National. And they apparently have good relations with the railroads and offer three classes of service. It is a little expensive, but it gives people great opportunities to go sightseeing and to enjoy trains at a very high-quality level.

Mr. MICA. OK. Mr. Boardman, is—would there be any possibility of looking at some of these routes—and I know we have—in PRIIA and others—of possibly tendering them out to see, and maybe looking at a change in the route schedule, as long as we protected the employees' benefits, salaries, things of that sort, if an operator would come in and look at performing them with a lower subsidy or, God forbid, you know, breaking even or turning a profit? Any thought to that, Mr. Boardman?

Mr. BOARDMAN. Yes, I have got a couple different thoughts, Mr. Chairman. One is—and I think Mr. O'Toole identified it—is the Rocky Mountaineer that he was talking about. Their new Seattle service will actually be operated by Amtrak.

[Laughter.]

Mr. BOARDMAN. But the real network need that we are dealing with has to make sure that everything works together and connects together. And I know you know that.

Mr. MICA. Yes.

Mr. BOARDMAN. But every one of our trains and the character of the trains is changing constantly. For example, the Empire Builder today, one of the fastest-growing areas is Williston, North Dakota, because of the energy boom that has occurred up there. And we have had to change the way we really operate that. We also have to improve the security on that. Part of what no other mode really has a responsibility for that Amtrak has is to maintain a police and security force. And that is 500 folks at Amtrak to do something like that.

So, a lot of times, when you really look at what the cost is, and what the subsidies are, it really is an apples-oranges comparison, much more difficult to start pulling it apart, piece by piece.

Mr. MICA. Well, you mentioned security. And on the airlines we have a $2.50 passenger charge for security. You can do three segments, maximum of $5. Would you think the user should pay the security cost, which—would that help you with your bottom line?

Mr. BOARDMAN. Well, I think they do pay—part of what we really looked at here on the operating—covering 79 percent of our operating costs really is the passengers are paying a very large amount. And with that, with some of the folks that——

Mr. MICA. Well, again, my point was on the money-losing routes that stand out, that have fairly significant—I mean $37 million for Sunset Limited, Southwest Chief—I see where you are getting your figure. Actually, in net operating loss, Sunset Chief is the big enchilada. It is $63 million of loss on that route. But there are many more passengers, 354,000 as opposed to 99,000. So I see what you are saying.

Mr. BOARDMAN. That train operates 7 days a week, as opposed to 3.

Mr. MICA. Yes, exactly. But——

Mr. BOARDMAN. OK.

Mr. MICA. But is there any thought to, again, looking at a different model or operator?

Mr. BOARDMAN. Well, the Congress has regularly told us to——

Mr. MICA. Right.

Mr. BOARDMAN [continuing]. Look at these kinds of things. And they have been looked at. And we still have the obligation of running the trains.

Mr. MICA. But there is no—have there been active solicitations for——

Mr. BOARDMAN. No solicitations, no.

Mr. MICA. And you wouldn't consider that, even——

Mr. BOARDMAN. I mean we use——

Mr. MICA. Even with——

Mr. BOARDMAN. We use private contractors——

Mr. MICA. Even with protections that I outlined?

Mr. BOARDMAN. We use private contractors for services, but not to operate the trains, no.

Mr. MICA. There is a constant diatribe I hear from the other side, "Oh, Mica wants to lower wages and all of that." And I have never said that. I have always said whatever we did, if we brought in a private contractor in the Northeast Corridor to enhance that service, that they would have to guarantee—actually, I think by most of the contracts they are guaranteed anyway. Even if we eliminate the route we have provisions for guarantees that have been written in.

The—just see here. One of the things that I have been working on—and actually, I am very proud of this, coming at the end of this congressional session—is next Tuesday morning at 10:00 they are going to dedicate—or at least a formal opening—of Union Station. And what we have done there is I insisted that we have buses, we have intercity transportation, we have rail and Metro all connect together. They said it couldn't be done, and we are actually doing it. And I would thank Assistant Secretary Porcari, who helped when everyone said it couldn't be done. We are doing it.

Because people will not use mass transit or transit in the United States if it does not connect. So whether it is in Miami, where we are doing a—where we have done a $1.7 billion intermodal center that connects rail, tri-rail, commuter rail, Metrorail, bus, all forms, rental cars, in a $1.7 billion state-of-the-art facility, or Union Station, we need to make certain that we connect. And whether it is a big city in New York, Washington, or Miami—and I have had the privilege of representing St. Augustine, Florida, the oldest community in the United States—we have actually, in our small, intermodal center, we have—we brought the different modes all together. Because you cannot have national passenger service without intermodal connections. Isn't that correct?

And did you say you have 700 million passengers that you carry?

Mr. PANTUSO. That is correct, Mr. Chairman. The bus industry moves about 700 million passengers annually. And I do want to thank——

Mr. MICA. You guys make a profit?

Mr. PANTUSO. Absolutely, they make a profit.

Mr. MICA. That is unheard of. We want to make sure—Steph, write that down. This witness has said—because I want to write it down for Ms. Brown. She always gives me a hard time that we can't move people and make a profit, but we—and I think we have got a couple of public systems that actually turn a profit.

But you were about to compliment me, and I don't want to interrupt you.

[Laughter.]

Mr. PANTUSO. Mr. Chairman, I do want to thank you and, as you pointed out, Secretary LaHood and Secretary Porcari, certainly Congresswoman Norton, for the efforts that you made in getting the bus into Union Station. It is a marvelous intermodal facility. But for decades you have had to drag your bags blocks to go down to the Greyhound or, when it existed, to the Trailways terminal. And we certainly thank you for making the change to Union Station happen. We think it is a benefit—it is not only a benefit to the motorcoach industry, it is a benefit to the train. It is also a benefit, most importantly, to the passengers, who——

Mr. MICA. Yes, you are the largest surface carrier in the United States of passengers. And to not have them connect in, or have this all work together—working on that in central Florida. I have got a meeting with the Secretary in a week or two about a connection into an intermodal center in our commuter rail with bus service. So—and I hope we make that a requirement in the future of all of our projects that have Federal funds.

Mr. DeFazio, did you have questions?

Mr. DEFAZIO. Yes. Thank you, Mr. Chairman. If we go back to the proposal in H.R. 7, which would mandate outsourcing the long-distance routes to the lowest bidder, but then would transfer the operating grants to the lowest bidder, I am puzzled as to how the taxpayers come out ahead on that one. So I—can anyone help me with that?

Mr. BOARDMAN. Mr. DeFazio, I don't think they come out ahead.

Mr. DEFAZIO. OK.

Mr. BOARDMAN. I think they actually come out behind, because it will be more expensive to actually coordinate these routes.

Mr. DEFAZIO. Right. And then, isn't there a provision in the contract—now, Mr. Mica said that he proposes that they would—any Amtrak employees who worked on that route would get full pay and benefits and go there. But where then does the lowest bidder—how do they operate more—less expensively, if they have to pay—if they are going to carry the same pay and benefits as Amtrak?

Mr. BOARDMAN. I don't think they do. And the bigger problem, really, is going to be the freight railroads, and what they say about having anybody additionally operate on that line, or even if they can.

Mr. DEFAZIO. Right, because you can't just sign over your rights to operate on those routes.

Mr. BOARDMAN. That is correct.

Mr. DEFAZIO. So that would—the new private operator would have to renegotiate with the big rail carriers who, as I know, are not really——

Mr. BOARDMAN. We even have——

Mr. DEFAZIO [continuing]. Enthusiastic about——

Mr. BOARDMAN. We have to do that, as well.

Mr. DEFAZIO. Yes. So, then I guess I am puzzled as to where the savings comes. And I guess I don't see there are savings.

Then, secondly, to Mr. O'Toole, the real solution is to end subsidies for all modes of travel, let people decide which they prefer, based on their own personal preferences and budgets. So, you are actually advocating that we not have a Federal Aviation Authority and we don't control the airspace of the United States of America, and coordinate safety in traffic? Or are you just proposing that that would somehow be done by somebody, not by the Government, and the money would come from somewhere?

Mr. O'TOOLE. There are numerous countries around the world that have privatized their——

Mr. DEFAZIO. Yes. I am very familiar with that—if I could interrupt—I have been on aviation 26 years, and it has been disastrous. They have had to go back in and subsidize the private companies that took over in Britain, in Canada, and everywhere else. There is no successful model of operating a system of any great size more efficiently and contracting it out. Hasn't worked.

So, we have the largest, most complex, safest system in the world, and you are saying we are going to contract it out, we are going to save money, and we will not contribute any Federal money to it, and the airlines and the passengers will pay for the whole thing? Is that the proposal?

Mr. O'TOOLE. I don't see anything wrong with expecting passengers to pay for their trips. Most of the benefits of transportation——

Mr. DEFAZIO. There are no benefits to the greater economy of the United States of America to have a network of aviation in this country. There is nothing beyond the people that get on the planes or the freight—there is no benefit to it, so it should be paid for solely by the freight airlines and by the private airlines who would then pass on all the cost to their customers.

Mr. O'TOOLE. Most of the benefits of travel goes to people who are doing the traveling or the shipping. And so they should be the ones to pay the cost. Yes, there are some side benefits, but——

Mr. DEFAZIO. So the Federal Government would no longer control the airspace of the United States.

Mr. O'TOOLE. That is right.

Mr. DEFAZIO. Boy, that is wild. That is totally wild.

[Laughter.]

Mr. DEFAZIO. OK. So, let me ask, then—you know, as I pointed out, there is a subsidy there. And then we have the subsidy—we have a national—you must be a devolutionist, probably, right? No, I am serious.

There is a theory, a well-developed theory out there in the, you know, the Libertarian right-wing think tanks of devolution. It is being advocated by Grover Norquist and others. The Federal Government should not be involved in coordinating our national transportation system on the surface. It should be devolved to the States. Grover hasn't decided whether or not they could get the Federal money, or whether they just have to pay for it themselves.

I have been traveling around with a poster of the Kansas Turnpike 1956, when it ended in a farmer's field in Oklahoma, because they couldn't deliver on their proposed section until we had a national program.

So, we are going to—are we going to pass back the duties for developing any sort of a national transportation system to the States and territories?

Mr. O'TOOLE. Oklahoma completed its side of that highway just a little after Kansas did. I know that is a famous old story.

The truth is that local and State highway departments have been very good at cooperating and making sure that their roads connected up ever since we started building roads——

Mr. DEFAZIO. Let's use an example. The Port of Los Angles. The Port of Los Angeles should get no Federal assistance, and it should, even though the freight coming into the Port of Los Angeles doesn't end up in Los Angeles, for the most part, but gets dispersed throughout the United States, they should carry all the burden of getting the freight out of Los Angeles for the rest of the country.

Mr. O'TOOLE. Why not? The rest of the country ends up paying for that freight, and they end up paying for that shipping.

Mr. DEFAZIO. All right.

Mr. O'TOOLE. Our home State of Oregon was the first State to pass a gas tax in order to pay for roads. And since then, most of the cost of roads have been paid for by users.

Now, I agree there are subsidies. I think we should get rid of those subsidies. But the idea that some modes are subsidized so therefore they should all be subsidized, we need to somehow compensate subsidies, we end up with competing subsidies, we end up with political allocation of resources——

Mr. DEFAZIO. Can you name a country that has gone down this route, withdrawing all Federal support, all national support for their transportation infrastructure in the air, on rail, and on the ground? Can you name one? Because as far as I can see, all our competitor nations are spending a hell of a lot more money than we are on these modes, and they are beating us, and ours is falling apart, and theirs is getting better. But you are recommending something else.

Mr. O'TOOLE. If you are looking at Europe, you find all over the place countries are building roads throughout Europe using public-private partnership.

Mr. DEFAZIO. Right.

Mr. O'TOOLE. Countries grant a franchise, and then the private companies put up all the money to build the road, and they pay for it out of tolls, and the——

Mr. DEFAZIO. I am familiar with the——

Mr. O'TOOLE [continuing]. Users pay all of the costs.

Mr. DEFAZIO. I am familiar with isolated instances where that is done. But they are still putting more money into and assessing much higher gas taxes than we are. They are obviously subsidizing their government with gas taxes, in addition to transportation.

So anyway, thank you, Mr. Chairman. It is an extraordinary view of the future that I hope doesn't come to pass.

Mrs. SCHMIDT. [presiding.] I don't think anyone here wants to eliminate Amtrak or eliminate Government help with Amtrak.

I think what—the purpose of this—these hearings are to get Amtrak to understand that we do not have an unending pot of gold here to help you remain operational. And so, together, we have to look at ways to make Amtrak more efficient and use less tax dollars in the process.

Now, Mr. Boardman, I know that I have probably gone on too long about the food service aspect and how we can possibly streamline the ways, and so I am not going to ask the question. But I remember a few weeks ago your reluctance to make it a cashless transaction, even when it was suggested that cashless transaction would save dollars. So, we can't have the kind of reluctance that I feel is coming from some folks out there to change the paradigm. What we have to do is find a way to change the paradigm so that Amtrak continues to run, so that when my grandchildren need to get on a rail and go somewhere, that that rail is there.

So, I want to ask you this, sir. This is a new question. Over the last 41 years, Amtrak has been in existence and has needed nearly $40 billion in taxpayer subsidies to remain afloat. Now, I don't care about the other groups. I am talking about Amtrak. This year, you received $1.4 billion in subsidies. Now, let's fast forward that to 2022. How much money do you think Amtrak is going to need? What is their financial situation going to be in 10 years if you needed $1.4 billion in subsidies this year? That is the question.

Mr. BOARDMAN. I don't know, Mrs. Schmidt. I think we could, you know, investigate something like that, and look at it. But it depends on what Congress really wants from us, in terms of high-speed rail, and some of the other services.

Mrs. SCHMIDT. Let me go back to that, sir. Before I came here, I started my life as a township trustee. And we looked at 5-year windows and 10-year windows for our modest pot of gold that we had of the taxpayer dollars. What could we do to provide police and fire? How could we also provide amenities? What could we do with the surface issues that we had, receiving very few Federal and State dollars? What was our 5-year projection and our 10-year projection? When I got to the State, I was on the financial committee that actually looked at budgets. And we again looked at a 5-year and a 10-year projection.

So, I think my suggestion to you, sir—and I will go to another question—is that perhaps maybe when you look at your financial situation, you don't do what many people in Government do and only look at a 2-year window. Look at that 5-year window and that 10-year window and say to yourself, "How can I become profitable? How can I use less tax dollars? What do I need to do, and what does the Government need to do to help me get to that end?"

And I think if you do that, the fiscal cliff that we will face—and we are going to face it in the next 12 to 24 months—you can't continue to monetize our debt and not see the fiscal cliff before us. And that means that all people are going to suffer in some fashion. And it also means the new people that are going to come and replace people like me are going to be perhaps a little more radical in their approach to what Government should be doing for its citizens. And so, I am cautioning you that, in order for you to continue to provide needed service for our country, that you have to look at ways of doing it better.

So my second question to you is can you produce—maybe not for this session, but for the next session—a 5-year and a 10-year window, so that you can really look at ways to prioritize and economize, and allow yourself to do what George Voinovich, when he was Governor of Ohio, commonly said, "Do more with less"?

Mr. BOARDMAN. Perhaps I misunderstood your first question. We do have capital plans and we have operating plans for the future. The difficulty has been, of course, that Congress only gives us an appropriation 1 year at a time. So, a lot of times, especially with our capital funding, we have to keep moving back, and don't—we can't move forward in the way that we believe that we should, because the dollars aren't there necessary for us to make that happen.

Mrs. SCHMIDT. Well, I am going to go to my next question. But when I was a township trustee, we had a 2-year window to look at at the State, and we had a 1-year window to look at at the county level. And yet we did 5- and 10-year projections, based on that.

Mr. BOARDMAN. Yes, ma'am, we do that.

Mrs. SCHMIDT. My second question to you is since 2008 taxpayer subsidy per ticket has increased more than $3. Do you believe this is a management failure in getting costs under control, or is there something else driving that cost?

Mr. BOARDMAN. We actually—and I think we disagree on this—we actually have reduced the amount of operating requests that we have made, not increased. When you look and you add the capital into the equation, then yes, that increases. But there has been major capital improvements with bridge replacements and other capital services that increase that cost because of the way it has been calculated.

Mrs. SCHMIDT. Well, then I think we have got a point of disagreement. But I want to go to another question, sir.

The inspector general has reported inadequate internal controls stemming from weak or poor management and oversight in such areas as food and beverage service, overpayments on—of on-time performance incentives, overtime use, and mechanical maintenance. How will the reorganization efforts currently underway improve internal controls and management oversight of the areas identified by the inspector general?

Mr. BOARDMAN. Several different ways. One of the things that came out today in our October Ink magazine, which I think is particularly—and I don't know if Congress gets this magazine—there is a program called CSPMI, which stands for Customer Service Performance Metrics Integrator. And what is happening is we are changing the way we manage. And this is right down to the bottom level of customer service and customer focus.

I think Ted is right, and he has been very solid in trying to provide the kinds of guidance that Amtrak would need for improving management for the future. And internal controls and risk management have a very important element in what we need to get done. But it needs to start right at the bottom and all the way to the top, and not just always at the top.

And part of the difficulty at Amtrak has been the very rapid turnover of managers and initiatives to make these improvements that need to get done. And they need to be done by the men and

women that really do the work, because they are ready and they are able and they do a damn good job. We need them to have the tools necessary to make this happen.

Mrs. SCHMIDT. OK. I could argue or try to figure out different ways to help you get to where you need to go, but I have one final question. And I am looking at the 10 worst-performing routes. And the Hoosier State Indianapolis, that is not that far from my house. It is a 2-hour drive. Chicago is a 5-hour drive. And I have learned in my lifetime that—I used to fly to Chicago. I now drive; it is easier. I have always driven to Indianapolis because it is just easier for me to get to from point A to point B.

But you only had 37,000 passengers in 2011 from Chicago to Indianapolis. Now, I understand that you always have a loss leader in any business model. But you apparently have 10 loss leaders. This is the one that has the fewest ridership. If you stop that route, how much money would you save, and how much of disruption of service overall would occur for Amtrak?

Mr. BOARDMAN. I don't have the numbers in front of me, Congresswoman, but I can tell you that there is another purpose for that particular route itself. We call it the hospital train. And while you could make a joke, I suppose, out of that, it really is the fact that equipment that needs to be worked on at our major Beech Grove facility is attached to that, that train, every night. Every morning, the ones that are finished go back to Chicago, which is our hub. So it provides us the ability to move our equipment back and forth. And while we were doing that, we decided we would try to give service to passengers, as well.

Mrs. SCHMIDT. Follow up, and then I will turn it—am I the only one here? Oh, I will turn it to Mr. Harris. Is there another way to get that equipment without using a rail service that is so costly? Or would it benefit to just have the equipment and the engines, so that you wouldn't have to have the food service and all the other people there?

Mr. BOARDMAN. There isn't any food service on that train at all. And we could put them on flatbeds, I guess, and take them down. And I am making a joke there. There is no way we would do that. We would need to use that route to get our equipment to and from Beech Grove while we had the major maintenance facility there.

Mrs. SCHMIDT. OK. Mr. Harris?

Dr. HARRIS. Thank you very much. I only have a couple of questions.

Mr. Boardman, if you could separate out the Northeast Corridor, what percent does the fare box pay of the cost on the Northeast Corridor?

Mr. BOARDMAN. All of it.

Dr. HARRIS. So is it even, in fact, more than 100 percent? I mean——

Mr. BOARDMAN. Yes——

Dr. HARRIS [continuing]. Subsidized——

Mr. BOARDMAN. We subsidize Congress with that one. I call it subsidizing Congress.

Dr. HARRIS. Right.

Mr. BOARDMAN. And that is that we don't receive the amount that we need from Congress for operating assistance for the rest of the system. Part of that money comes from the Northeast Corridor.

Dr. HARRIS. And what is the occupancy rate or the—how many percent of your seats are filled on the Northeast Corridor?

Mr. BOARDMAN. Actually today, which is Thursday, everything on Acela will be filled from about noon until about 6:00.

Dr. HARRIS. But over time. I mean because when—I know I get on airplanes now, it seems no matter what day I fly, they are mostly filled. So I know there are some days that are peak days. But when you average over time, what is the average?

Mr. BOARDMAN. I will get back to you with that. I don't have the average. But it is pretty high.

Dr. HARRIS. On the Northeast Corridor.

Mr. O'TOOLE. It is about 65 for the Acela, and——

Mr. BOARDMAN. I would rather get back to you, sir.

Dr. HARRIS. Sure. That is fine. If you could get me that answer, I would appreciate that.

And the—has—what has Amtrak done in order to increase that utilization? I mean have they done—and I think, last time I traveled to New York and looked at the fares, you do some fare adjustments. I mean like the airlines do——

Mr. BOARDMAN. Yes, we do.

Dr. HARRIS [continuing]. You raise and lower fares as you approach——

Mr. BOARDMAN. Yes.

Dr. HARRIS [continuing]. And you don't fill seats and all. OK.

Mr. BOARDMAN. We call it revenue manage.

Dr. HARRIS. Revenue manage. OK. That is great.

Now, Mr. Pantuso, let me say in your testimony—or I should say Mr. Boardman's testimony, he says that, you know, you won't see any bus in some of the small and mid-sized communities that our long-distance trains serve. How do you address that issue of if—you know, we say that Amtrak has to make money on everything, that in fact, small communities would lose service?

Mr. PANTUSO. Well, there is a couple of answers to that. First of all, we are serving more than 3,000 communities across the country, as compared to about 400, I think, or 500 communities that Amtrak serves. So we are already serving a lot more communities than any other mode of transportation.

Secondly, there has been some pull-out in some communities. I think Greyhound, a number of years ago, began pulling back the route system to be more of a point-to-point service. They still serve many, many, many thousands of communities around the country. But there certainly are places that have lost service because it wasn't profitable or it wasn't affordable. There was obviously no subsidy to continue running those buses. Companies that I represent run their businesses as business people. So if they can't afford it, if they are losing money, they pull out of communities.

But the other thing we have seen in a lot of rural communities is a better partnership between the intercity bus service and local transit providers, where in some cases the intercity provider might be running a route system. For example, maybe the coaches are going down I–35 out in the Midwest, and they are connecting with

a transit system that might be 20 miles away, bringing customers to and from that main trunk system. So, there is a lot of partnerships, but we still serve more than any other mode of transportation.

Dr. HARRIS. And you—and I imagine that, you know, part of the reason a bus company might choose to discontinue service in one of these locations is that it is competing with trains.

Mr. PANTUSO. In some cases, that might be the case. I would guess, for the most part, throughout the Midwest that probably isn't the case.

Dr. HARRIS. So both are serving the communities, both buses and trains?

Mr. PANTUSO. In some cases.

Dr. HARRIS. In some cases. Now, in your testimony, you said, you know, page five, you know, "Imagine what we could do if the barriers to competition were removed." What barriers are you talking about? What are the barriers to competition?

Mr. PANTUSO. The transportation system in the United States, unfortunately—and I don't have to tell you, you are on the transportation committee—but it is built in a stovepipe environment. You know, rail has funding, air has funding. Roads have funding. There is very little cooperation, in some cases, among the modes. Airplanes or airports sometimes exclude bus systems from even coming in to the airport, because they don't want to give up their parking revenue.

In other cases we have seen from different modes predatory pricing that, even though you have gotten good bus service in a system, you might see rail or another mode come in and try to knock that out. That doesn't make any sense. The systems ought to be working together for the passengers' benefit.

Dr. HARRIS. So specific barriers you would say are the—are what?

Mr. PANTUSO. Well, certainly one is funding. One is access to broader funding. I think in MAP–21 some of that is being corrected by allowing the bus to interact more with public facilities, and having more access to some of the public dollars so that, again, the dollars can be spent where they make sense, not just on a mode because that is where the funding has been.

Dr. HARRIS. OK. Yes—no, thank you very much for that.

Mr. O'Toole, you have anything to add to that?

Mr. O'TOOLE. Well, I think there is a feeling that somehow the Federal Government can pass out the money efficiently and accurately where it is needed, and I don't share that belief. Mr. DeFazio was expressing incredulity that I thought that we shouldn't subsidize the Port of Los Angeles. And yet his own district has the Port of Coos Bay, which competes directly with the Port of Los Angeles and doesn't get to take advantage of the same subsidies, although he would like to send subsidies to the Port of Coos Bay.

I would like to end all subsidies, and let the chips fall where they may. If shipping wants to go through the Port of Los Angeles, if people want to take a train, if people want to take a bus or fly, let them do it, but let them pay their full cost, and not have the expectation that I can live in Wolf Point, Montana, and have the Government subsidize mass transportation for me.

Dr. HARRIS. So in my district, which has rural areas, I mean, what would you—should there be any program to incentivize availability of transportation?

Mr. O'TOOLE. I live in a rural area. I live in a community of 140 people. And it is a very rural area. I don't even get cell service where I live. And I don't think the Government should subsidize my cell service. We certainly don't have bus service, and I don't think the Government should subsidize my bus service. When I decided to move there, I knew I wouldn't have access to those things. If I need access to those things, I will move to a place where I need to have access.

We are a mobile society. The average American moves 10 times or more in their lifetimes. So if people need that at some point in their lives, they can move to a community that has that. I don't think that everybody in the United States is entitled to Government support of their internet, their cell service, their transportation, and everything else, regardless of where they live and what the cost is in that location.

Dr. HARRIS. Thank you very much. And thank you, Madam Chairman.

Mrs. SCHMIDT. Thank you—is the mic on? This concludes the hearing. Any Member that wishes to have any remarks has up to—how many days—30 days for the remarks.

I want to thank the panel for your patience with all of us, and look forward to seeing you in the future.

[Whereupon, at 12:02 p.m., the committee was adjourned.]

THE HONORABLE PETER A. DEFAZIO
COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
HEARING ON
"A REVIEW OF AMTRAK OPERATIONS, PART III:
EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES"
SEPTEMBER 20, 2012

Mr. Chairman, I have to say I read with great interest the Republican staff briefing memo for this hearing, which *grossly* understates Federal investment in highways, transit and aviation and *grossly* overstates Federal investment in our national passenger railroad, Amtrak. In fact, the memo was so fraught with errors that the Committee received several calls from organizations that are critical of Amtrak in attempt to set the record straight. So let's look at the facts.

Amtrak was created 41 years ago; since that time, the railroad has received $41 billion in Federal funds; about $1 billion annually on average. Now here's where the math gets a little fuzzy folks. The Republicans claim that Amtrak's per passenger "taxpayer subsidy" averages $51 per passenger. They apparently got this number by dividing the total amount of appropriations over the past five years with the total number of passengers carried by Amtrak, which they claim is 28.1 million annually (on average).

I'm having a hard time with this figure since we just had a hearing on Amtrak's commuter rail operations and how improving those operations will further improve Amtrak's bottom line. The number of passengers carried on Amtrak annually is not 28.1 million; it's 254 million. According to Amtrak and Amtrak's Inspector General, 226 million additional passengers commute annually on Amtrak-operated commuter trains or on Amtrak infrastructure. So the Republicans completely disregarded commuters in their figures. Again, we confirmed this through Amtrak AND Amtrak's Inspector General. So if you take those 226 million additional passengers and the 28.1 million intercity passengers, divide that by their average annual appropriations over the past five years, then you are left with a "subsidy" of $5.62 per passenger; not $51. This compares to a "subsidy" of $9.59 per domestic passenger in capital funding for FAA facilities and equipment and grants for airport development projects, and that does not even include operations.

So what's wrong with that investment? Nothing; it's a public service. This Committee has always taken the position that we need to invest in transportation; investment means jobs. Yet somehow when we talk about passenger rail and Amtrak, it isn't an investment; it's a taxpayer subsidy.

We're arguing about $41 billion in 41 years; let's take a look at the other modes. According to the U.S. Department of Transportation, from 1958 through 2012, the United States has invested $1.486 trillion in our nation's highways, $538 billion in aviation, and $266 billion in transit.

Intercity buses also get a share. The 5311 program requires each state to spend 15 percent of its annual apportionments to develop and support intercity bus transportation (which includes capital and operating assistance); the industry receives funding to pay the incremental capital cost of Americans with Disabilities Act retrofits; they receive homeland security funding to help upgrade terminals, garages, and retrofit buses to provide driver protections, training, and emergency communications systems; they get additional support from states and local communities, and they get tax credits and exemptions, including a 17 cent reduction on the 24.3 cent fuel tax. I support that but if we're going to compare Amtrak to other modes then we need to be making fair comparisons.

The Republicans are quick to claim that the highways, transit and aviation programs all pay for themselves through user fees and that somehow that's no cost to the taxpayer. Budgeting 101: user fees are taxes paid by the taxpayer, plain and simple. So whether it's paid at the pump or paid through appropriations, it's a cost to the taxpayer.

But what the Republicans don't mention is that the highways and transit programs don't pay for themselves. According to the DOT, between FY 2008 - FY 2010, a total of $34.5 billion in general fund revenues were transferred into the Highway Trust Fund. MAP-21 transfers an additional $18.8 billion from the General Fund ($6.2 billion in FY 2013 and $12.6 b in FY 2014). This means that in the last four years alone, the taxpayers have spent more -- $53.3 billion – on just highways and transit than they have spent in the entire 41 years Amtrak has existed.

Yet somehow Amtrak is expected to survive without Federal assistance. The fact is no form of public transportation – whether it's here in the U.S. or abroad – operates without Federal support.

The Republicans think the private sector can do better – the lowest bidder with low-wage workers and little to no benefits. That's what this is about. But they know this requires Federal assistance. The draft Competition for Intercity Passenger Rail in America Act of 2011, which Chairman Mica released in June 2011, would have outsourced all of Amtrak's long-distance routes to private operators (with the lowest bid). But instead of letting the "free market" work, the Republicans then would have transferred Amtrak's operating assistance for those routes to the new operator. The same process would have taken place for the Northeast Corridor, the corridor where Amtrak actually maintains an operating profit. If the private sector can do it better, then they should not need Federal funding.

Each hearing on Amtrak we hear what other countries are doing. I'm sure we'll hear it again today. Well, those countries get it when it comes to passenger rail; they invest and they invest heavily. Germany: $11.6 billion. Italy: $8 billion. France: $5.5 billion. UK: $4.6 billion. Yet members on the other side of the aisle are appalled Amtrak can't be bigger and better on a shoestring budget of $1 billion annually. You get what you pay for, Mr. Chairman.

REPUBLICAN MEMO
(IN MILLIONS)

Amtrak 5-Year Taxpayer Subsidy Per Rider			
Year	Total Number of Passengers	Federal Appropriations	Per Ticket Subsidy
2007	25.8m	1.294b	$50.16
2008	28.7m	1.325b	$46.17
2009	27.2m	1.490b	$54.78
2010	28.7m	1.565b	$54.53
2011	30.2m	1.486b	$49.25
Average	**28.1m**	**1.432b**	**$50.97**

ACTUAL FIGURES
(IN MILLIONS)

Amtrak 5-Year Taxpayer Subsidy Per Rider					
Year	Total Intercity Passengers	Total Commuters	Total Amtrak Passengers	Federal Appropriations	Per Ticket Subsidy
2007	25.8m	215m	240.8m	1.294b	$5.37
2008	28.7m	221m	249.7m	1.325b	$5.31
2009	27.2m	221m	248.2m	1.490b	$6.00
2010	28.7m	240.5m	269.2m	1.565b	$5.81
2011	30.2m	234m	264.2m	1.486b	$5.62
Average	**28.1m**	**226.3m**	**254.4m**	**1.432b**	**$5.62**

Source: Amtrak and Amtrak Inspector General

SENIOR DEMOCRATIC WHIP

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RANKING MEMBER

COMMITTEE ON TRANSPORTATION AND INFRASTRUCTURE
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SUBCOMMITTEE ON HIGHWAYS AND TRANSIT

CONGRESSIONAL BLACK CAUCUS
CHAIR, 107TH CONGRESS

Eddie Bernice Johnson
Congress of the United States
30th District, Texas

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Statement for the Record
Congresswoman Eddie Bernice Johnson
House Committee on Transportation & Infrastructure
Thursday, September 20, 2012
Hearing on:

A Review of Amtrak Operations, Part III: Examining 41 Years of Taxpayer Subsidies

Mr. Chairman, I feel that this Committee's time and resources have been spent disproportionally on Amtrak hearings, and the intent has been less to affect positive policy changes than to act as a platform to expound partisan talking points. As a nationwide rail network, Amtrak serves more than 500 destinations with an average ridership of 75,000 per day. During Fiscal Year 2011, Amtrak transported more than 30 million passengers, the largest annual total in Amtrak's history. Amtrak has reduced its federal operating subsidies by nearly 50 percent since Fiscal Year 2004, allowing the rail service to cover some 85 percent of its operating expenses on its own. These numbers are something to be highlighted during this hearing.

My Republican colleagues are very critical of the federal funds Amtrak receives. I think this approach is short-sided and wrong-headed. When we compare the investments that other countries devote to their passenger rail systems, the United States is woefully behind. As a Nation, we have prioritized investment in surface transportation, transit, ports, and passenger rail should be no different.

In addition, every member of this Committee knows that we must pursue a multi-modal approach to accommodate increased population and address congested urban areas. According to the Federal Railroad Administration, by 2050 the

United States will add some 100 million residents, placing an unparalleled strain on U.S. transportation networks, and rail offers the greatest opportunity for sustainable growth supporting these citizens. We are at a point now where we simply cannot build our way out of these problems, and passenger rail not only provides accessibility to both rural and urban areas, it takes cars off the roads and reduces emissions.

Mr. Chairman, we have very few days left that the Congress will be in session. We should be using this time to pursue more pressing matters, like the reauthorization of the Water Resources Development Act, or a rail title that should have been included in MAP-21.

TESTIMONY

OF

JOSEPH H. BOARDMAN
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMTRAK
60 MASSACHUSETTS AVENUE, NE
WASHINGTON, DC 20002
(202) 906-3960

BEFORE THE

COMMITTEE TRANSPORTATION & INFRASTRUCTURE

OVERSIGHT HEARING ON
"A REVIEW OF AMTRAK OPERATIONS PART 3:
EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES"

THURSDAY, SEPTEMBER 20, 2012
9:30 A.M.
2167 RAYBURN HOUSE OFFICE BUILDING

Mr. Chairman, Ranking member, Members of the Committee, good morning.

I'm here today to talk to you about Amtrak, America's Railroad. Since the focus of today's hearing is on the value Amtrak provides for the Federal funding we receive, I'll start with a few key metrics that highlight our performance.

Last year (FY11), Amtrak recovered 79% of its operating costs from fare box revenues, up from 76% in FY10. That's well ahead of all of the other U.S. passenger railroads, which have fare box recoveries between 5% and 60%.[1] When you add the net revenues that Amtrak generates from other activities that reduce our Federal funding requirements – such as real estate, and our operation of contract commuter services that was the subject of the hearing earlier this month – revenues cover 85% of operating costs.

What that means is that Federal taxpayers pay just 15 cents of every dollar Amtrak spends on our operations. Our Federal operating grant in FY12 – $466 million – works out to $1.48 per American. That's less than the cost of a small cup of coffee at the Starbucks in Washington Union Station.

And the longest line at Union Station these days isn't for Starbucks, but rather to board our trains. Amtrak ridership has grown more than 44% since 2000. That's a major reason our Federal operating funding need, adjusted for inflation, has gone down almost 50% since 2004. We set annual ridership records in 8 of the last 9 years despite the Great Recession, and monthly records in 11 of the last 12 months. At the end of this month, we expect to once again set new annual and monthly records.

We've improved our performance in many other ways as well. We cut our debt by more than half over the last ten years, from nearly $4 billion to $1.6 billion. On-time

[1] National Transit Database, 2010 Annual Transit Profiles for commuter railroads and the Alaska Railroad (http://www.ntdprogram.gov/ntdprogram/data.htm).

performance has improved on all of our business lines, increasing to 88.4% on the Northeast Corridor during the first 11 months of FY12 despite all the track work and bridge replacements we're doing to bring the Corridor to a state-of-good repair.

We've achieved these accomplishments even though, throughout Amtrak's existence, passenger rail has received only a tiny portion of the annual Federal transportation budget. To give just one example, in the past four years the Federal government has appropriated $53.3 billion from the General Fund of the Treasury to bail out the Highway Trust Fund. That's almost 30% more than the *total* Federal expenditure on Amtrak since 1971. Revenue generated from highway users accounted for only 45.7 percent of total funding available for highways in 2010. The rest came from taxpayers.

Amtrak has significantly improved financial performance while meeting the statutory obligation to "operate a national rail passenger transportation system which ties together existing and emergent regional rail passenger service."[2] None of our 15 long distance train routes covers all of its operating costs. But long distance trains are heavily utilized: their ridership grew 18.4% from FY07 to FY11, and they accounted for 43% of our passenger miles in FY11.

Long distance trains play an important role in national mobility and connectivity. They provide the only intercity passenger rail service in 23 states and 223 cities and towns. They connect our 28 short distance corridor routes, creating a national public transportation network. Most importantly, our long distance trains are increasingly the *only* public transportation option for many who ride them.

The Chinatown and other curbside buses that have proliferated on the streets of our major cities have attracted a lot of attention. They're especially prevalent between

[2] 49 U.S.C. 24701.

Washington and New York, where they provide service that is cheaper than our trains but is much slower (scheduled trip time of four and a half hours) and subject to traffic delays. Our ridership between Washington and New York has continued to grow since curbside buses entered the market.

But you won't see a curbside bus – or, increasingly, *any* bus – in the small and mid-sized communities our long distance trains serve. While intercity bus service is increasing in a few major city markets, it has declined precipitously the rest of the country. Bus operators – and airlines – have cut service to smaller cities and rural communities for the same reason all of the private railroads eagerly got out of the passenger business after Amtrak was created: the service loses money. According to the Bureau of Transportation Statistics, the number of Americans who no longer have access to intercity bus or air service, and are served only by Amtrak, *tripled* in just five years.[3]

In addition to serving locations no longer served by intercity bus, Amtrak has Thruway bus connections, many of which are operated in partnership with privately-owned bus companies, that link places rail does not serve to our national network. Next month, we will begin connecting bus serve to the eastern part of North Carolina. In California, one in three rail passengers begin or end their trip on a bus.

We also hear a lot about privatization of passenger rail services in other countries. In a number of countries, including the United States, many commuter and local rail services are operated by for-profit, multinational companies that receive government subsidies. However, only two major countries – Japan and Great Britain – have

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[3] Bureau of Transportation Statistics, *The U.S. Rural Population and Scheduled Intercity Transportation in 2010: A Five-Year Decline in Transportation Access*, February 2011.

privatized *intercity* passenger rail services to any significant extent. The results have been mixed at best.

- Japan privatized its services *after* the government-funded construction of the country's major high-speed lines. It also provided a huge one-time infusion of funding to subsidize future losses from unprofitable services, and continues to provide funding for construction of new high speed lines.
- In Great Britain, a government-commissioned report issued last year concluded that the "objectives of privatization [were] not achieved" because public funding needs have increased rather than decreased.[4] Government expenditures on passenger rail rose from less than £2 billion ($3 billion U.S.) in 1993-1994, the year privatization began, to £4.6 billion ($7.4 billion U.S.) in 2010-2011. The share of the railway system's costs (operating and capital) paid by the British public rose from 40% to 50%.

No country has succeeded in constructing an initial high speed rail (HSR) system primarily or exclusively with private funding. Great Britain and Taiwan had to take over, at huge public expense, the private entities created to develop their initial HSR lines. In Australia, Brazil and Argentina, planned HSR systems were scuttled after it became apparent that the anticipated private funding would not be forthcoming.

Finally, I want to emphasize that Amtrak is not complacent about our recent accomplishments. Rather, we aim to do much better. To achieve that objective:

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[4] *Realizing the Potential of GB Rail: Report of the Rail Value for Money Study, Summary Report*, May 2011 (http://www.dft.gov.uk/publications/realising-the-potential-of-gb-rail/), p. 41.

- We have begun implementing our Strategic Plan[5] by, among other things, expanding our Safe-2-Safer initiative, restructuring our operating departments by business line to improve our bottom line and enhance customer focus and adopting strategic management techniques used by the nation's largest and most successful companies.
- We have issued a new Fleet Strategy[6] and have begun its implementation. We've ordered 70 new electric locomotives for the Northeast Corridor, and 130 long distance single level cars to replace equipment that is more than 50 years old.
- We've successfully rolled out our nationwide eTicketing program, replacing 19th century railway processes with innovative mobile technology that won an award from IDG's CIO magazine.
- We now offer Wi-Fi on most of our trains.

Federal expenditures on Amtrak during the past 41 years pale next to what virtually every one of our European and Asian competitors has spent on passenger rail. But Amtrak has provided a high return on the limited Federal investment we've received. Our aim is to continue to do that in the years ahead. Thank you.

[5] http://www.amtrak.com/ccurl/30/12/Strategic-Plan-2011-2015.pdf.
[6] http://www.amtrak.com/ccurl/36/921/2012-Amtrak-Fleet-Strategy-v3.1-%2003-29-12.pdf.

Chairman Bill Shuster
Questions for the Record
House Committee on Transportation and Infrastructure
Oversight Hearing: "*A Review of Amtrak Operations Part 3: Examining 41 Years of Taxpayer Subsidies*"
Tuesday, September 20, 2012

Question 1:
Mr. Boardman, I understand the Next Generation Equipment Committee (NGEC) is in the process of preparing to draft the request for proposals for the multistate locomotive procurement. From what I have been told, the Federal Railroad Administration has been focused on the maximum speed standard. While I appreciate their interest in technology development, it seems appropriate that other policy considerations and cost should also be appropriately factored into the procurement process.

In your opinion, as long as the locomotives comply with the other specifications, is it in the best interest of taxpayers that the RFP should explicitly allow alternative bids of 110 mph locomotives to be submitted?

Answer to Question 1:
All PRIIA 305 rolling stock equipment is specified to operate at a top speed of 125 mph (Tier 1) with an expectation for a 30+ year operational life. The current PRIIA locomotive specification was developed by the NGEC/S305 Technical Subcommittee which consists of numerous industry members, including locomotive manufacturers, as well as representatives from FRA, States and Amtrak and complies with the S305 Executive Committee's requirement for 125 mph.

When this specification was developed, the reduced fuel tank capacity as well as a reduced size HEP system was required to assist in reducing locomotive axle weights to meet dynamic track loading criteria and allow 125 mph operation. This reduction in fuel handling capacity and reduced HEP performance made this design unacceptable to meet Amtrak's operational needs. However, recent technological design advancements appear to allow the potential for speeds of 125 MPH in the USA and an increase in fuel capacity and HEP output which would then meet Amtrak needs.

There is currently limited track that can support operational speeds of 125 mph. It is unknown what future changes in track infrastructure will become available over the next 30 years. While operating a 125 mph locomotive at 110 mph is a non-issue, the reverse is not true as a future conversion of a 110 mph "conventional" locomotive to operate at 125 mph is estimated to be uneconomical at this point. Accepting a "conventional" 110 mph locomotive today may mean a complete locomotive replacement in the future should market needs and track infrastructure change, and the locomotive design hasn't initially been engineered with that consideration. Other details of the differences of these locomotive designs are summarized in the answer to question 3.

With the future of track upgrades being unknown as well as the future conversion cost of a 110 mph locomotive to 125 mph and proven technological advancements of 125 mph locomotive, it is believed appropriate to request an option for locomotive manufacturers to invest R&D and initial engineering design flexibility that would provide a common locomotive platform for a 110 mph locomotive, derived from the 125 mph locomotive S305 specifications, to meet Amtrak's operational needs, while providing cost information for 110 mph and 125 mph locomotives.

Question 2:
Are you aware of any passenger rail routes, other than the NEC and California blended corridors, where trains will travel at speeds of 125 mph or more?

Answer to Question 2:
I am not aware of any other track in the United States that allows for 125 mph operation other than the NEC and plans in California. Recent activities in other states have raised track speed from 79 mph to 110 mph. These track speed increases have occurred in Illinois and Michigan. There may be plans for higher speed track in other locations of which I am not aware.

Question 3:
From your position as a member of the NGEC and in your experience as a major purchaser of passenger locomotive equipment, explain what, if any, meaningful differences there are between top speeds of 110 mph and 125 mph?

Answer to Question 3:
Meaningful differences between locomotives capable of operating at 110 mph and 125 mph are as follows:

- Track forces, especially in curves, require lighter axle weight as speed increases to keep track forces at acceptable levels.
- Locomotive suspension changes would be required possibly going from "axle hung" to "frame hung" traction motors.
- Drag increases as the square of the speed of the locomotive. Increases in locomotive horsepower are necessary to overcome the increased drag of the locomotive and the trailing cars at this increased speed.
- The gear ratio between the traction motor and the drive axles will change as a function of speed.
- Fuel consumption will increase 17% to go from 110 mph to 125 mph operational speed.

NATIONAL RAILROAD PASSENGER CORPORATION
60 Massachusetts Avenue, NE, Washington, DC 20002

November 13, 2012

Honorable Corrine Brown
Ranking Democratic Member
Subcommittee on Railroads, Pipelines,
and Hazardous Materials
Committee on Transportation and Infrastructure
U.S. House of Representatives
Washington, DC 20515

Dear Representative Brown:

Per your request of October 11, 2012, enclosed are responses to questions for the record as a result of the September 20th hearing on the "A Review of Amtrak Operations, Part 3: Examining 41 Years as Taxpayer Subsidies."

Please let me know if you have additional questions or if I can be of further assistance to you.

Sincerely,

Patrick Edmond
Senior Director
Government Affairs-House

Enclosure

WITNESS QUESTIONS FOR THE RECORD
THE HONORABLE CORRINE BROWN TO MR. JOSEPH BOARDMAN, AMTRAK

FULL COMMITTEE HEARING ON "A REVIEW OF AMTRAK OPERATIONS, PART III: EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES"
SEPTEMBER 20, 2012

Question 1:
PRIIA authorized the Treasury Secretary to restructure Amtrak's debt. Why was that important? Was it done? And did it account for all Amtrak's debt or do you require more debt restructuring assistance from Treasury?

Answer to Question 1:
Section 205 of PRIIA authorized the Treasury Secretary to aid in the restructuring of Amtrak's debt. Treasury acted under this authorization and committed to fund Amtrak's exercise of thirteen (13) lease early buyout options in fiscal years 2011-2013. The total amount of funds committed by the Treasury was $420 million.

By terminating leases, Amtrak avoided $582 million in future lease payments for a net savings of $162 million, and we also acquired unencumbered ownership of the locomotives and passenger cars that were subject to these thirteen leases.

This action by the Treasury was extremely beneficial in reducing Amtrak's rolling stock capital lease burden; however, it did not eliminate all of Amtrak's indebtedness. The Treasury program will expire with the funding of the thirteenth lease early buyout option on July 1, 2013. After that date, Amtrak has lease early buyout opportunities for which we do not have committed funding; e.g., in fiscal years 2014-2019, Amtrak has buyout opportunities that would cost approximately $600 million to execute, but which would save future lease payments of approximately $1.0 billion for a net savings of $400 million.

The funding support extended by the Treasury under the guidance of PRIIA has greatly benefited Amtrak's efforts to reduce its debt and financing costs and to secure ownership of its fleet; however, there are further opportunities for significant savings if additional funds are available.

Question 2:
The rail title of H.R. 7 reduces authorizations for Amtrak's operating grants. The Republicans claim this is because Amtrak requested less funding for operations, but Amtrak also requested a corresponding increase in capital. H.R. 7 does not increase Amtrak's capital grants. Democrats offered an amendment in Committee to increase Amtrak's capital; Republicans rejected the amendment. What sort of jobs are sustained and created from increased capital assistance?

Answer to Question 2:
Amtrak uses Federal capital funding to invest in our infrastructure and systems, which can range from locomotives and rolling stock to information technology systems for core corporate functions such as financial accounting and reservation and ticketing. Consequently, capital investment funds job creation and sustainment in a wide range of fields, both within and outside Amtrak. Some capital work is done with Amtrak's own workforce; work of this type typically requires a range of traditional railroad crafts such as skilled metalworkers, electrical workers and

various construction crafts. Some managerial tasks, such as engineering design work, are also encompassed in capital work.

Amtrak also contracts with other companies to perform work of various kinds; some of that work is similar to the work we do with our own workforce, but our aggressive program of IT systems implementation has involved contracts with nontraditional partners that have helped us to conceptualize, design and implement our new financial accounting system, Wi-Fi and our eTicketing solution.

Question 3:
You state in your FY2013 grant request to Congress that "decreased [federal funding] for capital has allowed for little more than maintaining the current status of the infrastructure and rolling stock. There are no available funds for addressing deferred maintenance, investing in improvements that would grow the business, or replacing aged rolling stock." What impact does this have on Amtrak and its employees and passengers and on taxpayers in general?

Answer to Question 3:
The impact of deferred investment is direct and immediate, and it will be felt by passengers and the taxpayers. Amtrak has set nine ridership records in the last ten years, and we have reduced our operating subsidy, but those improvements are a product not only of improved operations and management, but of capital investment. Capital investment allowed Amtrak to return much-needed equipment to service, so that it could accommodate rising demand. Capital investment also allowed Amtrak to make repairs that would improve the resiliency, safety and security of our infrastructure in the Northeast. Travelers experience these benefits when their trains arrive on time, and the improvements Amtrak has made since 2002 are today reflected in our on-time performance on the Northeast Corridor, which reached 89.7 percent for *Acela* in FY 2012, and 86.5 percent for our *Northeast Regional* trains.

While these improvements were important, the fact remains that much of the infrastructure on the Northeast Corridor dates from the first half of the twentieth century. While we have replaced much of the track and several bridges, the remaining bridges and the electrical system continue to age and will require replacement. Work is ongoing in many places, such as our New Jersey High Speed Rail Improvement Program, which will replace part of the aging electrical system in New Jersey with a new and more modern system that will support higher speeds. From the taxpayer's and traveler's perspectives, money spent on improvements of this kind often delivers a bonus – for when we replace an asset, we don't just sustain our reliability – we look for opportunities to deliver a performance improvement. These improvements help us to offer a better service and a corresponding reduction in our operating need; correspondingly, a failure to invest leads not merely in the direction of the additional expenses we occur when the signal system fails or the electrical system shuts down, but to downstream reductions in ridership and revenues and a consequent increase in operating costs.

Question 4:
During the hearing, Chairman Mica referenced a 2008 report that showed the average subsidy per ticket in aviation was $4.28, mass transit $.95, intercity commercial bus $0.10 and Amtrak $46.33. Are you familiar with this report? If so, who issued the report? Do you agree with the Amtrak figure? We believe the figure only included intercity passengers, but not Amtrak's commuter passengers, or passengers that were transported on infrastructure owned and maintained by Amtrak.

Answer to Question 4:
The report containing the referenced figures was actually issued in 2011, and it was funded by the bus industry (There's a link on the American Bus Association's website at http://www.buses.org/ABA-Foundation/Research). While we cannot vouch for the accuracy of the aviation, mass transit or bus figures, we do not believe they are comparable, for two reasons. One, Amtrak and other rail providers bear all of the costs of providing, operating and maintaining their own rights-of-way, while Federal, state and local governments provide highways and the services required to maintain them – snow removal, for example – without billing the users who are beneficiaries or recovering the full costs through user-paid taxes and fees. Revenue generated from highway users accounted for just 45.7 percent of total funding available for highways in 2010; the rest came from taxpayers. Moreover, any Amtrak per passenger figure that does not include commuter passengers who benefit from Federal funding to Amtrak is incorrect. Currently, commuter rail services that operate over Amtrak infrastructure (primarily the Northeast Corridor) are able to obtain services and access at a rate that does not reflect their full proportionate share of the costs. Amtrak is working with the commuter agencies, as mandated by Section 212 of PRIIA, to address the cost allocation issue.

Question 5:
During the hearing, Mr. Pantuso testified that there is only a "modest difference in time" between train and bus service on the Northeast corridor. Is this accurate?

Answer to Question 5:
To get a fair comparison, we chose to examine a market where the bus and train enjoy essentially the same terminal point – in this case, the run between Baltimore Penn Station and Newark Penn Station. The Bolt Bus website offers the passenger a choice of four daily trips, each scheduled for 3 hours, fifteen minutes. By contrast, Amtrak offers two types of service between the same two points – an *Acela* service that generally takes about 1 hour and 56 minutes (although times vary slightly, depending on the number of stops) and a *Northeast Regional* service that generally takes about 2 hours and 22 minutes (the same caveat applies). Apart from the obvious time differential, Amtrak offers the traveler a choice of 35 southbound *Acela* and *Northeast Regional* departures, and 36 northbound departures.

Question 6:
During the hearing, Mr. O'Toole testified that passenger trains are an obsolete form of travel. Please discuss Amtrak recent ridership levels, and provide a response to this statement.

Answer to Question 6:
For an obsolete form of travel, intercity passenger rail is doing remarkably well. Last week, we announced our ninth annual ridership record in ten years. Our company set twelve consecutive monthly ridership records, and July was the best single month in Amtrak's history. Moreover, more than two-thirds of our short distance corridor services set new annual ridership records. We believe these numbers show that there is a strong latent demand in America for transportation choices and particularly the choice Amtrak offers: fast, frequent and reliable intercity passenger rail service.

Question 7:
In his testimony, Mr. O'Toole claimed that bus service "involves minimal dedicated infrastructure." What type of infrastructure other than highways – which we know are subsidized – do buses rely on? Who is responsible for building and maintaining that infrastructure and how is it paid for? How about facilities you use such as intermodal facilities like the $1.7 billion inter-

modal center in Miami (mentioned by Chairman Mica)? Will buses have access to that? How are those paid for?

Answer to Question 7:
Busses are often thought to require minimal dedicated infrastructure, but that's not the same thing as saying they leave no footprint. At many of Amtrak's major terminals, bus services use curbsides either adjacent to or in close proximity to the station, but do not erect facilities for passengers. Consequently, many of these passengers use facilities such as toilets and waiting rooms at the rail terminals, particularly in inclement weather. As it relates to the Miami Intermodal Center, we are very interested in possibly moving to the "center" with the other modes. However we are still assessing operational and capital cost associated with the move. I expect to have greater understanding by the first part of next year.

Question 8:
Do you believe comparing Amtrak with intercity buses is a fair comparison? For example, who is responsible for snow removal on the Northeast Corridor? When you were Secretary of the New York Department of Transportation did intercity buses contribute to removal of snow on the freeways? How about infrastructure? Who builds and maintains Amtrak's infrastructure and facilities? How does this compare to buses?

Answer to Question 8:
Unlike intercity busses, and for those matter airlines, Amtrak provides many of its own services, particularly in the Northeast, where we are responsible for much of the infrastructure maintenance. Bus companies do not pay the government for the cost of snow removal, but we incur these costs. Bus companies do not absorb the cost to fix traffic lights or repair potholes, but Amtrak pays the maintenance costs for much of the Northeast Corridor. Bus companies do not pay for the police who secure the terminal facilities they use – but the taxpayers do, and in some cases, Amtrak does; we police our own infrastructure and provide the staff to direct and control traffic on our lines, unlike the bus or airline industries.

Furthermore, when Amtrak uses the infrastructure owned by other railroads – regardless of whether they are publicly owned operations like Metro-North Commuter Railroad or private companies like Union Pacific, we pay for access to their right-of-way. In addition to the investments we make in Amtrak-owned right-of-way in the Northeast, New York, Pennsylvania, and Michigan and at major rail terminals across the country, Amtrak paid its host railroads $124 million in FY2011 for access and incentive fees for on-time performance.

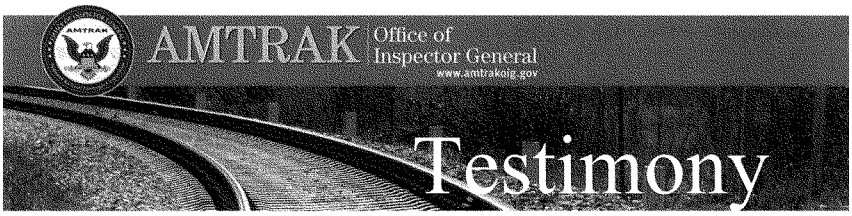
WITNESS QUESTIONS FOR THE RECORD
TO MR. JOSEPH H. BOARDMAN, AMTRAK

FULL COMMITTEE HEARING ON
"A REVIEW OF AMTRAK OPERATIONS, PART III:
EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES"
SEPTEMBER 20, 2012

You have talked about the need to modernize your fleet in order to improve operational performance and maximize cost-efficiency. Do you have an opinion on whether new diesel-electric locomotives for Amtrak service should go 110 mph or 125 mph?

Answer: Amtrak continues to support the diesel locomotive specification developed by the PRIIA Section 305 Committee and the recommendation to proceed with issuing the Request for Proposals (RFP), which includes a locomotive capable of 125 MPH based on the industry comments received.

Amtrak understands that the intent of the procurement and RFP process is to develop next generation diesel locomotives. It is also our understanding that this process will include an option for long distance locomotives derived from the Section 305 diesel locomotive specification. We believe this approach will support the Section 305 mandate by meeting alternate service needs and providing a platform that includes research and development and engineering design flexibility to meet Amtrak's operational needs, which include those related to EPA Tier 4 emissions standards, greater head-end power and greater fuel tank capacity.



Before the Committee on Transportation and Infrastructure,
House of Representatives

Opportunities for Amtrak to Build on Its Initiatives to Improve Efficiency and Effectiveness

Statement of Ted Alves
Inspector General
National Railroad Passenger Corporation

Thursday, September 20, 2012

9:30 a.m. EDT

Not Releasable until 9:30 a.m. Thursday, September 20, 2012

OIG-T-2012-022

Good Morning Chairman Mica, Ranking Member Rahall, and Members of the Committee:

Thank you for the opportunity to discuss how improvements in the efficiency and effectiveness of Amtrak's operations and service can lead to financial benefits and help reduce Amtrak's reliance on federal subsidies. The company received $562 million and $466 million from the federal government for operations in Fiscal Years (FY) 2011 and 2012, respectively. The company also received $922 million and $952 million from the federal government for general capital and debt service in FYs 2011 and 2012, respectively.

Over the past couple of years, Amtrak has taken important steps to set a foundation for improving its operational efficiency and effectiveness. At the same time, Amtrak has opportunities to do more to improve its bottom line while meeting the expectations of Congress and the American traveling public.

My testimony today will discuss three areas:

1. Initiatives Amtrak has underway to improve the efficiency and effectiveness of its operations and service.

2. Opportunities we have identified based on our recent work where Amtrak can build on those initiatives to reduce federal subsidies.

3. Future work we plan to accomplish to identify additional opportunities for Amtrak to become more efficient and effective.

INITIATIVES TO IMPROVE THE EFFICIENCY AND EFFECTIVENESS OF OPERATIONS AND SERVICE

Today, Amtrak is more focused than before on improving the efficiency and effectiveness of its operations and service. It has in the last year issued a strategic plan with specific goals, key metrics, and targets to guide the company's efforts to improve its performance, including achieving organizational excellence and improving financial performance.[1] It is also taking action to hold people accountable for results. We are supportive of these actions and encourage the company to sustain its efforts in these areas.

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[1] *Amtrak Strategic Plan, FY 2011–FY 2015*, September 30, 2011.

Central to Amtrak's initiatives to become more efficient and effective is its strategic plan for FYs 2011 through 2015. This plan communicates Amtrak management's vision for the company, along with strategies and tactics to achieve that vision.

Within its strategic plan, Amtrak established five goals to drive performance across the company: safety and security, customer focus, mobility and connectivity, environment and energy, and financial and organizational excellence. To accomplish these goals, Amtrak established a series of metrics and 5-year performance targets for each goal. It also established seven corporate-level strategies, such as the establishment of business lines to better manage financial performance and respond to the wants, needs, and expectations of various customer groups.

Since the plan was issued, Amtrak has undertaken a series of initiatives to begin realigning operations to help position the company to accomplish its goals. These initiatives include

- integrating operating departments within geographic regions to align them with the strategic plan's new business lines and assigning accountability for achieving results, to include improving profit-and-loss results;
- strengthening human capital management to address existing deficiencies, including hiring a chief human capital officer; and
- developing a strategic management system to guide the execution of the strategic plan and mitigate risks that could affect successful execution.

While these important initiatives show Amtrak's commitment to make changes that will reduce federal subsidies, the company is still in the early stages of its change process. To be successful, Amtrak will need to sustain these initiatives over the long term, and implement them effectively.

OPPORTUNITIES TO BUILD ON INITIATIVES

The company's ongoing initiatives are important and needed steps for improving its operational efficiencies and effectiveness. Our recent work shows that sustaining and effectively implementing these initiatives has the potential to significantly reduce Amtrak's reliance on federal support. Using a risk management approach to improve management controls is also needed to help Amtrak focus on improving financial results. I have selected examples from our recently issued investigative, audit, and evaluation reports to illustrate those opportunities:

- ***Overtime Fraud and Abuse.*** We recently reported that multiple employees defrauded Amtrak by being paid for regular and overtime hours not worked.[2] We also identified other serious abuses, including misuse and potential theft of property, misuse of computer resources, and a pervasive lack of supervision by responsible union and management officials. Specifically, we found that first-level management and union supervisors provided inadequate supervision and oversight and did not prevent the fraud or abuse that occurred. While we were not able to conclusively quantify the full amount lost to fraud in this investigation, it is likely that additional employees were paid for hours that were not worked; losses could total over $100,000. In response to our report, Amtrak management has acted quickly and aggressively to discipline those employees who committed fraud, misused company resources, or failed in their supervisory responsibilities.

  Given the breakdown in management controls, and concerns about excessive overtime paid to employees (overtime paid at Amtrak totaled over $200 million in Calendar Year 2011), we have audit work underway reviewing company-wide management controls over employees' use of overtime.

- ***Food and Beverage Service.*** In 2011 and 2012, we reported that the company could improve management controls over its on-board food and beverage service.[3] In our 2011 report, we estimated that $4 million to $7 million of Amtrak's on-board food and beverage sales could be at risk of theft because of inadequate management controls. Further, in our 2012 report, we identified two areas in which food and beverage program management could be improved—accountability for program results and program-wide planning. Responding to our recommendations, Amtrak established a loss-prevention unit and has plans to implement an action plan to address weaknesses and gaps in the on-board food and beverage service. Amtrak also established a chief of customer service position within the Transportation Department, which will have accountability for improving Amtrak's food and beverage service program. Also, on August 6, 2012, Amtrak's President and CEO indicated that a test of cashless sales will be conducted. To improve program planning, we recommended that Amtrak develop a 5-year plan for reducing food and beverage direct operating losses. Amtrak concurred with this recommendation and stated that a plan will be developed within 6 months of filling the chief of customer service position.

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[2] *Fraud: Overtime Fraud and Abuse by Amtrak's Mid-Atlantic Communications and Signals Department Employees* (OIG-I-2012-018, September 5, 2012).

[3] *Food and Beverage Service: Further Actions Needed to Address Revenue Losses Due to Control Weaknesses and Gaps* (Report No. E-11-03, June 23, 2011) and *Food and Beverage Service: Initiatives to Help Reduce Direct Operating Losses Can Be Enhanced by Overall Plan* (OIG-A-2012-020, September 7, 2012).

Our ongoing food and beverage work is focusing on ways to further mitigate the food and beverage direct operating losses of $84.6 million in FY 2011. We are examining best practices used by other public- and private-sector entities that provide food and beverage services to passengers, such as foreign passenger railroads, cruise lines, and airlines.

- ***Mechanical Maintenance.*** In May 2012, we reported that Amtrak had made significant progress in improving its mechanical maintenance processes and procedures for the Acela fleet.[4] These improvements increased the reliability and availability of the Acela fleet and allowed Amtrak to deploy two additional trainsets, generating over $50 million in additional revenue. However, similar improvements have not been achieved for Amtrak's conventional fleets. Improving the reliability and availability of the conventional fleets to a comparable level as Acela would result in significant financial benefit. We recommended that Amtrak apply the Acela maintenance practices to the conventional fleets. Amtrak management agreed with our recommendation and also acknowledged that opportunities exist for further progress.

- ***On-time-Performance Incentives.*** Over time, we have identified more than $83 million in overpayments to host railroads.[5] These overpayments occurred because host railroad invoices were not consistently calculated in accordance with the operating agreements between Amtrak and the respective host railroad, or were unsupported. These errors went undetected and the invoices were paid because Amtrak did not have in place an adequate invoice-review process. In a series of reports identifying overpayments, we made several recommendations to improve Amtrak's invoice-review process. Over the last 2 years, Amtrak has established an invoice-review process that should help avoid the practices that resulted in past overpayments, thereby reducing the payments that Amtrak makes to host railroads.

An underlying cause of the deficiencies identified in these reports is the absence of, or a breakdown in, management controls. A sound system of management controls encompasses policies, processes, people, and technology, and serves the needs of all stakeholders by directing and controlling activities with good business savvy, objectivity, accountability, and integrity. For too many programs at Amtrak, sound control systems do not exist; we believe that this is a systemic issue that needs to be strategically addressed on a company-wide basis.

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[4] *Mechanical Maintenance: Improved Practices Have Significantly Enhanced Acela Equipment Performance and Could Benefit Performance of Equipment Company-wide* (OIG-E-2012-008, May 21, 2012).

[5] *Amtrak Invoice Review: Undetected Errors Resulted in Overpayments* (OIG-A-2012-019, September 5, 2012).

In March 2012, we reported that Amtrak in general lacks an organization-wide system of management controls that provides reasonable assurance that operations are carried out in an efficient and effective manner. That report also found that Amtrak does not have a formal, coordinated, and systematic enterprise-wide framework to identify, analyze, and manage risk.[6] A risk management framework provides a mechanism to identify and deal with any risk, but focuses on risks that could prevent a company from accomplishing its mission and goals. We recommended that Amtrak ultimately develop and implement a risk management framework for the entire company, but given the weak management control environment, begin by focusing on its strategic goal to improve financial performance.

In commenting on our report, the Chairman of the Board of Directors and the President and CEO stated that it is imperative that the Board discuss our recommendations with an answer to the time, resources, and priority needed to make a commitment. They said that once the Board has had an opportunity to understand the commitment this will take, guidance will be provided to management, and the company will provide the OIG with more detailed information about Amtrak's plan to implement enterprise risk management. We look forward to receiving the Board's response and will continue to monitor the status of the company's plan.

FUTURE WORK WILL FOCUS ON ADDITIONAL OPPORTUNITIES TO IMPROVE EFFICIENCY AND EFFECTIVENESS

As I mentioned, Amtrak needs to continue to build on its operational improvement initiatives. In that context, we will continue to provide reporting that is intended to identify opportunities for operational improvements and financial benefits. Some of the key issues we plan to address in FY 2013 include the following:

- Auditing Amtrak's processes for managing its capital programs. The objective of this audit will be to determine the adequacy of Amtrak's capital program management practices; this will include policies and procedures for managing its capital programs in the areas of estimating, oversight, and project closeout. Effective management for capital projects is critical, given that Amtrak spent almost $1.7 billion in FY 2011 for capital programs.[7]

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[6] *Amtrak Corporate Governance: Implementing a Risk Management Framework Is Essential to Achieving Amtrak's Strategic Goals* (OIG-A-2012-007, March 30, 2012).

[7] Figure includes federal capital subsidies, American Recovery and Reinvestment Act of 2009 funds, Department of Homeland Security grants, and funds from various state and local entities.

- Completing a series of management control-focused audits in the acquisition and procurement area. This work is designed to identify opportunities to reduce losses in areas such as duplicate payments, overpayments, excessive purchases of inventory, and purchasing the wrong inventory. We will accomplish this work using data analytics tools and methodologies that we have developed during this fiscal year.

- Reviewing the adequacy of contract management for two multiple-year equipment procurements valued together at over $800 million. We will compare Amtrak's management and contracting oversight practices with industry best practices, with a view toward controlling costs and achieving desired, timely results.

- Reviewing the adequacy of a multiple-year information technology contract valued at over $565 million, according to a senior contracting official. This review will also use best practices analysis to determine whether the contract is structured to ensure that projects are delivered on time, within budget, and achieving their intended benefits.

- Evaluating Amtrak's current fleet allocation and utilization practices and comparing them with best practices at other transportation companies. Amtrak carries about 82,000 riders per day on more than 300 trains, utilizing an active fleet of over 1,500 cars and more than 400 locomotives. To capture additional demand on trains with high ridership, Amtrak is proposing new fleet purchases. If Amtrak could better allocate its existing fleet to match its demand, it could potentially capture the additional ridership and revenue without the need for new fleet purchases.

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In conclusion, the keys to improving the efficiency and effectiveness of Amtrak's operations and service are (1) sustaining and fully implementing its ongoing strategic initiatives and (2) continuing to develop and implement new initiatives, including a risk management framework to continuously improve the efficiency and effectiveness of its operations. Such a sustained focus should, in turn, reduce the amount of federal funds that Amtrak needs. In that regard, my office will continue to identify opportunities to sustain those efforts, follow up on the company's plans for implementing an enterprise risk management framework, and identify new improvement opportunities.

Mr. Chairman, in closing, I thank the Committee for its support of the Amtrak OIG. This concludes my testimony, and I am prepared to answer any questions that you or other members of the Committee may have.

OIG MISSION AND CONTACT INFORMATION

Amtrak OIG's Mission

The Amtrak OIG's mission is to

- conduct and supervise independent and objective audits, inspections, evaluations, and investigations relating to Amtrak programs and operations;
- promote economy, effectiveness, and efficiency within Amtrak;
- prevent and detect fraud, waste, and abuse in Amtrak's programs and operations; and
- review and make recommendations regarding existing and proposed legislation and regulations relating to Amtrak's programs and operations.

Obtaining Copies of OIG Reports and Testimony

Available at our website: www.amtrakoig.gov.

To Report Fraud, Waste, and Abuse

Report suspicious or illegal activities to the OIG Hotline (you can remain anonymous):

Web: www.amtrakoig.gov/hotline
Phone: 800-468-5469

Congressional and Public Affairs

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AMTRAK
NATIONAL RAILROAD
PASSENGER CORPORATION

The Inspector General

October 17, 2012

The Honorable Corrine Brown
Ranking Democratic Member
Subcommittee on Railroads, Pipelines,
and Hazardous Materials
Committee of Transportation
U.S. House of Representatives
2163 Rayburn HOB
Washington, DC 20515

Dear Congresswoman Brown,

In your October 11, 2012 letter to me, you requested answers to the following questions:

1. Can you please discuss why these overpayments went undetected?
2. Were the freight railroads charging Amtrak too much or was Amtrak paying the bill in the wrong amount?
3. What action is Amtrak taking to address the problem?

I sincerely appreciate your interest in the work we have done to help improve the economy and efficiency of Amtrak and am happy to respond.

1. Can you please discuss why these overpayments went undetected?

The overpayments to freight railroads went undetected because Amtrak did not have in place an adequate invoice-review process. Weaknesses in the invoice-review process have been long-standing, but over the last year, Amtrak has made progress in addressing the issue. In August 2008, we pointed out that Amtrak's management controls over the review of invoices were inadequate and ineffective, and that host railroads had consistently overbilled Amtrak. In *Host RRCA & Operations Management Controls* (OIG Audit Report No. 401-2008, August 21, 2008) we found that:

- Railroad monthly billings were not thoroughly and completely reviewed before payment.

- Employees' responsibilities and functions for Host Railroad activities were not clearly defined and separated.
- Departments responsible for Host Railroad activities did not have formal written procedures.
- Changes to Host Railroad Agreements were not up-to-date.

We made recommendations to improve Amtrak's invoice-review process. In its response to our *CSX On-Time-Performance Incentives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments* (OIG Audit Report No. 406-2005, March 30, 2010) that emphasized the need for Amtrak to develop an effective invoice review process, Amtrak agreed to apply additional resources and establish a process to thoroughly review invoices for OTP incentives and other costs before making payments. It also provided us with a plan showing tasks to be completed, with milestone dates.

2. Were the freight railroads charging Amtrak too much or was Amtrak paying the bill in the wrong amount?

The freight railroads consistently overcharged Amtrak. Since 1995, every railroad audit performed by the Amtrak OIG found invoice errors that resulted in overcharges to Amtrak totaling more than $83 million. Amtrak did not detect the errors/overcharges and paid the bills in the wrong amount because it did not have in place an adequate invoice-review process; i.e., the bills were not thoroughly and completely reviewed before payment. Since 2010, we have issued the following related audit reports that identified overpayments to host railroads:

- *Amtrak Invoice Review: Undetected Errors Resulted in Overpayments* (OIG Audit Report No. OIG-A-2012-019, September 05, 2012). *Over $3.5 million in overpayments found.*

- *On-Time-Performance Incentives: Inaccurate Invoices Were Paid* (OIG Audit Report No. OIG A-2012-013, June 29, 2012). *Over $1.4 million in overpayments found.*

- *Amtrak Invoice Review: Inaccurate Invoices Were Paid, But Progress is Being Made to Improve the Invoice-Review Process* (OIG Audit Report No. OIG-A-2012-005, February 16, 2012). *Over $700,000 in overpayments found.*

- *On-Time-Performance Incentives: Inaccurate Invoices Were Paid, Due to Weakness in Amtrak's Invoice-Review Process* (OIG Audit Report No. OIG-A-2012-004, February 15, 2012). *Over $9 million in overpayments found.*

- *On-Time-Performance Incentives: Inaccurate Invoices were Paid Due to Longstanding Weaknesses in Amtrak's Invoice-Review Process* (OIG Audit Report No. 403-2010, April 21, 2011). *Over $500,000 in overpayments found.*

- *BNSF [Burlington Northern Santa Fe Railway] On-Time-Performance Incentives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments* (OIG Audit Report No. 407-2003, September 24, 2010). *Over $1 million in overpayments found.*

- *CSX On-Time-Performance Incentives: Inaccurate Invoices and Lack of Amtrak Management Review Lead to Overpayments* (OIG Audit Report No. 406-2005, March 30, 2010). *Over $20 million in overpayments found.*

3. What action is Amtrak taking to address this problem?

Amtrak has restructured the organization responsible for Host Railroad activities. The group responsible for reviewing and approving payment of monthly host railroad invoices previously reported to the Vice President of Transportation. In October 2010, this group – now called the Host Railroad Invoice Administration (HRIA) group – began reporting to the Chief Financial Officer. HRIA has increased its staff by 3 positions and implemented detailed procedures. These procedures clearly define the group's objectives and responsibilities.

HRIA provided us documents indicating they have begun performing real time, thorough and complete reviews of railroad invoices prior to payments. Implementation dates for the review process range from March 2009 to April 2012 for various host railroads. According to Amtrak, they developed and implemented a HRIA Checklist for the invoice review process. This checklist not only holds the responsible Amtrak employees accountable, but also enables management to have an understanding of the steps taken to review the invoice and issues that prevent a full review from being conducted. Also, HRIA has worked with Amtrak's Information Technology department to develop reports to facilitate a thorough and complete review of charges prior to payment.

While, these actions have taken longer to complete than originally planned, they are responsive to our recommendations. We believe continued emphasis on effectively implementing these new procedures and policies should significantly reduce undetected overbillings.

Should you have any additional questions or wish to discuss this topic more fully, please feel free to contact me or Bret Coulson, Senior Director for Congressional and Public Affairs, at 202-906-4134 or bret.coulson@amtrakoig.gov.

Sincerely,

Ted Alves
Inspector General
Amtrak

Before the United States House of Representatives

Transportation and Infrastructure Committee

A Review of Amtrak Operations, Part III: Examining 41 Years of Taxpayer Subsidies

September 20, 2012

Testimony of Peter J. Pantuso, President and CEO

American Bus Association

Chairman Mica, ranking member Rahall, members of the Committee, my name is Peter J. Pantuso and I am the President and the CEO of the American Bus Association. The American Bus Association (ABA) is the trade association for the bus and motorcoach industry. The ABA represents some 800 bus operator companies. Our members provide all manner of transportation services to the public.

In addition to scheduled service operations provided by companies such as, Coach USA and Academy Bus Lines in New Jersey; Concord Coach Lines in New Hampshire; Greyhound Lines in Texas; Orange Belt Stages in California; ABA bus operator members like Turner Coaches in Indiana; Destinations Unlimited in Florida and hundreds of others providing charter and tour services, airport shuttle services and commuter services throughout the United States and Canada. Moreover, ABA members include destination focused organizations like the NY Yankees, the International Spy Museum in Washington, D.C. and the Kennedy Space Complex in Florida. ABA members also include an additional 3000 companies that provide motorcoach passengers with services. These members include tour operators, tourist attractions, convention and visitors' bureaus, hotels, restaurants, bus manufacturers, equipment suppliers and others that serve bus manufacturers and bus companies.

In total, the private motorcoach industry provided nearly 700 million passenger trips in 2010. This number is comparable to the domestic airlines and many times more than those provided by Amtrak.

Mr. Chairman, on behalf of ABA's membership I would like to thank you for holding this hearing. I hope to provide the committee with some appreciation of the capabilities of the motorcoach industry in offering quality, efficient, safe and cost effective transportation to the people of the United States. My testimony will focus on the capabilities of scheduled service operations. Included in this part of the motorcoach industry are commuter services, airport connections, curbside and station operations. Today I will focus on curbside and station intercity operations.

As you might know the intercity bus industry, led by ABA members providing curbside and station service, are in the midst of a remarkable surge in ridership. Moreover, according to a paper presented at the 2011 meeting of the Transportation Research Board (TRB) curbside intercity bus travel has more than doubled on the "Northeastern Corridor" (generally thought of as the route between Boston, Massachusetts and Washington, D.C.) growing to over 7 million annual trips[1]. We have also seen growth in ridership across America with primarily station carriers like Greyhound Lines, an ABA member, increasing annual passenger volume to some twenty million. Megabus, another ABA member, providing mainly curbside service has grown to over 8 million passengers a year.

The services provided by the private bus and motorcoach industry yield more than transportation options to the traveling public. The economic impact of the motorcoach tour and travel industry is significant. The ABA's research arm, ABA Foundation, has calculated that the industry has an annual impact of $112 billion dollars, a figure which includes the industry's support of one million jobs and over $40 billion in wages. In addition, the total amount of taxes (state and federal) paid by the industry amounts to just under sixteen and a half billion dollars. (A copy of the ABA Foundation summary is attached to my testimony). Our industry is also the most fuel and carbon efficient mode of mass transportation, in 2010 the motorcoach fleet averaged 207.3 passenger miles per gallon. In fact the Union of Concerned Scientists published a report in

[1] Klein, Nicholas: "More than Just a Bus Ride: Curbside Intercity Buses" TRB 2011 Annual Meeting, Page 3.

2008 which found that if you had to travel anywhere from 100 to 1000 miles the most efficient mode was motorcoach[2].

What is even more remarkable is that these services are provided by an industry of 90 percent small businesses that receives almost no subsidy. I include as a part of my testimony a study prepared for the ABA by Nathan and Associates, Inc. In this study *Federal Subsidies for Passenger Transportation from 1960-2009* were examined. The conclusion: subsidies per passenger trip for Amtrak averaged $57.04 per trip, the most of any mode of transportation. From 2002-2009 private commercial bus was the least subsidized mode of transportation, including private automobile, Amtrak, private sector commercial air passenger carriers and publicly funded mass transit. If looked at as subsidies per passenger mile Amtrak received $0.254 and private sector commercial buses received a subsidy of $0.001 per passenger mile. Even with this subsidy Amtrak is not able to provide cost effective and in some cases time efficient transportation.

A round trip from D.C. to New York City will cost between $36 and $58 dollars and remain time competitive with Amtrak[3]. The current Amtrak schedule prices the same round trip fare between $98 and $306[4]. Of course, that is the standard fare. For the newer and slightly faster Amtrak Acela train a D.C. to New York City fare will cost the passenger from $290 to $460. On other routes like Durham, NC to Richmond, VA Amtrak takes 4 hours and 23 minutes while costing $35 each way, whereas a direct route by Megabus only takes 2 hours and 45 minutes, while costing as little as $9 each way and offering more schedule options.

We know the American public is hungry for more transportation options. A study released last week, the Natural Resources Defense Council (NRDC) found that three out of four Americans are frustrated with the

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[2] Union of Concerned Scientists: "Getting There Greener" http://www.ucsusa.org/clean_vehicles/what_you_can_do/greentravel/getting-there-greener.html

[3] Ticket prices are for two weeks advance travel leaving on September 28 and returning September 30. All pricing information was taken from http://us.megabus.com/

[4] Ticket prices are for two weeks advance travel leaving on September 28 and retuning September 30. All pricing information was taken from http://www.amtrak.com/home

lack of transportation options that forces them to drive more than they would prefer[5]. In our view the major barrier to offering real passenger choice is a combination of an uneven playing field and modal stovepipes. While the intercity bus industry must compete in the free market its major intercity competition including Amtrak is heavily subsidized. As the subsidy gap between our industry and Amtrak continues to grow bus operators will start to lose the price and time competition, not as a function of the free market but because of government spending. This is because Amtrak is not required to operate like a business covering both operational and capital costs. Even on corridors that are "profitable" they are still not covering the costs of capital replacement for their fleet as a bus operator must do. While this hurts competition in densely populated areas it is a disaster for the industry and more importantly Americans living in more sparsely populated regions.

As the Klein study makes clear the private bus industry provides the amenities wanted by the travelling public. The presence of Wi-Fi on each motorcoach, DVD players, plug-ins available to all with laptops is a normal part of any bus ride on the Northeast corridor. While the industry's bus fleets do not have galley kitchens in the fifty-five passenger buses, we have noticed that passengers appreciate the opportunity to bring food on board for the trip. Moreover, today there are bus companies that offer smaller vehicles with a higher level of amenities, like fewer passengers, more generous passenger seating and more flexible scheduling. The private bus industry's advantages in cost, efficiencies and flexibility argue for our complete inclusion in the nation's transportation system.

If it is Congress's decision that there are some areas where transportation needs to be subsidized we propose a different paradigm. Simply stated, ABA believes that the subsidy should be limited and that the transportation service be required to move to a point of operational self-sufficiency. One example of this new paradigm is the service offered by Boston Express, a division of an ABA member which provides service between Manchester, New Hampshire and Boston South Station providing up to 27 roundtrips daily. Boston

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[5] National Resources Defense Council news release September 12, 2012. NRDC poll findings at http://docs.nrdc.org/energy/files/ene_12090401a.pdf.

Express has carried over two million passengers while achieving a 94% fare box recovery in less than four years and while the economy staggered. What is also unique about this project is that in addition to creating fifty permanent jobs in New Hampshire it also pays terminal fees, highway tolls, taxes, fuel costs and other fees. New Hampshire had a choice of a rail option but instead chose intercity bus because of its cost effectiveness.

Our proposal is that where the population density does not warrant the massive capital investment required for rail operations buses should be considered the primary intercity option. States should be given funding flexibility to determine how best to serve the needs of the traveling public. Granting criteria should include cost effectiveness and frequency of service. Modal options should be selected based on how effective they will be at reducing tax payer burden while serving passengers and not based on modal funding stovepipes.

Our goal should be to create a seamless transportation network that enables passenger choice. Transportation facilities should be designed and open to all modes and not exclusive to one. We should do away with the concept of rail stations, airports and mass transit centers and replace them with multimodal facilities. If a facility is being constructed or supported using federal dollars it should be required to grant unfettered access to intercity bus operators and other modes of transportation.

All of the above brings me to the main point of my testimony. It is not that Amtrak doesn't serve a need or is not part of the nation's transportation system. My point is that there must be room for other transportation modes in the system. The intercity bus industry provided nearly 700 million passenger trips in 2010. The two large bus operators I mentioned previously (Greyhound and Megabus) provide service to almost the same number of people who ride Amtrak (in a record breaking year) and do so with more schedules, less money and in some cases more amenities than our national intercity rail carrier. They, like the rest of our industry, accomplish this without massive government spending. Imagine what we could do if the barriers to competition were removed or if states were given flexibility in using their transportation dollars.

Again, thank you for the opportunity to testify today and I am happy to answer any questions you have for me.

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Appendices

Federal Subsidies for Passenger Transportation, 1960-2009

Economic Impact of the Motorcoach, Tour and Travel Industry

Motorcoach Census 2011

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Focus on Post 9/11 2002-2009

NATHAN

Robert Damuth
Economist and Principal Consultant
Nathan Associates Inc.

March 2, 2011

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AATF	Airport and Airway Trust Fund
ACE	Army Corps of Engineers
ADAP	Airport Development Aid Program
ARRA	American Recovery and Reinvestment Act of 2009
BIA	Bureau of Indian Affairs
BLM	Bureau of Land Management
BR	Bureau of Reclamation
BTS	Bureau of Transportation Statistics
CAB	Civil Aeronautics Board
DHS	Department of Homeland Security
DOA	Department of Agriculture
DOD	Department of Defense
DOI	Department of the Interior
DOT	Department of Transportation
FAA	Federal Aviation Administration
FEMA	Federal Emergency Management Agency
FHWA	Federal Highway Administration
FMCSA	Federal Motor Carrier Safety Administration
FRA	Federal Railroad Administration
FTA	Federal Transit Administration
HTF	Highway Trust Fund
HUD	Department of Housing and Urban Development

1. Introduction

The U.S. passenger transportation infrastructure consists of airports, highways,[1] intercity rail,[2] and public transportation or mass transit systems. Federal legislation during the second half of the 20th century spurred development of the infrastructure.

- *Airports.* Federal government involvement in the development of private sector commercial air transportation can be traced back to the Air Mail Act of 1925, which authorized the postmaster general to contract for domestic airmail service with commercial air carriers. By doing so, the Federal government helped create the private sector commercial aviation industry.[3] However, Federal support for airport development began in earnest in 1970 with passage of the Airport and Airway Development Act, which established the Airport Development Aid Program (ADAP) and the Airport and Airway Trust Fund (AATF).[4] AATF provides Federal funding for development of the U.S. aviation system through aviation-related excise taxes, including airline passenger ticket taxes, head taxes on international passenger arrivals and departures, aviation fuel taxes, and air freight taxes.
- *Highways.* The Federal-Aid Highway Act of 1956 created the interstate highway system, the largest public works program in U.S. history.[5] The Act authorized $25 billion for fiscal years 1957 through 1969 for the construction of 41,000 miles of highway.[6] The Highway Revenue Act of 1956 created the Highway Trust Fund (HTF) to be the source of funding for the program. Prior to the HTF, the general fund of the U.S. Treasury was the source of federal funding for highway construction. Proceeds from motor fuel and vehicle taxes were credited to the general fund. There was no direct relationship between these tax revenues

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[1] Bus terminals are considered part of the highway transportation infrastructure.
[2] Rail stations are considered part of the intercity rail transportation infrastructure.
[3] "Airmail: The Airmail Act of 1925 through 1929," U.S. Centennial of Flight Commission, July 2009, available at http://www.centennialofflight.gov/essay/Government_Role/1925-29_airmail/POL5.htm.
[4] *Airport System Development*, Office of Technology Assessment, U.S. Congress, Washington, DC, OTA-STI-231, August 1984, available at http://www.princeton.edu/~ota/disk3/1984/8403/8403.PDF.
[5] Wendell Cox and Jean Love, "The Best Investment a Nation Every Made, A Tribute to the Dwight D. Eisenhower System of Interstate and Defense Highways," American Highway Users Alliance, June 1996, available at http://www.publicpurpose.com/freeway1.htm.
[6] Richard F. Weingroff, "Federal-Aid Highway Act of 1956: Creating the Interstate System," Federal Highway Administration, U.S. Department of Transportation, 1996, available at

revenue totaled $90 million, the aviation industry would have received a Federal subsidy of $10 million.

It is important to note that our definition of a subsidy does not take into account all economic and social costs of the use of a particular mode of transportation. More specifically, we do not attempt to account for externalities, such as environmental or congestion costs of using one mode of transportation versus another. We consider only Federal outlays and Federal excise tax revenues.

This study comes at an important time. The existing authorization for Federal surface transportation programs expired on September 30, 2009. Enacted on August 10, 2005, the Safe, Accountable, Flexible, Efficient Transportation Equity Act: A legacy for Users (SAFETEA-LU), has survived via continuing resolutions. Surface transportation funding and spending authority were extended through December 31, 2010 at levels set in the fiscal 2010 Transportation Appropriations Act.

Our study reminds policymakers of inequities found in Federal support for passenger transportation that have effects on industry development and growth. Just as the Airmail Act of 1925 promoted the private aviation industry at the expense of railroads, uneven Federal support creates advantage for some industries and disadvantage for others.

This is not our first subsidy study. Our initial study was released in 1989.[14] Until then, no one had provided subsidy estimates for all modes in a single study at the level of detail we provided. Since then, we have updated our estimates, beginning with a July 1995 report, then an April 2003 report, and, most recently, a September 20, 2007 report. Along the way, the Bureau of Transportation Statistics (BTS) of the U.S. Department of Transportation (DOT) released a December 2004 report "Federal Subsidies to Passenger Transportation."[15] The BTS study was similar to those we had been producing since 1989. More important, the BTS study found subsidy disparities similar to those we had been estimating and documenting since 1989.

Our past studies have all reached a common conclusion: the private sector commercial bus industry has been disadvantaged by inequities in the distribution of Federal subsidies. Regardless of how the subsidy is expressed—total amount, amount per passenger trip, or amount per passenger mile—the bus subsidy is a minute fraction of the subsidy received by each of the other passenger transportation modes. In absolute terms and relative to other commercial modes of passenger transportation, the private sector commercial bus industry pays its fair share of the Federal cost of highways and related services.

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[14] "Federal Subsidies for Passenger Transportation, 1960-1988: Winners, Losers, and Implications for the Future," Robert R. Nathan Associates, Inc., Washington, DC, May 1989.

[15] Available at http://www.bts.gov/programs/federal_subsidies_to_passenger_transportation/pdf/entire.pdf.

2. Data

Data required for estimating subsidies include:

- Annual Federal government outlays on airports and related services, highways and related services, intercity rail, and mass transit;
- Cost responsibilities of each airport and highway mode; and
- Trust fund contributions (excise tax revenues) of each airport and highway mode.

We also collected data on passenger trips and passenger miles. Subsidies per passenger trip, as well as per passenger mile are useful ways to normalize estimates for the purpose of making intermodal comparisons. More important, subsidies per passenger trip can be measured against ticket prices or, with respect to travel by automobile, fuel costs of auto trips for better understanding of the significance of the subsidy to travelers.

Federal Outlays

Outlays are reported in the budget of the U.S. government. More specifically, the Appendix to the budget presents outlays by agency, program, and account.[16] All budget accounts are either Federal funds or trust funds. Federal funds are for all transactions not required by law to pass through trust funds. The largest of the Federal funds group is the general fund, but special and revolving funds, both of which can be earmarked for spending on specific purposes, are also part of the Federal funds group. The trust funds group consists of funds designated for spending on specific purposes, such as the HTF and the AATF.

Although most data we rely on are reported in the DOT budget, data for earlier years were sometimes found in budgets of entities no longer in existence, for example, air transportation system outlays that were made by the now defunct Civil Aeronautics Board (CAB). Moreover, other departments such as the newly created Department of Homeland Security (DHS) and

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[16] See http://www.whitehouse.gov/omb/budget/Appendix for the fiscal 2011 budget.

Table 1

U.S. Federal Outlays on Airports and Related Services, 1960-2009 ($ million)

Fiscal Year	DOT, FAA	DOT, OS /a	NASA	CAB	DHS /e	Total
1960	508.0	-	-	67.2	-	575.2
1961	638.5	-	-	85.5	-	724.0
1962	698.4	-	-	90.8	-	789.2
1963	726.3	-	-	91.2	-	817.5
1964	750.6	-	-	94.1	-	844.7
1965	794.6	-	-	91.6	-	886.2
1966	803.9	-	-	85.5	-	889.4
1967	882.9	-	-	73.8	-	956.7
1968	895.8	-	-	64.0	-	959.8
1969	998.0	-	168.5 /b	53.6	-	1,220.1
1970	1,075.1	-	187.9 /b	47.6	-	1,310.6
1971	2,167.6	-	209.6 /b	67.4	-	2,444.6
1972	2,523.5	-	226.9 /b	76.1	-	2,826.5
1973	1,921.5	-	241.6 /b	86.4	-	2,249.5
1974	1,855.1	-	291.9 /b	88.5	-	2,235.5
1975	2,011.6	-	315.9 /b	80.9	-	2,408.4
1976	2,132.8	-	332.8 /b	90.9	-	2,556.5
1977	2,368.9	-	350.4 /b	102.7	-	2,822.0
1978	2,778.0	-	397.6 /b	101.4	-	3,277.0
1979	2,849.6	-	443.3 /b	99.3	-	3,392.2
1980	3,136.3	-	505.5 /b	116.7	-	3,758.5
1981	3,158.4	-	544.2 /b	147.2	-	3,849.8
1982	2,891.3	-	562.5 /b	110.0	-	3,563.8
1983	3,403.7	-	563.0 /b	77.5	-	4,044.2
1984	3,818.5	-	586.3 /b	21.4	-	4,426.3
1985	4,267.0	-	643.3 /b	3.5	-	4,913.8
1986	4,672.9	-	647.7 /b	-	-	5,320.6
1987	4,894.8	-	634.9 /b	-	-	5,529.6
1988	5,191.7	-	678.6 /b	-	-	5,870.2
1989	5,740.0	27.2	855.3 /b	-	-	6,622.5
1990	6,390.9	24.1	888.8 /b	-	-	7,303.8
1991	7,242.0	28.9	920.0 /b	-	-	8,190.9
1992	8,156.0	30.9	1,122.0 /b	-	-	9,308.9
1993	8,800.0	30.9	1,212.0 /b	-	-	10,042.9
1994	8,784.1	31.5	1,022.1 /b	-	-	9,837.7
1995	9,207.0	29.0	1,116.0 /b	-	-	10,352.0
1996	8,926.0	22.0	1,187.0 /c	-	-	10,135.0
1997	8,814.0	21.0	1,302.0 /c	-	-	10,137.0
1998	9,243.0	40.0	1,339.0 /c	-	-	10,622.0
1999	9,508.0	-5.0	1,217.0 /c	-	-	10,720.0
2000	9,562.0	-5.0	1,014.0 /c	-	-	10,571.0
2001	11,115.0	56.0	868.0 /c	-	-	12,039.0
2002	13,093.0	34.0	956.0 /c	-	58.0	14,141.0
2003	12,562.0	49.0	1,671.0 /c	-	8,684.0	22,966.0
2004	12,836.0	96.0	551.0 /d	-	3,221.0	16,704.0
2005	13,840.0	102.0	834.0 /d	-	4,048.0	18,824.0
2006	14,188.0	99.0	722.0 /d	-	3,894.0	18,905.0
2007	14,153.0	87.0	613.0 /d	-	3,598.0	18,451.0
2008	14,719.0	143.0	637.0 /d	-	4,455.0	19,955.0
2009	15,418.0 /f	123.0	492.0 /d	-	4,739.0	20,772.0

a. Outlays are for the Essential Air Service program, which was created in 1978 in the Airline Deregulation Act. Through 1997, program was funded from the Airport and Airway Trust Fund. Starting in 1998, FAA reauthorization funded it as a mandatory program supported by overflight fees. Outlay statistics were not available until 1989. 2008 also includes Compensation for General Aviation Operations from financial losses due to airport closures after 9/11/01.

b. Includes only air transportation R&D, construction of facilities, and research and program management.

c. Includes science, aeronautics, and technology, mission support, research and development, and construction of facilities.

d. Includes only spending on science, aeronautics, and exploration air transportation.

e. Outlays for aviation security, net of passenger and carrier security fee collections.

f. ARRA provided $200 million to FAA's Facilities & Equipment account and $1.1 billion for Grants-in-Aid for Airports.

SOURCE: Appendix, Budget of the United States Government, fiscal 1960-2011.

Table 3

U.S. Federal Outlays on Intercity Rail Passenger Transportation (Amtrak), 1960-2009 ($ million)

	DOT, FRA						
Fiscal Year	NCIP	High-speed Trainsets and Facilities	NRPC	Next Generation High-speed Rail	RRIP	ARRA	Total
1960	-	-	-		-	-	-
1961	-	-	-		-	-	-
1962	-	-	-		-	-	-
1963	-	-	-		-	-	-
1964	-	-	-		-	-	-
1965	-	-	-		-	-	-
1966	-	-	-		-	-	-
1967	-	-	-		-	-	-
1968	-	-	-		-	-	-
1969	-	-	-		-	-	-
1970	-	-	-		-	-	-
1971	-	-	24.3		-	-	24.3
1972	-	-	77.9		-	-	77.9
1973	-	-	105.8		-	-	105.8
1974	-	-	128.6		-	-	128.6
1975	-	-	299.0	-	-	-	299.0
1976	-	-	354.5	-	-	-	354.5
1977	82.5	-	730.1	-	-	-	812.6
1978	203.8	-	716.0	-	-	-	919.8
1979	198.8	-	779.0	-	-	-	977.8
1980	240.9	-	823.4	-	-	-	1,064.3
1981	218.2	-	851.4	-	-	-	1,069.6
1982	333.8	-	717.7	-	-	-	1,051.5
1983	296.0	-	665.4	-	-	-	961.4
1984	241.1	-	1,957.1	-	-	-	2,198.2
1985	153.3	-	763.8	-	-	-	917.1
1986	97.1	-	680.3	-	-	-	777.4
1987	95.1	-	297.3	-	-	-	392.4
1988	55.3	-	591.1	-	-	-	646.4
1989	41.5	-	574.4	-	-	-	615.9
1990	23.9	-	560.7	-	-	-	584.6
1991	39.0	-	680.0	-	-	-	719.0
1992	173.0	-	658.2	-	-	-	831.2
1993	121.0	-	611.0	-	-	-	732.0
1994	117.0	-	628.2	-	-	-	745.2
1995	127.0	-	806.0	-	-	-	933.0
1996	265.0	-	627.0	7.0	-	-	899.0
1997	390.0	50.0	613.0	9.0	-	-	1,062.0
1998	448.0	30.0	478.0	9.0	-	-	965.0
1999	26.0	-	243.0	18.0	-	-	287.0
2000	-	-	594.0	23.0	-	-	617.0
2001	1.0	-	553.0	20.0	-	-	574.0
2002	-	-	1,067.0	37.0	-	-	1,104.0
2003	-	-	1,001.0	23.0	-	-	1,024.0
2004	-	-	1,282.0	35.0	-	-	1,317.0
2005	12.0	-	1,227.4 /a	22.0	-	-	1,261.4
2006	-	-	1,257.0	28.0	-	-	1,285.0
2007	-	-	1,274.0	15.0	3.0	-	1,292.0
2008	-	-	1,309.0	4.0	21.0	-	1,334.0
2009	-	-	1,667.0 /b	3.0	17.0	100.0 /c	1,787.0

a. Includes $6.4 million of DHS funding for Intercity Passenger Rail Security Grant Program. See "Fiscal Year 2006 Infrastructure Protection Program," September 25, 2006, U.S. Department of Homeland Security, p. 27.

b. Includes $2 million outlay on capital assistance for high speed rail corridors and intercity passenger rail service.

c. In 2009, ARRA authorized $1.3 billion to Amtrak for capital grants ($450 million for capital security grants and $850 million for projects that remediate vulnerabilities). Outlays under this authority totaled $100 million in fiscal 2009.

SOURCE: Appendix, Budget of the United States Government, fiscal 1960-2011.

Table 5

Additional Outlays Earmarked for Intercity Buses ($ million)

Fiscal Year	DOT FTA Grants for Non-urban Intercity Buses /a	DOT Access for Disabled Passengers /e	DHS for Bus Safety and Security /g	Total
1992	3.8	-	-	3.8
1993	6.7	-	-	6.7
1994	3.1 /b	-	-	3.1
1995	14.9 /b	-	-	14.9
1996	11.6 /b	-	-	11.6
1997	8.5 /b	-	-	8.5
1998	12.6	-	-	12.6
1999	16.3	1.1	-	17.4
2000	19.4	0.8	-	20.2
2001	14.9	2.9	-	17.8
2002	18.5 /c	5.1	9.9 /h	23.6
2003	19.8 /c	6.6	9.9 /h	36.3
2004	17.7 /c	6.9	9.9	34.5
2005	20.4 /c	6.6	9.7	36.7
2006	44.4 /c	5.7	9.5	59.6
2007	35.9 /c	8.0 /f	11.6	55.5
2008	43.4 /c	8.0 /f	11.2	62.5
2009	43.4 /d	8.0 /d	11.7	63.0

a. Under ISTEA-LU and ISTEA-21, states are obligated to spend a percentage of non-urban transit grants on intercity bus service (see U.S. Code Title 49, 5311(f)). The percentage has varied over time, beginning with five percent in 1992, 10 percent in 1993, and 15 percent thereafter. See http://www.fta.dot.gov/funding/data/grants_financing_1090.html.

b. Estimated from available data on obligations after state certification.

c. See Appendix A.

d. Datum not available, so fiscal 2009 value assumed equal to fiscal 2008 value.

e. ISTEA-21, Section 3038 created the over-the-road bus accessibility program to encourage compliance with the Americans with Disabilities Act. Data provided by the American Bus Association.

f. Reported data are for 2007 and 2008 combined. We allocated the sum to each year equally.

g. Provided by the American Bus Association.

h. Reported data are for 2002 and 2003 combined. We allocated the sum to each year equally.

SOURCE: Appendix, Budget of the United States Government, fiscal 1960-2011, unless otherwise noted above.

Cost Responsibilities of Airport and Highway Modes

Airports and highways are used to move freight and people. Moreover, people travel by air in scheduled commercial airlines, military and other government aircraft, and general aviation aircraft. People travel by highway in autos, buses, trucks, and other vehicles.

Costs imposed on the air and highway transportation systems vary by mode and intensity of use. For example, a single trip by a heavy truck hauling freight will impose more wear and tear on a highway than a single auto trip. But the cost difference might be evened out as auto

Trust Fund Contributions of Airport and Highway Modes

Excise taxes are the source of revenue for the AATF and HTF. AATF tax receipts are reported for private sector commercial passenger transportation service. However, HTF tax receipts are not reported separately for automobiles and commercial bus service. Instead, HTF receipts must be estimated by mode. Again, fortunately, DOT periodically estimates contribution shares.

AATF EXCISE TAX RECEIPTS FROM PRIVATE SECTOR COMMERCIAL PASSENGER AIR TRANSPORTATION SERVICES

Listed below are the AATF excise taxes relevant to private sector commercial passenger transportation service, as well as a brief history of tax rates.

- The domestic commercial air transportation passenger ticket tax began at five percent in fiscal 1970, rose to eight percent in 1971, fell back to five percent in 1981, rose again to eight percent in 1983, and rose again to 10 percent in 1990 before declining to nine percent in 1998, eight percent in 1999, and 7.5 percent in 2000. Today's tax remains at 7.5 percent.
- The passenger segment fee began on October 1, 1997 and was set at a rate of $1.00 per domestic flight segment. The fee rose to $2.00 beginning October 1, 1998; $2.25 beginning October 1999; $2.50 beginning January 1, 2000; $2.75 beginning in 2001; and $3.00 beginning in 2003. Thereafter, the fee was adjusted by changes in the cost-of-living as determined under IRC Section 1(f)(3). In 2009, the fee was $3.60.
- A rural airports tax is levied at 7.5 percent of domestic ticket prices at qualified rural airports exempt from the segment tax.
- International passenger departure/arrival taxes began in fiscal 1971 at a rate of $3.00 per international departure only, doubled to $6.00 per international departure and arrival in 1990, doubled again to $12.00 in 1998, and has steadily increased since to reach $16.10 in fiscal 2009.
- An arrival/departure tax on flights between the continental United States and Hawaii or Alaska was levied at $8.00 in 2009 and lesser amounts in earlier years.
- Aviation fuel tax on commercial aviation.

Although there are other aviation related excise taxes, such as the tax on non-commercial fuel, tires, *etc.*, we do not include them in our analysis of excise tax revenue from private sector commercial passenger transportation. Total annual AATF excise tax revenues are presented in Table 7.

HTF EXCISE TAX RECEIPTS FROM AUTOS AND COMMERCIAL BUS SERVICE

Since 1960, HTF receipts (Table 8) have been generated from Federal excise taxes on gasoline, gasohol, diesel fuel, special motor fuels, lubricating oil, tires, and tubes, as well as a federal use tax. However, from 1996-2005, receipts have been generated mostly by motor fuel excise taxes.[17] The gasoline tax has risen from 18.3¢ per gallon to 18.4¢. The gasohol tax has risen from 12.9¢ per gallon to 18.4¢. The diesel fuel tax has risen from 24.3¢ per gallon to 24.4¢. The excise tax on special fuels declined from 18.3¢ per gallon to 13.6¢.

Table 8

HTF Total Receipts, Highway Account, 1960-2009 ($ million)

Fiscal Year	Receipts	Fiscal Year	Receipts
1960	2,539.0	1985	12,906.4
1961	2,798.0	1986	13,305.6
1962	2,949.0	1987	12,727.4
1963	3,279.0	1988	13,645.4
1964	3,519.0	1989	15,134.4
1965	3,658.0	1990	13,453.1
1966	3,917.0	1991	15,303.5
1967	4,441.0	1992	16,572.0
1968	4,379.0	1993	16,863.8
1969	4,637.0	1994	17,004.9
1970	5,469.0	1995	19,376.6
1971	5,725.4	1996	22,691.7
1972	5,528.1	1997	21,314.1
1973	5,912.2	1998	24,306.6
1974	6,675.0	1999	33,823.2
1975	6,773.8	2000	30,347.1
1976	5,999.9	2001	26,916.5
1977	7,302.3	2002	27,982.9
1978	7,566.6	2003	28,964.0
1979	8,046.1	2004	29,785.0
1980	7,647.3	2005	32,908.6
1981	7,433.7	2006	33,701.6
1982	7,822.2	2007	34,899.3
1983	8,852.8	2008	31,341.7
1984	11,533.1	2009	32,171.3

SOURCE: Highway account from Federal Highway Administration, U.S. Department of Transportation. Data presented here for 1960-1969 are available at http://www.fhwa.dot.gov/ohim/onh00/chart3.htm. Data for 1970-2008 are available at http://www.fhwa.dot.gov/policyinformation/pubs/pl10023/fig6_2.cfm. Datum for 2009 is at http://www.fhwa.dot.gov/policyinformation/statistics/2008/fe10_2009.cfm.

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[17] *Highway Statistics 2005 Federal Tax Rates on Motor Fuels and Lubricating Oil*, FHWA, DOT, September 2006.

Throughout our period of analysis, intercity buses have been exempt from the diesel fuel tax, initially fully and later only partly.[18] Beginning December 1, 1978, school buses and intercity and local buses used to transport the general public for compensation on scheduled routes were entirely exempt from the motor fuel tax. Effective August 1, 1984, intercity buses were only partly exempt.

The diesel fuel tax, which is currently 24.4¢ per gallon, consists of 24.3¢ per gallon for the fuel tax itself and an additional 0.1¢ per gallon for the leaking underground storage tax (LUST). After refunds, intercity bus operators pay 7.4¢ per gallon of diesel fuel.[19]

Passenger Trips and Miles Data

Normalizing subsidy estimates for comparisons across modes requires data on passenger trips (Table 10) and passenger miles (Table 11). Although one might think such measurements are straightforward and reported data are consistent across modes, in fact, they are not.

- *U.S. Commercial Air Carrier Service.* Passenger trips are counted as enplaned passengers by flight segment. Passenger miles are counted by summing the products of aircraft miles flown on each inter-airport flight stage and the number of enplaned passengers on that flight stage.[20]
- *Private Sector Commercial Bus Service.* The industry counts passengers and passenger trips on regularly scheduled service as ticket sales. A one-way ticket is counted as one passenger trip. A round trip ticket is counted as two passenger trips. Passenger trips are not counted as boardings on multi-segment trips, unless passengers use different carriers requiring separate ticketing for different segments. Charter service operators do not sell individual tickets. Instead, they sell the service of a bus, often not knowing how many passengers are on the bus that has been chartered.
- *Amtrak.* Amtrak passenger data are more straightforward than data for buses, but still not clearly consistent with commercial air carriers and mass transit. Passenger trips are counted as revenue passengers carried, which is apparently based on ticket sales. Passenger miles are computed as train miles and revenue passengers carried. It is not clear whether Amtrak counts revenue passengers carried by trip segment.

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[18] See *Highway Statistics 2005 Federal Tax Rates on Motor Fuels and Lubricating Oil.*

[19] See Title 26, Internal Revenue Code, Subtitle D, Miscellaneous Excise Taxes, Chapter 31, Retail Excise Taxes, Subchapter B, Special fuels, Section 4041 (a) (1) (C) (iii) (I) and Section 4081 (a) (2) (A) (iii) (B), as well as Subtitle F, Procedure and Administration, Chapter 65, Abatements, Credits, and Refunds, Subchapter B, Rules of Special Application, Section 6427 (b) (2) (A).

[20] See the Research and Innovative Technology Administration (RITA) at the Bureau of Transportation Statistics (BTS), U.S. Department of Transportaion T-100 Market (domestic and international) database which includes flights by all U.S. commercial airlines but for those with origins and destinations in a foreign country. Data are available at

Table 11

Passenger Miles by Mode, 1960-2009 (millions)

Fiscal Year	U.S. Commercial Air Carriers /a	Passenger Cars	Commercial Buses	Amtrak	Mass Transit
1960	31,099	1,144,673	na	-	na
1961	35,524 /b	1,194,699 /b	na	-	na
1962	39,950 /b	1,244,725 /b	na	-	na
1963	44,375 /b	1,294,751 /b	na	-	na
1964	48,801 /b	1,344,777 /b	na	-	na
1965	53,226	1,394,803	na	-	na
1966	64,269 /b	1,466,022 /b	na	-	na
1967	75,312 /b	1,537,241 /b	na	-	na
1968	86,356 /b	1,608,460 /b	na	-	na
1969	97,399 /b	1,679,678 /b	na	-	na
1970	108,442	1,750,897	na	-	na
1971	113,954 /b	1,791,551 /b	na	na	na
1972	119,465 /b	1,832,204 /b	na	na	na
1973	124,977 /b	1,872,858 /b	na	na	na
1974	130,488 /b	1,913,512 /b	na	na	na
1975	136,000	1,954,166	na	3,931	na
1976	149,674 /b	1,965,730 /b	na	4,045 /b	na
1977	163,347 /b	1,977,295 /b	na	4,160 /b	na
1978	177,021 /b	1,988,859 /b	na	4,274 /b	na
1979	190,694 /b	2,000,424 /b	na	4,389 /b	na
1980	204,368	2,011,989	na	4,503	39,854
1981	219,062 /b	2,028,515 /b	na	4,567 /b	39,799 /b
1982	233,755 /b	2,045,042 /b	na	4,632 /b	39,745 /b
1983	248,449 /b	2,061,568 /b	na	4,696 /b	39,690 /b
1984	263,142 /b	2,078,094 /b	na	4,761 /b	39,636 /b
1985	277,836	2,094,621	73,400	4,825	39,581
1986	291,443 /b	2,131,975 /b	78,717 /b	5,071 /b	39,893 /b
1987	305,051 /b	2,169,329 /b	84,034 /b	5,318 /b	40,206 /b
1988	318,658 /b	2,206,683 /b	89,352 /b	5,564 /b	40,518 /b
1989	332,266 /b	2,244,037 /b	94,669 /b	5,811 /b	40,831 /b
1990	345,873	2,281,391	99,986	6,057	41,143
1991	338,085	2,200,260	100,362	6,273	40,703
1992	354,764	2,208,226	101,665	6,091	40,241
1993	362,230	2,213,281	109,043	6,199	39,384
1994	388,399	2,249,742	116,462	5,921	39,585
1995	403,888	2,286,887	116,679	5,545	39,808
1996	434,652	2,337,068	121,943	5,050	38,984
1997	450,612	2,389,065	127,020	5,166	40,180
1998	463,262	2,463,828	130,171	5,304	41,605
1999	488,357	2,494,870	143,202	5,330	43,279
2000	516,129	2,544,457	141,524	5,498	45,100
2001	486,506	2,556,481	129,833	5,559	46,508
2002	483,409	2,620,389	124,794	5,468	46,096
2003	505,226	2,641,885	123,934	5,680	45,677
2004	557,892	2,685,827	124,563	5,511	46,546
2005	583,758	2,699,305	127,829	5,381	47,125
2006	588,455	2,671,044	122,673	5,381	49,504
2007	607,546	2,642,498	126,819	5,784	51,873
2008	583,506	2,553,043	128,785	6,179	53,712
2009	553,451 /c	2,569,050 /d	130,781 /e	6,600 /e	55,616 /e

Note: na means not available.

a. Certificated, domestic, all services.

b. Data not reported. Values are estimated using linear interpolation.

c. Estimated using the 2009:2008 ratio of domestic passenger, revenue-passenger miles reported at https://lbts.rita.dot.gov/xml/air_traffic/src/datadisp.xml. Data for all other years were reported at the source cited below.

d. Estimated using compound annual growth rate between 1990 and 2008.

e. Estimated using percentage change from 2007 to 2008.

SOURCE: Bureaus of Transportation Statistics, U.S. Department of Transportation, Table 1-37: U.S. Passenger Miles available at http://www.bts.gov/publications/national_transportation_statistics/html/table_01_37.html.

3. Methodology

The methodology of our study rests on a few basic concepts implicit in the data requirements and development of data presented in the previous section. The two most important of these are the notions of mode-specific responsibilities for costs of airports and related services and highways and related services and user fees. Users of airports and highways contribute to system costs by paying aviation and highway related excise taxes.

With the databases of Section 2, annual subsidies can be calculated using the following simple mathematical equations:

- *Private Sector Commercial Passenger Air Carriers*
  Subsidy = (Outlays on airports and related services x Percentage of system cost attributable to private sector commercial air passenger service) – AATF receipts from private sector commercial air passenger service
- *Automobiles*
  Subsidy = (Outlays on highways and related services x Percentage of cost attributable to passenger cars) – (Total HTF receipts x Contribution share of passenger cars)
- *Private Sector Commercial Buses*
  Subsidy = (Outlay on highways and related services x Percentage of cost attributable to buses) + Outlays earmarked for the private sector commercial bus industry – (Total HTF receipts x Contribution share of buses)
- *Amtrak*
  Subsidy = Federal outlays for Amtrak capital and operating costs
- *Mass Transit*
  Subsidy = Federal outlays for mass transit

4. Results

Little has changed since release of our first subsidy study. From 2002-2009, private sector commercial air passenger carriers, Amtrak, and mass transit combined received 98.6 percent of the total federal subsidy. Automobiles and private sector commercial buses each received less than one percent (see Table 12 for a summary of estimated subsidies and Appendix B for estimated annual subsidies).

From 2002-2009, subsidies per passenger trip were significantly different across modes, with Amtrak and private sector commercial air passengers receiving subsidies as much as 400 times greater than passengers of less subsidized modes (Figure 1).

- Amtrak passengers received $57.04 per trip.
- Private sector commercial air passengers received $6.35 per trip.
- Mass transit riders received $0.95 per trip.
- Private sector commercial bus passengers received $0.10 per trip.

When considering subsidies per passenger mile, again Amtrak received most. However, because of the relatively short distances traveled by mass transit riders, on a per passenger mile basis, mass transit is the second most highly subsidized mode (Figure 2).

- Amtrak received a subsidy of $0.254 per passenger mile.
- Mass transit received a subsidy of $0.193 per passenger mile.
- Private sector commercial air passenger carriers received a subsidy of $0.008 per passenger mile.
- Private sector commercial buses received a subsidy of less than $0.001 per passenger mile.

Figure 1

Subsidies per Passenger Trip, 1960-2001 and 2002-2009 (constant 2009 $)

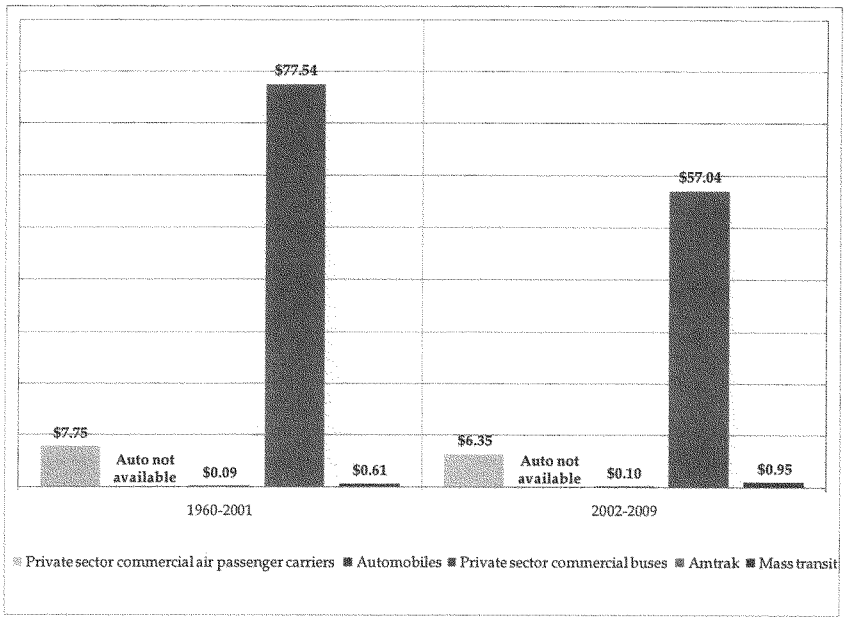


Figure 2

Subsidies per Passenger Mile, 1960-2001 and 2002-2009 (constant 2009 $)

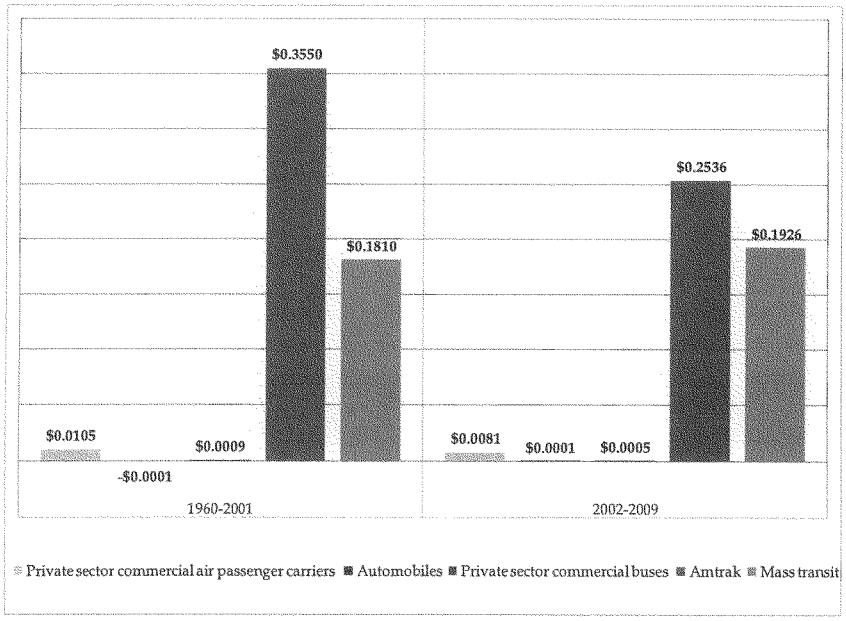
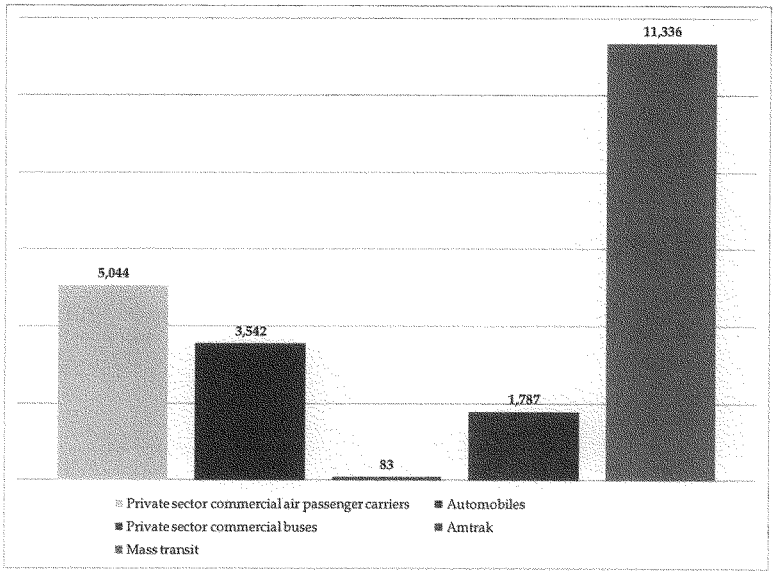


Figure 4
Subsidy by Mode in Fiscal 2009 ($ million)



The private sector commercial bus industry subsidy is nearly fully accounted for by its partial exemption from the diesel fuel tax. Even with the exemption, when taking into account the Federal costs buses impose on highways and related services and the excise tax revenues paid by the industry, the industry receives virtually no subsidy. Unlike the other modes of passenger transportation, bus industry tax revenue nearly offsets total Federal outlays on behalf of the industry.

Without the partial exemption, which is worth 17¢ per gallon of diesel fuel purchased by the industry, private sector commercial bus service would have contributed an additional $56.3 million to the HTF in 2009.[23] This additional amount would have cut the industry's already negligible subsidy of $83 million in 2009 by two-thirds. Considering the private sector commercial air passenger industry's subsidy of $5 billion, Amtrak's subsidy of $1.8 billion, and mass transit's subsidy of $11.3 billion in 2009, loss of the partial exemption would have insignificant effect on Federal outlays, but significant effect on the private sector commercial bus industry.

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[23] According to the American Bus Association, the industry consumes approximately 331 million gallons of diesel fuel in a year. See "Motorcoach Census 2008: A Benchmarking Study of the Size and Activity of the Motorcoach Industry in the United States and Canada in 2007," Table 2-5, p. 10, available at http://www.buses.org/files/Motorcoach%20Census%202008%2012-18-2008.pdf.

Appendix A

Outlays under U.S. Code Title 49, Section 5311(f): FTA Grants for Non-urban Intercity Buses

Nathan Associates Inc. contacted state Departments of Transportation to request data on FTA Section 5311(f) amounts actually spent. Each state was provided annual obligated amounts for 2002 through 2008. They were asked to submit annual amounts spent.

From 2002 through 2008, $247.6 million were obligated under FTA Section 5311(f). No funds were obligated during the period in six states (Alabama, Connecticut, Hawaii, Oklahoma, Rhode Island, and South Carolina).

States that responded to our request by providing amounts spent accounted for 57.3 percent of the total obligated amount. For these states, when aggregating actual spending across states and years, spending equaled 81.3 percent of the aggregate obligated amount. For states with obligated amounts that did not respond (19), we estimated actual spending to equal 81.3 percent of their obligated amounts.

Table A-1

FTA Section 5311(f) Amounts Spent by State and Year, 2002-2008 ($)

State	2002	2003	2004	2005	2006	2007	2008
Alabama	0	0	0	0	0	0	0
Alaska /a	98,291	113,475	85,005	0	615,404	683,715	1,486,461
Arizona	267,628	311,292	422,054	526,281	724,098	1,130,187	1,379,079
Arkansas	19,615	93,053	70,000	469,289	355,166	798,822	128,680
California	1,582,891	1,540,314	1,537,391	1,609,162	2,890,933	2,999,801	3,228,472
Colorado /a	0	0	0	0	691,443	92,549	0
Connecticut	0	0	0	0	0	0	0
Delaware /a	81,305	462,037	153,140	249,689	128,177	0	345,702
Florida	1,017,552	1,004,593	1,002,686	1,049,495	1,710,305	1,802,662	1,939,252
Georgia	1,162,859	0	958,942	639,294	2,167,267	2,167,267	2,067,010
Hawaii	0	0	0	0	0	0	0
Idaho	555,295	312,269	275,447	288,306	598,673	769,536	829,948
Illinois /a	884,160	871,324	434,835	1,632,973	1,439,806	1,516,792	1,634,815
Indiana	381,188	468,143	841,404	489,267	139,747	207,333	227,227
Iowa /a	549,352	588,567	587,450	614,875	1,026,146	1,083,381	1,168,460
Kansas /a	436,992	481,043	171,505	232,443	-129,518	237,389	951,700
Kentucky /a	721,378	804,130	802,605	825,570	1,300,752	1,372,327	1,481,729
Louisiana /a	596,631	596,741	0	656,226	1,044,517	1,080,656	1,168,457
Maine	354,333	384,267	383,538	0	1,083,652	716,256	770,793
Maryland /a	0	0	0	0	0	533,408	573,995
Massachusetts /a	696,604	231,968	231,528	242,336	353,783	372,735	402,169
Michigan	1,283,898	1,314,652	961,474	1,387,208	1,833,160	1,889,214	0
Minnesota	786,856	738,811	882,813	889,669	922,272	1,461,763	1,793,157
Mississippi /a	585,804	1,087,982	0	734,758	1,172,361	2,405,252	1,329,881
Missouri	0	493,661	593,955	580,919	1,323,842	451,091	1,219,304
Montana	217,563	267,116	233,602	279,055	765,734	990,460	1,068,791
Nebraska /b	123,824	120,653	0	140,026	141,172	140,500	137,590
Nevada /a	0	261,374	111,976	110,177	474,400	0	1,726,600
New Hampshire	20,934	101,018	5,376	0	0	0	0
New Jersey /a	0	0	212,178	0	0	0	0
New Mexico /a	487,119	402,329	718,795	0	0	905,521	1,135,660
New York /a	1,350,593	1,128,000	0	1,125,860	1,178,418	0	3,655,145
North Carolina /a	203,127	0	0	0	812,506	609,380	2,550,947
North Dakota /b	155,250	147,362	155,486	198,264	500,935	566,000	582,661
Ohio	0	40,239	96,734	96,734	101,570	105,000	125,000
Oklahoma	0	0	0	0	0	0	0
Oregon /a	386,627	425,997	938,249	203,127	10,009,480	1,045,834	1,128,238
Pennsylvania	1,723,068	1,627,508	1,624,419	1,700,255	2,526,139	2,661,200	2,869,085
Rhode Island	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0
South Dakota	0	0	0	0	93,911	158,528	110,937
Tennessee	0	0	0	0	93,911	1,821,183	276,018
Texas	1,069,631	2,421,619	2,417,023	2,529,858	4,214,390	1,189,898	1,933,094
Utah	0	0	0	0	0	285,150	0
Vermont	0	0	0	0	0	0	0
Virginia				110,276	128,914	139,224	136,905
Washington /a	494,794	516,695	515,714	539,789	968,420	1,022,808	1,103,080
West Virginia					484,178	166,384	190,000
Wisconsin	208,582	211,892	177,653	74,043	71,531	87,588	49,244
Wyoming /a	0	196,815	119,291	124,860	471,687	239,829	536,699
Total	18,503,742	19,766,939	17,722,266	20,350,083	44,429,283	35,906,624	43,441,986

a. Estimated from reported obligation and actual amounts spent as a share of obligation for those states that reported amounts spent. See Table A-2 for estimates and Table A-3 for reported amounts.

Table A-2

Estimated FTA Section 5311(f) Amounts Spent by State and Year for States that Did Not Report Amounts Spent, 2002-2008 ($)

State	2002		2003		2004		2005	
	Obligated	Estimated Spent /a	Obligated	Estimated Spent /a	Obligated	Estimated Spent /a	Obligated	Estimated Spent /a
Alabama	0	0	0	0	0	0	0	0
Alaska	120,972	98,291	139,661	113,475	104,621	85,005	0	0
Colorado	0	0	0	0	0	0	0	0
Connecticut	0	0	0	0	0	0	0	0
Delaware	100,067	81,305	568,657	462,037	188,479	153,140	307,307	249,689
Hawaii	0	0	0	0	0	0	0	0
Illinois	1,088,188	884,160	1,072,390	871,324	535,177	434,835	2,009,798	1,632,973
Iowa	676,120	549,352	724,385	588,567	723,010	587,450	756,763	614,875
Kansas	537,832	436,992	592,048	481,043	211,081	171,505	286,082	232,443
Kentucky	887,843	721,378	989,691	804,130	987,814	802,605	1,016,078	825,570
Louisiana	734,310	596,631	734,445	596,741	0	0	807,656	656,226
Maryland	0	0	0	0	0	0	0	0
Massachusetts	857,352	696,604	285,497	231,968	284,955	231,528	298,258	242,336
Mississippi	720,984	585,804	1,339,044	1,087,982	0	0	904,310	734,758
Nebraska /b	152,397	123,824	148,495	120,653	0	0		
Nevada	0	0	321,689	261,374	137,815	111,976	135,601	110,177
New Jersey	0	0	0	0	261,140	212,178	0	0
New Mexico	599,526	487,119	495,170	402,329	884,664	718,795	0	0
New York	1,662,256	1,350,593	1,388,297	1,128,000	0	0	1,385,663	1,125,860
North Carolina	250,000	203,127	0	0	0	0	0	0
North Dakota /b	191,075	155,250	181,367	147,362	191,366	155,486		
Oklahoma	0	0	0	0	0	0	0	0
Oregon	475,845	386,627	524,300	425,997	1,154,759	938,249	250,000	203,127
Rhode Island	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0
Washington	608,973	494,794	635,927	516,695	634,720	515,714	664,351	539,789
Wyoming	0	0	242,232	196,815	146,818	119,291	153,673	124,860
Total	9,663,740	7,851,849	10,383,295	8,436,492	6,446,419	5,237,756	8,975,540	7,292,682

(continued)

Table A-2 (continued)

State	2006		2007		2008		2002-2008	
	Obligated	Estimated Spent /a	Obligated	Estimated Spent /a	Obligated	Estimated Spent /a	Obligated	Estimated Spent /a
Alabama	0	0	0	0	0	0	0	0
Alaska	757,414	615,404	841,489	683,715	1,829,476	1,486,461	3,793,633	3,082,350
Colorado	851,000	691,443	113,906	92,549	0	0	964,906	783,992
Connecticut	0	0	0	0	0	0	0	0
Delaware	157,755	128,177	0	0	425,476	345,702	1,747,741	1,420,050
Hawaii	0	0	0	0	0	0	0	0
Illinois	1,772,055	1,439,806	1,866,807	1,516,792	2,012,064	1,634,815	10,356,479	8,414,704
Iowa	1,262,939	1,026,146	1,333,382	1,083,381	1,438,093	1,168,460	6,914,692	5,618,230
Kansas	-159,405	-129,518	292,169	237,389	1,171,314	951,700	2,931,121	2,381,554
Kentucky	1,600,913	1,300,752	1,689,005	1,372,327	1,823,653	1,481,729	8,994,997	7,308,491
Louisiana	1,285,550	1,044,517	1,330,028	1,080,656	1,438,090	1,168,457	6,330,079	5,143,229
Maryland	0	0	656,497	533,408	706,450	573,995	1,362,947	1,107,403
Massachusetts	435,422	353,783	458,747	372,735	494,974	402,169	3,115,205	2,531,123
Mississippi	1,442,895	1,172,361	2,960,288	2,405,252	1,636,764	1,329,881	9,004,285	7,316,038
Nebraska /b							300,892	244,477
Nevada	583,872	474,400	0	0	2,125,030	1,726,600	3,304,007	2,684,526
New Jersey	0	0	0	0	0	0	261,140	212,178
New Mexico	0	0	1,114,479	905,521	1,397,725	1,135,660	4,491,564	3,649,424
New York	1,450,350	1,178,418	0	0	4,498,606	3,655,145	10,385,172	8,438,017
North Carolina	1,000,000	812,506	750,000	609,380	3,139,603	2,550,947	5,139,603	4,175,959
North Dakota /b							563,808	458,098
Oklahoma	0	0	0	0	0	0	0	0
Oregon	12,319,266	10,009,480	1,287,170	1,045,834	1,388,590	1,128,238	17,399,930	14,137,552
Rhode Island	0	0	0	0	0	0	0	0
South Carolina	0	0	0	0	0	0	0	0
Washington	1,191,892	968,420	1,258,831	1,022,808	1,357,627	1,103,080	6,352,321	5,161,300
Wyoming	580,534	471,687	295,172	239,829	660,548	536,699	2,078,977	1,689,182
Total	26,532,452	21,557,783	16,247,970	13,201,577	27,544,083	22,379,739	105,793,499	85,957,878

a. Estimated amount spent is based on cumulative amounts spent across states and years for states that reported amounts spent as a share of obligations for those states and years (spending was 81.3% of obligated amount).

b. Reported amounts spent beginning in 2005, but not for earlier years. Hence, here we estimated amounts spent for 2002 through 2004.

SOURCE: Obligated amounts are available at http://www.fta.dot.gov/funding/data/grants_financing_1090.html.

Table A-3

Reported FTA Section 5311(f) Amounts Spent by State and Year, 2002-2008 ($)

	2002		2003		2004		2005	
State	Obligated	Reported Spent	Obligated	Reported Spent	Obligated	Reported Spent	Obligated	Reported Spent
Arizona	319,623	267,628	481,156	311,292	470,363	422,054	663,055	526,281
Arkansas	46,001	19,615	158,710	93,053	70,000	70,000	469,289	469,289
California	1,582,891	1,582,891	1,540,314	1,540,314	1,537,391	1,537,391	1,609,162	1,609,162
Florida	1,017,552	1,017,552	1,004,593	1,004,593	1,002,686	1,002,686	1,049,495	1,049,495
Georgia	1,993,384	1,162,859	1,186,108	0	1,016,107	958,942	0	639,294
Idaho	268,571	555,295	275,970	312,269	275,447	275,447	288,306	288,306
Indiana	392,005	381,188	468,996	468,143	844,957	841,404	0	489,267
Maine	354,333	354,333	384,267	384,267	383,538	383,538	0	0
Michigan	1,283,901	1,283,898	1,343,523	1,314,652	1,340,973	961,474	1,403,575	1,387,208
Minnesota	785,994	786,856	738,811	738,811	882,813	882,813	881,138	889,669
Missouri	0	0	0	493,661	551,577	593,955	631,971	580,919
Montana	217,563	217,563	267,116	267,116	233,602	233,602	312,061	279,055
Nebraska /a							143,495	140,026
New Hampshire	69,142	20,934	99,526	101,018	32,805	5,376	21,344	0
North Dakota /a							130,577	198,264
Ohio	1,544,645	0	1,450,666	40,239	1,613,162	96,734	1,688,470	96,734
Pennsylvania	1,723,068	1,723,068	1,627,508	1,627,508	1,624,419	1,624,419	1,700,255	1,700,255
South Dakota	0	0	0	0	0	0	0	0
Tennessee	0	0	0	0	0	0	0	0
Texas	1,878,362	1,069,631	-77,204	2,421,619	4,605,724	2,417,023	2,529,858	2,529,858
Utah	0	0	0	0	0	0	0	0
Vermont	0	0	0	0	0	0	0	0
Virginia	0	0	0	0	0	0	110,276	110,276
West Virginia	0	0	0	0	0	0	0	0
Wisconsin	225,694	208,582	229,610	211,892	232,100	177,653	87,731	74,043
Total	13,702,729	10,651,893	11,179,670	11,330,447	16,717,664	12,484,511	13,720,058	13,057,401

(continued)

Table A-3 (continued)

State	2006		2007		2008		2002-2008		
	Obligated	Reported Spent	Obligated	Reported Spent	Obligated	Reported Spent	Obligated	Reported Spent	Proportion
Arizona	-103,179	724,098	2,229,847	1,130,187	1,472,904	1,379,079	5,533,769	4,760,619	86.0%
Arkansas	576,395	355,166	900,888	798,822	647,693	128,680	2,868,976	1,934,625	67.4%
California	2,890,933	2,890,933	2,999,801	2,999,801	3,228,472	3,228,472	15,388,964	15,388,964	100.0%
Florida	1,710,305	1,710,305	1,802,662	1,802,662	1,939,252	1,939,252	9,526,545	9,526,545	100.0%
Georgia	1,326,905	2,167,267	4,218,693	2,167,267	2,441,514	2,067,010	12,182,711	9,162,639	75.2%
Idaho	726,855	598,673	769,017	769,536	829,948	829,948	3,434,114	3,629,474	105.7%
Indiana	0	139,747	0	207,333	0	227,227	1,705,958	2,754,309	161.5%
Maine	1,083,652	1,083,652	716,256	716,256	770,793	770,793	3,692,839	3,692,839	100.0%
Michigan	2,168,220	1,833,160	2,277,715	1,889,214	0	0	9,817,907	8,669,606	88.3%
Minnesota	922,272	922,272	1,592,960	1,461,763	1,676,769	1,793,157	7,480,757	7,475,341	99.9%
Missouri	352,475	1,323,842	265,000	451,091	1,299,850	1,219,304	3,100,873	4,662,772	150.4%
Montana	0	765,734	1,756,194	990,460	1,068,791	1,068,791	3,855,327	3,822,321	99.1%
Nebraska /a	144,002	141,172	144,002	140,500	146,813	137,590	578,312	559,288	96.7%
New Hampshire	0	0	0	0	0	0	222,817	127,327	57.1%
North Dakota /a	570,565	500,935	0	566,000	1,273,973	582,661	1,975,115	1,847,860	93.6%
Ohio	2,295,170	101,570	2,627,939	105,000	2,608,210	125,000	13,828,262	565,277	4.1%
Pennsylvania	2,526,139	2,526,139	2,661,200	2,661,200	2,869,085	2,869,085	14,731,674	14,731,674	100.0%
South Dakota	0	93,911	0	158,528	370,036	110,937	370,036	363,376	98.2%
Tennessee	1,759,227	1,178,682	1,858,350	1,821,183	2,123,216	276,018	5,740,793	3,275,883	57.1%
Texas	3,581,349	4,214,390	5,266,611	1,189,898	4,490,972	1,933,094	22,275,672	15,775,513	70.8%
Utah	0	0	500,000	285,150	686,652	0	1,186,652	285,150	24.0%
Vermont	0	0	0	0	0	0	0	0	0.0%
Virginia	128,914	128,914	139,224	139,224	136,905	136,905	515,319	515,319	100.0%
West Virginia	150,000	484,178	140,000	166,384	177,963	190,000	467,963	840,562	179.6%
Wisconsin	71,531	71,531	438,634	87,588	75,723	49,244	1,361,023	880,533	64.7%
Total	22,881,730	23,956,271	33,304,993	22,705,047	30,335,534	21,062,247	141,842,378	115,247,817	81.3%

a. Reported amounts spent beginning in 2005, but not for earlier years. Hence, we exclude obligated amounts in 2002 through 2004 in our calculation of amounts spent as a share of obligated amounts.

SOURCE: Obligated amounts are available at http://www.fta.dot.gov/funding/data/grants_financing_1090.html.

Appendix B

Estimated Annual Subsidies

Table B-1

Federal Subsidies for Private Sector Commercial Air Passenger Service, 1960-2009 ($ million, unless noted)

Fiscal Year	Outlays on Airports and Related Services	System Cost Attributable to Private Sector Commercial Air Passenger Transportation	AATF Receipts from Private Sector Commercial Air Passenger Transportation	Subsidy			
						Constant 2009 Dollars	
				Current Dollars	Constant 2009 Dollars	Per Passenger Trip ($)	Per Passenger Mile ($)
1960	575	321	-	321	2,869	50.52	0.0923
1961	724	403	-	403	3,541	55.35	0.0997
1962	789	440	-	440	3,764	52.90	0.0942
1963	818	456	-	456	3,816	48.71	0.0860
1964	845	471	-	471	3,836	44.86	0.0786
1965	886	494	-	494	3,921	42.29	0.0737
1966	889	496	-	496	3,778	35.93	0.0588
1967	957	533	-	533	3,901	33.17	0.0518
1968	960	535	-	535	3,712	28.54	0.0430
1969	1,220	680	-	680	4,451	31.22	0.0457
1970	1,311	730	-	730	4,421	28.52	0.0408
1971	2,445	1,362	479	883	4,960	31.37	0.0435
1972	2,827	1,575	562	1,013	5,283	30.29	0.0442
1973	2,250	1,254	656	598	2,904	15.67	0.0232
1974	2,236	1,246	712	534	2,356	12.29	0.0181
1975	2,408	1,342	834	508	2,038	10.67	0.0150
1976	2,557	1,425	945	480	1,807	8.62	0.0121
1977	2,822	1,573	1,185	388	1,366	6.05	0.0084
1978	3,277	1,826	1,186	640	2,118	8.24	0.0120
1979	3,392	1,890	1,356	534	1,631	5.52	0.0086
1980	3,759	2,106	1,693	413	1,136	4.13	0.0056
1981	3,850	2,168	1,141	1,027	2,573	9.63	0.0117
1982	3,564	2,018	1,111	907	2,132	7.70	0.0091
1983	4,044	2,302	1,951	351	793	2.64	0.0032
1984	4,426	2,532	2,261	271	582	1.79	0.0022
1985	4,914	2,825	2,617	208	435	1.20	0.0016
1986	5,321	3,097	2,495	602	1,232	3.09	0.0042
1987	5,530	3,180	2,791	388	774	1.84	0.0025
1988	5,870	3,395	2,910	485	941	2.22	0.0030
1989	6,623	3,869	3,307	562	1,058	2.51	0.0032
1990	7,304	4,310	3,400	911	1,647	3.58	0.0048
1991	8,191	4,883	4,558	325	568	1.27	0.0017
1992	9,309	5,842	4,243	1,599	2,726	5.77	0.0077
1993	10,043	6,619	4,695	1,924	3,200	6.58	0.0088
1994	9,838	6,794	4,746	2,048	3,316	6.29	0.0085
1995	10,352	7,475	5,001	2,474	3,899	7.13	0.0097
1996	10,135	7,297	2,251	5,046	7,767	13.39	0.0179
1997	10,137	7,276	3,583	3,693	5,582	9.33	0.0124
1998	10,622	7,602	7,639	-37	-56	-0.09	-0.0001
1999	10,720	7,649	9,697	-2,048	-2,960	-4.64	-0.0061
2000	10,571	7,520	9,003	-1,483	-2,061	-3.07	-0.0040
2001	12,039	8,538	8,570	-32	-43	-0.07	-0.0001
2002	14,141	9,998	8,416	1,582	2,085	3.37	0.0043
2003	22,966	16,189	7,924	8,265	10,452	16.03	0.0207
2004	16,704	11,739	8,391	3,348	4,060	5.73	0.0073
2005	18,824	13,188	9,337	3,851	4,415	5.95	0.0076
2006	18,905	13,245	9,461	3,784	4,137	5.55	0.0070
2007	18,451	12,927	10,318	2,609	2,722	3.53	0.0045
2008	19,955	13,980	10,789	3,191	3,181	4.28	0.0055
2009	20,772	14,553	9,509	5,044	5,044	7.16	0.0091
Total					137,812	7.33	0.0097
Subtotals							
1960-2001					101,715	7.75	0.0105
2002-2009					36,097	6.35	0.0081

SOURCE: Nathan Associates Inc.

Table B-2

Federal Subsidies for Automobiles, 1960-2009 ($ million, unless noted)

Fiscal Year	Outlays on Highways and Related Services	System Cost Attributable to Passenger Automobile Transportation	HTF Receipts Attributable to Auto Passenger Transportation	Subsidy			
				Current Dollars	Constant 2009 Dollars	Constant 2009 Dollars	
						Per Passenger Trip ($)	Per Passenger Mile ($)
1960	3,176	2,036	1,545	490	4,389	na	0.0038
1961	2,859	1,833	1,703	129	1,136	na	0.0010
1962	3,050	1,955	1,795	160	1,369	na	0.0011
1963	3,324	2,131	1,996	135	1,129	na	0.0009
1964	3,963	2,540	2,142	398	3,246	na	0.0024
1965	4,317	2,768	2,223	545	4,324	na	0.0031
1966	4,435	2,844	2,376	467	3,563	na	0.0024
1967	4,487	2,878	2,690	188	1,375	na	0.0009
1968	4,693	3,010	2,648	362	2,516	na	0.0016
1969	4,725	3,031	2,799	232	1,520	na	0.0009
1970	5,075	3,255	3,380	-126	-760	na	-0.0004
1971	5,432	3,483	3,622	-139	-781	na	-0.0004
1972	5,388	3,453	3,577	-123	-644	na	-0.0004
1973	5,842	3,743	3,911	-168	-815	na	-0.0004
1974	5,832	3,736	4,512	-776	-3,427	na	-0.0018
1975	6,225	3,986	4,677	-691	-2,770	na	-0.0014
1976	9,758	6,247	4,229	2,017	7,592	na	0.0039
1977	7,875	5,040	5,253	-213	-751	na	-0.0004
1978	8,069	5,100	5,439	-339	-1,121	na	-0.0006
1979	9,724	6,068	5,778	290	884	na	0.0004
1980	11,563	7,123	5,487	1,636	4,501	na	0.0022
1981	11,977	7,282	5,329	1,953	4,892	na	0.0024
1982	10,433	6,260	5,603	657	1,545	na	0.0008
1983	11,043	6,537	6,335	202	457	na	0.0002
1984	12,654	7,390	8,246	-856	-1,841	na	-0.0009
1985	14,820	8,536	8,646	-110	-229	na	-0.0001
1986	16,075	9,274	8,555	719	1,472	na	0.0007
1987	14,439	8,344	8,006	338	674	na	0.0003
1988	15,529	8,988	8,515	473	919	na	0.0004
1989	14,600	8,464	9,757	-1,293	-2,434	na	-0.0011
1990	15,587	9,051	9,026	25	45	na	0.0000
1991	15,850	9,218	10,627	-1,408	-2,461	na	-0.0011
1992	16,909	9,850	11,230	-1,380	-2,351	na	-0.0011
1993	17,743	10,352	11,145	-792	-1,318	na	-0.0006
1994	19,975	11,673	10,953	721	1,167	na	0.0005
1995	20,100	11,765	12,561	-796	-1,254	na	-0.0005
1996	20,637	12,098	14,804	-2,706	-4,165	na	-0.0018
1997	21,324	12,521	13,994	-1,472	-2,225	na	-0.0009
1998	20,670	12,157	16,059	-3,903	-5,820	na	-0.0024
1999	23,457	13,818	22,487	-8,670	-12,528	na	-0.0050
2000	27,758	16,377	20,302	-3,925	-5,454	na	-0.0021
2001	29,940	17,664	18,007	-343	-464	na	-0.0002
2002	32,921	19,423	18,721	703	926	na	0.0004
2003	33,108	19,534	19,377	157	198	na	0.0001
2004	33,238	19,610	19,926	-316	-383	na	-0.0001
2005	33,371	19,689	22,016	-2,327	-2,668	na	-0.0010
2006	35,965	21,219	22,546	-1,327	-1,451	na	-0.0005
2007	36,981	21,819	23,348	-1,529	-1,595	na	-0.0006
2008	40,065	23,638	20,968	2,671	2,662	na	0.0010
2009	42,482	25,064	21,523	3,542	3,542	na	0.0014
Total					-3,666	na	-0.00004
Subtotals							
1960-2001					-4,897	na	-0.0001
2002-2009					1,231	na	0.0001

Note: na means not available.

SOURCE: Nathan Associates Inc.

Table B-3

Federal Subsidies for Private Sector Commercial Buses, 1960-2009 ($ million, unless noted)

Fiscal Year	Outlays on Highways and Related Services	System Cost Attributable to Private Sector Commercial Bus Transportation Plus Outlays Earmarked for Commercial Buses	HTF Receipts Attributable to Private Sector Commercial Bus Transportation	Subsidy			
				Current Dollars	Constant 2009 Dollars	Constant 2009 Dollars	
						Per Passenger Trip ($)	Per Passenger Mile ($)
1960	3,176	18	11	6	57	0.16	na
1961	2,859	16	13	3	30	0.08	na
1962	3,050	17	13	4	33	0.09	na
1963	3,324	19	15	4	32	0.09	na
1964	3,963	22	16	6	52	0.14	na
1965	4,317	23	16	7	56	0.15	na
1966	4,435	23	17	6	45	0.12	na
1967	4,487	22	18	3	24	0.06	na
1968	4,693	21	18	4	26	0.07	na
1969	4,725	20	18	2	15	0.04	na
1970	5,075	21	21	0	0	0.00	na
1971	5,432	21	21	0	-1	0.00	na
1972	5,388	20	20	0	-1	0.00	na
1973	5,842	20	21	-1	-3	-0.01	na
1974	5,832	19	23	-4	-17	-0.04	na
1975	6,225	19	22	-4	-14	-0.04	na
1976	9,758	27	19	8	31	0.09	na
1977	7,875	20	23	-2	-8	-0.02	na
1978	8,069	21	23	-2	-8	-0.02	na
1979	9,724	25	0	25	77	0.21	na
1980	11,563	30	0	30	83	0.22	na
1981	11,977	31	0	31	78	0.21	na
1982	10,433	27	0	27	64	0.17	na
1983	11,043	29	0	29	65	0.18	na
1984	12,654	33	0	33	71	0.20	na
1985	14,820	39	8	31	64	0.18	0.0009
1986	16,075	41	8	33	67	0.20	0.0009
1987	14,439	36	8	28	56	0.17	0.0007
1988	15,529	37	8	29	56	0.17	0.0006
1989	14,600	34	17	17	33	0.10	0.0003
1990	15,587	35	12	23	42	0.10	0.0004
1991	15,850	35	12	23	40	0.08	0.0004
1992	16,909	40	14	26	43	0.09	0.0004
1993	17,743	43	16	28	46	0.09	0.0004
1994	19,975	43	17	26	42	0.08	0.0004
1995	20,100	54	21	33	52	0.10	0.0004
1996	20,637	50	26	24	36	0.07	0.0003
1997	21,324	47	27	20	31	0.05	0.0002
1998	20,670	48	32	16	24	0.04	0.0002
1999	23,457	57	48	9	12	0.02	0.0001
2000	27,758	65	46	19	27	0.04	0.0002
2001	29,940	66	40	25	34	0.06	0.0003
2002	32,921	76	42	34	45	0.08	0.0004
2003	33,108	89	43	46	58	0.11	0.0005
2004	33,238	88	45	43	52	0.10	0.0004
2005	33,371	90	49	41	47	0.08	0.0004
2006	35,965	117	51	67	73	0.11	0.0006
2007	36,981	115	52	62	65	0.09	0.0005
2008	40,065	127	47	80	79	0.10	0.0006
2009	42,482	131	48	83	83	0.11	0.0006
Total /a					1,993	0.09	0.0004
Subtotals /a							
1960-2001					1,491	0.09	0.0009
2002-2009					502	0.10	0.0005

Note: na means not available.

a. Subsidy per passenger mile total and subtotal considers only the period for which we have passenger mile data (1985-2009).

SOURCE: Nathan Associates Inc.

Table B-4

Federal Subsidies for Intercity Rail (Amtrak), 1960-2009 ($ million, unless noted)

Fiscal Year	Federal Outlays (Subsidy)			
	Current Dollars	Constant 2009 Dollars	Constant 2009 Dollars	
			Per Passenger Trip ($)	Per Passenger Mile ($)
1960	-	-	-	-
1961	-	-	-	-
1962	-	-	-	-
1963	-	-	-	-
1964	-	-	-	-
1965	-	-	-	-
1966	-	-	-	-
1967	-	-	-	-
1968	-	-	-	-
1969	-	-	-	-
1970	-	-	-	-
1971	24	136	na	na
1972	78	406	na	na
1973	106	514	na	na
1974	129	568	na	na
1975	299	1,199	na	0.3051
1976	355	1,334	na	0.3298
1977	813	2,860	na	0.6874
1978	920	3,042	na	0.7117
1979	978	2,984	na	0.6799
1980	1,064	2,929	140.80	0.6504
1981	1,070	2,680	130.08	0.5867
1982	1,052	2,472	127.42	0.5337
1983	961	2,174	115.00	0.4628
1984	2,198	4,727	237.55	0.9930
1985	917	1,913	95.17	0.3964
1986	777	1,592	78.83	0.3140
1987	392	782	37.77	0.1470
1988	646	1,255	58.36	0.2255
1989	616	1,159	54.18	0.1995
1990	585	1,057	47.62	0.1745
1991	719	1,257	57.12	0.2003
1992	831	1,417	66.51	0.2326
1993	732	1,217	55.08	0.1964
1994	745	1,206	56.91	0.2038
1995	933	1,470	71.04	0.2652
1996	899	1,384	70.25	0.2740
1997	1,062	1,605	79.46	0.3107
1998	965	1,439	68.20	0.2713
1999	287	415	19.29	0.0778
2000	617	857	38.10	0.1559
2001	574	776	33.04	0.1397
2002	1,104	1,455	62.17	0.2660
2003	1,024	1,295	53.96	0.2280
2004	1,317	1,597	63.89	0.2898
2005	1,261	1,446	57.67	0.2687
2006	1,285	1,405	57.24	0.2611
2007	1,292	1,348	50.78	0.2331
2008	1,334	1,330	46.33	0.2152
2009	1,787	1,787	65.70	0.2708
Total /a		60,489	71.24	0.3190
Subtotals /a				
1960-2001		48,826	77.54	0.3550
2002-2009		11,663	57.04	0.2536

Note: na means not available.

a. Subsidy totals per passenger trip and mile pertain only to the years for which we have passenger trip and mile data.

SOURCE: Nathan Associates Inc.

Table B-5

Federal Subsidies for Mass Transit, 1960-2009 ($ million, unless noted)

Fiscal Year	Federal Outlays (Subsidy)			
	Current Dollars	Constant 2009 Dollars	Constant 2009 Dollars	
			Per Passenger Trip ($)	Per Passenger Mile ($)
1960	-	-	-	-
1961	0	1	0.00	na
1962	1	7	0.00	na
1963	2	19	0.00	na
1964	1	10	0.00	na
1965	12	93	0.01	na
1966	21	158	0.02	na
1967	46	336	0.04	na
1968	68	468	0.06	na
1969	148	970	0.12	na
1970	124	751	0.10	na
1971	212	1,193	0.17	na
1972	316	1,650	0.25	na
1973	491	2,388	0.36	na
1974	591	2,606	0.38	na
1975	929	3,726	0.53	na
1976	1,492	5,616	0.79	na
1977	2,000	7,039	0.97	na
1978	2,177	7,199	0.95	na
1979	2,542	7,758	0.95	na
1980	3,307	9,098	1.06	0.2283
1981	3,917	9,812	1.18	0.2465
1982	3,930	9,237	1.15	0.2324
1983	3,759	8,498	1.04	0.2141
1984	3,811	8,196	0.93	0.2068
1985	3,427	7,148	0.83	0.1806
1986	3,399	6,963	0.79	0.1745
1987	3,351	6,678	0.76	0.1661
1988	3,315	6,435	0.74	0.1588
1989	3,593	6,763	0.76	0.1656
1990	3,830	6,926	0.79	0.1683
1991	3,912	6,837	0.80	0.1680
1992	3,668	6,252	0.74	0.1554
1993	3,510	5,837	0.71	0.1482
1994	3,902	6,318	0.79	0.1596
1995	5,138	8,098	1.04	0.2034
1996	4,373	6,731	0.85	0.1727
1997	4,581	6,924	0.83	0.1723
1998	4,297	6,408	0.73	0.1540
1999	4,260	6,156	0.67	0.1422
2000	5,331	7,407	0.79	0.1642
2001	7,049	9,534	0.99	0.2050
2002	7,694	10,138	1.05	0.2199
2003	5,006	6,331	0.67	0.1386
2004	8,096	9,819	1.03	0.2109
2005	8,438	9,674	0.99	0.2053
2006	8,637	9,444	0.94	0.1908
2007	9,199	9,599	0.94	0.1851
2008	10,006	9,974	0.95	0.1857
2009	11,336	11,336	1.05	0.2038
Total /a		280,558	0.68	0.1846
Subtotals /a				
1960-2001		204,243	0.61	0.1810
2002-2009		76,316	0.95	0.1926

Note: na means not available.

a. Subsidy totals per passenger trip and mile pertain only to the years for which we have passenger trip and mile data.

SOURCE: Nathan Associates Inc.

American Bus Association Foundation
Economic Impact of the Motorcoach Tour and Travel Industry

The Motorcoach Tour and Travel Industry Creates Jobs in America

United States companies that provide motorcoach services to intercity travelers and group tours are a critical part of the country's economy. Motorcoach operators, along with the companies that supply services and materials to them, provide well paying jobs in America and pay significant amounts in tax to local, state and federal governments.

Economic Impact of Motorcoach Based Travel in the United States

	Direct	Supplier	Induced	Total
Jobs (FTE)	608,200	147,400	301,200	1,056,800
Wages	$ 19,010,656,500	$ 7,808,208,800	$ 13,768,603,500	$ 40,587,468,800
Economic Impact	$ 42,281,666,900	$ 24,527,578,500	$ 45,858,287,600	$ 112,667,533,000

The Motorcoach Industry is a Crucial Part of America's Economy

- Companies in the United States that provide motorcoach services to tourists, travelers and commuters employ as many as 127,600 people in the country. In addition, companies that supply services to motorcoach passengers, such as hotels, restaurants and entertainment venues employ as many as 480,600 additional people in the United States. [1]
- These are good jobs, paying an average of $31,260 in wages and benefits. And today, every job is important In fact, in the United States the unemployment rate has reached 8.2 percent. This means that there are already 12,749,000 people trying to find jobs in the country, and collecting unemployment benefits. [2]

The Economic Benefit of The Motorcoach Tour and Travel Industry is Felt Throughout the Country

- Not only does the motorcoach travel industry create good jobs in the United States, but the industry also contributes to the economy as a whole. In 2009, about 147,400 people worked for firms that supplied goods and services to companies working with motorcoach passengers. These include a wide range of companies from wholesalers, to accountants, to fueling stations. All told, nearly $ 112.7 billion in total economic activity in the United States can be attributed to the motorcoach tour and travel industry.
- In addition to providing good paying jobs for thousands of workers in the United States motorcoaches are the most fuel- and carbon-efficient mode of passenger transportation. Motorcoach travel averages 206 passenger miles per gallon compared to commuter rail at 92, transit bus at 31, personal automobiles at 27 and hybrid cars at 46 passenger miles per gallon.
- Motorcoach travel also alleviates congestion on local roads, city streets and major arteries by removing cars from travel lanes; adds productivity to the workforce, and reduces pavement wear. In America, motorcoach travel saves 44.2 million gallons of fuel, 63 million hours of wasted time and $1.2 billion annually. [3]
- Motorcoaches bring millions of tourists who support local economies, and provide efficient, flexible and cost effective transportation, linking commuters to employment, and airports and rail stations to the surface transportation network. Motorcoaches provide the only form of public intercity transportation to millions of rural residents. This is all accomplished by an industry of small businesses with little to no taxpayer subsidies.

The Country Also Benefits from the Taxes Paid by the Industry

- Not only does the motorcoach travel and tourism industry create jobs, it also generates substantial revenues for state and local governments. In the United States, the industry and its employees pay over $7,498 million in taxes including property, income, and sales based levies. [4]

Taxes Generated in the United States	
	Tax Impact
Federal Taxes	$ 9,001,064,160
State Taxes	$ 7,498,049,137
Total Taxes	$ 16,499,113,297

[1] John Dunham and Associates, New York, July 2009.
[2] The Bureau of Labor Statistics. Available on-line at: www.bls.gov/lau/home.htm. Data for 41082.
[3] Schrank, David and Tim Lomax, Mobility Benefits from Motorcoach Service, Texas Transportation Institute, December 2009.
[4] op cit, John Dunham and Associates.

Source: John Dunham and Associates, Inc.

New York, New York 2009

Motorcoach Census 2011

A Benchmarking Study of the Size and Activity of the
Motorcoach Industry in the United States and Canada in 2010

Prepared for the American Bus Association Foundation
by John Dunham & Associates
June 18, 2012

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Contents

Executive Summary

Motorcoach Census 2011 is a benchmarking study commissioned by the American Bus Association Foundation (ABAF) to measure the size and activity of the motorcoach transportation service industry in the United States and Canada in 2010. The study provides information on the scope and impact of the motorcoach industry that builds upon earlier census research.

In 2010, the motorcoach industry in the United States and Canada consisted of 4,478 companies that operated 42,895 motorcoaches. In the United States, 4,088 companies operated 39,259 motorcoaches and, in Canada, 390 companies operated 3,636 motorcoaches.

Passenger Trips – The motorcoach industry provided about 694 million passenger trips in 2010. About 28% of these trips were provided by large companies that operated 100 or more motorcoaches, 38% by mid-size companies operating 25 to 99 motorcoaches and 34% by small companies operating fewer than 25 motorcoaches. The industry moved individual passengers a total of 76.1 billion miles in 2010.

Services – Motorcoach companies offer a diverse variety of services. About 95% of motorcoach companies provided charter service in 2010, 52% provided tour service, 30% provided sightseeing, 29% provided airport shuttle, 20% provided scheduled service, 19% provided special operations, and 13% provided commuter services. Charter service accounted for about 44.4% of motorcoach service mileage, followed by scheduled service (29.6%), commuter (12.3%), packaged tour service (7.4%), airport service (3.4%), sightseeing (1.8%), and special operations (1.2%).

Companies – The majority (93%) of motorcoach operators were small and operated fewer than 25 motorcoaches. All told, these firms operated over 18,700 motorcoaches, provided about 232.3 million passenger trips, and accounted for about 32% of motorcoach mileage. Mid-sized companies, those that operated 25 to 99 motorcoaches, ran just under 12,800 motorcoaches, provided 266.7 million passenger trips, and accounted for just under 33% of the industry's motorcoach mileage. Large companies that operated over 100 motorcoaches accounted for over 26% of the industry's fleet, provided 27% of the industry's passenger trips, and 35% of the industry's motorcoach mileage.

Employment – The motorcoach industry provided jobs to 148,912 people in 2010; 79,500 full-time and 69,400 part-time. On average, a motorcoach company provided 33.3 jobs or 3.5 jobs per motorcoach. Over four in ten (43%) of the jobs were with small companies that operated less than 25 motorcoaches, just under 24% were with mid-sized companies that operated 25 to 99 motorcoaches, and 33% were with large companies that operated 100 or more motorcoaches.

Fuel Efficiency – Considering the amount of passengers served per bus, motorcoaches move people with remarkable fuel efficiency. In 2010, the average fuel efficiency of a motorcoach was 6.0 miles per gallon of fuel. With this fuel efficiency, a motorcoach carrying the industry average of 34.4 passengers achieved 207.3 passenger miles per gallon of fuel in 2010.

Motorcoach Use – On average, a motorcoach provided 16,200 passenger trips in 2010, moved individual passengers a total of 1.8 million miles, employed 3.5 people, used 9,100 gallons of fuel, and traveled 54,900 miles. About 54% of the average coach's service mileage was for charter, tour, and sightseeing services and 46% was for fixed-route services (airport shuttle, commuter, scheduled, and special operations).

1. Introduction

Motorcoach Census 2011 is a benchmarking study commissioned by the American Bus Association Foundation to measure the size and activity of the motorcoach transportation service industry in the United States and Canada in calendar year 2010. Industry size is measured by the number of motorcoach carriers and the number of motorcoaches they operated. Activity is measured by the number of passenger trips provided, passenger miles, services provided, motorcoach miles traveled, fuel consumed, and employment.

Definition of the Motorcoach Industry

The industry consists of private-sector organizations that lease/own and operate motorcoaches and offer motorcoach transportation services to the public, including to private-and public-sector organizations on a contract basis. The industry includes motorcoach transportation companies that are hired on a contract basis by state or city transit authorities to transport commuters. The industry excludes governments, transit agencies or other public-sector organizations that lease/own and operate motorcoaches and offer transportation services to the public. The industry also excludes private- and public-sector organizations that lease/own and operate motorcoaches just for their own use, such as businesses that operate motorcoaches to shuttle their employees.

Definition of a Motorcoach

For this study, a motorcoach, or over-the-road bus (OTRB), is defined as a vehicle designed for long-distance transportation of passengers, characterized by integral construction with an elevated passenger deck located over a baggage compartment. It is at least 35 feet in length with a capacity of more than 30 passengers. This definition closely matches the definition of an OTRB written into U.S. law, namely "a bus characterized by an elevated passenger deck located over a baggage compartment" (Section 3038 of Public Law 105-178, 49 USC 5310 note). This definition of a motorcoach excludes the typical city transit bus and city sightseeing buses, such as double-decker buses and trolleys.

Data Sources

Several sources of information were used to construct the estimates of industry size and activity in this study. Names of nearly 9,000 potential motorcoach carriers were assembled using information from prior censuses, the American Bus Association Foundation, Dun & Bradstreet Inc., the U.S. Department of Transportation, and the United Motorcoach Association. Information about the potential motorcoach carriers and the motorcoaches they operated was collected through a survey. The survey questionnaire was distributed to the potential motorcoach carriers from December 2011 through February 2012. A total of 335 usable survey responses from motorcoach carriers were returned to John Dunham & Associates.

John Dunham & Associates research efforts were supported by a number of industry groups, companies, and organizations, including the United Motorcoach Association, Motor Coach Canada, Trailways Transportation System, International Motorcoach Group, Ontario Motor Coach Association, the Quebec Bus Owners Association, ABC Companies, Motor Coach Industries, Prevost Car, and Daimler Commercial Buses North America. We acknowledge and thank them for their support. We are particularly grateful to the 335 motorcoach carriers that took the time to provide information about their firms on a confidential basis; their assistance was crucial to the completion of this study.

2. Size and Activity of the Motorcoach Industry in 2010

Motorcoach Census 2011 reports estimates of the size and activity of the motorcoach transportation services industry in the United States and Canada in calendar year 2010. Industry size is measured by the number of motorcoach carriers and the number of motorcoaches they operated. Activity is measured by the number of passenger trips provided, passenger miles, services provided, motorcoach miles traveled, fuel consumed, and employment.

Size of the Motorcoach Industry

In 2010, the motorcoach industry in the United States and Canada consisted of 4,478 carriers and 42,960 motorcoaches (Table 2-1). In the United States, 4,088 carriers operated 39,324 motorcoaches and, in Canada, 390 carriers operated 3,636 motorcoaches. The average carrier operated 10 motorcoaches.

Table 2-1
Total Carriers and Motorcoaches in 2010 by Fleet Size

Motorcoach Fleet Size	Carriers		Motorcoaches		Average Number of Motorcoaches
	Number	Percent	Number	Percent	
100 or more	31	0.7%	11,441	26.6%	369
50-99	67	1.5%	4,515	10.5%	67
25-49	210	4.7%	8,250	19.2%	39
10-24	459	10.3%	7,238	16.8%	16
Less than 10	3,711	82.9%	11,515	26.8%	3
Industry Total	4,478	100.0%	42,960	100.0%	10

Note: Percentages may not sum to 100% because of rounding.

Passenger Trips

The motorcoach industry in the United States and Canada provided over 694 million passenger trips in 2010 (Table 2-2). In 2010, the average carrier provided 155,000 passenger trips and an average motorcoach provided 16,200 passenger trips.

Table 2-2
Motorcoach Passenger Trips in 2010 by Fleet Size

Motorcoach Fleet Size	Passenger Trips		Average Passenger Trips per:	
	Total	Percent	Motorcoach	Carrier
100 or more	194,600,000	28.0%	17,000	6,277,000
50-99	82,500,000	11.9%	18,300	1,231,000
25-49	184,400,000	26.6%	22,300	878,000
10-24	120,000,000	17.3%	16,600	261,000
Less than 10	112,600,000	16.2%	9,800	30,000
Industry Total	694,100,000	100.0%	16,200	155,000

Note: Percentages may not sum to 100% because of rounding.

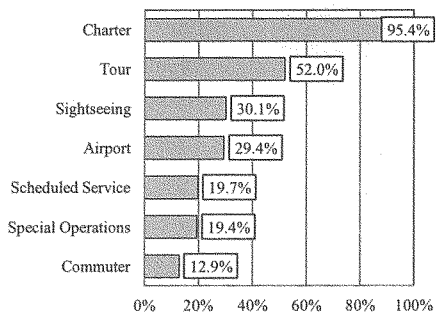
Almost 28% of passenger trips in 2010 were provided by the largest carriers, which accounted for almost 195

The smallest carriers, those with a fleet size of fewer than 10 motorcoaches, operated the smallest average number (1.1 million) of passenger miles per motorcoach. They had, on average, 3.4 million passenger miles per carrier for a total of 12.6 billion passenger miles, or 16.5% of industry passenger miles.

Services Provided

The services offered by the motorcoach industry are diverse. Nearly all carriers (95.4%) provided charter service in 2010, followed by tour (52.0%) sightseeing (30.1%), airport shuttle (29.4%) scheduled service (19.7%), special operations (19.4%), and commuter service (12.9%).

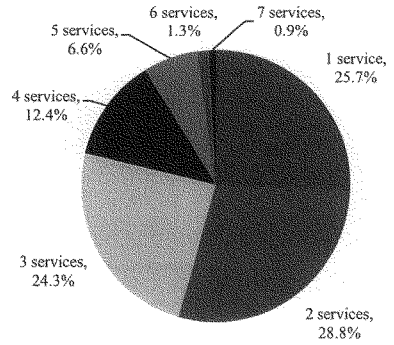
Figure 2-2
Percentage of Carriers Providing Types of Service in 2010



Almost three in four (74.3%) carriers provided more than one service in 2010. More than one in four (25.7%) carriers had mileage in 2010 for just one service, 28.8% offered two services, 24.3% offered three services, 12.4% offered four services, 6.6% offered five services, 1.3% offered six services, and 0.9% offered all seven services.

Figure 2-3

Percentage of Carriers by Number of Services Provided in 2007



Note: Percentages may not sum to 100% because of rounding.

Vehicle Mileage

Industry motorcoaches traveled 2.4 billion miles in 2010, averaging 527,000 miles per carrier and 55,000 miles per motorcoach. The largest carriers with over 100 motorcoaches averaged 73,000 miles per motorcoach, while the smallest carriers; those with fewer than 10 motorcoaches, averaged 34,000 miles per motorcoach. Service mileage (miles traveled with passengers) accounted for 2.23 billion (94.6%) of the 2.36 billion total miles that motorcoach vehicles traveled in 2010.

Table 2-4
Motorcoach Vehicle Mileage in 2010 by Fleet Size

Motorcoach Fleet Size	Vehicle Mileage		Average Vehicle Mileage per:	
	Number	Percent	Motorcoach	Carrier
100 or more	830,700,000	35.2%	81,300	26,796,000
50-99	292,100,000	12.4%	64,700	4,360,000
25-49	481,900,000	20.4%	54,600	2,295,000
10-24	357,300,000	15.2%	49,300	778,000
Less than 10	395,900,000	16.8%	34,400	107,000
Industry Total	2,359,500,000	100.0%	57,000	527,000

Note: Percentages may not sum to 100% because of rounding.

Fuel Consumption

Almost 391 million gallons of fuel was consumed by industry motorcoaches in 2010. Each carrier, on average, consumed 87,000 gallons of fuel, or 9,000 gallons per motorcoach. Motorcoach fuel efficiency averaged 6.0 miles per gallon. With this fuel efficiency, a motorcoach carrying the industry average of 34 passengers achieved 207.3 passenger miles per gallon in 2010.

Table 2-5
Motorcoach Fuel Consumption in 2010 by Fleet Size

Motorcoach Fleet Size	Gallons of Fuel Consumed		Average Gallons of Fuel Consumed Per:		Miles Per Gallon
	Gallons	Percent	Motorcoach	Carrier	
100 or more	137,400,000	35.2%	12,000	4,433,000	6.0
50-99	49,600,000	12.7%	11,000	740,000	5.9
25-49	79,500,000	20.3%	9,600	378,000	6.1
10-24	58,300,000	14.9%	8,000	127,000	6.1
Less than 10	66,700,000	16.9%	5,700	18,000	6.0
Industry Total	390,800,000	100.0%	9,100	87,000	6.0

Note: Percentages may not sum to 100% because of rounding.

Employment

The motorcoach industry in the United States and Canada employed 149,000 people in 2010, averaging 33 employees per carrier and 3.5 employees per motorcoach (Table 2-6). The largest carriers with over 100

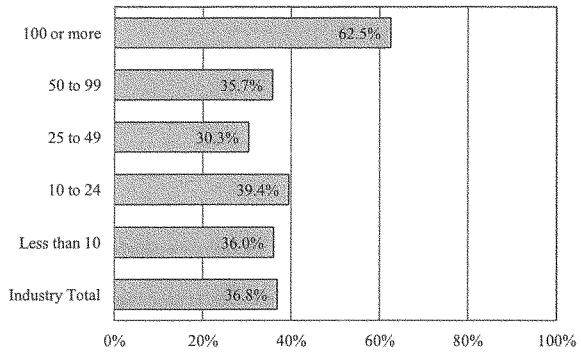
3. Motorcoach Carrier Characteristics

The Motorcoach Census 2011 survey of motorcoach carriers in the United States and Canada collected additional information on the operating characteristics of the carriers. This chapter presents summary statistics on this information. Included are industry estimates relating to competition from transit agencies, the average age of motorcoaches, and on how carriers acquired motorcoaches and fuel. Finally, summary statistics are presented on the data reported by carriers about their founding year and their other revenue-generating vehicles.

Competition from Transit Agencies

Almost four in ten (37.0%) motorcoach carriers in the United States and Canada have experienced competition from transit agencies. Two out of three (62.5%) of the largest carriers have encountered competition from transit agencies. Almost four in ten (36.0%) of the smallest carriers have competed with transit agencies for business. Over four in ten motorcoaches (42.5%) are operated by carriers that have experienced competition from transit agencies.

Figure 3-1
Percentage of Carriers that Have Competed with Transit Agencies for Business



Age of Motorcoaches

In 2010, the average motorcoach operated by carriers in the United States and Canada was nine years old (manufactured in 2001), and the median motorcoach was eight years old (manufactured in 2002). Among the fleet-size categories, the smallest carriers, those with less than 10 motorcoaches, had the oldest motorcoach fleet with an average age of ten years (manufactured in 2000). The average motorcoach for carriers with between 10 and 49 motorcoaches was 7 years old (manufactured in 2003), and the average motorcoach for carriers with over 50 motorcoaches was 6 years old (manufactured in 2004).

How Motorcoaches Were Acquired

In 2010, 4.9% of motorcoach carriers operated only leased motorcoaches in their fleet, while 72.0% only operated purchased motorcoaches, and 23.1% operated a mix of both (Table 3-1). Smaller carriers were more likely to have only purchased motorcoaches in their fleet.

Even though a majority of motorcoach carriers reported buying fuel only at retail, 60.1% of motorcoach fuel was actually purchased at wholesale in 2010 (Table 3-4). This was due to the fact carriers with over 25 motorcoaches reported buying much more fuel at wholesale than at retail. The smallest carriers with fewer than 10 motorcoaches purchased the smallest percentage of fuel (16.6%) at wholesale, and the largest carriers with over 100 motorcoaches purchased 77.2% of fuel at wholesale.

Table 3-4
Percentages of Motorcoach Fuel Gallons Purchased at Retail or Wholesale

Motorcoach Fleet Size	Retail Gallons	Wholesale Gallons	Total
100 or more	23.9%	76.1%	100.0%
50-99	30.6%	69.4%	100.0%
25-49	31.4%	68.6%	100.0%
10-24	47.9%	52.1%	100.0%
Less than 10	83.4%	16.6%	100.0%
Industry Total	39.9%	60.1%	100.0%

Founding Year of Carrier

The motorcoach industry in the United State and Canada is made up of a healthy mix of old and new companies. About 3.1% of reporting carriers were founded before 1920 and 9.0% of carriers were founded before 1940. About one out of every three (34.3%) carriers was founded after 1995, and about one in every ten (10.2%) carriers was founded after 2005. The average founding year of reporting carriers is 1981, and the median founding year of reporting carriers is 1989. By decade, almost one quarter of the carriers were founded in the 1990s (24.4%), closely followed by 2000-2009 (23.8%) and the 1980s (17.9%).

Table 3-5
Percentages of Motorcoach Carriers by Year Founded

Year Founded	Percent of Carriers
Pre-1920	3.1%
1920-1939	5.9%
1940-1959	10.8%
1960-1979	13.6%
1980s	17.9%
1990s	24.4%
2000-Present	24.4%

Note: Percentages may not sum to 100% because of rounding.

Other Revenue-Generating Passenger Vehicles

Four out of five (79.9%) of the carriers reported operating other revenue-generating passenger vehicles in addition to their motorcoaches. The largest fleet-size category, carriers operating 100 or more motorcoaches, all operated other passenger vehicles, while over half (69.1%) of the smallest fleet-size category, carriers operating fewer than 10 motorcoaches, reported operating other vehicles.

Appendix A. Study Methodology

The American Bus Association Foundation commissioned *Motorcoach Census 2011* to measure the size and activity of the motorcoach transportation service industry in the United States and Canada. The study estimates and reports total industry size and activity for the year 2010. This appendix describes the data sources and methodologies used in the study. The appendix describes the target population, the survey frame, the survey data collection and processing, the estimation of industry size, and the estimation of industry activity.

Target Population

The target population of the study is the motorcoach transportation service industry in the United States and Canada in 2010.

The industry consists of private-sector organizations that lease/own and operate motorcoaches and offer motorcoach transportation services to the public, including to private-and public-sector organizations on a contract basis. The industry includes, for example, motorcoach transportation companies that are hired on a contract basis by state or city transit authorities to transport commuters on motorcoaches. The industry excludes, however, governments, transit agencies or other public-sector organizations that lease/own and operate motorcoaches and offer motorcoach transportation services to the public. The industry also excludes private- and public-sector organizations that lease/own and operate motorcoaches just for their own use, such as businesses that operate motorcoaches to shuttle their employees.

Motorcoach transportation services include motorcoach charter services, tour and sightseeing services using motorcoaches, and motorcoach passenger transportation over regular routes and on regular schedules, such as airport shuttle services, commuter transportation services, and scheduled intercity and rural transportation services. The seven types of motorcoach transportation service that were used in this study are defined below:

- **Charter** – A preformed group (organization, association, tour company, shuttle service, church, school, etc.) who hires a motorcoach for exclusive use under a fixed contract.
- **Packaged/Retail Tour** – A planned or prearranged trip offered for sale by a motorcoach transportation company (including a tour company that leases/owns and operates motorcoaches) at fixed price to leisure travelers. Price usually includes lodging, meals, sightseeing, and transportation.
- **Sightseeing** – A service offered by motorcoach or tour companies to view points of interest within a specified area.
- **Airport Shuttle** – A private motorcoach service usually operating on a fixed route to transport passengers to and from airports.
- **Commuter** – A fixed-route bus service, characterized by service predominantly in one direction during peak periods, limited stops, use of multi-ride tickets, and routes of extended length, usually between the central business district and outlying suburbs.
- **Scheduled** – A specified, ticketed, predetermined regular-route service between cities or terminals.
- **Special Operations** – Published, regular-route service to special events, such as fairs, sporting events, or service for employees to work sites.

A motorcoach, or over-the-road bus (OTRB), is defined for this study as a vehicle designed for long-distance transportation of passengers, characterized by integral construction with an elevated passenger deck located over a baggage compartment. It is at least 35 feet in length with a capacity of more than 30 passengers. This definition

Foundation (ABAF) made follow-up solicitations to potential carriers by both e-mail and phone. The ABAF sent notices several times to its members by e-mail encouraging them to participate in the survey.

Submitted electronic and paper questionnaires were reviewed for completeness and validity. Additional contact was made selectively to resolve unclear responses and to prompt for response to questions left unanswered. JDA consolidated the information from all surveys collected into one database. The data were tabulated and evaluated for inconsistencies, irregularities and respondent-specific values that were significantly different from average reported values and survey respondents were contacted to clarify anomalous answers. The final survey database contained usable responses from 334 motorcoach carriers. Table A-1 presents the sample sizes realized from the returns to the *Motorcoach Census 2011* survey of motorcoach carriers. Missing values were filled in using respondent mean imputation. The survey is statistically significant with a margin of error of +/- 4 percent.

Estimating the Size of the Motorcoach Industry in 2010

Throughout the survey process, JDA identified companies that were no longer in business, did not operate motorcoaches, or had disconnected phone numbers and bad addresses. Out of the 7,039 unique motorcoach companies in the United States and Canada, JDA directly contacted 4,815 and determined that 423 did not operate motorcoaches and 851 had bad addresses and/or disconnected phone numbers. JDA assumed that the companies with bad addresses and/or disconnected phone numbers were out of business and did not count them as motorcoach operators. Through this process, JDA identified 3,541 motorcoach operators, leaving an additional 1,274 unverified potential motorcoach operators. By assuming that the unverified motorcoach operators would be out of business or would not operate motorcoaches at the same rate as the companies directly contacted, JDA estimated total motorcoach operators in Canada and the United States at 4,478.

To identify total operators in Canada, JDA used a similar process. Of the potential motorcoach operators list, 1,206 were Canadian. Of these potential carriers, 440 were subsidiaries of larger motorcoach companies. JDA directly contacted 453 of the Canadian potential carriers and identified 284 motorcoach companies, 89 companies that did not operate motorcoaches, and 80 with bad addresses and/or disconnected phone numbers; leaving 169 unverified potential operators. JDA assumed that the same proportion of unverified Canadian operators would be out of business or would not operate motorcoaches at the same rate as the companies contacted in order to conclude that 106 of the 169 unverified companies operated motorcoaches. Therefore, JDA estimates that of the 4,478 motorcoach operators in the United States and Canada in 2010, 390 were Canadian.

The Motorcoach Industry by Size of Fleet

In order to determine the size of the motorcoach industry by fleet size, JDA relied upon survey collection efforts and prior research conducted by the National Transportation Safety Board. In the October 12, 2011 "Report on Curbside Motorcoach Safety", researchers at the NTSB were able to estimate the size and scope of the motorcoach industry in the United States. The NTSB estimates the size of the U.S. motorcoach industry at 4,172 carriers, whereas JDA estimates the size of the U.S. motorcoach industry at 4,088 carriers. The NTSB conducted research over a four year time period from April 2007 to April 2011, so NTSB likely counted some companies that went out of business before 2010. JDA believes that because the motorcoach industry declined in terms of passenger miles between 2007 and 2009, it is reasonable to believe that the industry declined in terms of motorcoach operators.

The NTSB was able to access the Federal Motor Carrier Safety Administration's data portal in order to gauge not only the size of the motorcoach industry, but also the size of the industry by fleet size. The NTSB identified 31 motorcoach operators with over 100 motorcoaches and 585 companies with between 11 and 100 motorcoaches.

Responses for the Record from Peter Pantuso, President and CEO of the American Bus Association to Questions from the Honorable Corrine Brown related to the Full Committee Hearing on "A Review of Amtrak Operations, Part III: Examining 41 Years of Taxpayer Subsidies"

1) In your testimony, you state that buses make a profit carrying 700 million passengers annually. For each of 2007 through 2011, what were the total operating revenue of each of your members? For each of 2007 through 2011, what were the total operating expenses of each of your members? For each of 2007 through 2011, what was the annual ridership for each of your members?

Because nearly all of our member companies are privately owned and do not report revenue annually to the Association or to the federal government, it is impossible to have an exact answer on revenue and operating expenses. The Motorcoach Census provides an estimate of passenger trips/ridership through survey data and statistical modeling, but all companies do not report these types of numbers on a per carrier basis. However, most companies have historically operated on very low margins, often 1-3%, and many have had to subsidize unprofitable parts of their business with other more profitable portions of their business portfolio.

2) In his testimony, Mr. O'Toole claimed that bus service "involves minimal dedicated infrastructure." What type of infrastructure other than highways – which we know are subsidized – do buses rely on? Who is responsible for building and maintain that infrastructure and how is it paid for? What about facilities you use such as intermodal facilities?

Other than highways, infrastructure would include maintenance facilities, administrative office facilities and internal systems. Unlike Amtrak and publicly funded mass transportation intercity bus operators must support or provide these services without any subsidy. Under MAP-21 private bus operators gained "reasonable" access to existing intermodal facilities, terminals, park and ride lots, etc. It is important to note that "reasonable" does not mean free. In many cases including Union Station in Washington D.C and Boston's South Station intercity bus operators pay access charges along with other fees. In the case of Union Station intercity bus operators pay an annual "slip rental" fees along with a per passenger fee to cover the incremental costs of

capital improvements. At Boston's South station bus operators pay annual rental fees as well as departure fees. On a per carrier basis these charges can add tens of thousands of dollars a year in additional operating costs depending on service schedule and passenger volume. Conversely none of these annual fees or per passenger costs are burdened upon Amtrak or publicly funded transit agencies. Public investment in transportation facilitates is important and should continue. The goal of intermodal connectivity should be to create transportation choice and not barriers to entry for one mode over another. Our goal is to create a level playing field among transportation modes which does not disenfranchise privately operated mass transportation over publicly funded systems.

In addition to providing intercity transportation services from intermodal facilities which are often subsidized by a combination of state, local, and federal taxes, at times there are vendors in rural and suburban locations who rent space (such as shopping centers, dining facilities, and fueling locations) or have arrangements with operators to serve as stop locations. These locations are not typically subsidized by federal sources to benefit the locations, private operators or their passengers.

3) In his testimony, Mr. O'Toole stated the "real solution [to transportation] is to end subsidies to all modes of travel." Do you agree with this? Do you support subsidies for buses? For any mode of transportation? What would happen to bus operators if there were no subsidies, including no assistance for fuel, security or infrastructure?

I believe we should be framing the conversation around what is the best option to serve the traveling public in the most cost effective, environmentally efficient form of transportation. Tax payer burden should be considered in how we create transportation systems. Modal stove pipes should be broken and passenger demand should be met by the most cost effective means of transportation. In some cases the best option may be private sector bus or public private partnership while in others it may appropriate for a publicly funded route to be created. We agree that there are places where subsidies are essential, for example, when connecting rural and urban populations. Public investment is important to our transportation system but the goal should be to create the best transportation options for the public which enable funding sustainability while reducing taxpayer burden. In many instances private sector buses could be doing more if the subsidy gap between mass transportation modes was rebalanced and a more level playing field was in place.

4) In your testimony, you stated that "where population density does not warrant massive capital investment required for rail operations, buses should be considered as the primary intercity option." Yet, what if the intercity bus option does not yield a profit? What does a private operator do in that situation?

In the cases where density and demand are low the bus is the best option for intercity routes. Where passenger demand is high enough to support other modes, than those modes should also be considered, but the shift to more expensive travel options should be considered in the light of fully allocated costs. In other words, planning and subsidy evaluation should consider the ability of the rail service to cover both operational and capital costs.

Our industry supports public investment to keep rural communities connected to the broader transportation network. However, in the cases where public dollars are being used to support traveler mobility, private sector bus operators should be part of the contracting process. Public dollars should be used in the most cost efficient way possible and not based on modal funding stove pipes. Private sector buses make the most sense when serving areas with low population density because of their comparatively low capital and operating costs in addition to their operational flexibility and limited need for large scale capital or infrastructure support in establishing stop locations. Transportation planning should include a menu of options and not pursue a one-size fits all solution. This is not a choice of rail versus bus, but a choice of which mode is the best solution for the community or region being served.

5) In your testimony you said that private bus operators use "little or no subsidies." Do your operators get a reduction on the fuel tax? Do you get any other Federal assistance? If so, for what and how much?

According to our most recent data from 2009 the private sector commercial bus industry—the least subsidized mode—received a subsidy of $83 million. The subsidy was less than half of one percent of subsidies to other modes. The private sector commercial bus industry subsidy is nearly fully accounted for by its partial exemption from the diesel fuel tax. Even with the exemption, when taking into account the Federal costs buses impose on highways/services in relation to excise tax revenues paid by bus operators our industry is virtually unsubsidized. Unlike the other modes of passenger transportation, bus industry tax revenue nearly offsets total Federal outlays on behalf of the industry. In 2009 the total federal outlay for the commercial bus industry was approximately $83 million. If we compare the bus industry to the private sector commercial air passenger subsidy of $5 billion, Amtrak's subsidy of $1.8 billion, and mass transit's subsidy of $11.3 billion it becomes clear that our operators are the most cost effective mode of mass transportation.

I would also note that since the 2009 update of our data, the industry no longer receives security or ADA compliance grants. The loss of these programs increases the subsidy gap between our operators and other modes creating more uneven playing field. Bus Operators do receive a small reduction in their federal fuel taxes and some may operate subsidized routes under the rural 5311(f program. But that program is only available and fully realized in less than half of the states and has a maximum potential for about $76 million in subsidy if each of the states utilized private operators to the full amount that they are able. Historically states have only used 66% of

the available 5311f subsidy and not all of that is given to private operators. Private operators do not have the eligibility to be direct recipients of any other federal subsidies as part of formula funding programs.

6) During the hearing, Chairman Mica stated that the airlines have a $2.50 passenger charge for security. Do buses have a security passenger charge?

To my knowledge there is no security charge for the bus industry. In fact, the small security grant program that provided $10-12 million annually for private bus operators (the Intercity Bus Security Grant Program) was eliminated in 2011 by the Department of Homeland Security, leaving intercity buses as the only passenger carrying public transportation mode with no security program or funding.

Testimony of Randal O'Toole
Cato Institute
Before the House Transportation and Infrastructure Committee
Hearing on Amtrak Operations: 41 Years of Taxpayer Subsidies
September 20, 2012

My name is Randal O'Toole, and in addition to being a senior fellow with the Cato Institute, I sometimes call myself Cato's "rail nut." I have a lifelong love for and fascination with passenger trains, and have traveled well over 100,000 miles on Amtrak as well as on passenger trains throughout Canada and in Europe, Asia, Australia, and New Zealand. I have a web site dedicated to historic passenger trains; I helped restore the nation's second-most-powerful operating passenger steam locomotive; and I once owned five historic rail passenger cars.

The High-Cost Solution

All else being equal, I would personally prefer passenger trains over any other form of intercity travel. But all else is not equal. Under Amtrak management, passenger trains have become the high-cost solution to any intercity transportation problem. In 1970, before Amtrak took over most of the nation's passenger trains, average rail fares were one-third less than average airfares—about 18 cents (in today's pennies) vs. 27 cents per passenger mile. Over the last four decades, inflation-adjusted airline fares have fallen by 50 percent, while inflation-adjusted rail fares have grown by 70 percent, so that, today, per-passenger-mile rail fares are 130 percent greater than airfares—about 31 cents vs. 14 cents per passenger mile (figure one).

This is just counting passenger fares. In addition to fares, Amtrak subsidies are nearly as great as the fares themselves. Starting from virtually zero in 1970, federal and state subsidies to Amtrak today are nearly 29 cents per passenger mile. Airlines and highways receive subsidies as well, but these amount to only about 1 to 3 cents per passenger mile (figure two). This means that the total cost of rail travel is nearly four times as great, per passenger mile, as the total cost of airline travel—about 60 cents vs. 16 cents per passenger mile.

Bus travel is even less expensive than air travel. The "new model" of bus service pioneered by Megabus involves minimal dedicated infrastructure, non-stop service between many city pairs, and fares set by a form of yield management. I estimate that the average fares collected by Megabus, Bolt Bus, and others using this model are about 8 cents a passenger mile, or about 60 percent of airline fares and one-fourth of Amtrak fares. Subsidies to bus service average about a penny per passenger mile, or a little more than one-thirtieth of federal and state subsidies to Amtrak.

Amtrak advocates argue that much of the subsidy to Amtrak is for capital improvements and shouldn't be counted against annual revenues. But this is only an accounting label. In fact, most of Amtrak's so-called capital improvements are really maintenance. Just as replacing the tires or battery in your car is a form of maintenance, replacing worn-out locomotives, railcars, bridges, or other infrastructure is really just maintenance. Expenses are truly capital improvements only if they genuinely improve service and potentially attract new riders. In any case, even true capital costs must eventually be repaid by revenues.

Advocates of passenger train subsidies also argue that these subsidies are needed to balance the scales for historic subsidies to airlines and highways. While such subsidies did take place, they were always small—on the order of 1/2 to 3 cents per passenger mile—relative to the large number of passenger miles carried by those modes. By comparison, after adjusting for inflation, Amtrak subsidies have averaged about 25 cents per passenger mile since at least 1973. If forty years of such large subsidies haven't turned around the rail passenger business, it is not going to happen. The real solution is to end subsidies to all modes of travel and let people decide which they prefer based on their own personal preferences and budgets.

Given its high costs, it is no wonder that Amtrak plays an insignificant role in the nation's transportation system. While Amtrak advocates point to recent gains in ridership as evidence that America needs passenger trains, the truth is that Amtrak

carries little more than one-tenth of one percent of the nation's passenger travel. Domestic airline routes alone carry close to 90 times as many passenger miles as Amtrak; scheduled intercity buses carry at least 2.5 times as many passenger miles as Amtrak; and the nation's highways carry almost 300 times as many passenger miles as Amtrak in intercity travel.

The average American travels just 21 miles per year on Amtrak, compared with more than 1,800 miles per year by domestic airline and close to 6,000 miles per year in intercity highway travel (figure three). While Amtrak's ridership has recently grown, so has America's population, and the 21 miles of per capita travel each year in 2011 is a decline from 24 miles in 1990 and 30 miles in 1970, the year before Amtrak took over most passenger trains.

Amtrak's Disappearing Energy Advantage

Advocates of passenger train subsidies argue that such subsidies are justified based on Amtrak's supposed environmental advantages over its competitors. But these advantages are both negligible and declining.

According to the Department of Energy, for example, in 1975 the airlines used 115 percent more energy to move one passenger mile as Amtrak did. But thanks to improvements in aircraft efficiency, today airlines use just 25 percent more energy than Amtrak (figure four). Moreover, the future energy efficiency of both airlines and automobiles is likely to grow much faster than passenger rail.

Where General Electric estimates that its latest locomotive uses just 3 to 5 percent less fuel than previous locomotives, Boeing estimates that its 787 Dreamliner uses 20 percent less energy than its predecessors. Based on recent trends, by 2030 the airlines will use less energy per passenger mile than Amtrak. Under the federal government's current fuel-economy standards, by 2030 the average car on the highway will also use less energy per passenger mile than Amtrak.

There are two reasons why Amtrak will not be able to increase its energy efficiency as fast as other modes of travel. First, for safety's sake, passenger rail cars that operate in the same corridors as freight trains must be very heavy. The Acela, for example, weighs more than 4,100 pounds per seat. The weights per seat of other Amtrak trains are comparable.

Second, where airlines fill about 85 percent of their seats, Amtrak trains operate barely more than half full. At 65 percent occupancy, the Acela does better than average, but this still means more than 6,400 pounds of weight per passenger. At just 50 percent occupancies, the average weight per passenger of many other Amtrak trains is even greater. It takes a lot of energy to move this much weight.

Amtrak's low occupancy rate is difficult to remedy. Most air routes are essentially non-stop, allowing the airlines to tune frequencies with demand. But Amtrak trains typically make numerous stops between endpoints, and while seats may be full during one part of the journey they can empty out in other parts. For example, Amtrak's Pacific Surfliner, which goes from San Luis Obispo and San Diego, may need five cars to meet the demand between Los Angeles and San Diego and only three cars between San Luis Obispo and Los Angeles; rather than remove two cars, the train carries five cars for the entire trip.

So far I've discussed only the energy used in operations. A full life-cycle analysis would also consider the energy required in construction, manufacturing, and disposal of worn out equipment. Studies from the University of California at Berkeley have found that, due to the infrastructure required by rail lines and the small number of passenger miles carried by the infrastructure (relative to highways and airports), the non-operational energy requirements of trains are much greater, per passenger mile, than for planes, buses, and cars. Since planes operations currently use only 25 percent more energy per passenger mile than Amtrak, a full life-cycle analysis would probably show them about equal.

In any case, if energy savings is the goal of funding Amtrak, Congress would do better to promote buses, which are far more energy-efficient than Amtrak. The best way to promote buses would be to end subsidies to Amtrak, a major competitor for buses in many routes.

The Solution: Privatization

Is Amtrak the high-cost form of transportation because passenger trains are inherently inefficient or because government operation of such trains is inefficient? The answer is likely some of both. Passenger trains are inefficient because they are both labor and infrastructure intensive, while government operation is inefficient because Amtrak's route structure and labor agreements are more the result of politics than market supply and demand.

Whichever the reason, it won't be cured by reforming Amtrak. Instead, the only solution is privatization. Private operators will be able to run trains in those corridors where they make sense, while avoiding routes that Amtrak follows for political reasons.

If Amtrak is so dependent on subsidies, will privatization mean an end to passenger trains? Not necessarily. The main markets for passenger transport that might be served by trains are business travelers over relatively short—100 to 400 miles, with a possibility for overnight trains in some longer corridors—and vacationers who will take "cruise trains" over longer distances. The Northeast Corridor is likely to continue as a business route.

As an example of cruise trains, when VIA—Canada's version of Amtrak—ended passenger service on the highly scenic route between Vancouver BC and Calgary Alberta, a private operator called Rocky Mountaineer began service on that route. The service is strictly for vacationers and is timed to maximize scenic viewing, not to get anywhere fast. The unsubsidized company now offers several routes, including one from Seattle, Washington. It seems likely that similar cruise trains could be successful over scenic routes in the West, such as Denver to Oakland and to Glacier, Yellowstone,

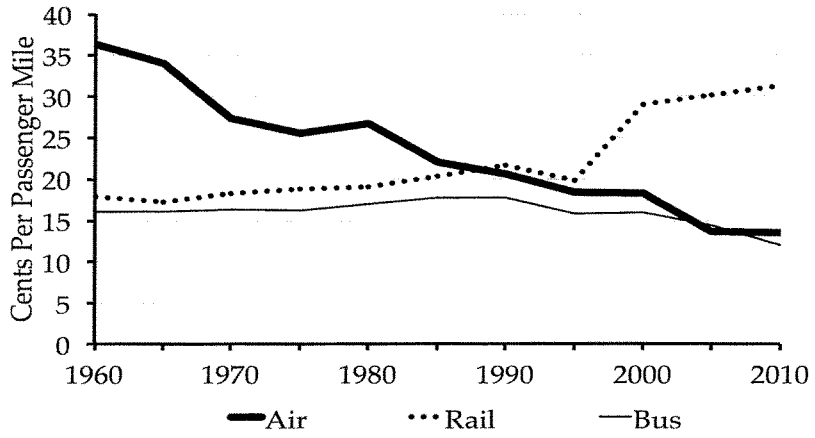
and Grand Canyon national parks, if they did not have to compete against a government-subsidized rail carrier.

In 1959, *Trains* magazine published an insightful, 36-page analysis by its editor, David P. Morgan, called "Who Shot the Passenger Train?" He concluded that most of the problems with passenger trains had to do with overregulation; subsidies to rail's competitors; unfair taxation of railroads when highways and airports were not taxed; and "reckless tactics" on the part of labor unions.

Morgan noted that all of these problems applied to rail freight as well as passenger, yet the railroads were for the most part able to make money on freight but not on passengers. Still, he argued that "simple justice" demanded that government correct the problems of overregulation, subsidies, and unfair taxation. Congress has deregulated railroads, but the other problems remain.

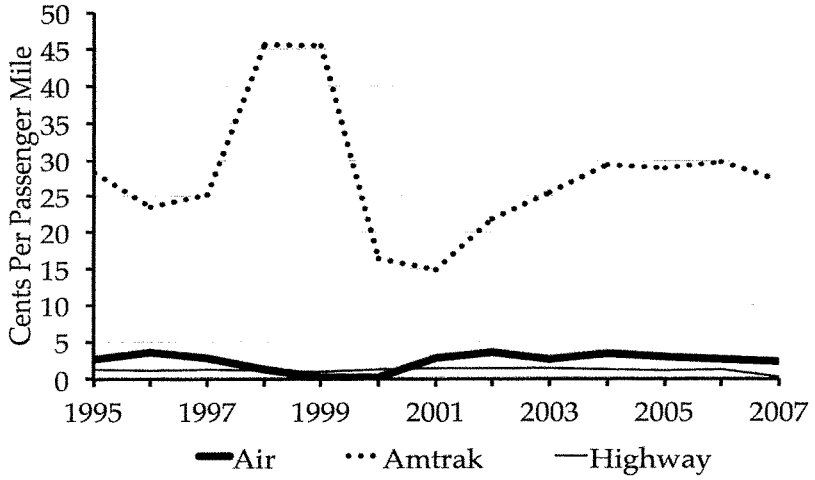
In that light, I would urge this committee to support privatization of Amtrak, and to do so in the context of a broader effort to end federal subsidies to and unfair taxation of all forms of transportation. I hope that this will create opportunities for more private passenger trains, but if it does not, I don't believe that other people should be asked to subsidize my personal hobby.

Figure One
Inflation-Adjusted Passenger Fares



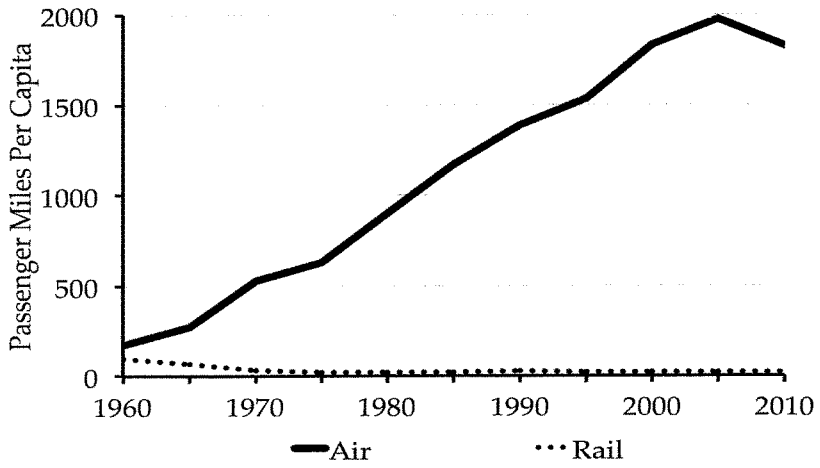
Source: *2010 National Transportation Statistics*, Bureau of Transportation Statistics, table 3-16.

Figure Two
Inflation-Adjusted Passenger Subsidies



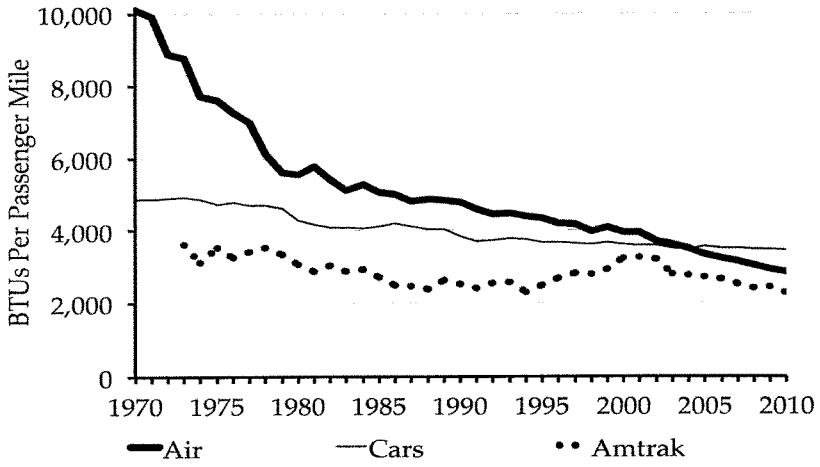
Source: Air and highway from *2012 National Transportation Statistics*, Bureau of Transportation Statistics, tables 1-40; 3-33; and 3-37; Amtrak numbers calculated from Amtrak annual reports.

Figure Three
Passenger Miles Per Capita



Source: Passenger miles from *2012 National Transportation Statistics,* Bureau of Transportation Statistics, table 1-40; populations from Census Bureau estimates.

Figure Four
Passenger Transport Energy Consumption



Source: *Transportation Energy Data Book,* Department of Energy, edition 31, tables 2-13 and 2-14.

Biography for Randal O'Toole

Randal O'Toole is a Cato Institute Senior Fellow specializing in land-use and transportation issues. He is the author of five books, including *The Best-Laid Plans*, which calls for repealing federal, state, and local planning laws and proposes reforms that can help solve social and environmental problems without heavy-handed government regulation.

His 2010 book, *Gridlock: Why We're Stuck in Traffic and What to Do About It*, analyzes the nation's transportation system, and shows how some forms of transportation have democratized mobility while others mainly benefitted a narrow elite. O'Toole's latest book is *American Nightmare: How Government Undermines The Dream of Homeownership*, which shows that state and local programs aimed at discouraging single-family housing have created far more problems than they solved.

O'Toole is the author of numerous Cato papers, including:

- "The Great Streetcar Conspiracy," June, 2012
- "Ending Congestion by Refinancing Highways," May, 2012
- "Intercity Buses: The Forgotten Mode," June, 2011
- "Fixing Transit: The Case for Privatization," November, 2010
- "Defining Success: The Case Against Rail Transit," March, 2010
- "The Citizens' Guide to Transportation Reauthorization," December, 2009
- "Proposals for the Next Transportation Reauthorization," September, 2009
- "High-Speed Rail Is Not 'Interstate 2.0,'" September, 2009
- "High-Speed Rail: The Wrong Road for America," October, 2008
- "Rails Won't Save America," October, 2008
- "The Future of Metropolitan Transportation Planning," May, 2008
- "Does Rail Transit Save Energy?" April, 2008

An Oregon native, O'Toole was educated in forestry at Oregon State University and in economics at the University of Oregon. He currently resides in the Central Oregon community of Camp Sherman.

Statement of

Ross B. Capon

President and CEO

National Association of Railroad Passengers

Before the

Committee on Transportation and Infrastructure, U.S. House of Representatives
The Honorable John Mica, Chairman

* * *

Hearing: "A Review of Amtrak Operations, Part III: Examining 41 Years of Taxpayer Subsidies"

* * *

September 20, 2012

* * *

Thank you for the opportunity to testify at this hearing.

We have strongly supported the federal government's investment in Amtrak since its inception and believe that the investment has been worthwhile and brought important benefits to the nation, including both to passengers and to others.

A key indication of the value that riders place on Amtrak is that the railroad has seen record ridership in eight of the last nine years, and that ridership through 11 months of FY 2012 is 3.4% above the same period in FY 2011. This ridership growth has occurred even as passenger revenues have risen faster than ridership. From FY 2003 to FY 2011, ridership rose 26% and revenues 56%. The growth is across all types of Amtrak services. On the long-distance trains, ridership growth is up 13% since 2000 and 18% since 2007, even though capacity has not increased and some services were eliminated.

Here are some of the ways riders benefit from Amtrak:

- Passengers can travel when other modes are paralyzed. On Wednesday evening, January 26, 2011, I traveled on an *Acela Express* train from Washington to New York in order to honor your kind invitation to participate in your round table. There was a driving blizzard the entire way but we left Washington at 7:04 PM, four minutes late, and arrived New York at 10:19 PM, 31 minutes late. News reports indicated that at least 19 inches of snow accumulated in New York City in this storm, and that, for just the ninth time in the city's history, all public schools were closed. All area airports were also closed. Also, Philadelphia, through which my train traveled, got almost 15 inches of snow after the storm ended.
- Similarly, the long-distance routes like the *Empire Builder* across northern Montana and North Dakota are generally more reliable in bad weather than other modes.
- Passengers can avoid congested highways and airports.

- Passengers can reach airports while avoiding congested highways. Providing intercity passenger train service directly to airports is standard in Europe, but has begun to take hold here in the U.S.
- Passengers can avoid driving, a particular concern for the growing senior population and others who shouldn't be driving, who are unable to drive, or who need to make their car last longer by avoiding its use on long trips.
- Passengers can avoid flying for medical reasons, whether temporary or permanent.
- Passengers can travel to many points without train service thanks to the network of "Thruway buses" for which Amtrak offers through ticketing, while minimizing the length of travel on buses which offer less space per passenger than trains.
- Looking forward, trains will be an increasingly vital answer to the question: how will people travel as the population grows by about 100 million by 2050?

And here is how non-riders and the general economy benefit from Amtrak:

- Amtrak employs over 20,000 people in reasonable paying jobs that can't be exported.
- Intermodal transportation centers inspired by the existence of even minimal Amtrak service have strengthened local transit systems by creating attractive public spaces where people can wait for and transfer among different bus routes.
- Similarly, such centers also have strengthened intercity bus carriers and benefitted passengers, by providing attractive facilities—often easy-to-find landmarks—and by making it easier to transfer among modes (including local bus/intercity bus).
- Finally, these centers have helped rejuvenate urban neighborhoods. In Meridian, MS, the existence of a single, daily, Amtrak round-trip—the New York-New Orleans *Crescent*—was catalyst for Mayor John Robert Smith's (R) successful effort to transform Union Station into a multimodal transportation facility. He reported to me, "The city invested $1 million in a $6 million facility (the rest was ISTEA funds and pre-paid leases). This project leveraged $135 million in additional public/private sector investment within three to four blocks of the facility and led to the rebirth of our historic downtown. Our station is served by Amtrak, Greyhound, city transit and cab service. We now have people living in our downtown in market rate apartments and upscale condos, the first such residences in my lifetime. Mississippi State University's conference center and performing arts center in our restored Grand Opera House is within an easy walk of Union Station." In Normal, IL, $80 million in public investment in the new transportation center has attracted $200 million in private investment.
- Congestion is reduced on other modes, so users of those modes benefit.
- Businesses and individuals benefit from the package express service which Amtrak offers at most staffed stations. This is particularly important in smaller communities where other options are limited or non-existent or provide much slower service.
- Smaller freight railroads place a special value on having a customer like Amtrak that provides a steady source of revenue even when the economy is weak.
- Bus companies benefit from handling Amtrak passengers, whether or not particular routes are part of Amtrak's Thruway network. Last week, as my Amtrak train was arriving in Portland, Maine, an announcement was made that the Concord Trailways bus for points east would be departing soon. This announcement served both as information for connecting passengers, and as a bus advertisement for passengers who might make the connection in the future. Our Association in October, 2010, presented a special award to Indian Trails, Inc., the Michigan bus company, honoring it "for 100 Years of Service to Travelers and for pioneering work in intermodal service, with connections to trains, airlines, and other bus lines."

- Group moves on Amtrak bring good business to tour buses, including trips that can last a week or more. Jason Briggs, Vice-President—Business Development, with V.I.P. Charter & Tour Bus
- Company, in Portland, Maine, told me Amtrak benefits his company on the order of $60-80,000 a year in revenues.
- Amtrak spends a lot on goods and services. In FY 2011, Amtrak put a total of $3.9 billion back into the economy. Much of this spending goes where Amtrak provides limited or no service. Amtrak's procurement of badly-needed electric locomotives from Siemens is estimated to generate 250 private sector jobs in California, Ohio and Georgia.

I. Energy Consumption

All of the benefits in both categories serve to increase the energy efficiency of the U.S. transportation system in general, and reduce the nation's dependence on imported oil. The most recent, annual *Transportation Energy Data Book* released July 31, 2012, by Oak Ridge National Laboratory—which does the report under contract to the U.S. Department of Energy—shows further improvement by Amtrak relative to air and motor vehicles: in 2010, the year covered by this edition, on the basis of energy consumed per passenger-mile, Amtrak was 41.0% more efficient than personal trucks, 34.1% more efficient than automobiles and 17.0% more efficient than domestic commercial aviation [derived from British Thermal Unit figures in Table 2.12 on page 2-14]. Due to lack of data, the *Data Book* does not include intercity bus efficiency statistics; buses are discussed further in my section II and near the end of VI. Oak Ridge requests that users of the *Transportation Energy Data Book* rely on their web site for up-to-date figures as the print edition has some errors in Table 2.14 (not the source of my numbers).

II. The Long-Distance Trains and the decline of rural air and bus services

As part of our strong, continuing support of Amtrak's national system, on September 17 we released, jointly with Midwest High Speed Rail Association, *Long Distance Trains: Multipurpose Mobility Machines*. Since critics often say "no one wants to ride from Chicago to Los Angeles," the following statistics regarding Amtrak's *Southwest Chief* are significant:

- 35% of trips are over 1,000 miles
- 34% of trips are 501 to 999 miles
- 31% of trips are 500 miles or less
- People who choose coach seats for trips under 750 miles account for 54% of passengers but less than 37% of revenue
- People traveling over 750 miles account for 63% of revenue
- Sleeping-car passengers account for 17% of ridership and 44% of total revenue
- Passengers traveling all the between Chicago and Los Angeles account for just 8% of ridership

Similarly, on the *Empire Builder* which runs between Chicago and both Portland and Seattle,

- 55% of riders travel between major cities and small stations
- 22% of riders travel between major cities (e.g., Chicago-St. Paul; Chicago-Seattle; Chicago-Portland; Portland-Spokane)
- 23% have small stations as both origin and destination.

The above statistics refer only to travel on the Southwest Chief *and* Empire Builder. *Because many passengers connect with other Amtrak trains in Los Angeles, Kansas City, Chicago, Seattle or Portland, their actual trip-lengths are longer.*

The roll of long-distance trains has become increasingly important as air and fixed-route bus service is withdrawn from rural America. According to a U.S. DOT report, "An estimated 3.5 million rural residents lost intercity transportation access between 2005 and 2010. An additional 3.7 million, who still had intercity transportation service in 2010, lost access to at least one transportation mode during the 5-year period" [*The U.S. Rural Population and Scheduled Intercity Transportation in 2010: A Five-Year Decline in Transportation Access*].

The following passages are from a July 18, 2011, *New York Times* report on rural air service: "Rural America, already struggling to recover from the recession and the flight of its young people, is about to take another blow: the loss of its airline service...Nationally, all major airlines have been reducing and sometimes eliminating flights altogether in small cities, as the industry concentrates much of its service in 29 major hubs, which now account for 70% of all passenger traffic, according to the Federal Aviation Administration...Airlines say that simple economics are driving them out of small-town America. With fuel prices high, carriers have been reducing domestic routes and seating capacity to focus on the flights that bring in the most revenue per plane — typically those in larger cities, especially major hubs. At the same time, airlines are removing less fuel-efficient aircraft from their fleets, including the 50-seat regional jets that have been the backbone of air service in small- and midsize markets."

The above-referenced report says intercity bus coverage declined from 89% in 2005 to 78% in 2010. There also can be great difficulty in learning what service exists, since it is no longer provided under the umbrella of one or two major bus companies. One of my bus-riding members notes, with particular reference to rural service, "You are basically on your own in finding bus service—Google it, make phone calls, make your own connections. We have largely gone back to pre-1948 Greyhound unification with scattered, uncoordinated independents all over the place that are not very discoverable."

The growth of intercity bus service that many tout is confined primarily to major markets where trains would be ideal but Amtrak either has no service, or lacks capacity or speed. In the Northeast Corridor, for example, Amtrak trains generally are limited to eight cars, and—even with that restriction—places like Washington Union Station are jammed to capacity. The ability to add trains is limited to non-existent because "in the New York City vicinity, some areas are operating at 100% capacity, resulting in significant delays from even minor operating disturbances" (*The Amtrak Vision for the Northeast Corridor: 2012 Update Report*, page 4). The very high fares Amtrak charges in the Northeast Corridor, which dismay us, are partly a response to these severe capacity limitations.

Presenting "subsidy per passenger" figures for intercity routes gives a distorted view.

- The standard measure for intercity travel is the passenger-mile, that is, one passenger traveling one mile. This takes into account wide variations in trip lengths of different passengers.
- Thus, to a large extent, ranking Amtrak's routes by "subsidy per passenger" really means ranking them by trip length, not economic performance. In this context, it is no surprise that the number is high for the *Sunset Limited*, even before considering the problems associated with running just three times a week. This train serves many important, growing markets—including Houston, San Antonio, Tucson, Phoenix, Los Angeles and New Orleans—but also has long stretches with little population. [The distance between El Paso and the first stop to the east, Alpine/Big Bend National Park, is 218 miles. In the 605-mile stretch between San Antonio and El Paso, there are just two other intermediate stops.]

A further distortion results from the use of fully allocated cost figures. When someone looks at a table which shows the *Southwest Chief* lost $63 million, it is natural for them to conclude that eliminating this train would reduce Amtrak's operating grant requirement by that amount. This is not true because that

figure includes costs associated with the operation of shared facilities and systems and company departments that would still be needed even if one (or many) trains were discontinued. These systems include maintenance shops, reservation systems, and other facilities and services that are vital to Amtrak operation—including, as examples, the finance department, office of the President, and much of the marketing budget.

One obstacle to improvement of the *Sunset Limited* is the Union Pacific's exorbitant $750 million demand for infrastructure improvements related to increasing service on the New Orleans–Los Angeles line from thrice weekly to once a day.

III. Private Investment

It has been suggested that private companies might run Amtrak routes. That is highly unlikely. After all, Amtrak was created because the private sector wanted to exit the business. Private investors need profits. Moreover, the host railroads generally oppose giving Amtrak-type access rights to other operators. This is partly rooted in bitter experience—the money owed to CSX Corporation's predecessors when Auto-Train Corporation went bankrupt and ceased operations in 1981. There are also the economies of scale that come with operating a nationwide system. While this is sometimes portrayed as "overhead," the systems noted in the previous paragraph would be needed for any carrier that went into the business.

Unquestionably, there is a role for the private sector in developing high speed rail, particularly in station area development. However, it is important not to overstate the private role in developing infrastructure, and most experts agree there will be no such role if the government does not take the lead and the heaviest investment burden. Speaking at the 8th World Congress on High Speed Rail in Philadelphia, Andrew McNaughton of UK's HS2 noted that risks are better defined "in the middle of projects." At the same conference, Martha Lawrence of the World Bank said, since the 2008 financial crisis, "private companies are refusing to take demand risk. If you insist on that, either you get no bids or exorbitant ones." At this Committee's January 27, 2011, roundtable in New York City, Kent Rowey of Freshfields Bruckhaus Derringer said public funding of the Taiwan bullet train was 95% while private participation was only 5%, which the government either has repaid or will repay.

IV. Food and Beverage Service

At the Railroads Subcommittee's June 9, 2005, hearing on Amtrak food and beverage service, Amtrak's then-Senior Vice-President—Operations William L. Crosbie said in his prepared testimony, "Amtrak's food and beverage service is a fundamental part of the service that we offer on board the majority of the trains that we operate on a daily basis. Its primary purpose is to enhance ticket sales and ridership, not serve as a profit center." Put differently, if no food service is provided, many people would stop riding.

Comparing Amtrak's food service costs with land-based restaurants or fast-food chains is misleading partly because Amtrak costs include the full cost of maintaining and operating rolling stock totally dedicated to serving food, and a part of the costs of cars which are partly dedicated to food. An example of the latter would be a café car which has revenue seats in one end.

Also, on-board employees must be knowledgeable about safety issues specific to train travel. Many such employees work long, challenging hours and are away from home days at a time.

Some have suggested that, since Amtrak has a "captive audience" for buying food, it should be easy to at least break even. It would be more accurate to say that the market for selling food is limited to those passengers who are on the train and who want to buy food on board. It has also been suggested that Amtrak is violating the law by not breaking even with food sales. In 1981 when Congress passed the break-even mandate, committee reports urged Amtrak to attribute up to 10% of ticket revenues to food service for purposes of determining compliance with that provision, on the ground that Amtrak would lose that amount of ticket revenue if food and beverage service were to cease, adversely impacting Amtrak's bottom line.

In our view, it would be much better for Congress to ask management what steps could improve Amtrak's overall performance rather than to micromanage the company with restrictions such as those relating to food service and to what fares can be charged.

V. Definition of subsidy

One of the most frequently expressed frustrations of our members, and of some academics, is the propensity of critics to call federal grants to Amtrak "subsidies"—even those devoted to infrastructure—while calling grants to other modes "investments."

It has been suggested that the Amtrak subsidy represents a cost of nearly $50 per passenger, based on dividing Amtrak's FY 2011 federal grant ($1.486 billion including $20 million for the Amtrak Inspector General) by its 30.17 million intercity riders. However, to show this as a "per-Amtrak-passenger" subsidy is to ignore Amtrak's big role as host to commuter railroads where it owns infrastructure, including the Northeast Corridor and the Chicago terminal. Also, this exercise is a rear-view mirror analysis, leaving unanswered this question: "What would highways and airways look like if we attempt to handle future traffic growth only on those already-crowded forms of transport?"

VI. Subsidies to Highway and Air Travel

The mode-specific trust fund itself constitutes a huge "subsidy" because it directs investment into modes based on their current dominance rather than on their usefulness in solving problems our children and grandchildren will face. Those problems include environmental impact, energy consumption, quality of life and social equity issues. The growing senior population needs, and the younger generation prefers, alternatives to driving.

Reliance on mode-specific trust funds means, for example, that someone flying in a short-distance market where rail would be the stronger alternative nonetheless is paying to enhance the air network. To put it another way, if I fly somewhere because that's the only alternative, my ticket tax is automatically interpreted as a vote for more aviation investment. A consolidated, multimodal transportation trust fund such as some states have is worth considering.

Discussion of Amtrak subsidies invariable is accompanied by understating or ignoring huge subsidies to other modes. In 2001, 41% of the $133 billion spent on highways came from payments other than the gas tax, tolls, and vehicle taxes and fees, as follows: 15.3% general fund appropriations; 9.5% bond issue proceeds; 5.8% investment income and other receipts; 5.6% other taxes and fees; 4.8% property taxes. While most of this is at the state and local levels, federal policy encourages this by offering states generous funding matches for highway investments but no match (until recently and then only temporarily) for intercity rail investments.

In 2003, citing a trend which has intensified in recent years, Martin Wachs wrote, "Revenues from fuel taxes have for three decades been rising more slowly than program costs as legislators become ever more reluctant to raise them to meet inflation. As a result, the burden of raising the funds for transportation programs is gradually being shifted to local governments and voter-approved initiatives that are, in most instances, not based on user fees" [*Improving Efficiency and Equity in Transportation Finance,* by Martin Wachs in The Brookings Institution Series on Transportation Reform, April 2003].

Since 2008, $53.5 billion in general funds have been transferred or approved for transfer to the Highway Trust Fund, including $18.8 billion authorized in the recently-enacted two-year MAP-21 law, but not including $2.4 billion that MAP-21 transfers from the LUST [Leaking Underground Storage Tank] account to the Trust Fund.

See "Aviation Subsidies: Obvious and Otherwise," on our web site. Our list goes well beyond the fact that FAA Operations are partly funded out of general funds, and the Essential Air Services subsidy program. [At www.narprail.org, click on "Resources" and then "Fact Sheets."]

Curbside bus operators enjoy another subsidy—shelter and rest rooms for their passengers that the carrier does not provide, and which Amtrak sometimes does. One of my Council members writes, "I find it very curious that in many of the communities receiving the new 'cheap bus' service, the buses will have their boarding/departure point somewhere with easy walking distance of the Amtrak station. Indeed in New York City, they are practically strangling the sidewalks to and from Penn Station. And yes, I have heard individual reports that when a passenger of this service needs to use the 'facilities,' they are directed to the Amtrak station by bus service personnel on duty."

Another form of "subsidy," arguably, is inadequate safety regulation. The National Transportation Safety Board in October, 2011, released a report showing that the buses "which typically pick up passengers curbside rather than at a bus station, are seven times more likely to be involved in deadly crashes than traditional terminal bus lines like Greyhound and Peter Pan. In the report, the NTSB says that curbside carriers had the highest overall accident rate and death/injured passenger rate of the three categories - curbside, conventional and non-scheduled - in which buses are organized" (WJLA/ABC7, Feb. 15, 2012). An ABC7 reporter clocked one Megabus at 76 mph and another at 81 mph on I-95 north of Baltimore, although Megabus issued a statement claiming it monitors bus speeds 24 hours a day and saw nothing above 68 mph on the day in question.

The environmental, energy and social costs of highways and aviation are rarely cited but are important, as are the countervailing benefits of rail.

The transportation future that we need is a balanced one that includes buses and planes but also includes a greatly expanded train network.

Thank you for considering our views.

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C.V. of Ross B. Capon, President and CEO, National Association of Railroad Passengers

Ross Capon joined the staff of the National Association of Railroad Passenger (NARP) in 1975, and became executive director in 1976. In 2008, his title was changed to president and CEO. Mr. Capon's duties as President of the only national organization advocating for the users of passenger trains and rail transit include testifying before Congress and working with members of Congress to increase funding for passenger rail service; briefing the media on passenger rail issues; and coordinating among state and regional associations of railroad passengers on local issues that affect passenger rail.

Under Mr. Capon's leadership, NARP's membership has grown to over 23,000, and the organization has achieved a level of recognition and credibility that results in frequent invitations to comment on railroad policy at Congressional hearings, administrative proceedings, and public conferences. Mr. Capon helped establish the Dr. Gary Burch Memorial Safety Award that the family of Dr. Gary Burch presents annually to a railroad employee judged to have done the most to improve the safety of railroad passengers. Capon also helped establish Amtrak's Customer Advisory Committee.

A recognized expert on passenger rail, Mr. Capon is a member of the Federal Railroad Administration's Railroad Safety Advisory Committee, the Transportation Research Board's Committee on Intercity Passenger Rail Systems, and the board of Travelers Aid International. His many speaking appearances have included such forums as Midwest Intercity Passenger Rail Commission; Business Case for Passenger Rail 2012 Symposium (Kansas City; Amtrak's Customer Advisory Committee; Railway Supply Institute; American Association of State Highway & Transportation Officials' Standing Committee on Rail Transportation; American Public Transportation Association Rail Transit Conferences; Society of Government Economists; and the Transportation Research Forum. He was a presenter at the 3rd World Congress on High Speed Rail in Berlin.

Previously, Mr. Capon served as special assistant for Railroad Operations in the Executive Office of Transportation and Construction for the Commonwealth of Massachusetts where he helped save the commuter rail network of Eastern Massachusetts. He also worked in Philadelphia for the Religious Society of Friends.

He received the Association's George Falcon Golden Spike Award in 1985. In 2000, the Intermodal Passenger Institute honored Capon by presenting him its second annual Robert K. Pattison Partnership Award. In 2007, Railway Age Magazine awarded him the W. Graham Claytor, Jr. Award for Distinguished Service to Passenger Transportation.

Mr. Capon received his B.A. from the University of Illinois (Champaign-Urbana) in 1969. A native of Newton, Massachusetts, he lives in Bethesda, Maryland, with his wife Louise and two sons. Another son lives in College Park and a married daughter lives in Arlington, Virginia.

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ANSWERS TO WITNESS QUESTIONS FOR THE RECORD GIVEN BY THE HONORABLE CORRINE BROWN TO MR. ROSS CAPON, PRESIDENT & CEO, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS – SUBMITTED OCT. 19 (ANSWER TO NEXT-TO-LAST QUESTION SUBMITTED OCT. 26)

FULL COMMITTEE HEARING ON
"A REVIEW OF AMTRAK OPERATIONS, PART III: EXAMINING 41 YEARS OF TAXPAYER SUBSIDIES"
SEPTEMBER 20, 2012

- **Bus companies have been abandoning service to rural communities because they can make more money elsewhere. In places they have abandoned, passenger rail provides the only travel alternative. How will the people who live in rural communities have access to travel alternatives if we eliminate funding for Amtrak's long distance trains as the American Bus Association advocates?**

The outcome would vary from place to place, but in general, these people simply will have access to fewer travel alternatives. In some cases, this would result in elimination of public transportation. People who cannot afford, or are physically unable, to drive will be stuck and they will either leave or be dependent on friends and family members who can drive to take them places. It is well established that depression and related social costs follow from the isolation and the inability to travel, whether in rural America or, for another example, senior citizens living in auto-dependent communities anywhere.

- **Chairman Mica claims that Megabus is an example of a private sector operation that makes a profit and pays taxes, unlike Amtrak. Is this a fair statement? What type of federal funding do private bus operators receive?**

Megabus's cost structure is low in part because so many of its "terminals" are public sidewalks, which has created planning problems in many of the cities served. A July 30 service advisory at megabus.com stated, "Please be advised that the Megabus stop for arrivals and departures in St. Louis will be located on the east side of 18th Street, just south of Market Street and adjacent to Union Station until Sunday, August 5th, 2012. The stop will be located on the east side of 21st St between Market St and Eugenia St. as of August 6th, 2012."

Also, Megabus is an express service that connects large cities but bypasses smaller ones. Megabus makes no intermediate stops between St. Louis and Chicago, and only one (Columbia) between St. Louis and Kansas City.

The Boston Express bus service that Mr. Pantuso's testimony cited as a model actually receives federal funds—both operating and capital.
http://www.unionleader.com/article/20120823/NEWS02/708239935 Two new Boston Express

buses were acquired with Recovery Act funds. http://www.newsrealblog.com/2011/02/25/2-years-of-wasted-tax-dollars-the-10-dumbest-stimulus-projects-1/2/

Like Amtrak, many private bus operators in rural areas get federal operating funding. This is provided for buses under the Federal Transit Administration's Section 5311 program (Formula Grants for Other than Urbanized Areas).

From my prepared testimony: "The National Transportation Safety Board in October, 2011, released a report showing that the buses which typically pick up passengers curbside rather than at a bus station, are seven times more likely to be involved in deadly crashes than traditional terminal bus lines like Greyhound and Peter Pan. In the report, the NTSB says that curbside carriers had the highest overall accident rate and death/injured passenger rate of the three categories - curbside, conventional and non-scheduled - in which buses are organized" (WJLA/ABC7, Feb. 15, 2012). An ABC7 reporter clocked one Megabus at 76 mph and another at 81 mph on I-95 north of Baltimore, although Megabus issued a statement claiming it monitors bus speeds 24 hours a day and saw nothing above 68 mph on the day in question."

- **Mr. O'Toole stated that the "real solution [to transportation financing] is to end subsidies to all modes of travel." What is your response to this?**

If he is suggesting the elimination of "taxpayer funding" of all modes of travel, implementation would require government to sell off all highways to private enterprise and let the public pay what the market charged. It also would require selling off airports and—as Mr. O'Toole and Rep. DeFazio discussed at the hearing—the air traffic control system.

We suspect all of the above is a political non-starter. Mr. O'Toole's suggestion is a common one among Amtrak opponents. Some of them may find it conceivable that Amtrak subsidies might be eliminated but not subsidies to the other modes.

We take strong exception to the alternative interpretation: that the gasoline tax is a user fee and therefore spending gasoline-tax dollars on highways is not a subsidy. As noted in my prepared testimony, "the mode-specific trust fund itself constitutes a huge 'subsidy' because it directs investment into modes based on their current dominance rather than on their usefulness in solving problems our children and grandchildren will face [such as] environmental impact, energy consumption, quality of life and social equity issues. The growing senior population needs, and the younger generation prefers, alternatives to driving."

To look at it another way, limiting the definition of subsidy to operating costs allows the highway lobby to exclude below-cost access to publicly funded infrastructure from subsidy calculations.

Regarding youth, "from 2001 to 2009, the number of 'vehicle miles' travelled by Americans aged 16 to 34 dropped 23%...A 2011 survey from Zipcar, the car-sharing service, notes that 55% of millennials (18 to 34) are making an effort to drive less, partly because of concern over the environment, and partly because of the cost of owning a car [while] 68% of 18- to 34-year-olds said they sometimes use social media to connect with friends and family instead of going out to see them. [A] Michigan study found that having a higher proportion of Internet users is associated with lower licensing rates among young people" [Maclean's, June 5, 2012].

As for aviation, fares are higher in Canada because Canadian airports—at least the top 25 in terms of volume—recover their full costs from users, and these costs are higher than in the U.S. because they include the cost of capital. U.S. airports can borrow using tax-free bonds; this represents a subsidy that increases with interest rates (which are not so high these days).

- **Mr. O'Toole also claims that the solution is privatization. What concerns do you have with this proposed "solution"? Other than the example of a single scenic train operating in Canada, do passenger trains run anywhere else in the world without a subsidy and make a profit?**

There are perhaps three railways in the world—all in Japan—that unambiguously make money without subsidy -- JR East, JR Central and JR West. But even this claim must be tempered by noting that, due to the terms of the privatization, it is not completely clear whether the companies are paying fully for the value of the assets they received. As detailed in a 2006 GAO report, the privatization of these three companies followed more than 20 years of huge public investment to construct dedicated high speed lines, and required the government to assume most of the massive debt associated with that construction. [see http://www.gao.gov/assets/260/253370.pdf, pp. 135-37.]

Railroads worldwide can fall victim to superficial analysis because:

- Costs usually are easily captured on the financial statements of one or a few organizations, whereas highway and aviation costs tend to be spread over many organizations and levels of government.
- Benefits related to the environment, to energy efficiency, and to mobility for those who cannot or do not want to drive, are hard to quantify and often ignored—just like similar highway- and aviation-related costs.

NARP welcomes private sector participation in the establishment and operation of passenger rail services. We have opposed privatization schemes whose creators have not acknowledged or addressed the enormous infrastructure disadvantage passenger rail is saddled with. For example, if any of these schemes had been presented as a transfer of passenger train equipment and

operations to duly qualified private operators COUPLED WITH a massive infrastructure modernization and expansion program funded publicly, we might not have fought them.

That said, the UK and Japan come up frequently in conjunction with talk of "successful private-sector rail operations". Lots of good information about passenger rail history in both places is available on line, so we likely do not need to repeat it, but we should point out the common thread between them - it only works when you have already invested heavily in the infrastructure using public funds, and developed successful operations that are frequent, fast and serve very dense markets - also with public funds in the initial years until revenue streams become established that investors can leverage.

The Rocky Mountaineer (RM), a private, luxury train in Canada, the one referred to in your question, is akin to a cruise ship—without tourist class. It primarily provides an "experience" rather than "transportation." Passengers are housed overnight in luxury hotels—not on the train. The company does not yet serve Seattle—RM's web site shows one Seattle train in each direction next year (westbound from Calgary August 17, 2013; eastbound from Seattle August 24). A one-way ticket costs $9,650 ("Goldleaf Deluxe Service") or $8,558 ("Goldleaf Service"). Amtrak will operate the planned Vancouver-Seattle part of this run.

- **Mr. O'Toole commented on the Sunset Limited and how expensive it is to ride in comparison to other modes, including airlines. Do you agree with his calculations? If not, why not?**

He quoted a high fare for traveling from New Orleans to Los Angeles via Chicago, not on the *Sunset Ltd.*, which only runs three days a week. If you query Amtrak's reservation system about New Orleans-Los Angeles travel on a day when the *Sunset* does not run, you get the higher fare. But the *Sunset* coach fares are reasonable. For example, a computer check on Wed. Sept. 19 showed $195 for Saturday Sept 22 departure while Greyhound's web site showed $239. Checking on the same day for travel on Saturday Oct. 27, the Amtrak fare dropped to $156 while Greyhound was still $239.

No question that sleeping car fares are high, which is logical because the accommodations cost more to provide and the fare includes dining-car meals. We have highlighted the "multi-purpose nature" of long-distance trains as a strength.

Equally important, as noted in my testimony, is that so many passengers do not ride endpoint to endpoint but board and/or detrain at intermediate stations, in many cases with limited or no other public transportation or only high air fares.

➢ **Republicans have attempted numerous times in the past to eliminate or outsource Amtrak's long-distance routes. Can you talk about the importance of those routes?**

These trains serve:

- Small markets with little or no alternative public transportation. By "little," I mean small aircraft with very high fares, or bus routes that serve different destinations than the train.
- People in all markets who do not want to—or should not—drive long distances, including the growing senior population.
- People with temporary or permanent medical prohibitions against flying. As it happens, I had breakfast on October 18 on Amtrak's *Capitol Limited* with a senior citizen who was forbidden to fly because of a blood clot in his lungs. He was on the return leg of a round-trip from rural Washington State to Pittsburgh, PA.
- People with disabilities and those with medical equipment that is far easier to deal with on a train than on a plane or bus.
- Tourists both foreign and domestic who find this a pleasant way to see the U.S.

➢ **One of the witness' testimony stated that "Amtrak plays an insignificant role in the nation's transportation system." Having carried nearly 30.2 million passengers and over 200 million other passengers on Amtrak commuter-operated trains and on Amtrak-maintained infrastructure just last year, what is your response to this?**

Public policy needs to look ahead, not always in the rear-view mirror. Ridership in Fiscal 2012 just concluded was 31.24 million. This was the ninth ridership record during the last ten years. Growth is occurring in all three of Amtrak's major sectors – Northeast Corridor (NEC; up 4.8% vs. 2011), other short distance corridors (up 2.1%) and the long-distance train (up 4.7%; all long-distance routes grew; the sector posted its highest ridership in 19 years).

Growth would be even higher if Amtrak had a larger fleet. Due in part to fleet constraints, revenues grew even faster than ridership—NEC 6.4%, Other short corridors 7.3%, Long-distance 7.2%. For example, ridership continues to grow in the Northeast Corridor even though fares are well above what many people can afford. [In the NEC, the FY 2011 yield—or average revenue per passenger-mile—was 54.5 cents including Acela at 76.6 cents.]

Not surprisingly, the top complaint from the Northeast that my staff hears about Amtrak is high fares that force them to opt for the curbside buses. Arguably, the constraints imposed by the size of Amtrak's fleet and the capacity of key stations and track segments makes the curbside buses vital in maximizing the ability of public transportation to meet demand in this corridor.

Nationwide, Amtrak is an important service that took millions of passengers out of their cars. At 31 million riders a year and growing, Amtrak as an airline would rank 7th in enplanements based on calendar 2011 data (below Continental and above JetBlue).

I've noted earlier that it is misleading to quote a single average fare for Amtrak because the services are so diverse, with long-distance coach on the low end and Acela First Class on the high. By the same token, quoting a nationwide market share for Amtrak masks huge differences among:

- the regrettably large number of markets that have no train service,
- the many markets where Amtrak has one round-trip a day (or three a week), and
- places like the NEC and California Corridors where Amtrak is a major player or becoming one.

In smaller communities with limited alternatives, the absolute number of Amtrak riders can be small even though the market share and/or significance of the service to the community involved are/is great.

➢ **There seems to be this misconception that Amtrak has been given billions of dollars and that it's a waste of taxpayer dollars. Yet, according to DOT, over the last four years alone, taxpayers have spent more -- $53.3 billion - on just highways and transit than they have spent in the entire 41 years Amtrak has existed. Please comment on this.**

There is a widespread misperception that "highway users fully pay for the highways with the gasoline tax." This was demonstrably not true even before the explicit transfers from the general fund of recent years. According to an April, 2003, Brookings Institution report [*Improving Efficiency and Equity in Transportation Finance*, by Martin Wachs], 41% of the $133 billion spent on highways in 2001 came from payments other than the gas tax, tolls, and vehicle taxes and fees. These other revenues were: 15.3% general fund appropriations; 9.5% bond issue proceeds; 5.8% investment income and other receipts; 5.6% other taxes and fees; 4.8% property taxes. While most of this was at the state and local levels, federal policy encourages this by offering states generous funding matches for highway investments but no match for intercity rail investments.

The trend has been away from user fees. Wachs noted, "Revenues from fuel taxes have for three decades been rising more slowly than program costs as legislators become ever more reluctant to raise them to meet inflation. As a result, the burden of raising the funds for transportation programs is gradually being shifted to local governments and voter-approved initiatives that are, in most instances, not based on user fees."

The entire discussion ignores highway externality costs such as those related to the environment, quality of life, and energy consumption. See, three pages earlier, the paragraph that begins, "Railroads worldwide can fall victim to superficial analysis..." in my answer about privatization.

In our view, Amtrak capital investments are not "wasted." They help improve the efficiency of Amtrak's operations. In Fiscal 1980, Amtrak's operating grant was $630.4 million, which is just over $1.5 billion in current dollars (using the GDP implicit deflator, that is, multiplying by 2.4). The operating grant in Fiscal 2012 was $466 million, or 69% lower in constant dollars than the 1980 level. During the same period, passenger-miles rose from 4.6 billion to 6.8 billion.

- **How does financing for passenger rail in other countries, and their operating losses, compare with Amtrak?**

There are private contract or concessioned/franchised passenger operators in a number of countries including—but not limited to—the U.S., Argentina, Brazil, Mexico, U.K., Germany and Sweden. Most are "negative concessions/franchises" in which the operator bids for minimum support from the state. In addition, most European Union operators pay access charges far less than full cost—in Sweden less than marginal cost—so the actual degree of public support is greater than it appears. None of these could be truly privatized in the sense that they could be sold and would then operate at a financial profit without support.

Moreover, among the countries listed above, privately franchised operations are mostly commuter or other local services, not intercity trains. John Broadley's prepared testimony for this committee's March, 11, 2011, hearing stated that DB (the German railway company) "faces almost no competition and has over 99% of the domestic long distance market."

Comparisons are very difficult, as service patterns, geography, demographics, etc. differ greatly from place to place.

Thank you for the opportunity to submit these comments.

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