

OPENING STATEMENT OF THE  
HONORABLE ELIZABETH HANFORD DOLE  
SECRETARY OF TRANSPORTATION

BEFORE THE SUBCOMMITTEE ON COMMERCE, TRANSPORTATION, AND TOURISM,  
HOUSE COMMITTEE ON ENERGY AND COMMERCE

GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

APRIL 23, 1985

Mr. Chairman, I am pleased to have this opportunity to meet with you and members of the subcommittee.

This has been a year of extremely difficult budget choices. I know how tough they have been for the Committee. I can assure you, they were no easier for all of us in the Administration. We all collectively face a deficit in the range of \$200 billion, and that deficit threatens everything we have accomplished over the past three years, in transportation, in quality of life, in every field. All of the choices are tough, and the recommendation on Amtrak funding reflects the reality that, with a deficit of this magnitude, the federal government simply cannot afford the three-quarters of a billion dollars that goes into Amtrak subsidies each year. Accordingly, the President's budget for FY 1986 contains a recommendation for no further appropriations to subsidize Amtrak operations and capital construction. This was a difficult budgetary decision for us, but a necessary one under the circumstances. It implies no dissatisfaction with Amtrak's management or service; far be it from that, I believe Graham Claytor and his team are performing superbly with the resources they have been given.

Mr. Chairman, I want to ensure that every opportunity is provided to continue Amtrak other than by subsidies from the federal treasury. To that end I intend to bring together those who would benefit from a continuation of rail passenger service and explore ways of maintaining service where it is wanted and where it is economically feasible. I am not prepared to concede that elimination of federal subsidies inevitably means an end to Amtrak service. The future of Amtrak really depends on what actions Amtrak stakeholders --states, communities, riders, and labor-- are prepared to take over the next six to eight months. I do not underestimate the difficulty of this challenge. I cannot guarantee success. But I will tell the Committee that I am committed to doing everything within my power to help Amtrak service continue without federal subsidies.

Let me now go into some of the reasons why continuing federal subsidies to Amtrak has become insupportable.

#### Amtrak Costs to the Taxpayer

Amtrak was originally authorized on a two-year trial basis back in 1971 as a "for profit corporation." It was anticipated that the existing, money-losing rail passenger business could be curtailed to those portions of the passenger network that were then thought necessary and ultimately returned to a profitable basis. Those who hoped that these remaining lines would become profitable soon found that this was not to be. We have spent \$9 billion on Amtrak since that time and another \$2 billion on the Northeast Corridor Project. Although Amtrak has made some significant improvements in its cost vs. revenue picture over the

last several years, it is expected Amtrak will cost the taxpayers another \$8 billion in the next decade. This is more than we can afford.

#### Amtrak Subsidy per Passenger

The unreasonable cost of Amtrak subsidies becomes quite clear when viewed on a per passenger basis. Today, if one divides the total Amtrak appropriation by the total number of passengers, the subsidy comes to about \$36 per passenger. Some make the argument that other intercity passenger transportation modes receive at least as big a subsidy, but I believe a reasonable examination of the facts shows that contention to be incorrect. In bus transportation, for example, last year each passenger on Class I interstate bus carriers benefited from a federal subsidy --but it only amounted to 16 cents per trip. Similarly, each airline passenger benefited from a federal subsidy, but on the average it only amounted to 60 cents, after taking into account the user taxes paid by these passengers. I have also heard the argument that there is a de facto airline subsidy of \$33 per airline passenger by virtue of business tax deductions. This argument is just not apposite. All business expenses are deductible -- including Amtrak fares that are already subsidized. I think it is noteworthy to point out that relatively few Amtrak riders are likely candidates for income transfers based on need. The average household income for Amtrak riders is higher than that for the population as a whole. About 32 percent of Amtrak travelers, according to a recent survey, come from families with household incomes of over \$40,000. On the Northeast Corridor, particularly

on the Metroliners, used so much for business travel, average incomes are even higher.

Mr. Chairman, there are affordable, convenient alternative means of travel in almost every community Amtrak serves. Amtrak now serves 558 communities, while buses offer service in 14,000 communities, with no direct federal subsidy. Of the communities Amtrak serves only 52 do not now have bus service while 29 have neither bus nor air service. Only three of these 558 communities do not have bus service within 20 miles. The choice we must make is not an easy one, Mr. Chairman. To continue service to those who choose to use Amtrak I acknowledge that some form of subsidy will be necessary. But given the gravity of the federal budget deficit, that subsidy simply cannot be drawn any longer from federal taxpayers. I will do everything possible to seek increased financial support for the continuation of rail passenger service on Amtrak from other than federal tax revenues. The Administrator of the Federal Railroad Administration has begun discussions in this regard with Northeast Corridor States, where rail passenger service and also the rail commuter and freight services that operate on Amtrak's right-of-way are particularly important factors in the regional economy. Outside the Northeast Corridor there may also be opportunities to continue rail passenger service without federal subsidy, and I will be exploring these as well with the states involved.

This concludes my prepared statement. I would now be pleased to respond to the Committee's questions.