

THE HONORABLE JAMES L. OBERSTAR
PRESS STATEMENT ON AMTRAK BUDGET
FEBRUARY 8, 2005

Good afternoon. I'm pleased to be here today with Representative Corrine Brown, the Ranking Democrat on the Railroad Subcommittee, my colleagues on the Transportation Committee, and representatives from the National Association of Railroad Passengers, the National Association of Counties, Friends of the Earth, and the Transportation Trades Department of the AFL-CIO to discuss the future of Amtrak.

Over the past 24 hours, I have reviewed the President's Fiscal Year 2006 Budget, which zeroes-out funding for Amtrak, eliminates funding for high-speed rail, and provides \$360 million to the Surface Transportation Board to maintain existing commuter operations should Amtrak shut down.

The Administration's approach to Amtrak is shocking. Having failed to persuade Congress to pass legislation to destroy Amtrak, the Administration now proposes to accomplish this result by the back door. In their own words, the intent of their budget proposal is that, "with no subsidies, Amtrak would quickly enter bankruptcy, which would likely lead to the elimination of operations and the reorganization of the railroad through bankruptcy procedures."

I cannot recall another instance where government policy for a major industry has been to force it into bankruptcy. It is far from clear that the outcome of bankruptcy would be a more efficient Amtrak. A major purpose of bankruptcy is to protect assets for creditors. This often requires a complete liquidation of a company.

The shutdown of Amtrak would cause widespread disruption and hardship. Millions of passengers – many of whom cannot afford to drive a car or buy a plane ticket – would be stranded. Without Amtrak, millions of travelers would be added to already congested roads and airports. Amtrak's 20,000 workers would be out on the streets looking for new jobs. Local economies and businesses that have benefited from Amtrak's service would suffer. States already under tight budget constraints would be forced to figure out how to pay for new service.

The demise of Amtrak would also create very serious problems for the Railroad Retirement and Unemployment programs, which cover employees of all railroads, freight and passenger.

According to the Railroad Retirement Board, without the participation of Amtrak, employer and employee payroll taxes would need to be increased from the current 16% to 27% in 2027. Those tax increases, however, would ultimately be

insufficient and serious cash flow problems for Railroad Retirement would begin in 2031.

Without Amtrak's continuing participation, cash reserves for the Railroad Unemployment Insurance Account would be exhausted by 2006, and nearly \$297 million would have to be borrowed from the Railroad Retirement account to make up for losses. The Board informs me that ultimately Amtrak's unemployment benefit costs would be borne by other railroads.

An Amtrak shutdown would also disrupt commuter operations serving millions of passengers along the Northeast Corridor, Chicago, and the West Coast. These operations, which include SEPTA in Philadelphia and New Jersey Transit, require the use of Amtrak infrastructure, such as catenaries. They also require the continuation of Amtrak's dispatching system. The Administration's plan is that the Surface Transportation Board – an agency that has no experience managing passenger rail operations – would have to figure out how to ensure a continuation of Amtrak's services. It is not clear how the Board's power would interact with the obligation of the bankruptcy court to preserve assets for creditors. The bankruptcy court may be unwilling to have Amtrak's assets continue to be used for commuter operations. By the Board's own admission, a directed service order involving Amtrak would be "more complex than any directed service order the STB has ever issued" for freight

railroads. In fact, the Board has informed Congress in a letter to the Appropriations Committee that the STB and the Federal Railroad Administration cannot “envision any realistic scenario that would allow them to direct commuter service for more than 60 days.”

Bankruptcy is not the solution for Amtrak. Amtrak’s problem has one root cause: money. From its creation in the 1970s, the Corporation has been on a starvation diet. Lack of adequate funding and the annual threat of elimination have conditioned Amtrak to focus on survival.

Yet despite chronic underfunding, Amtrak has had its successes. Under David Gunn’s leadership, Amtrak has improved operations in some markets and increased ridership to over 25 million passengers in 2004: an increase of one million passengers, from 2003 and a new Amtrak record.

Ridership on short-distance routes in the West is up 11.7 percent. The Pacific Surfliner, serving Southern California, showed the largest increase in ridership, with a gain of 26.3 percent. Midwest trains experienced the next largest increase in passengers.

Capital investment is up two-thirds: 181,000 concrete ties were laid; 1,666 bridge ties were replaced; 200 miles of rail infrastructure were restored; 23 undergrade bridges were improved; 43 miles of signal and communications cable were replaced; and 81 miles of catenary hardware was installed.

Amtrak's mechanical department plowed full steam ahead. In 2004, it completed 188 light overhauls, 96 heavy overhauls, 51 remanufactures, 19 wreck repairs and seven Superliner baggage modifications in passenger cars.

Excess equipment was sold, unprofitable services were eliminated, fares were lowered on long-distance routes to increase ridership, and a \$71 million maintenance facility was opened in a joint partnership between Amtrak and the State of California.

In short, Amtrak is making great progress, even under a starvation budget. All of this progress will halt under the President's Budget.

The Administration's proposal is short-sighted and ill-conceived. I oppose it, and I will do everything in my power to ensure that this proposal is stopped in its tracks. With that, I am pleased to introduce Representative Corrine Brown, a champion for Amtrak, for some additional remarks.