



\$521 Million = No Service

Asked at a February 27 House appropriations hearing how long Amtrak could run if it got only the Bush "placeholder" \$521 million in fiscal 2003, Federal Railroad Administrator Allan Rutter responded, "Not long, and not well."

DOT Inspector General Kenneth Mead endorsed the soundness of Amtrak's figures for "excess" Railroad Retirement (\$160 million) and the long-distance operating grant (\$200 million "may be a lowball figure"). He said \$370 million of Amtrak's \$840 million capital request is for "mandatory" items.

["Mandatory" items include: \$190 million for the capitalized portion of 180-day car inspections and fleet maintenance costs; \$105 million principal on debt service; \$29 million for environmental compliance; \$26 million for more New York tunnel "life safety" work; and \$19 million for Americans with Disabilities Act work.]

All that adds up to \$730 million. Mead

said discontinuing the long-distance trains would trigger labor protection payments totalling \$250-300 million in the first year.

As for the balance of Amtrak's \$840 million capital request, Mead said, "I'd like to know more." Amtrak President and CEO George D. Warrington said he would provide "excruciating detail" on the program. For "non-mandatory" capital, here are the general categories identified in

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AMTRAK'S 2003 REQUEST

- \$840 million basic capital investments—without addressing a \$5.8 billion capital backlog or new high-speed corridor developments;
- \$200 million net operating grant for long-distance trains; and
- \$160 million for excess Railroad Retirement payments, i.e., payments Amtrak is legally required to make above costs imposed by Amtrak retirees.

Amtrak to Post Long-Distance Notices

Amtrak has gained market-share from the airlines since September 11, particularly in the Northeast Corridor and on long-distance sleeping car services. Amtrak claims it now handles 52% of the combined New York-Washington air-rail market (endpoints only).

Against a backdrop of such growth—

coupled with funding uncertainties—Amtrak announced that, due to a legal 180-day notice requirement, it "will post contingency [discontinuance] notices on March 29 on the entire long-distance network." This would let Amtrak discontinue as many such trains as necessary at the end of September (the end of fiscal 2002) if Congress did not provide enough funds to run the entire system.

It appears that notices will be posted for all trains with sleeping cars [except Auto Train, Virginia-Florida.] and the coach-only *Pennsylvanian* (Philadelphia-Chicago). The list includes the *Twilight Shoreliner* (Boston-Newport News) and *Kentucky Cardinal* (Chicago-Louisville).

Funding Needs Starting October 1, 2002

Amtrak President and CEO George D. Warrington said "substantial route cuts will

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—Amtrak

Sleeping-cars (like Viewliners shown above at Washington, on a New York-Florida train), along with the long-distance trains that carry them, could disappear from the entire Amtrak

system. Sleeping-car demand has been unusually strong since soon after September 11. In January, sleeper ridership was up 10% from a year ago; sleeper revenues up 19%.

JANUARY STILL STRONG

January was Amtrak's fifth straight month of posting a much stronger traffic trend than the airlines, compared to a year earlier. Amtrak passenger-miles rose 5.0%; domestic airlines fell 12.8%. Amtrak ridership rose 4.5%; air fell 14.7%. These trends persist despite sharply lower air fares.

Amtrak Austerity Measures

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be necessary” unless Amtrak’s fiscal 2003 federal grant is \$1.2 billion (see p. 1 box).

While Amtrak plans to post notices only on the long-distance trains—presumably to avoid antagonizing the state partners that help fund most short-distance trains—all service would be threatened if long-distance trains actually were discontinued.

Amtrak will seek increased state funding for short-distance services. Costs would rise as these trains became solely responsible for certain facility costs now shared with Amtrak-funded long-distance trains, and as the short-distance trains lost revenues currently generated by passengers who connect between long- and short-distance trains.

Indeed, Amtrak may, in effect, seek two tiers of funding increases from some states—first, for 100% coverage of operating grant costs assuming the current

“If they only do a Northeast Corridor, then I question their commitment to a long-haul system. If [Amtrak] doesn’t support [the Texas Eagle], I’m not supporting Amtrak.”

—Sen. Kay Bailey Hutchison (R.-Tex.)

system continues; second, payment for increased cost allocations resulting from long-distance train discontinuances.

Finally, any significant route cuts will cost Amtrak political support.

In short, today’s Amtrak system works as an integrated network, commercially and politically. If it is torn apart, it is not clear where the carnage would stop.

Efforts to Maintain Viability Through September 30, 2002

The above information was unveiled at a February 1 news conference in Washington, where Warrington also outlined tough measures meant to assure that Amtrak will have enough cash to get through September.

Warrington said Amtrak entered fiscal 2002 (which began October 1, 2001) with a \$200 million budget “hole” to fill, and outlined \$258 million in “expense reductions already being executed and impacting” fiscal 2002 and 2003. The largest items were:

- “\$55 million in equipment, facility and vehicle-related expense reductions;
- “\$30 million in corporate restructuring;
- “\$30 million in sales, marketing and channel distribution efficiencies.”

Warrington cited several events during fiscal 2002 as worsening Amtrak’s situation (see box below).

Warrington announced Amtrak would make \$285 million in capital and operating cuts, “to meet our obligations and manage financial uncertainties in [fiscal] ‘02-03.” That includes \$175 million in deferred capital investments—a 23% reduction from planned spending, with reductions in equipment refurbishment, overhauls, capacity and reliability improvements, technology, and station and facility upgrades.

It also includes a \$110 million cut in operating expenses, as follows:

- “By this summer,” eliminate 700 labor and 300 management positions “from a current base of 24,600;
- “Reduce staffing hours at 73 lowest-volume stations systemwide;
- “Freeze or reduce spending on materials, supplies, computers, vehicles, travel, hiring and nonessential training;
- “Reduce spending related to marketing, advertising and research.”

These cuts reflect Amtrak’s view that an attempt to get a supplemental appropriation would be time-consuming, have no assurance of success, and distract attention from the critical discussion about fiscal 2003 funding. n

LA PLATA REDEDICATION



—Lois Bragg

Practically all of La Plata, Mo., turned out December 1, 2001, to celebrate the completion of interior restoration of their Amtrak station. Served by the *Southwest Chief*, La Plata is the only active passenger station in northeastern Missouri. The station, built in 1888, was substantially made over in art-deco style by the Santa Fe Railway in 1945, after a fire.

Two local groups, the Friends for La Plata Preservation and NEMO Model Railroad Club, began exterior work in 1996. Volunteer effort and grant money from other private and public agencies led to later garden and interior work. These included the City of La Plata, Truman State University (Kirksville), Environmental Protection Agency, Missouri DOT, and Great American Station Foundation.

FACTORS WORKING AGAINST AMTRAK

Amtrak said these factors, since October 1, have hurt Amtrak’s finances in fiscal 2002:

- “Recession: \$120 million impact in [fiscal] ‘01-02;”
- The Amtrak Reform Council’s November 9 finding had a \$52 million negative cash impact due to reactions by Amtrak’s lenders and other business partners.
- Post-September 11 increased security costs totaled \$16.5 million through January.

“I DON’T KNOW WHAT I’LL DO...”

“On [February 5], Linda Boyd, formerly of Kilgore, was making her sixth train trip in the past year, returning to East Texas from Battle Creek, Mich. She said that if the *Texas Eagle* is lost, her travel would be curtailed. “‘I don’t like to fly, and that has nothing to do with Sept. 11,’ Boyd said. ‘But I love to take the train. It’s a relaxing, pleasurable experience, and you meet the nicest people.’”

“Louise Lewis of Shreveport arrived in Longview...aboard a southbound *Texas Eagle* from Chicago before taking Amtrak’s Thruway Bus service to Shreveport. Using a cane, the elderly Lewis said it is easier for her to take the train than to maneuver through airports. ‘They take such good care of their senior and handicapped passengers,’ Lewis said. ‘I don’t know what I’ll do if I lose Amtrak.’”

—Longview News-Journal, February 6

(More) Corporate Restructuring at Amtrak

Amtrak has changed its administrative structure in recent months, to improve efficiency. The number of executives reporting directly to President George D. Warrington has been cut from 16 to nine. They include four executive vice-presidents, listed here with their other titles:

- Stan Bagley, Chief Operating Officer;
- Arlene Friner, Chief Financial Officer;
- Barbara Richardson, Marketing, Sales and Communications;
- Alicia Serfaty, Senior Vice President—Law and Corporate Secretary (serving in absence of a general counsel).

Warrington's other "direct reports" are five corporate vice-presidents:

- Lorraine Green, Human Resources;
- Gerri Mason-Hall, Business Diversity;
- Joseph Bress, Labor Relations;
- Joseph McHugh, Government Affairs (acting);
- Richard Sarles, Capital Programs.

Warrington is the only one with the title of "president;" heads of the four strategic business units now are senior vice-presidents and report to Bagley. They are:

- Intercity (Chicago)—Don Saunders (started July 1, 2001);
- Mail and Express (Philadelphia)—Lee Sargrad;
- Northeast Corridor (Philadelphia)—James Weinstein;

- West (Oakland)—Gil Mallery.
- Bagley's other direct reports are:
- Ron Frazier, Senior Vice President, system safety and security;
 - Ed Walker, Senior Vice President, operations. Reporting to Walker are Steve Strachan, Chief Transportation Officer; Vince Nesci, Chief Mechanical Officer; and J. D. Wall, Vice President—Systems Operations.

Bagley assumed his present position in August 2001; Lynn Bowersox was acting Northeast Corridor head until February 1, when Weinstein's appointment took effect (Jan. News).

Ed Walker headed Intercity until July 1, 2001, then headed up the reorganization effort before assuming his present position October 1, 2001. n

Restructuring vs. Proper Funding

Did 1997 Mandate Weaken Service?

It has become fashionable to say Amtrak can't continue as is, and to assume this means it must be restructured. A reading of DOT Inspector General (IG) Kenneth Mead's January evaluation of Amtrak's 2001 performance suggests another, as yet untried, option. This would be to give Amtrak adequate resources to do the tasks it has been given, with a sober understanding of what goals are realistic, and without the 1997 "gun-at-your-head" attitude that encouraged Amtrak to "enable" exaggerated dreams about what a particular funding level could accomplish.

Amtrak has made progress on that front, beginning with the issuance in early 2001 of its strategic business plan, which showed annual capital needs of \$973 million just to maintain the existing service (Mar. '01 News).

The IG's report made clear the constant tension Amtrak faced between allocating funds to projects meant to move Amtrak quickly towards its statutory "operational self-sufficiency" target, and trying to maintain Northeast Corridor (NEC) infrastructure in a good state of repair.

The report lists NEC projects that Amtrak has not yet undertaken (for lack of funds), with specific pay-offs in projected reductions in annual operating expenses. The IG could have listed other projects of national significance with similar pay-offs.

Unfunded NEC capital projects include:

- Remote control at 12 moveable bridges, costing \$6.0 million, with annual operations savings of \$1.2 million;
- New track welding units, costing \$8.0 million, saving \$700,000 a year;
- Automated track inspection vehicles, costing \$1.3 million, saving \$1.4 million a year;
- Automated moveable bridge greasing, costing \$2.1 million, saving \$500,000 a year.

Amtrak's often cited fiscal 2001 \$1.1 billion operating loss includes non-cash items, notably \$475 million in depreciation. Of this, \$251 million is on right-of-way property, up a whopping 28% from \$196 million the year before. No airline or bus company carries equivalent infrastructure charges on its books. n

NEW FORT WORTH STATION OPEN



—Martin Svingen (both)

The grand opening of the Fort Worth Intermodal Transportation Center on January 12 brought Trinity Railway Express commuter rail (TRE) and local bus ("T") service together under one roof, at 9th & Jones St.



Amtrak joined that mix February 27, after track and platform work was completed, allowing it to move six blocks north from Union Station (see Sept. '99 News for story and map).

TRE service now links Dallas with two stations in downtown Fort Worth. It was extended from Richland Hills past the unfinished intermodal station in Fort Worth on December 3, 2001.

That extension, with the new station, give Amtrak's *Texas Eagle* a potential second route between Dallas and Fort Worth on the TRE route, which could avoid Union Pacific's congested line, avoid back-up moves at Fort Worth, and reduce delays at UP's Tower 55 junction. Amtrak's *Heartland Flyer* also serves Fort Worth.

TRAVELERS' ADVISORY

Checked baggage—Due to Amtrak's austerity measures (p. 1), 50 stations, mostly on long-distance routes, have lost checked baggage service. Check with Amtrak to be sure your station still has this service.

Sunset Limited—CSX track work will disrupt service. Trains originating in Orlando March 17 and 19 originate in New Orleans instead (March 18 and 20). Trains originating in Los Angeles March 15 and 17 run to New Orleans only. Amtrak is not offering alternative transportation.

International—U.S. Customs and Immigration agents at Port Huron, Mich., once again are processing Amtrak passengers aboard the westbound *International*. Until February 19, passengers had to ride a bus across the highway checkpoint and then reboard their train.

Downeaster—Boston-Portland trains began calling at Saco, Me., February 19.

Quiet Cars—This popular Northeast Corridor program making one car on most trains cell-phone-free has been expanded to the Sacramento-Oakland-San Jose Capitol Corridor.

National Parks—Amtrak is offering a 5% travel discount to holders of the National Parks Pass. This 12-month, \$50 pass is available through 1-888-GOPARKS or at web site <<http://www.nationalparks.org>>. Amtrak service passes within 100 miles of 196 National Parks.

Fares—Amtrak will offer a 30% discount on adult fares, called "Miles of Smiles." Book through May 19, for March 7-June 15 (except March 28-April 2 and May 24-28). Tickets are non-refundable and must be booked at least seven days before travel.

\$521 Million?

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Amtrak's grant request (which does provide further detail):

- Federally owned infrastructure, \$286 million;
- Agreements on other infrastructure, \$75 million, including jointly funded work on Metro North and the Empire Corridor;
- Fleet overhauls, facilities and technology, \$111 million.

Amtrak's grant request indicates that \$75 million of the mandatory capital and \$25 million of fleet overhauls are attributable to the long-distance trains. It says long-distance trains have a \$360 million operating shortfall, "of which \$160 million is covered by internally-generated cross-subsidies." n

ADDITIONAL NARP REGIONAL MEMBERSHIP MEETING

Other meetings were listed on the NARP web site and/or appeared in the January 28 mailing to members.

Reg. 10 (CO, IA, NE, SD, UT, WY); Sat., Apr. 6; Omaha, NE; 9:30-3; Redick Grille; speakers: NARP President Alan Yorker, Brian Rosenwald (General Manager, Western Business Group, Amtrak); contact, Dan Lutz, 404/464-3571.

ARC's Last Report Released

The Amtrak Reform Council, nearing the end of its existence, approved on February 7 an Amtrak restructuring plan (Jan. News). As expected, the plan proposes making three new entities out of Amtrak.

They are a government agency with overall planning, funding, and (possibly later) franchising functions; a government corporation responsible for Northeast Corridor dispatching, maintenance, and capital improvements; and an operations company or agency, which would be the sole operator until such time as a competitive

bidding process (if any) was in place.

The most useful facet of the ARC's work is an admission that passenger rail services cost money to develop, maintain, and operate. Their plan calls for federal operating funding for long-distance trains, and for corridor trains that need it (until after 2-5 years, when state funding would replace federal funding). The ARC leaves the responsibility of deciding how big a system to operate and fund to Congress.

The House Transportation and Infrastructure Railroads Subcommittee held a

hearing on the plan on February 14 (with two other Amtrak hearings planned). There was general consensus on the need for passenger rail, but division over the need for restructuring, and some dissent on the need for nationwide service. n



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