STATEMENT

of the

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CHAIRMAN OF THE AMTRAK REFORM BOARD

before the

SUBCOMMITTEE ON SURFACE TRANSPORTATION
AND MERCHANT MARINE
of the
SENATE COMMERCE COMMITTEE

AMTRAK OVERSIGHT HEARING

Wednesday, February 23, 2000

10:00 a.m.

Madam Chair and Members of the Subcommittee:

I deeply appreciate the opportunity to appear before this distinguished Subcommittee to talk about one of my favorite subjects – Amtrak. As I am the first to admit, when I was initially approached by the Speaker of the House to serve on the Amtrak Reform Board, I thought long and hard before accepting.
I knew that Amtrak was in what the General Accounting Office (GAO) and the Inspector General of the Department of Transportation (DOT IG) called a "precarious financial condition," and it is not my habit to tilt at windmills. At the same time, I also knew that Congress and the country wanted a thriving national passenger rail system, and I certainly was aware of the fact that my own state depends on Amtrak for jobs, for transportation, and for economic development. In the end, of course, I accepted the White House's offer, and now, 17 months into my chairmanship, I can confidently say that signing on board Amtrak was one of the best decisions I've ever made.

I'm enthusiastic about Amtrak. I'm enthusiastic about our people, our product, our performance and our promise. I'm proud of the way we're becoming a successful, market-based, customer-focused enterprise.

Unfortunately, people sometimes mistake genuine enthusiasm for glib salesmanship or cynical spin doctoring. In my own case, for example, I've been accused of presenting a "rosy picture" of Amtrak because I'm such an enthusiast. The implication of that criticism is that if I'd just stick to the facts, and leave my enthusiasm out of it, Amtrak's prospects would not be nearly as impressive as I've made them out to be.

Very well, then. Let me just stick to the facts. The plain, unvarnished facts – on Amtrak's track-record for 1999.

I'll start with overall performance. FY 1999 was a record-setting year for Amtrak. The corporation's total revenue reached an all-time high of $1.84 billion, a 7 percent increase from the previous year. Revenue growth has helped Amtrak exceed the bottom-line target set in the corporation's business plan for the second consecutive year – this year by $8 million – keeping Amtrak on course to achieve operational self-sufficiency by 2003. And, for the first time ever, Amtrak's ridership has increased for three consecutive years, due to growing demand. Total ridership exceeded 21 million in 1999, up 2 percent from last year and 10 percent since it began rebounding three years ago.

There are other *factua*l accomplishments for FY 1999, as well:

Capital investment partnerships with states garnered a record $300 million. In partnership with cities, Amtrak refurbished or renovated ten stations nationwide, began a $53 million expansion and reconstruction of the Seattle King Street Station, dedicated a $19 million locomotive maintenance facility in

Los Angeles and broke ground on a $14 million service and inspection facility for passenger cars.

To improve its bottom line, Amtrak entered into business partnerships with Dobbs International Services, Burlington Northern Santa Fe, United Parcel Service, the United States Postal Service, ExpressTrak, and Dynamex. These partnerships are expected to generate more than $20 million in additional annual revenue and $28 million in long-term savings.

The corporation's real estate and telecommunications ventures returned profits of $106 million, a record high.

The mail and express business, which involves the transportation of time-sensitive shipments, produced $98 million in revenue for FY 1999, up 18 percent from FY 1998.

Based on its "expectation that operational self-sufficiency will be achieved," Moody's Investor Service improved Amtrak's credit rating to A3, reflecting a stable outlook. Standard and Poor's publicly assigned Amtrak a triple "B" issuer rating.

In the area of customer service, Amtrak trained 16,500 employees to begin implementation of the American travel industry's first-ever service guarantee.

And we're growing. In 1999, we reintroduced the Oklahoma to Fort Worth *Heartland Flyer*, which exceeded our ridership projections by more than 30 percent, carrying nearly 27,000 passengers last year, proving again that intercity passenger rail isn't only for the densely populated Northeast Corridor.

In Texas, with your help Senator Hutchison, a local marketing effort and mail/express business on the *Texas Eagle* has contributed to passenger revenue growth of over 20 percent.

In California, Amtrak increased the number of round trips on the *San Joaquins* and *Capitols* corridors. The result was the highest ridership ever for the Capitols – up 18 percent, to 540,000.

In the Pacific Northwest, Amtrak introduced new equipment and added frequencies on the *Cascades* service, resulting in a 12 percent ridership boost.

In the Northeast Corridor, Amtrak set the third consecutive ridership record for *Metroliners,* with over 2.2 million passengers in FY 1999.

In Pennsylvania, Amtrak attained the greatest ridership increase ever on the

Keystone Corridor – 18 percent – for a total of nearly one million customers.

In Maine, Amtrak began preparations for the Boston-Portland service.

Finally, Amtrak secured funding commitments from the private and public sectors to initiate rail service between Los Angeles and Las Vegas by fall 2000.

Those are the facts, unvarnished.

Let me turn now to one of Amtrak's most urgent priorities, developing new, high-speed rail corridors across the nation. Corridor development so far has been state-driven, and in early 1999 Amtrak created a new High Speed Rail Department to help lead efforts in 36 states, by working closely with these states in the planning, construction, equipment acquisition, and implementation of high-speed rail projects.

Of course, the most imminent of these efforts is in the Northeast. In 1999, Amtrak completed the electrification of the Northeast Corridor, a 156-mile section between New Haven and Boston. This made possible the first step in the high-speed rail program -- the launch of *Acela Regional* on January 31, 2000. Featuring all-electric service and refurbished equipment, *Acela Regional* trains reduced the journey between Boston and New York by as much as an hour and a half. The response has been tremendous. Compared to the former Northeast Direct trains, ridership has grown 25 to 35 percent on the *Regional* trains to date.

All this activity has generated significant support for Amtrak all across the country. Let me give you some examples:

Over half of my colleagues, 27 governors from across the nation, and both political parties urged President Clinton to fund Amtrak at the authorized level of $989 million in FY 2001.

The National Conference of State Legislatures also urged President Clinton to fund Amtrak at the authorized level, as did 15 Members of the Congressional Black Caucus, the AFL-CIO's Transportation and Trades Department, and a bipartisan group of 26 of your Senate colleagues, including some of you. More than one quarter of the Senate wrote to the President saying we want to see Amtrak succeed and grow. And I'm proud to say that the President's FY 2001 budget submission to Congress responded to the call to action.

For the first time in the three annual budget requests that have occurred subsequent to the passage of the ARAA, the President has, for the first time, requested the level of funding for Amtrak authorized by law. Let's not forget – the whole operating self-sufficiency test was predicated, among other things, on Amtrak receiving the authorized levels of capital funding contained in the bill. To date, Congress has provided about 50 percent of the authorized amount.

In addition, the National Governors' Association, the U.S. Conference of Mayors, the National League of Cities, the Council of State Governments, and the National Council of State Legislatures have joined 35 Senate co-sponsors, including EPW Chairman Smith, Subcommittee Chairman Voinovich, this Subcommittee's Chair, Senator Hutchison, and our distinguished Majority Leader, in support of S. 1144, the bill that would grant states the long-awaited flexibility to spend federal transportation dollars on passenger rail.

29 Senators are also co-sponsoring S. 1900. The bill, introduced by Senator Frank Lautenberg of New Jersey, would amend the Internal Revenue Code of 1986 to allow a credit to holders of qualified bonds issued by Amtrak and gives Amtrak the authority to sell $10 billion in high-speed rail bonds over the next 10 years.

I could go on -- but I hope I've already made my point. If I'm enthusiastic about Amtrak, it's not because I'm painting some sort of rosy scenario. It's because we are keeping our commitment to Congress and the American people to run Amtrak like a business and to achieve solid financial improvement. And many others, including many of you, are as enthusiastic about the growth of passenger rail as I am, as evidenced by your support for these legislative and funding initiatives.

Of course, 1999 had its disappointments as well as triumphs. No one is more anxious than I am to put the *Acela Express* trains into service. Because of the success *Acela Regional* is enjoying, I'm sure *Acela Express* will surpass our expectations. But I would remind everyone that high-speed trainsets in the Northeast are a new technology, and we owe it to the American people to see to it that this new technology meets our high standards. Only when it has done so will we announce a starting date for *Acela Express*. That is our responsibility, and we intend to live up to it.

Talking about responsibility, I would be remiss if I did not address one of the other issues that brings us here today. Sitting by my good friend Gil Carmichael, Chair of the Amtrak Reform Council (ARC) and Ken Mead, Inspector General (IG) for the U.S. Department of Transportation, I want to publicly thank them both for the attention they have devoted to Amtrak over the last 18 months. Both the IG and the ARC have offered new perspective and valuable insight. We welcome their advice on how to succeed and have incorporated some of their recommendations into our Strategic Business Plan. Ken helped us think through some critical financial issues and decisions this year, and we have the utmost respect for his advice and counsel. Gil has also offered some valuable recommendations, particularly in the area of mail and express – a line of commercial business that I think we all recognize as a critical element to our financial success. But we also differ on some issues, and one of them is the very core of all that we do.

We were given a mandate by Congress to achieve operating self-sufficiency by FY 2003. When the new Board first met, that challenge – adherence to the "glidepath" and attainment of operating self-sufficiency – was the first issue we discussed. It is of paramount importance. It is the foundation on which all our business decisions rest. And never, ever was there any ambiguity attached to what Congress meant. It meant we had to become independent of the federal operating support and begin fiscal year 2003 without requesting one dime from the federal government for our operations, with the exception of excess mandatory railroad retirement costs.

More than two years after the law was passed, and sixteen months after I became Chairman of the Board, a new definition has been proposed by the Council. I am not going to go into the legal explanation – we have already laid that out in our response to the ARC's report, which they graciously included in the Executive Summary. And I am sympathetic to Mr. Carmichael's dilemma – he has told me that this new definition is the result of his lawyer's analysis of the law, and absent any clear Congressional intent, he cannot reach another conclusion. It is my hope that you who are sitting behind the dais, who wrote this bill and voted for its passage, will today clear up for the Chairman of the ARC any concerns he may have, and restate the Congressional intent. It was made clear in five years of business plans, five years of testimony, and five years of annual reports. But it would be helpful to hear it from the Subcommittee again today. The glidepath never included depreciation, which is a non-cash cost, and progressive overhauls, which are funded with capital. Consequently, operational self-sufficiency never encompassed either of these accounting principles either. And clearly the law does not say otherwise.

I can assure the distinguished Members of this Subcommittee that we are well on our way toward achieving operational self-sufficiency by 2003, and I think I have given you some of the facts that back up that statement. ` Yes, there have been obstacles in the track - and no doubt there will be more. And there are also those who will criticize our every move, and do everything in their power to make sure that the predictions they've been making these past 29 years about our inevitable demise come true. The bottom line, however, is this: Congress and the American people gave us a mandate in 1997. So far, we have lived up to that mandate. We believe we have earned the right to your continued support.

Thank you, Madam Chair. I stand ready to answer any questions you may have.