

KEYNOTE ADDRESS: THE VISION FOR INTERCITY PASSENGER RAIL IN THE UNITED STATES

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I am honored to give the keynote address on the basic question: what is the vision for intercity rail passenger service in this nation. The quick and dirty answer is that the vision is hazy, the vision is cloudy. I think that, in some respects, reflects the contradictory views that we all have about some of the factors needed for a full commitment to rail passenger service.

In the introduction it was stated that one of the things that I do is I teach. I teach at the Bloustein School at Rutgers, the school for public policy. And I enjoy that very much. It gives the opportunity to step back a little bit and take a look at the big picture from a detached vantage point. I think in that capacity, particularly over the last couple of years that I have been out of public service, the overriding observation that I would share with you is that the change we are experiencing in this country, in this society, is just monumental.

Change is always there, but there are periods of time when change is so dramatic and so complex and so rapid, that it is a period of historic change, and I would suggest to you that this is one of those times.

Pick the sector: health care, financial services, telecommunications; we are getting ready for electric utility deregulation. All of those areas and every other area are going through these periods of change, and that type of dramatic change, results in dislocations, disruption, and that of course always results in some stress.

So you can maintain, and I think it is legitimate to say what it is that we are about is trying to manage change to be able to avoid some of the instability that comes from high degrees of stress. It is not easy at this point, because there is not a national consensus on direction or goals as we work our way through this period of complex change.

The best example of all of this is the general economy, where here, 15, 20 years ago, we would talk about this being a labor-intensive, manufacturing-oriented national economy, and today, of course, we would describe the economy as capital-intensive, service-oriented, knowledge-based, part of an international economy. Decisions, in some respects, that are made overseas have as much impact upon our well-being as decisions that are made here in the nation's capital.

Today, in an export-driven economy, we have to have a fully-integrated, intermodal transportation system that allows us to maximize our resources. It is not just a luxury, it is absolutely essential if we are going to be a productive

economy, capable of competing in the international trade arena.

The authors of ISTEA understood that concept, even sought to establish a national transportation plan. That has not moved forward very rapidly. But the concept was to understand what the national items of significance were, even what major regional transportation resources were, so that when it comes time to think about allocating funding for infrastructure reimbursement, we would at least have a rational plan for doing so.

There was also an understanding in ISTEA that we need a rail passenger service component of an integrated transportation system for all of the reasons that are obvious to an audience such as this. One of those reasons is congestion mitigation, not just to avoid the aggravation of perpetually being struck in traffic, but also to facilitate the movement of goods. Obviously, the movement of goods is inhibited by the gridlocks that we face in so many of our areas, and that detracts from our productivity.

Other reasons for an integrated transportation system are the environmental protection aspects of rail passenger service that were talked about; the energy efficiency aspects; and the desire to provide mobility for whole sectors of our population who, but for rail passenger service, would have their mobility diminished dramatically.

Notwithstanding all of these meritorious arguments for investment in rail passenger service, some of the dramatically changing conditions that I have alluded to do not necessarily work in the interests of rail passenger service. The major characteristic of these times is the mobility of capital. You push a button, and capital moves around the world in a heartbeat.

There is not a lot of patient capital around. We have had some examples in the last few years where someone wakes up one morning, does not like the economic conditions in Mexico, everybody pushes the button, we defund Mexico, and we have serious economic consequences as a result.

Now capital flight is something we should be very much aware of, particularly when we are talking about things like rail passenger services that are by definition, capital-intensive, but perhaps not yield the same rate of return on investment as alternative or competitive uses for capital.

In the past, in recognition of that fact, the public sector was looked to as the place that would make the major contributions for capital needed by this public service enterprise. It was talked about, as some of the speakers previously talked about this as a very important public service.

Here in Washington with this audience, I do not have to tell you that things have changed to the point that providing for public capital is not something that happens easily anymore. We have taken on an almost religious-like commitment to balancing the budget, whether it makes sense or not, whether we are investing or dis-investing, but we are clearly on that glide path, and there are consequences.

Unfortunately, as we all know, transportation is part of the discretionary portion of the budget that disproportionately takes the hits on that glide path toward a balanced budget.

In this era of change one of the concepts that is in vogue is revolution. This is the idea of shifting responsibility for things that used to be thought of as national goals and responsibilities back to the states. And I can tell you, the states are in the process of figuring out how they can shift them back to the counties and to the localities.

I will also share with you my perspective that a lot of the governors—many governors across the board, Democrats or Republicans—are beginning to understand. They have been given in the context of devolution, the responsibility to figure out how they allocate the pain. They are starting to lose a little bit of enthusiasm for the concept of devolution, in area after area after area, and they are also coming to understand that if they are having this much difficulty, and these are the good times, what do we do when things soften up a bit?

Another characteristic of these times, a little more difficult to quantify, is that the public's expectations are changing. The public demands better and better service and is much less tolerant of the concept of pain for the service. That is part of human nature. We all like the new car in the driveway, but we do not like the payment booklet. I would just share with you that there appears to be a tendency to have that characteristic even more pronounced in these times, and I think that is in part an aspect of the stressful nature of the times that I alluded to earlier.

Another concept that is in vogue is privatization. We hear a lot about it, and privatization is offered as an answer to many of the problems that flow from the consequences of public disinvestment in so many areas. My view has always been that privatization is not as bad as some of its detractors suggest, nor the panacea that some of its supporters maintain. There is a need for a site-specific, case-by-case analysis to determine its appropriate use.

In the case of rail passenger service, one thing is becoming clearer. Proposals that advocate privatization will not obviate the need to maintain current levels of public financing, unless of course we want to start dismantling the systems that are being financed. The privatization of the British Rail system is a wonderful case study, from the proposition that we should disabuse ourselves of the belief that the private sector is not going to want public sector monies to operate rail passenger services.

The conclusion of a number of studies that looked at the British Rail experience was that privatization of some of the more profitable lines resulted in the inability to cross-subsidize other lines. The House of Commons concluded in one study that it is highly likely that the overall cost to the taxpayers of the privatization process would undoubtedly rise. So, then, all I am suggesting is that the preliminary conclusion on privatization is that it is not an unmixed blessing and will not meet the expectation that you are going to wean the system off of public sector funding.

I have thrown all of this contradictory clutter at you, that I think is a symptom of the current dislocating times. The interaction between the Administration and Congress is clearly illustrative of the fact that we are all groping around to figure out what the path is, to be able to move to the next level. This is a transitional period that we are in.

What I wanted to do is just offer you a framework for perhaps some strategic thinking about transportation that may be useful. In order to develop a vision for the future of rail passenger service, it is necessary to undertake an evaluation of the problems and shortcomings of the existing systems and the opportunities to overcome those shortcomings.

Additionally, a determination as to the future demands and requirements of our rail passenger systems must be undertaken. After such an analysis, it would be possible to establish some clear sets of goals for the future. Steps for realizing those goals can then be introduced and evaluated for their potential contributions, risks, and costs. Once implemented, the final aspect must be a system of metrics to ascertain the progress towards the goal and the vision.

Current initiatives seem to indicate that we are moving towards such a framework of strategic planning. I think that is commendable, and today's event is a manifestation of this continuing process that we are moving towards.

Let me say a word about Amtrak, our current national rail passenger system. There are those (and I have been interacting with some of them recently) who regard Amtrak as beyond rehabilitation, who regard Amtrak as structurally and systemically flawed, incapable of being modified, and would therefore like to scrap the system and start all over.

They would say that we should create new systems, new joint venture systems with private sector/public sector, new public sector, new private sector, whatever. Others, and I include myself in this category, maintain that Amtrak represents a significant public investment and intellectual commitment, and includes existing assets, structures, and organization that may simply need to be enhanced, supplemented, improved, given some degree of certainty, particularly on the capital side, in order to provide efficient, viable passenger service for this nation, on a national basis.

Tom Downs has brought a new and a different type of leadership there, and I suspect that is largely responsible for

some of the improvements that we have seen in the last few years.

There have been some key initiatives aimed at meeting the public's needs and expectations for the system by improving revenue and gaining some operating efficiencies. Amtrak has been reorganized, and the reorganization was important because it tapped into a sense of more accountability.

The reorganization into independent operating units was designed to focus efforts on similar product offerings (short versus long-distance service), similar markets, similar infrastructure needs, and similar customer demands.

Key business developments have been made with Amtrak entering into partnerships that some are advocating as appropriate for a new entity that might be created. The interaction with the states has been particularly beneficial. Private sector partnerships are already underway. For example, negotiations are taking place with representatives of the gaming industry for Las Vegas to Los Angeles service. Also, Greyhound and Amtrak apparently have already entered into an agreement whereby Greyhound is providing connecting bus service to communities not serviced by Amtrak. A multi-modal initiative towards improved service is something some of us have been talking about for a very, very long period of time.

Amtrak, as we know, to the consternation of some, is in the process of restructuring its routes and service to adjust for market changes. The marketplace forces are being considered in the decision-making process. Some services are being reduced or even eliminated on less cost-effective routes and service is being increased where demand dictates.

Daily service is being established in the markets where it is required, and most importantly, within the framework of a national transportation system. Other initiatives underway to support the system are express service, utilization of the (electric) power resources. Perhaps most significantly is Amtrak's initiative to introduce high-speed rail to the Northeast Corridor by the year 2000 and a case study for other corridors in the nation.

My final concluding point is that, all the factors that I have just alluded to are complicating the ability to come together with our analysis as to what we want the future to be for rail passenger service. There are confusing and conflicting factors. It is important that we focus on a framework for analysis that I touched upon, and that will determine what the vision of our rail passenger service will become. I hope it will be a good vision for a quality of rail service that a great nation deserves. Other nations that have rail passenger services have a much greater commitment to maintaining that service as a service, and this analysis process that we are going through in this nation right now, is one that I hope will bring us to that point.

I am cautiously optimistic that we are going to get there, and that optimism is as a result of seeing all of the disparate things that are going on now. The Congressional Amtrak Review Commission that I serve on is attempting to look at some of these issues. The Federal Railroad Administration is doing some very good work in its high-speed rail program and high-speed ground transportation feasibility study under Jolene Molitoris' direction.

NEXTEA we have heard about, ISTEPA we have heard about. There are programs going on all around the nation to try to think through how to provide a very important rail passenger component of a fully-integrated transportation system that is essential for us to be a productive, competitive economy in the international arena.

This program is a very good example of what it is that is happening around the nation, so I want to just say that I look in the audience and there are many people that I have worked with over the years, focusing upon transportation needs, and particularly rail passenger transportation needs, and I commend all of you for offering your intellectual energy to try to help all of us as a nation work through these programs to get us to the next level, and that next level will be a national rail passenger system that we in this nation deserve and meets the quality of all the other expectations that we have for things in this nation.