

PASSENGER RAIL TODAY: INTRODUCTORY REMARKS

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Amtrak was founded nearly 30 years ago, partly as a result of the failure of a number of federal transport policies. Most notable was the utter failure of rail regulation, especially cross-subsidizing rail passenger services with the income from rail freight operations. That policy was pursued for many years past the point at which it was absolutely clear that the ICC was destroying the freight railways in the process. Moreover, while Federal promotional policy supported highways, water and air, the lack of a rail promotional policy almost perversely detracted from the ability of the freight (and passenger) railways to operate competitively.

The results of the failure of federal policy were clear: the bankruptcy or near bankruptcy of major private freight railways and poor passenger service that was costing the private freight railways dearly and serving the potential users badly. We had the worst of both worlds: high costs *and* bad service. Something had to be done to relieve freight railways of the burden of passenger service and give passenger service a chance to stand or fall on its own merits.

For a lot of reasons to be discussed during the conference, including a slowly growing but relentless financial crisis at Amtrak, we now need to review the bidding and see if there is a better answer. As we do so, however, we ought to summarize what we do know. What has the evidence shown us about passenger service and about the establishment of Amtrak? I would like to make three observations, as follows.

First, the evidence has shown that we *did* save the freight railways. I will argue that the freight railways and their role in the economy are far more important than the issues of passenger services in the U.S. Rail freight services in the U.S. are the real generator of economic activity, and we cannot allow discussion of rail passenger service to distract us from the fact we have the best freight railways in the world as a result of revised regulation since the Staggers Act that allows them to compete in the private market.

Second, adverse promotional policies have only been partly solved. We have spent \$20 billion or more on Amtrak, but gas is still cheap, and so is diesel fuel. Even so, the multiple of spending on highways and airways over what we spent on Amtrak since 1971 is quite large.

Finally, Amtrak is simply not the success we had hoped for.

Why is Amtrak not a success?

Some possible reasons are unrealistic expectations, unfair expectations, pork barrel politics, and a misfit between mission and resources. It was unrealistic to expect that Amtrak would make a profit, and that expectation laid the stage for an unrealistic evaluation of Amtrak's subsequent performance. It was unfair to expect a company to meet several different goals at the same time, some of them contradictory, and some in competition with companies not burdened with similar requirements. After Amtrak was created, its route structure did not stay out of the political pork barrel for long. Many of the arguments about what Amtrak could do as a rational transportation system came under attack as a result, and rightly so. Overall, the key issue that should be raised is the clear misfit between the expectations for Amtrak's performance and the inadequate resources it has been given.

Elements of a new synthesis

Can Amtrak fix the situation by itself? No, Amtrak cannot deal by themselves with the conflicting issues that they face.

The "vision" cannot be more of the same. Some of the elements of a new synthesis are as follows:

- An agreed role and mission for Amtrak must be developed that meets a transportation or a social need for which we are willing to provide stable funding every year
- Clearly that need can be shown in the Northeast Corridor.
- The need can also be shown in many of the short-haul routes where environment and/or congestion relief are important.
- Still open to discussion is the value to this country of the longer-haul passenger services. This question must be confronted, and if we decide, as we have in the past, that we should preserve those trains, then we need to establish how are we going to fund them in a way that permits rational management.
- It is time to review the state/federal balance. It is fair to question if the federal government should be solving local problems which could be better solved at the local level, and vice versa.
- A larger role for the private sector should be considered. In the World Bank, we are seeing that the role of the government in delivering services can sometimes be better carried out by the private sector. The question is whether

there is a better mix for Amtrak between the public sector and private sector.

- Stable funding from the public sector is required. If there is no stable funding, there cannot be stable management. There cannot be responsible management if investment programs take 5 to 10 years, but the longest funding horizon is 6 months to one year.

- Finally, there needs to be clearer definition of benefits of passenger rail service. Why do we have it? Who wants it? Who is willing to pay for it?

What might the new Amtrak look like?

Leaner and meaner. Partnerships with states and local agencies will be strengthened, and the states will have a greater

role. Amtrak will engage in more private sector activities, either through subsidiary services or actual contract provision of operating services. Rail passenger service will have a future that people can believe in—service agreed upon and supported stably and reliably into the future. In this process, we will consider the European model. Europeans, having worked themselves into their own financial “train wreck” with their railways, are now asking the questions and have come up with imaginative ways of solving the problems and providing service. The panel will now deal with these issues.