PERSPECTIVE OF THE FEDERAL RAILROAD ADMINISTRATION

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Yesterday, we heard many perspectives on the future of intercity passenger rail service in the United States, all of which are interesting, and most of which would require Congressional action.

That is why this conference is so timely. Appropriate action by the federal government—or the lack thereof—will determine the shape of rail passenger service into the next millennium. And as we consider the various ideas being advanced regarding intercity rail service that have been discussed: franchising, privatization, elimination of the legislative "shackles," even forced institutional destabilization, whatever that might mean, we should be mindful of another concept from a different time and a different place but which I believe is most applicable here.

That is, let's not destroy the village in order to save it.

First, of course, we need to agree that the village should in fact be saved—that intercity passenger rail must remain a vital and integral part of our national transportation system.

Yesterday we heard, and all of you are intimately familiar with, the rationale for intercity rail passenger service, that:

- In some corridors, most notably the Northeast Corridor, Amtrak already plays an irreplaceable role in providing intercity public transportation.
- Rail is frequently a cost-effective option for ilinproving intercity mobility.
- Rail is often the environmentally superior intercity transportation investment.
- Rail is energy efficient.

This is what we heard yesterday, from stakeholders, labor, customers and states, and as put so passionately by Senator Hutchison, and by Senator Roth's representative, that Amtrak is a vital part of our national transportation system. We even heard from the freight railroads that if the federal government continued to support intercity passenger rail then they too would respect the existing Amtrak enabling law.

So if we agree that the village must be preserved, how best to save it?

Yesterday, we heard a great many views on this subject. It was suggested that a "forced bankruptcy" would enable necessary institutional reconfiguration. We heard about the issues related to privatization. Re-enfranchisement was considered. Interest group agendas that had little to do with the success of intercity rail passenger service were advocated. And we heard much about the "crippling Congressional mandates" that supposedly must be erased.

I would submit that nearly all of this is beside the point. We should not "blow apart" Amtrak just so we can "pick up the pieces." Privatization is not an answer if preservation of a national system is an important goal, as it must be. We should noT—we need not—destroy the village in order to save it.

Instead, the key test—the single critical factor—is whether the federal goverm-nent is committed to financial support of Amtrak and intercity passenger rail service. I am here to reaffirm what Deputy Secretary Downey said yesterday, that the Clinton Administration is strongly committed to the future of intercity passenger rail and a stable source of ftinding for Amtrak.

In 1994, the Department of Transportation and Amtrak's Board of Directors committed to the goal of eliminating Amtrak's dependence on Federal operating subsidies, while improving service and preserving a national system. The Administration has led with substantial capital requests for Amtrak, and over the past four years the total Federal capital investment in Amtrak has exceeded that for the previous decade combined.

Yet, as we recognize, Amtrak faces difficult financial circumstances right now. Part of the reason for that, I would like to point out, is that Amtrak's transition off of Federal operating subsidies has not been adequately funded—in FY 1996 Congress appropriated $115 million less than the President requested and that shortfall has cascaded into the present.

But rather than assign responsibility for the past, the key question is where do we go from here—how do we save the village?

The answer is with adequate federal financial resources. The Administration's reauthorization proposal for Amtrak just submitted to Congress, backed up by the President's budget request, provides for approximately $4.9 billion for Amtrak over the next six years. That is a significant commitment.

Now, everyone has talked about the ½ cent, and indeed it is an attractive concept. But please focus on this chart, which compares the Roth ½ cent proposal to the Administration's commitment.

This is not to denigrate the ½ cent concept, but rather to illustrate how significant the Administration's commitment really is.

Let me be clear—there should be no expectation that Amtrak can be viable with a one-time, five year infusion of capital. Senator Hutchison mentioned a "finite" five year capital commitment. The capital conunitment must be stable and ongoing, and we in the Department believe that this is an appropriate and vital continuing federal role.

Now in addition to the need for funding, we have heard much about the need for reform—radical reform even—destroying the village. The Administration proposes appropriate and necessary reform, including providing Amtrak with the ability to make route and service decisions in an efficient manner, and having the ability to negotiate fair and equitable cost sharing arrangements with commuter operators in the Northeast Corridor.

But it is not necessary to engage in a divisive debate over liability reform or eliminating statutory labor protection. Why? Because even without any statutory reform at all, Amtrak has cut its reliance on the federal operating subsidy from nearly $400 million almost in half to $222 million in just two years. Labor protection payments have little to do with Amtrak's operating deficit—in 1995 Amtrak paid out $1 million in labor protection payments. In 1996 the number was the same. The same goes with contracting out. So engaging in a divisive legislative battle over issues that are not meaningful in terms of Amtrak's bottom line is simply unnecessary, and we believe, unwise.

Instead, what we need to do is foster an environment in which all parties can contribute to Amtrak's success. We believe that the goal of a zero operating subsidy is important, because it has already driven Amtrak to expand its entrepreneurial initiatives through the strategic business units. Despite a substantial cut in train-miles operated, ridership, yields and revenue are moving in the right direction.

States are stepping up to the plate too. State financial support for Amtrak service has doubled within a year. More states—12—are investing in intercity passenger rail because it makes sense.

Which brings me to the Administration's NEXTEA proposal. Rather than go into detail, let me just emphasize that our proposal of flexibility would enable states to invest in Amtrak and intercity passenger rail using STP **funds,** the NHS allocation, from CMAQ, from the State Infrastructure Banks, from the new Credit Enhancement Program—indeed would provide the greatest possible flexibility. And state participation is one of the keys that we heard about yesterday.

So in conclusion, it may be tempting for some to look at Amtrak's financial situation and conclude that fundamental reform is somehow necessary. It is not. What is needed is the necessary financial commitment, and that we have proposed. The Administration has committed nearly **$5** billion to Amtrak. And we have committed to the flexibility the states will need as an absolute cornerstone of our NEXTEA proposal.

The President is committed to Amtrak, and so is Secretary Slater. I know that the bridge that the President talks about can be a railroad bridge, because intercity passenger rail and Amtrak will be a critical part of our National Transportation System for the 21st Century.