

Replacing Amtrak: A Blueprint for Sustainable Passenger Rail Service

by Joseph Vranich

EXECUTIVE SUMMARY

Amtrak is a failed national experiment. By its own admission, Amtrak is headed for bankruptcy unless Washington provides another multi-billion-dollar bail-out. Another federal rescue is unjustified considering that federal and state subsidies to Amtrak since its inception in 1971 are nearing \$22.5 billion, an amount out of proportion to Amtrak's usefulness in most of the nation.

The federal government does not run a national airline. It doesn't operate a national bus company. There's no justification for a national railroad passenger operation. America needs passenger trains in selected areas, but doesn't need Amtrak's antiquated route system, poor service, unreasonable operating deficits, and capital investment program with low rates of return. Amtrak's failures result in part because it is a public monopoly—the very type of organization least able to innovate.

This study reveals an Amtrak credibility crisis in the way it reports ridership figures, glosses over dwindling market share, understates subsidies, issues misleading cost-recovery claims, offers doubtful promises regarding high-speed rail, lacks proper authority for the freight business it recently launched, and misrepresents privatization as its applies to Amtrak.

It's time to liquidate Amtrak, privatize and regionalize parts of it, permit alternative operators to transform some long-distance trains into land-cruise trains, and stop service on hopeless routes.

In a post-Amtrak world, the United States can have passenger service closer to market needs, but we first must learn from the 40 nations that are privatizing and regionalizing rail services. Such railway transformations are described more fully in the Appendix to this study. Each of those countries, if it had to struggle with Amtrak, would phase it out of existence. This study offers a plan to create an Amtrak Transition Board to initiate the Amtrak liquidation process, and sets forth policy guidelines for post-Amtrak passenger rail service.

Part 1

Introduction

Amtrak was created by the Rail Passenger Service Act of 1970 as a “for-profit corporation” to revitalize intercity passenger rail service. It assumed responsibility for such service on May 1, 1971, relieving the private railroad industry of much of the financial losses incurred in operating such trains. Compared with promises made then, Amtrak’s costs and public subsidies are far higher and ridership far lower than projections. Amtrak generally operates routes that meet political needs but not market demand.

A view is emerging, including among Amtrak’s founders, that Amtrak needs to be eliminated while maintaining passenger train service on America’s few busy lines. Which lines to keep? Kenneth M. Mead of the General Accounting Office (GAO) has indicated to Congress that “Five of Amtrak’s forty-four routes, the ones in the Northeast and Southern California, account for over 50 percent of all riders, 56 percent of revenues, and 40 percent of costs.”¹

Anthony Haswell, considered the “father of Amtrak,” said several years ago: “Twenty-five years after I set out to save the American passenger train, I feel personally embarrassed over what I helped to create.”² Haswell, decrying Amtrak’s commitment to long-distance trains, declares “there is no longer a need or place in the United States for a year-round interconnected national network of passenger trains.”³ He urges creation of new entities to run regionalized services.⁴

Amtrak supporters argue that Amtrak is an essential service that helps reduce airport congestion. Yet, even on many short-distance routes where it’s faster to take Amtrak, people continue to fly because “many travelers no more think of trains than of horses.”⁵ Amtrak carries an infinitesimal amount of traffic. If all Amtrak trains except those in the Northeast and Southern California stopped, not a single flight would be added to the nation’s air system. Further, no amount of marketing will change the uneconomical nature of long-distance passenger trains serving an outdated common-carrier role.

Useful passenger trains can survive an Amtrak liquidation. Betsy Reveal, while serving as Amtrak’s chief financial officer, said: “I think there’s two questions: ‘What’s the future of passenger rail in America?’ There is a completely separate question, which is, ‘What’s the future of Amtrak?’ You can imagine a brilliant future with passenger rail with Amtrak gone.”⁶

¹ *Amtrak’s Current Situation*, Hearings before the U.S. House of Representatives, Committee on Transportation and Infrastructure, Subcommittee on Railroads, February 7, 10, and 13, 1995, p. 43.

² Anthony Haswell letter to Carl Swanson, *Passenger Train Journal*, October 12, 1992.

³ Anthony Haswell, telephone interview, April 20, 1996.

⁴ Anthony Haswell, Remarks prepared for the Railway & Locomotive Historical Society, Chicago, Ill., January 11, 1991, and in subsequent comments.

⁵ Susan Carey, “Even When It’s Quicker to Travel by Train, Many Fly,” *Wall Street Journal*, August 29, 1997, p. B1.

⁶ Jackie Spinner, “Amtrak’s CFO Is Well Acquainted With Fiscal Chaos,” *Washington Post*, July 31, 1995, B9.

Part 2

Overview of Amtrak

A. Amtrak Headed for Bankruptcy

The GAO has warned repeatedly that Amtrak is in a “financial crisis,”⁷ and Amtrak itself admits a real possibility of a bankruptcy and shutdown sometime in 1998.⁸ Amtrak fails to earn enough revenues to pay operating expenses and is losing disproportionate amounts on long-distance trains. For fiscal year 1996, Amtrak’s losses by business units amounted to \$763.6 million, of which \$151 million was attributable to its Northeast Corridor Business Unit and \$342.6 million to its Chicago-based and Oakland, California-based Business Units. Another \$270 million was assigned to the Corporate unit. The losses were reduced somewhat by state subsidies, but the situation is that faster trains in the Northeast enjoy better revenue-to-cost ratios than long-distance trains and slow short-distance trains on virtually every other line in the nation.⁹ Amtrak also comes nowhere near contributing to capital requirements in a capital-intensive industry.

Amtrak attempted to improve performance in 1995 by reducing service frequencies—a market-destroying act as several trains began operating only three and four days per week.¹⁰ Yet, the cost-saving process failed to reverse Amtrak’s poor financial situation. By September 1995, Amtrak admitted that less than daily service doesn’t work. It discontinued service entirely over several routes and increased frequency to daily on others in an attempt to “shift resources to routes with the best opportunity for revenue growth.”¹¹ Revenues indeed increased, but at a rate insufficient to reverse Amtrak’s financial standing.

Such cost-saving and revenue-building efforts have failed because the essence of what they are trying to achieve—save the long-distance train—is a lost cause. As *Chicago Tribune* columnist Stephen Chapman wrote, “Like the horse-drawn carriages that traverse North Michigan Avenue every evening, Amtrak serves mainly to acquaint moderns with a form of transportation that belongs almost entirely to the past.... Americans have abandoned trains for vehicles that are faster (airplanes), cheaper (buses) or more convenient (cars), and nothing is going to reverse the trend.”¹²

⁷ Phyllis F. Scheinberg, U.S. General Accounting Office, Testimony before House Subcommittee on Railroads, March 12, 1997; Testimony before Senate Subcommittee on Surface Transportation and Merchant Marine, March 13, 1997; and Testimony before the Senate Committee on Finance, April 23, 1997.

⁸ Matt Mossman, “Amtrak close to bankruptcy, executives say,” *Boston Globe*, May 27, 1997, p. A3.

⁹ Amtrak Annual Report for 1996, Table 1: FY 1995 and 1996 Operating Results by Major Business Unit, p. 34.

¹⁰ “Amtrak Board Approves \$430 Million Budget Reduction,” Amtrak News Release, December 14, 1994.

¹¹ “Amtrak Board Approves Fiscal 97 Business Plan,” *PR Newswire*, September 24, 1996.

¹² Stephen Chapman, “Amtrak: A Costly Monument to Nostalgia,” *Chicago Tribune*, May 11, 1997, p. 21.

Amtrak service leaves much to be desired. Thomas Downs, when becoming Amtrak's president in 1994, said, "We're selling disappointment at the same time we're selling transportation."¹³ Little has improved since. A review of congressional hearing records over Amtrak's life shows inquiry into Amtrak's ballooning deficits, late and dirty trains, unsanitary food service, safety issues, unreasonable labor costs, and declining market share.

A recent GAO report reached grim conclusions:¹⁴

- Amtrak's financial condition is precarious and heavily dependent on federal operating and capital funds. Amtrak's condition has deteriorated steadily since 1990 and Amtrak is unlikely to overcome its financial problems without significant increases in passenger revenues or subsidies from federal, state, and local governments.
- In the past two years, passenger revenues, adjusted for inflation, have generally declined, and in fiscal year 1996, the gap between operating deficits and federal operating subsidies began to grow again to levels exceeding those of fiscal year 1994, when the continuation of Amtrak's nationwide service was threatened.
- Amtrak's debt levels have increased significantly. Between fiscal years 1993 and 1996, Amtrak's debt and capital lease obligations increased from \$527 million to about \$987 million (in 1996 dollars).
- It is likely Amtrak will continue to require federal financial support—both operating and capital—"well into the future."

B. Recent Congressional Inquiry

The House Transportation and Infrastructure Committee in April 1997 created the Working Group on Inter-City Rail, also known as the "blue ribbon panel" on Amtrak. Rep. Bud Shuster, committee chairman, said in announcing the panel that "Congress has been faced with claims of an Amtrak 'crisis' many times in the past. This is the final crisis: the alternative is a Penn Central-style bankruptcy, with all of the chaos and unpredictability that comes with a bankruptcy and a complete shutdown."¹⁵ The panel came to dramatic findings, summarized as follows:

- Amtrak is awash in red ink, buffeted by conflicting missions and ballooning debt, and virtually starved for capital in both political and financial terms. These conditions create an untenable outlook for passenger rail in the United States.
- Amtrak has missed its financial targets. In the next six to twelve months, Amtrak faces a major liquidity crisis and probable bankruptcy.
- Amtrak does not properly compensate freight railroads for the costs of Amtrak-caused freight train delays, and contracts with railroads should be negotiated based not on federal directive but on commuter railroad experience.
- Capital and operating funding should be directed toward routes with market potential, which are primarily the higher density inter-city corridors.

¹³ Don Phillips, "Amtrak Is Way Off Track Fiscally, Its President and the GAO Say," *Washington Post*, March 18, 1994, p. A9.

¹⁴ Phyllis F. Scheinberg, U.S. General Accounting Office, *Intercity Passenger Rail—Amtrak's Financial Crisis Threatens Continued Viability*, Testimony, Senate Committee on Finance, April 23, 1997.

¹⁵ News Release, House Committee on Transportation & Infrastructure, April 2, 1997.

- Amtrak’s monopoly should end and passenger rail service should be opened to competition.
- Long-distance trains make more sense as “rolling National Parks.”
- Amtrak is requiring large subsidies from taxpayers and those subsidies are not directed to activities of maximum benefit. Funding Amtrak as it is today offers little hope of success and would be irrational—a true waste of taxpayers’ money.
- Reforms launched by Amtrak have not paid off.
- Transition funding is needed to bring about restructuring.¹⁶

C. Amtrak Credibility Crisis

While the Working Group’s report was quite critical, Amtrak would have the public hold more optimistic views. Amtrak claims regarding ridership, subsidies, cost recovery, projected revenues, future innovations, and prospects for express traffic deserve examination.

1. Ridership and Market Share

Amtrak has had a history of issuing incorrect projections. In 1977, for example, Amtrak estimated to Congress that 25 million passengers would ride its trains by 1982.¹⁷ Amtrak has never achieved that figure. Today, not only are Amtrak projections still questionable but so are its claims of actual ridership.

Miscounting Commuters. Amtrak is trying to boost its importance by inflating ridership figures. Amtrak now counts as its passengers those who also are reported as passengers by local commuter agencies. For example, a passenger aboard a Metrolink commuter train between Glendale and Los Angeles is counted by Amtrak as passenger, but is also reported as such by the local Metrolink agency. The unprecedented practice of double counting has permitted Amtrak for several years to claim it carries “55 million people each year.”¹⁸ That figure is more than double the 19.7 million passengers who rode Amtrak’s own trains last year.

Amtrak justifies this practice because it serves as a contractor for the Los Angeles commuter trains, as well as local trains in Boston, San Francisco, San Diego, and Baltimore-Washington-Northern Virginia. Yet, if Amtrak were abolished the commuter trains would still run. Local agencies own their commuter equipment and obtain subsidies apart from Amtrak subsidies. In fact, Amtrak is by federal law prohibited from using federal *intercity* subsidies to cross-subsidize *commuter* trains.

Double-counting isn’t found among airlines even when relationships are similar to Amtrak-commuter arrangements. Many major airlines provide passenger check-in services, baggage loading, refueling and other services for regional airlines. The major airlines—under the Amtrak standard—could count the regional airline’s passengers as their own. But airlines don’t because that’s misrepresentation and the Securities and Exchange Commission would stop the practice.

¹⁶ *A New Vision for America’s Passenger Rail*, Working Group on Inter-City Passenger Rail, Washington, D.C.: House Committee on Transportation and Infrastructure, June 1997.

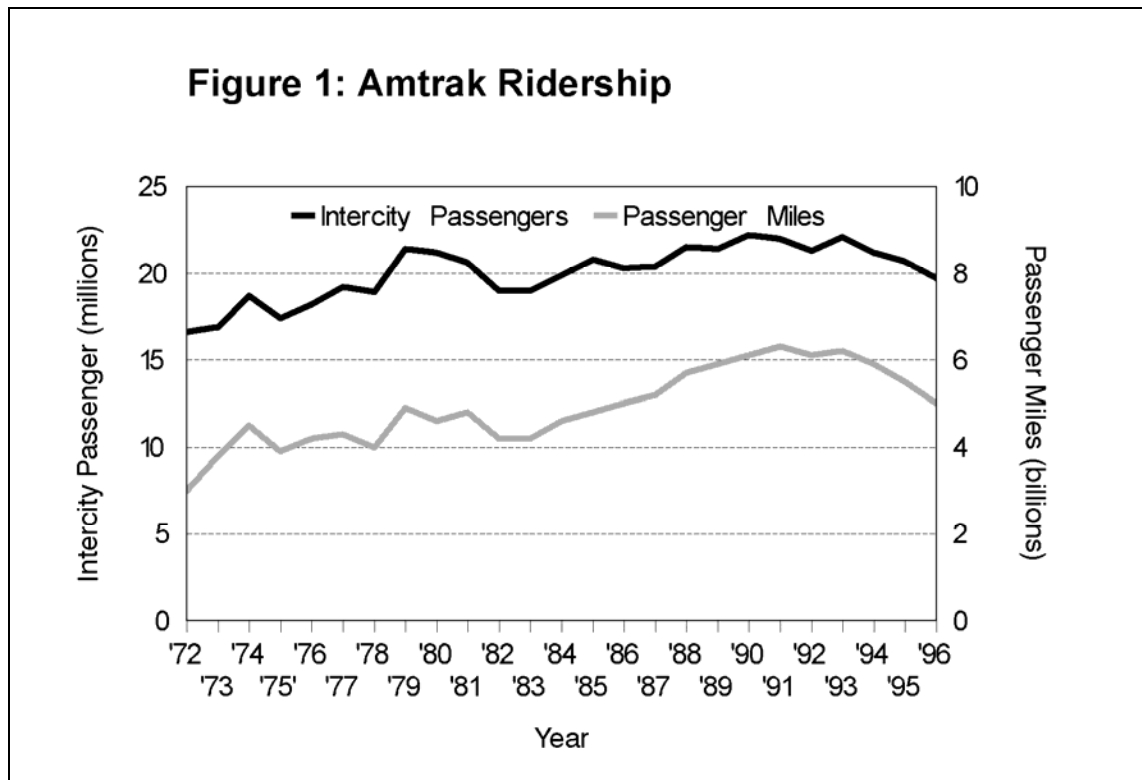
¹⁷ Amtrak News Release, “Improvements to Equipment, Track, Stations in Amtrak Five-Year Plan,” October 10, 1977, p. 3.

¹⁸ Thomas Downs, “Don’t Stop Those Trains,” *Washington Post*, August 17, 1997, page C7, and Letter from the President, Amtrak 1995 Annual Report, p. 2.

Overall Ridership Decline. Amtrak is ballyhooing ridership increases in fiscal year 1997 as evidence of revived fortunes. In fact, Amtrak is comparing traffic with its wretched 1996 performance when it carried only 19.7 million passengers—the lowest in 12 years (see Figure 1).¹⁹ Further, Amtrak’s 1996 traffic was barely higher than in 1977—two decades ago.

Amtrak’s dismal performance is occurring during a healthy economy, when airlines and highways are registering all-time record traffic levels. Amtrak remains odd man out, as reflected in an early 1997 story on resurgent bus travel: “Nationwide travel aboard Greyhound, the No. 1 bus carrier, is up more than 12 percent compared with six years ago, and travel on Trailways, which has undergone a major expansion, is up 77 percent during the same period. That compares with a 10 percent decline in Amtrak train ridership nationwide and a more than 28 percent increase in airplane passengers on U.S. carriers during the same period.”²⁰

Declining Market Share. Amtrak has lost market share throughout the nation. During 1972, Amtrak’s first full year of operation, it was estimated that Amtrak carried about 0.8 percent of all passengers making intercity trips. Today, Amtrak’s share has fallen to a microscopic 0.4 percent.²¹ Amtrak’s passenger miles have dropped at an alarming rate, from 6.273 million in fiscal year 1991 to 5.050 million in fiscal year 1996.



¹⁹ Sources for Figure 1 are *Background on Amtrak*, September 1978, p. 30; Mike Schafer, “Amtrak’s atlas,” *Trains*, June 1991, p. 49; and Amtrak 1996 Annual report, pp. IV and V.

²⁰ Allan Lengel, “Spinning Their Wheels At the Depot. Rising Number of Bus Travelers Keeps D.C. Greyhound Terminal Busy,” *Washington Post*, April 21, 1997, p. B1.

²¹ Jean Love, Wendell Cox, and Stephen Moore, *Amtrak at Twenty-Five: End of the Line for Taxpayer Subsidies*, Policy Analysis No. 266, Washington, D.C.: Cato Institute, December 19, 1996, p. 1.

The U.S. population in 1970, the year Congress created Amtrak, was 203.3 million.²² The Census Bureau estimates the September 1, 1997, population at 268 million.²³ In 1972, Amtrak's first full year of operation, it carried 16.6 million passengers.²⁴ In comparing 1997 with 1972, Amtrak carried only 3.1 million more passengers despite a national population growth of about 60 million. This reflects the worst U.S. market penetration of any mode of passenger transport.

Travel on Amtrak-style overnight trains is declining worldwide (China is an exception). In Europe, passenger rail's market share dropped by nearly 20 percent in the 1980s, while the airline market share increased by 60 percent.²⁵ The decline would have been more startling except that high-speed and commuter train systems registered gains that masked long-distance declines. *Railway Gazette International* editorialized that most European overnight routes "face an uncertain future."²⁶ The London & Continental Railways recently abandoned plans to operate sleeping car trains from Scotland and England to Paris via the Channel Tunnel, with chief executive Adam Mills stating, "a night service from the regions is simply not viable."²⁷ The sleeping cars ordered in 1992 are being sent into long-term storage, a good example for the United States to follow. Amtrak-style conventional trains are being discontinued in countries as dissimilar as Argentina and the Czech Republic, whose 1998 timetable will show 5,889 trains, down from 6,258.²⁸ The Czech Railway is curtailing passenger train service despite strident objections by labor unions.²⁹

Rider Demographics. Amtrak claims to provide mobility to all social classes. It is useful to consider a Cato Institute policy analysis, which relied on data from the U.S. Department of Transportation's Nationwide Personal Transportation Survey and Amtrak itself. It concluded:

*The poor are not especially heavy users of Amtrak. Three-fourths of Amtrak passengers have incomes above the national average. Travel on Amtrak by persons with incomes above \$40,000 is the highest of any mode—3.5 times higher than on buses and nearly 1.5 times higher than on airlines. Nearly one-third of Amtrak passengers have household incomes of \$75,000 or more, and 20 percent have incomes of \$100,000 or more. Amtrak's clientele is much more skewed toward higher incomes than the general population.*³⁰

2. Level of Subsidies

Amtrak's thicket of subsidies is difficult to unravel. Amtrak boosters, for example, often cite \$13 billion in federal *operating* subsidies as the total Amtrak has received since its inception. In fact, if federal *capital* expenditures for Amtrak are included along with Amtrak's funding requests for fiscal year 1998, then federal subsidies to Amtrak will total \$20.4 billion.³¹

²² *World Almanac and Book of Facts 1994* (Manwah, N.J.: World Almanac), p. 361.

²³ U.S. Census Bureau Internet site, Projection page, September 1, 1997.

²⁴ *Background on Amtrak*, Washington, D.C.: Amtrak, September, 1978, p. 30.

²⁵ Jean Love et al, p. 9.

²⁶ "Last chance to catch the night train," *Railway Gazette International*, September 1997, p. 555.

²⁷ "Sleepers abandoned," *Railway Gazette International*, August 1997, p. 497.

²⁸ "Czech Republic," *International Railway Journal*, July 1997.

²⁹ "Czech-Strike," Associated Press, February 4, 1997.

³⁰ Jean Love et al, p. 4.

³¹ For a year-by-year breakdown of Amtrak subsidies, see Joseph Vranich, *Derailed: What Went Wrong and What to Do About America's Passenger Trains*, "Amtrak's Structural Problems," Chapter Two (New York: St. Martin's Press, October 1997).

But even this figure is understated since Amtrak has obfuscated its capital subsidies. In a 1997 submission to the GAO,³² Amtrak failed to list capital funds received through a federally guaranteed loan process, a costly arrangement to the public treasury. Amtrak has never repaid \$880 million in loans received between 1971 and 1975, and that obligation plus \$239.6 million in interest were paid by the Federal Railroad Administration (FRA) on Amtrak's behalf. Although current reports ignore this obligation, an earlier Amtrak annual report states:

*At September 30, 1983, Amtrak had borrowed under notes payable to the Federal Financing Bank up to its maximum Federal guaranteed loan authority of \$880,000,000. On October 5, 1983, this obligation, plus \$239,635,000 in accrued interest, was paid on Amtrak's behalf by the Federal Railroad Administration, and a new note in the amount of \$1,119,635,000 was executed as of that date between Amtrak and the U.S. Government. The note matures on November 1, 2082, and will be renewed for successive 99-year terms. Interest is payable only in the event of prepayment or acceleration of the principal.*³³

Thus, if this \$1.1 billion is added to the previously cited \$20.4 billion figure, the federal government's expenditures and current obligations for Amtrak total at least \$21.5 billion. Add operating and capital subsidies from states and it's possible to add at least another \$1 billion in taxpayer funding for a \$22.5 billion total.³⁴

There's more. These calculations exclude funding for Amtrak from five federal programs that are outside Amtrak's budget—grants for grade crossings, high-speed rail studies, intermodal stations, enhancements to historic buildings, and technology development. Also, some states rely on a sixth program, grants from the Federal Transit Administration (FTA), to aid Amtrak. Vermont's use of \$3.5 million in FTA funds to finance a train to Rutland,³⁵ and Pennsylvania's use of \$18.7 million from FTA to underwrite coaches for Amtrak's Philadelphia-Harrisburg line are recent examples.³⁶ Also uncalculated are state and local funds for stations; the most recent example is \$30 million from New York state towards the \$315 million conversion of Manhattan's former central post office into an Amtrak station.³⁷ None of these examples are part of the \$22.5 billion amount cited above, and, unfortunately, the GAO has not included in reports to Congress the extent of Amtrak's dependence on non-Amtrak public funding.

3. Misleading Cost Recovery Claims

In recent congressional statements, Amtrak claims it "covers more of its operating costs—an estimated 84 percent—than any other passenger railroad in the world."³⁸ Admittedly, accounting systems on railroads are complex. Yet, it appears Amtrak's claim of superiority can be made (1) only if \$1.1 billion in principal and interest are *ignored* for Amtrak's federally guaranteed loans but *counted* for similar loans to foreign railroads; (2) only by classifying state subsidies to Amtrak as "revenue" (which Amtrak does in

³² Amtrak Appropriations History, Amtrak Finance and Planning Department, submitted to the U.S. General Accounting Office, March 5, 1997.

³³ Amtrak Annual Report for 1983, Notes to Financial Statements, Note 4, p. 25.

³⁴ The states are Alabama, California, Delaware, Illinois, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, New York, North Carolina, Oregon, Pennsylvania, Texas, Vermont, Washington and Wisconsin.

³⁵ "Vermont Gets Another Train," *Passenger Train Journal*, November 1996, p. 8.

³⁶ "Federal Funds Approved To Help PennDOT Buy New Trains," PR Newswire, September 16, 1997.

³⁷ "State OK's Funding," *Rail News*, October 1997, pp. 64-65.

³⁸ Thomas Downs, Testimony, Senate Environment and Public Works Committee, Subcommittee on Transportation and Infrastructure, March 13, 1997, p. 3.

its annual report³⁹) while provincial funds for overseas railroads are “subsidies.” The GAO has pointed out additional discrepancies:

Amtrak’s revenue-to-expense ratio for fiscal year 1993 indicated that revenues were covering about 80 percent of operating expenses. However, the calculation of this ratio excluded certain expenses, including (1) depreciation; (2) the FRA mandatory retirement payment; (3) various taxes paid to federal or state governments; (4) user fees assessed by the FRA; (5) other miscellaneous expenses relating to accident claims; and (5) losses incurred in providing [state-subsidized] service and disbursements for labor protection, which according to an Amtrak official, are excluded at the direction of the Congress. We believe all relevant costs, both capital and operating, should be included in any performance measurement. Because it excludes certain relevant expenses, Amtrak’s ratio does not reflect the ability of the corporation’s revenues to cover all costs of operating Amtrak.⁴⁰

Thus, Amtrak reduces its ratio by removing from the calculation hundreds of millions of dollars in costs. If such additional expenses for fiscal year 1993, which totaled about \$370 million, had been included in the calculation, the GAO believes the ratio would have been only 66 percent, or 14 percentage points lower than reported by Amtrak.

4. Amtrak High-Speed Rail Predictions

Perhaps as early as 1999, Amtrak’s New York-Washington *Metroliners* will be replaced by *American Flyer* trains, capable of 150 mph, which also will operate from New York to Boston. Amtrak projects profits for the service, yet the level of profitability is questionable. The *American Flyer* will travel at slower average speeds than Spain operated in the early 1990s, France in the 1980s, and Japan in the 1970s.⁴¹ Thus, Amtrak’s air-competitiveness in the future, particularly between Boston and New York, will pale in comparison to that of high-speed lines overseas in the past. A relationship exists between travel time and market penetration, and it’s doubtful that Amtrak’s *American Flyer* will come near meeting the ridership or profitability levels of the successful overseas systems. Furthermore, conventional Amtrak trains in the Northeast that run on slower schedules will continue to lose money. These factors will limit Amtrak’s ability to use Northeast Corridor profits to cross-subsidize long-distance trains.

Amtrak has a record of issuing inaccurate projections. Reported GAO: “From 1991 to 1994, revenues were lower than projected, while expenses were higher than planned,” with Amtrak overestimating passenger revenues by \$600 million in that period.⁴² For fiscal years 1995 and 1996, Amtrak miscalculated net losses by \$127 million. For fiscal year 1997, Amtrak revised its net loss projection upward three times—first it was \$726 million, then \$762 million, and by April 1997 was \$786 million.⁴³ How can projections of *American Flyer* profits years from now be credible when Amtrak’s current-year projections contain such wide discrepancies?

³⁹ Amtrak Annual Report for 1996, Statistical Appendix, p. II, at “Revenues,” which includes “403B Services,” a term for state subsidies.

⁴⁰ Kenneth M. Mead, *Amtrak: Deteriorated Financial Condition and Costly Future Challenges*, Testimony, House Committee on Energy and Commerce, Subcommittee on Transportation and Hazardous Materials, March 23, 1994, p. 5.

⁴¹ For an review of Amtrak’s record regarding Boston-Washington service since 1971, see Vranich, *Derailed*, “Sidetracking High Speed Trains,” Chapter Four.

⁴² Mead, *Deteriorated Financial and Operating Conditions*, Testimony, Senate Committee on Commerce, Science and Transportation, January 26, 1995, pp. 3-4.

⁴³ Scheinberg, April 23, 1997, p. 6.

Amtrak “high-speed” efforts elsewhere are neither high-speed nor likely to cover costs. For example, Amtrak claims its “high-speed” *Talgo* trains will “revolutionize transportation in the Northwest.”⁴⁴ However, Amtrak’s current Seattle-Vancouver, B.C., *Talgo* schedule of 3 hours and 55 minutes is *identical* to the running time of trains on that route run by the Great Northern Railway in 1952—45 years ago. On the Seattle-Portland route, Amtrak’s fastest *Talgo* runs in 3 hours and 50 minutes, or 9 minutes faster than a 1952 train.⁴⁵ Amtrak plans to cut Seattle-Portland *Talgo* schedules to perhaps 3 hours and 15 minutes,⁴⁶ or 15 minutes faster than what Amtrak offered on its first day of business in 1971.⁴⁷

Slow schedules on Amtrak’s “emerging corridors” will limit Amtrak’s ability to build the premium-fare traffic that helps to establish profits. It’s reasonable to conclude that future revenues from such routes will be insufficient to subsidize the rest of Amtrak’s system.

5. Amtrak’s New Freight Business

Amtrak’s latest miscalculation is to try to enter the freight business—an activity that is extraneous to Amtrak’s passenger mission and violates Amtrak’s enabling legislation. It also could prove costly should Amtrak even partially shut down.

When Congress amended the Rail Passenger Service Act to permit Amtrak to carry “express,” such was understood to mean a small-package, retail-oriented service. It was expected that express would incrementally increase Amtrak revenues with few added costs, since agents already were on duty and no extra rail cars were required. Using this authority, Amtrak claims to have started an “express” business to carry specialty commodities like “computer chips” and items that need “relatively fast handling.”⁴⁸ In reality, however, Amtrak has an ambitious plan to lease 600 rail cars and has begun to carry beer, coiled steel, soft drinks, truck parts, canned pineapple, cranberry juice, and other commodities.⁴⁹ This is not “express” in the traditional sense—this is freight.

This effort violates the basic tenet of why Amtrak was established—to create an organization dedicated to serving *passengers*, not commodities. Union Pacific’s director of public affairs, John E. Bromley, said in *Trains* magazine: “Amtrak’s original franchise authorized it to carry mail and express incidental to operation of its passenger trains, not to carry passengers incidental to operation of freight trains.”⁵⁰

Reported the *Wall Street Journal*: “‘It’s flatly unconstitutional,’ says James Dolan, vice president, law, of [the] Union Pacific Railroad. ‘They are using their special passenger-train franchise to steal business from the freight railroads.’”⁵¹ His concern is legitimate. The Rail Passenger Service Act obligates freight railroads to carry Amtrak trains over their tracks and give Amtrak priority over freight trains. The problem is Amtrak trains could delay freight trains to the detriment of the freight railroads.⁵²

⁴⁴ “Talgo Inc. Announces Washington State Train,” *Business Wire*, March 19, 1997.

⁴⁵ Amtrak National Timetable, Effective May 11, 1997, p. 48, and *The Official Guide of the Railways* (New York: National Railway Publication Co., June 1952), p. 1071.

⁴⁶ J. David Ingles, “Talgo tests to yield more utilization in Northwest,” *Trains Online*, September 11, 1997, p. 5.

⁴⁷ Amtrak Nationwide Schedules, May 1, 1971, p. 26.

⁴⁸ “Amtrak Seeks New Freight Business,” *Railway Age*, April 1997, p. 28.

⁴⁹ Daniel Machalaba, “Amtrak Quietly Hauls Cargo on Its Trains, To the Horror of Rivals,” *Wall Street Journal*, July 30, 1997, p. 1.

⁵⁰ John E. Bromley, “UP Responds to Amtrak Issue,” *Trains*, September 1997, p. 10.

⁵¹ Machalaba.

⁵² Don Phillips, “Ailing Amtrak Adds Freight-Hauling to Its Line,” *Washington Post*, March 12, 1997, p. C10.

Carrying freight on Amtrak passenger trains imposes new demands on railroad infrastructure, raising compensation concerns. An economic analysis by Union Pacific calculated that Amtrak underpaid \$56.2 million in one year alone to operate 40-plus trains on their railroad. *Progressive Railroading* quoted Union Pacific's Ed Trandahl: "In 1995, Amtrak paid Union Pacific \$9.9 million to operate on 10,000 miles of UP track; a freight railroad would've paid more than \$66 million."⁵³

By carrying freight, Amtrak hopes to preserve trains politically useful to Amtrak (such as the *Texas Eagle*, which now hauls beer) despite being marketplace losers. The ploy is questionable because Amtrak's long-distance trains will continue to lose money. Amtrak said the Chicago-Los Angeles *Southwest Chief* earns about 42 percent of its revenue carrying mail. Despite that, the train lost \$35.3 million in 1996 on a fully allocated cost basis.⁵⁴

Amtrak passengers have begun to receive second-class treatment while freight receives priority. In Chicago, riders have begun to suffer extra delays while poky locomotives uncouple boxcars from Amtrak trains.⁵⁵ On August 21, 1997, when the FRA issued a safety order regarding Amtrak freight cars, the *Southwest Chief* was delayed in New Mexico for several hours while such cars were shunted around.⁵⁶ Amtrak plans to institutionalize freight-related delays by lengthening schedules a half-hour in Chicago for some trains and 20 minutes in Dallas and Fort Worth for the already slow *Texas Eagle*.⁵⁷ If a passenger backlash occurs because interminable train trips become even longer, and passenger revenue declines, what will have been achieved?

With Amtrak liquidation possible, it's unwise for Amtrak to assign more employees to freight. Under the Railway Labor Act, Amtrak must provide employees with a costly labor protection plan. A worker whose job is lost because of a route discontinuance is eligible for a ridiculously generous severance of up to *six years* of salary. Any time Amtrak shifts workers from a short-distance service (the type that might survive a shutdown) to a long-distance service (the kind that should be discontinued), Amtrak is making more employees eligible for severance. It's also unwise to be purchasing or leasing hundreds of new freight cars. The costs to divest these cars, disband Amtrak's new freight department, and provide labor protection will put taxpayers in the outrageous position of subsidizing Amtrak's entry into the freight business today and subsidizing its exit tomorrow. America will pay twice for a service Amtrak should not have launched in the first place.

6. Amtrak's "Privatized" Status

Amtrak has exhibited shades of privatization in its procurement of *American Flyer* trains. The builders, Bombardier and GEC Alsthom, will finance much of the transaction by borrowing from banks, although at preferential rates because the loans are guaranteed by the Export-Import Bank.⁵⁸ Amtrak also required the bidders to sign long-term maintenance and management contracts, a form of outsourcing.

⁵³ Pat Foran, "For Amtrak, freight can't wait," *Progressive Railroading*, April 1997, p. 11.

⁵⁴ Amtrak, *FY 1996 Fourth Quarter and Year End Business and Financial Performance Report*, October 1996, Appendix II, p. 5.

⁵⁵ Machalaba.

⁵⁶ J. David Ingles, "To the Front, March," *Trains Online*, August 27, 1997, p. 5.

⁵⁷ J. David Ingles, "Express First, People Second," *Trains Online*, September 4, 1997.

⁵⁸ Matthew L. Wald, "Builder Is Chosen for Speedy Trains on Northeast Run," *New York Times*, March 16, 1996, p. 1.

Generally, however, Amtrak has sought to undermine the concept of privatizing Amtrak. Amtrak President Thomas Downs has said, “We are probably the most privatized passenger railroad in the world.”⁵⁹ His assertion fails many tests.

Amtrak is a quasi-public corporation and its stock ownership is unique. Amtrak’s preferred shares are owned by the U.S. government and its common stock is considered worthless by railroad owners; in privatized rail companies, shares usually are traded on stock exchanges. Amtrak has never paid a dividend; privatized companies generally do. The Amtrak Board of Directors is appointed by the President and includes elected officials; these practices are unheard of in private companies. Also, the Supreme Court in a free-speech case has ruled that Amtrak is a government entity, not a private corporation, and could be sued on that basis.⁶⁰

Amtrak, which can perish simply by federal edict, is a nationalized service.

⁵⁹ *Amtrak’s Current Situation*, p. 57.

⁶⁰ “Can Amtrak Be a Censor?” Editorial, *Washington Post*, February 23, 1995.

Part 3

The Choices Facing America Today

A. The Call for Alternatives to Amtrak

Support for Amtrak is weakening. In September 1997, the Arizona Rail Passenger Association called for Amtrak's breakup—a striking departure from its 19-year record of support for Amtrak. It urged a return of long-distance passenger trains to railroads, a shift in responsibility for short-distance trains to states, and transfer of the Boston-Washington line to a new regional agency.

Michael R. Garey, the organization's president, said there is no reasonable prospect that Amtrak will bring about truly modern passenger service. He wrote: "Outside of the Northeast Corridor and a few other places, Amtrak trains operate on slower schedules than trains over the same routes of 50 to 60 years ago. On top of that, their on-time performance on these slower schedules is terrible. . . . Public subsidization of that kind of rail service makes no more sense today than would subsidization of stage coach lines in competition with the railroads between 1870 and 1900 have been justifiable at that time."⁶¹

There are three key elements in replacing Amtrak: privatization, regionalization, and liquidation. All three have been used in rail reorganization worldwide.

B. Privatization

The United States has already privatized a railroad, Conrail, the large freight line in the East and Midwest. With about \$7 billion in federal aid, Conrail revitalized the lines of six bankrupt railroads including Penn Central's. The federal government owned 85 percent of Conrail, prior to privatizing it under the 1981 Northeast Rail Services Act. When Conrail was sold for \$1.6 billion on March 26, 1987, it became the largest initial public stock offering in the nation's history.⁶² Conrail's value increased over the years and by 1997 CSX and Norfolk Southern made competing \$10.3 billion merger offers to Conrail shareholders.

Today, privatization of railroads, including freight and passenger operations, is underway in 40 nations (see Table 1). Public-sector railroads overseas have suffered from excessive control by the government, slow reaction to marketplace changes, archaic labor practices, insensitivity to local needs, and excessive need for subsidies. Those also are Amtrak's problems.

"The least costly option [for Amtrak] may be the one the government so far has avoided: privatization," said Bruce Chapman, president of the Discovery Institute. "Alternative approaches include opening the

⁶¹ Michael R. Garey, President, Arizona Rail Passenger Association, Letter to U.S. Senator John McCain, September 4, 1997, p. 1.

⁶² *A Brief History of Conrail*, Philadelphia: Conrail, 1996, p. 1.

service to bidders, with a built-in subsidy for a period of transition.” States could help maintain routes in their territories, as many already do.⁶³

Table 1: Summary of Rail Privatization Worldwide

	Country	Franchise to Private Rail Operators	Public to Private Fixed Asset Transfer	Private Funds in New Rail Facilities	Private Funds Raised in Stock Offering	Devolve Service to States or Regions	Privatization Planning Underway, Plans Incomplete
1	Argentina*	4				4	
2	Australia*	4	4	4			
3	Austria					4	
4	Bolivia	4					
5	Brazil*	4					
6	Cameroon						4
7	Canada	4	4		4		
8	Chile*	4					
9	China				4		
10	Colombia*	4					
11	Congo	4					
12	Costa Rica*	4					
13	Czech Rep.		4			4	
14	Ecuador						4
15	Estonia						4
16	France			4	4		
17	Gabon						4
18	Germany			4		4	
19	Great Britain*	4		4	4		
20	Guatemala*	4					
21	India	4		4			
22	Israel						4
23	Ivory Coast	4					
24	Jordan						4
25	Japan		4	4	4	4	
26	Latvia						4
27	Lithuania						4
28	Malawi						4
29	Malaysia	4					
30	Mexico*	4					
31	Mozambique*	4					
32	Netherlands						4
33	New Zealand*	4			4		
34	Pakistan						4
35	Panama*	4					
36	Paraguay						4
37	Peru*						4
38	Portugal						4
39	Russia		4	4	4	4	
40	Slovakia						4
41	South Africa						4
42	Taiwan	4		4			
43	Togo						4
44	Uruguay						4
45	Venezuela						4
46	Vietnam						4
47	Zambia						4
48	Zimbabwe			4			

* Privatization activity involving U.S. railroads or rail consulting firms.

⁶³ Bruce Chapman, “Amtrak heading toward a train wreck,” *Seattle Post-Intelligencer*, May 1, 1997.

The range of franchising (sometimes called *concessioning*) arrangements varies widely between, say, the United Kingdom and Argentina, as discussed in the Appendix. Yet, concessionaires consistently increase railroad revenues through innovative marketing practices and lower costs through improved efficiency. For unprofitable rail service that must remain for social reasons, planners are lowering subsidy requirements through franchising or spinoffs to regional or local governments.

Most nations require private-sector financing in new high-speed passenger facilities; the participants include banks, construction companies, and the public (through share offerings). Amtrak's operating losses, combined with its poor reputation, serve as a restraint to private financing of its infrastructure. Dismantling Amtrak would improve the environment for private-sector investment in passenger rail facilities which make market sense.

The freight railroads in the United States have demonstrated they are interested in privatization opportunities. These firms have gotten involved in passenger issues as they meet franchise terms in other countries, sometimes running the passenger trains.

C. Regionalization

The United States has already regionalized rail service.

The Alaska Railroad was defederalized through the Alaska Railroad Transfer Act of 1982, in which Congress agreed that "continued federal control and financial support of the line are no longer necessary to accomplish the objectives of serving Alaska and its people."⁶⁴ The railroad's performance is outstanding; it carried more than a half a million passengers in 1996, an all-time record.⁶⁵ The Alaska Railroad carries more passengers on one rural, highly seasonal route than Amtrak does on many of its more populated short-distance routes, such as Chicago-St. Louis and Chicago-Cincinnati, or long-distance routes, with the Chicago-Boston *Lake Shore Limited* and Los Angeles-New Orleans-Orlando *Sunset Limited* being just two examples of many.

State and regional authorities could retain certain Amtrak train services. California has begun a localization process that could lead to non-Amtrak operation of state-supported Amtrak trains. Florida rejected a high-speed rail franchise application from a consortium that included Amtrak. Dallas selected Burlington Northern Santa Fe and Herzog Transit Services, Inc., over Amtrak to provide contract services for commuter rail. Also, the Massachusetts Bay Transportation Authority stated it may terminate Amtrak as a contractor for Boston commuter service because of poor performance.⁶⁶

Regionalizing Amtrak services can reduce costs as well as increase revenues. Cost savings could come about in three ways: (1) substituting a daytime coach-only train for an overnight train that carries sleeping cars, the most expensive type of car to operate; (2) avoiding payments for Amtrak overhead costs, which are considerable; and (3) using the competitive bid process in awarding franchises. According to E. S. "Steve" Savas, director of the Privatization Research Organization at New York City's Baruch College, "The most important single attribute of contracting is that when properly done, it creates and institutionalizes competition, which is the underlying factor that encourages better performance." It also "permits better management, free of most of the distracting influences that are characteristic of overtly political organizations [and] fosters good management because the cost of a

⁶⁴ *The Alaska Railroad Historical Summary*, Anchorage: Alaska Railroad, undated.

⁶⁵ The number of passengers was 518,867 according to Scott Banks, Alaska Railroad Communications Office, telephone interview, August 29, 1997.

⁶⁶ Thomas C. Palmer Jr., "MBTA chairman calls for end to Amtrak contract," *Boston Globe*, March 7, 1997, p. B5.

service is highly visible in the price of the contract, whereas the cost of government service is usually obscured.”⁶⁷

D. Liquidation

Numerous issues are involved in liquidating Amtrak, such as the sale of assets at fair cost. Locomotives and passenger cars could be sold to regional operators that will replace Amtrak, to commuter rail systems, or to private operators of seasonal land-cruise trains. Locomotives surplus to those markets could be sold to freight railroads.

A regional agency could own the Northeast Corridor line. This idea originated with Senator Claiborne Pell of Rhode Island in 1962, when he advocated creating a multi-state public body funded by bonds to acquire the Boston-Washington line.⁶⁸ The idea is being revived by passenger-rail advocate Anthony Haswell, who suggests establishing an authority through an interstate compact to own the line. The authority would charge usage fees to a variety of operators. Some would object to Northwestern states having to self-finance their passenger rail line, yet California has paid for nearly all capital improvements and much of the operating subsidies for Amtrak’s Los Angeles-San Diego service. Also, the federal government has declined to assist Florida in financing a new Miami-Tampa rail line, an asset that would remain under state ownership once built. No justification exists for one federal standard to apply in the Northeast while another applies in the west and south.

It is sometimes suggested that railroad companies own or lease the Northeast Corridor because private-sector management could operate it at a profit. Whether the line is operated by a regional public agency or private interests will depend upon how the federal government structures a transfer, lease or sale of the asset.

⁶⁷ Savas, Emanuel S. *Privatization: The Key to Better Government*. Chatham, N. J.: Chatham House Publishers, 1987, pages 109, 110 and 262.

⁶⁸ “8 States in East Urged to Create a Rail Authority” and “Pell’s Statement on Northeast Rail Agency,” *New York Times*, May 21, 1962, p. 1 and p. 36.

Part 4

Policy Recommendations

Other nations are privatizing state-owned enterprises extensively with the approval of public officials across the political spectrum. Today, with more than 100 countries engaged in privatization, the process has become non-ideological.⁶⁹

A. Current Legislation

Privatization and Route Closure Bills. Several current measures recognize Amtrak’s failings.

The Amtrak Route Closure and Realignment Act, modeled after base-closing legislation, would create a commission to identify Amtrak routes that are candidates for termination. It would not require Amtrak to remain a national, interconnected system.

Another bill, the Amtrak Privatization Act, reduces appropriations, limits judicial review of train discontinuances, reduces job protection provisions, and amends the unique and obsolete Federal Employers’ Liability Act (which applies only to railroads) to exempt those who provide rail passenger transportation.

Also, the Amtrak Reform and Accountability Act establishes a Reform Council to evaluate Amtrak. If the council finds Amtrak failing to meet certain financial goals, a “Sunset Trigger” requires submission of two plans to Congress—one to slim down Amtrak and another to completely liquidate Amtrak.

Other Bills Are Excessively Generous. Several measures would give Amtrak billions of dollars in Highway Trust Fund gas taxes, which Amtrak may use for *operating* expenses—unheard of in highway and aviation systems. This permissive use of fuel taxes would launch new precedents and would prove costly. Gas-tax money is still a *tax*, and using that fund instead of the general fund to subsidize Amtrak won’t save taxpayers any money nor create an efficient rail system.

By mid-1997, with gas-tax measures failing, the Senate inserted into the Taxpayer Relief Act a tax break for Amtrak calculated on a tax-loss carry-back plan. As explained by the *Washington Post*, “Amtrak will be able to deduct its financial losses from the portion of taxes paid by the private railroads that operated passenger trains prior to 1971—before Amtrak existed—up to \$2.3 billion over the next two years. Amtrak, itself, has never paid taxes because it has never made money, and therefore has never had anything from which to deduct its losses.”⁷⁰ The measure, if utilized, will cost taxpayer dearly. *Congress*

⁶⁹ For a summary, see Robert W. Poole, Jr., *A Federal Privatization Agenda*, Testimony, Senate Budget Committee, June 29, 1995; also, *Privatization 1996: A Comprehensive Report on Privatization of Government Assets, Enterprises, and Public Services*, both from the Reason Foundation.

⁷⁰ Don Phillips and Paul Blustein, “Perils Loom for Amtrak in Unsettled Tax Issues,” *Washington Post*, July 31, 1997, p. A13.

Daily reported that to fund it, Amtrak's Capitol Hill supporters raised \$2 billion more in the tax bill than required by the budget agreement.⁷¹

B Amtrak Denationalization Act

With ample evidence that federal funding of Amtrak can no longer be justified on fiscal or mobility grounds, there is every justification to initiate an orderly phase-out of Amtrak. A Rail Service Denationalization Act would be similar to action taken in legislatures overseas. Such a measure would contain the following provisions:

- Substitute for the Rail Passenger Service Act, the law that created Amtrak and gave Amtrak its statutory monopoly.
- Repeal the Swift Rail Development Act and the Next Generation High-Speed Rail section of the Intermodal Surface Transportation Efficiency Act. The laws were designed to nurture high-speed rail but instead have become vehicles to finance slow-speed Amtrak projects.
- Create an Amtrak Transition Board (ATB) to manage privatization and regionalization of service and divest Amtrak assets. Protections similar to those granted to the military-base closing commission would insulate the ATB against political interference.
- Name the ATB as Amtrak's successor agency, assigning to it the legal liabilities that will remain after Amtrak is dissolved.
- Establish an Amtrak "sunset" date. To allow time for asset disposition and other steps to be completed, the sunset date of the ATB would follow by several years.
- Continue Northeast Corridor capital funding, but not expand or extend the program. This is Amtrak's busiest line, and completing the upgrading project will make it easier to sell the line to private interests or transfer it to the states. This represents a lesson learned in privatization—it is easier to divest an asset when it is efficient. Also, because parts of the line are deteriorating, such expenditures can help insure safety.
- Impose a moratorium on all other Amtrak capital funding and seek to cancel Amtrak orders for locomotives, freight cars, and other equipment.
- Set caps on operating subsidies. States should be given limited access to such funds, perhaps based on train-miles operated, to assist in the transition to regional service. Federal subsidies should scale downward to eventual termination.
- Pre-authorize creation of an interstate compact composed of the eight northeastern states and the District of Columbia to facilitate Northeast Corridor rail service in a post-Amtrak era. It should also authorize "any and all" future compacts that states may wish to form, without the need for further federal action.
- Establish a "post-Amtrak passenger-rail employee" category of worker who is exempt from unique, costly and unwieldy laws like the Railway Labor Act, Federal Employers' Liability Act, Railroad Retirement Act, and Railroad Unemployment Insurance Act. Putting railroad passenger employees under mainstream laws such as Social Security will induce investment, create rail jobs, and foster rail service to places that otherwise would be without such service.

⁷¹ "Roth Unlinks Gas Tax Shift, New Funding For Amtrak," *Congress Daily*, July 22, 1997.

Part 5

Rail Service in a Post-Amtrak World

Train service based on market demand and local decision-making will demonstrate that the mass movement of people by train can succeed *under certain circumstances*.

A. Commuter Service

Not one commuter train need be discontinued because of Amtrak's demise. Where Amtrak operates such local trains, mechanisms exist to permit commuter authorities to operate the trains themselves or seek new contractors. If countries as diverse as Great Britain, Japan, New Zealand, and Argentina could accomplish such a transition, so can the United States. Further, some of America's busiest commuter systems, such as the Long Island Rail Road and Chicago's Metra, already operate independently of Amtrak.

B. Regional Service

Over the years states like California and New York assumed significant responsibilities for funding Amtrak, and ridership increases in such states are due to state initiatives. Regional trains can remain in service as states accept more responsibility for them. Japan, Germany, and Russia have regionalized passenger trains; so can the United States.

C. Land Cruises

Transportation is not sentimental, and Americans rarely treat it as such when traveling by air, bus or automobile. Yet, there is a market for sentimental rail journeys. Anthony Haswell says long-distance trains should be confined to seasonal operations aimed at vacationers and tourists who are willing to pay the price for a unique travel experience.

Such a market is tapped today by private-sector rail passenger operators like the American Orient Express, Montana Daylight, Napa Valley Wine Train, First American Railways, and Grand Canyon Railway. Also, tour companies cater to the leisure market by running seasonal cars as part of the Alaska Railroad train. Companies like these—and virtually all of them are enjoying growing ridership—could transform some Amtrak long-distance services into seasonal land-cruise trains.

Private operators, even when receiving Amtrak services, can outlive Amtrak. The *Orlando Sentinel* reported that *Florida Fun Train*, owned by First American Railways, would survive: “If Amtrak folds, said Ray Monteleone, president and chief operating officer, First American would look elsewhere to lease or try to lease the locomotives from whomever took over Amtrak’s assets. The company also would have to find new maintenance crews. ‘It would be an aggravation,’ he said, ‘but it wouldn’t mean our existence.’”⁷²

D. High Speed Consortia

The disappearance of Amtrak will end the pretext that federal funding will bring about world-class high-speed train service in this nation. In time, privatized entities can develop short-distance routes that make market sense. Amtrak is unable to accomplish this task because of its national mandate and the political consequences that stem from that mandate.

E. Teaming Arrangements

Rail. It’s possible for rail-air and rail-tour partnerships to provide rail passenger service. The railroads would provide operating crews (engineers, conductors) while airlines or tour operators provide service staff (ticket agents, food service personnel). America’s freight railroads already operate commuter trains—Union Pacific in Chicago and Los Angeles, Burlington Northern Santa Fe in Chicago—and cooperate with land-cruise operators like the American Orient Express.

Aviation. Britain’s Virgin Trains, a unit of Virgin Atlantic Airlines, is monitoring prospects for replacing Amtrak.⁷³ Airlines participate in operating passenger trains in Britain and Germany (Virgin Trains and Lufthansa), and a land-cruise train in India (East-West Airlines⁷⁴). Airlines cooperate in establishing rail-air transfers (Swissair, KLM, Lufthansa, Air France, Alitalia), and in train technology efforts (Japan Air Lines, Lufthansa, Swissair, Qantas, Delta Air Lines, USAirways).⁷⁵ Aviation is combining efforts with the bus industry, with United Airlines and American Airlines now operating feeder buses to Chicago’s O’Hare Airport.⁷⁶

Tour Companies. Holland America Westours and Princess Tours run special coaches on the Alaska Railroad and contribute to the railroad’s record-setting performance. Elsewhere, the *Florida Fun Train* is promoting itself as a tour and entertainment experience. A European operator, the Venice-Simplon Orient Express Ltd., seeks privatization opportunities worldwide. It operates a rail franchise in Britain, and in 1998 will help convert an Australian passenger train into a specialized service.⁷⁷ Such developments reflect growth in the tour-train market throughout the world.

⁷² Jim Stratton, “Amtrak’s Troubles Won’t Take Any Steam Out of Central Florida Tourism,” *Orlando Sentinel*, June 2, 1997, p. 11.

⁷³ “Amtrak could go bankrupt next year,” *Railway Gazette International*, August 1997, p. 497.

⁷⁴ R. C. Acharya, “Cashing in on cultural heritage,” *Rail Business Report 1997*, pp. 32-33.

⁷⁵ A more thorough treatment of future railroad-airline roles can be found in Vranich, *Derailed*, “Who Will Run Tomorrow’s Trains?” Chapter Six.

⁷⁶ “It’s a Plane!” *Dow Jones*, July 18, 1997.

⁷⁷ “Queensland Rail,” *Railway Gazette International*, August 1997, p. 514.

Restoring Distinctive Services. For better or worse, customers in the pre-Amtrak era evaluated passenger trains in terms of particular attributes of service, schedules, menus, and the overall travel experience. The Pennsylvania Railroad's *Broadway Limited* was unlike Santa Fe's *Super Chief*, but those nuances were erased by Amtrak's homogeneous service. Airlines, tour companies, and bus operators, which are practiced at adapting to changes in the travel market, can add a new vitality to rail passenger service. Such private-sector operators can bring about an important intangible, and that is restoring distinctive characteristics to individual trains. That is particularly important when creating land-cruise train experiences.

Part 6

Conclusion

Amtrak is an experiment that failed. Replacing Amtrak with other operators is a viable proposition—especially considering Amtrak’s inordinate level of subsidies. Many nations are revolutionizing their rail services, and numerous models for the process are evident in diverse countries (see Appendix). With such experiences serving as a guide, the United States could phase out Amtrak yet retain services that meet legitimate travel needs. Done well, the process can eliminate a burden on federal taxpayers, create new opportunities for companies in the travel business, and diversify and improve the passenger trains that remain.

About the Author

Joseph Vranich worked to create Amtrak in 1970 as a Regional Director and later Executive Director of the National Association of Railroad Passengers. He next worked in Amtrak’s Public Affairs department as a press spokesperson. In the early 1990s, he was president/CEO of the High Speed Rail Association. Mr. Vranich is the author of *Derailed: What Went Wrong and What to Do About America’s Passenger Trains* (St. Martin’s Press, October 1997) and also wrote *Supertrains* (St. Martin’s, 1991), a book praised by President Clinton and Amtrak itself.

Part 7

Appendix: The Worldwide Railroad Privatization Revolution

Rail privatization is under way around the world. In some countries, railroads are sold as complete units. Elsewhere, government ownership remains in rights-of-way while services over them are franchised. In other cases, new rail lines are constructed only with private financing. A uniform rail privatization model hasn't emerged because circumstances differ considerably. The rail privatization experience in eleven nations is summarized below.

A. Europe

Great Britain. Britain has completed rail privatization, and the former British Rail is now 60 separate businesses. Twenty-five of those are train operating franchises; a division of Virgin Atlantic Airlines holds three rail franchises and bus companies hold 14 others. A phase-down program is in effect where a franchisee receives declining subsidies. In some cases franchisees will eventually pay the government for the right to operate services.

Private financing is improving passenger trains and underwriting a high-speed link, with a consortium building the \$4.6 billion line connecting London and the Channel Tunnel;⁷⁸ British airport operator BAA has helped finance the construction of a \$396 million rail line to Heathrow Airport, which it will operate in mid-1998.⁷⁹ Railtrack, owner of British Rail's track, was privatized through a stock offering and the value of its shares has risen. By February 1997, Railtrack shares nearly doubled in value from their May 1996 issue price on the London Stock Exchange.⁸⁰ Railtrack plans to modernize 2,500 stations in the next four years.⁸¹

The franchisees are busy with improvements as Virgin Trains, Connex Rail, National Express and North Western Trains will order hundreds of new passenger trains.⁸² Virgin Trains will spend \$420 million on

⁷⁸ Matthew Rose, "Virgin Group to Share \$4.6 Billion Job For Fast Rail Link to Channel Tunnel," *Wall Street Journal*, March 1, 1996.

⁷⁹ "BAA/Heathrow Express Sees Small Initial Operating Loss," AP-Dow Jones, August 20, 1997.

⁸⁰ "Britain's Progress On Service, Subsidies," Dow Jones, February 11, 1997.

⁸¹ "British Stations To Be Upgraded," *International Railway Journal*, June 1997.

⁸² "Connex Rail, Britain," *International Railway Journal*, August 1997, p. 5, and "First British 200 km/h DMUs," *Railway Gazette International*, September 1997, p. 559.

equipment for one franchise alone.⁸³ Privatization has ended the stagnation and poor service associated with British Rail:

*Most autumns in Britain, falling leaves made Britain's railroad tracks slippery, wreaking havoc with the nation's train schedules. But not last fall, when delays were down 30% from the previous year. . . . For the first time in decades, Britain's train system can make long-term plans for railway investment without being subject to the whims of the national Treasury. Government subsidies are dropping, service is improving, some fares are falling and rail companies floated on the stock market are making their owners rich.*⁸⁴

Passenger traffic is up, revenues growth is strong, and complaints from riders to the Central Rail Users' Consultative Committee have fallen for the first time in 15 years.⁸⁵ An Illinois-based company participated in British Rail privatization when, in late 1995, a consortium led by Wisconsin Central purchased Rail Express Systems, which operates England's *Royal Train* and Royal Mail services. This consortium also won the bid for rail freight companies now known as the English, Welsh & Scottish Railway Ltd. Also, Eurotunnel S.A. is a private venture that built and operates the tunnel connecting England and France, the largest privately financed engineering project in history. Funds were raised to build the \$15 billion tunnel and related infrastructure by arranging bank loans on commercial terms and through stock sales to more than 650,000 shareholders.

The lessons from Great Britain are that private interests can take over decaying rail services, operate and improve them, and privately finance new trains and rail infrastructure in the process.

France. Millions of French travelers routinely board TGV trains (*Train à Grande Vitesse*, or "train of great speed"), which operate at a profit.⁸⁶ The Southeast Lines, which include Paris-Lyon, earn an annual profit of about \$300 million, and the Atlantic Line, Paris-Brittany-Bordeaux, about \$150 million. France requires significant private investment in line construction, which is repaid from TGV profits. In testimony before the U.S. Congress, Dagobert Scher, a French railway vice president, said of the Paris-Lyon: "Contrary to what many people in this country seem to think, this project was entirely financed by the French national railroads without any government subsidy or any money coming from the taxpayer." He said the project's estimated 15 percent rate of return permitted loans to be floated in France and the United States. The Paris-Bordeaux line, however, came about with 70 percent private financing and 30 percent public because of a lower estimated return.⁸⁷ Loans for TGV Paris-Lyon line financing have been fully reimbursed, solely as a result of the increased operating margin made possible by the project.⁸⁸

Germany. Germany has split its railroad into commercial and public-sector functions. The commercial portion became a joint-stock company, Deutsche Bahn AG, and organized so that passenger, freight, and infrastructure will eventually become separate businesses. The government owns all the stock, but privatization will follow after the railroad is capable of attracting private capital. In 1995 and 1996 the

⁸³ Edna Fernandes, "Virgin Wins British Rail Franchise," Reuters Ltd., November 29, 1996.

⁸⁴ Janet Guyon, "Britain's Great Rail Bazaar," Dow Jones, February 11, 1997.

⁸⁵ David Briginshaw, "Privatisation Proves Better Than Expected," *International Railway Journal*, September 1997, pp. 37-45.

⁸⁶ Mitchell P. Strohl, *Europe's High Speed Trains: A Study in Geo-Economics* (Westport, Conn.: Praeger Publishers, 1993), p. 83.

⁸⁷ Joseph Vranich, *Supertrains: Solutions to America's Transportation Gridlock* (New York: St. Martin's Press, 1991), p. 35.

⁸⁸ Gerard Mathieu, "Return on Investment & Financing of TGV Projects," *Railway Solutions*, Spring 1994, p. 3.

restructured company earned operating profits.⁸⁹ Thirty-nine routes were regionalized, with regional and local governments given the right to decide rail issues for which they now hold financial responsibility.⁹⁰

Russia. The reforms and privatizations that have swept over Russia include the start of railway privatization. Public and private entities hold shares in a hybrid corporation named Gelleflint. *Railway Gazette International* called it “the first privately-promoted railway to open in Russia for over 80 years,” and it will carry freight between Russia and Finnish ports in the Gulf of Bothnia. While not a pure privatization, it nonetheless represents that Russia can minimize public financing and induce private investment in rail infrastructure.

Other European nations privatizing railroads include Austria, Czech Republic, Estonia, Latvia, Lithuania, and Netherlands.

B. Asia and Pacific

Japan. The most stunning rail privatization is found in Japan, where successful railroads operate in place of the Japanese National Railroad (JNR), which suffered enormous deficits for decades. Since its creation in 1949, the JNR was accustomed to running trains for an undefined “public benefit.” As Japan’s largest single employer, privatization of JNR appeared to be unthinkable.

“Restoring JNR’s financial health was impossible as long as it was operated as a centralized, nationwide public corporation,” wrote Koichiro Fukui of the World Bank. “By 1987, JNR was broken up into six regionally based railroad passenger companies and a seventh company to handle freight transportation for the entire country. The major portion of JNR’s debt, which had reached \$286 billion by the end of 1986 [greater than the combined national debts of Brazil and Mexico], was reassigned to the newly created JNR Settlement Corporation along with any surplus real estate of JNR and the shares of the newly created JRs.”⁹¹ Restructuring resulted in passenger and cargo traffic increases; a reduction in employees from 414,000 to 191,000 (a 53.9 percent drop); and greatly improved efficiency.

“Before restructuring, the annual subsidy from the government to JNR reached \$4.9 billion on average,” wrote Fukui. “After restructuring, the annual subsidy to JR companies has been drastically reduced. In 1990, the subsidy to JR companies was only \$48 million. . . . [In 1992] profitable JRs paid \$1.2 billion in corporate tax to the government. . . . The privatization process of JNR can be judged to have been successful.”⁹²

The three largest privatized railroads are JR East, JR Central, and JR West. They are located on the main island of Honshu, operate at a profit, and have sold or are in the process of selling shares to the public. Three others serve rural islands, carry less traffic, and continue receiving subsidies—but at lower levels than previously. Also, the Japan Freight Railway Company pays fees to operate over the six railroads.

Passenger service is a success under privatization. The Japan Transport Economics Research Center reports JNR passenger traffic had peaked at 215.6 billion passenger-kilometers in 1974. The record was

⁸⁹ “Deutsche Bahn profits up on growing traffic,” Reuters Ltd., August 23, 1996, and “Deutsche Bahn AG ‘97 Pretax Pft,” AP-Dow Jones, August 25, 1997.

⁹⁰ “Regionalisation drive gathers pace,” *Railway Gazette International*, June 1997, pp. 385-386.

⁹¹ Koichiro Fukui. *Japanese National Railways Privatization Study*. Washington, D.C.: World Bank, 1992, p. xi.

⁹² Fukui, p. xv.

quickly exceeded by the new companies in only their second year of operation as service frequencies increased, employee attitudes improved, and trains became cleaner.⁹³ Ridership grew on the three main JR railways, ranging from 2.3 percent to 7.2 percent in their first four years of operation. This success was achieved during a Japanese recession; Amtrak ridership during four of the last five years declined even though the U.S. economy was growing.

Japan's central government ended funding for 83 local lines—more than half were changed to bus operations and the remainder receive local subsidies. Moreover, some new government proposals went nowhere as the JR companies declined to participate. According to JR East President Masatake Matsuda, “[We have a] determination never again to return to the dark memories of JNR’s final years, when the organization was, in effect, bankrupt.” Matsuda said government-owned corporations and national agencies have only vague objectives, and JR East’s reorganization into the private sector has given management extremely well-defined objectives.⁹⁴

China. Reform in China shows that current-day Communists can privatize in a limited way. China’s Ministry of Railways drafted a plan in 1994 to allow commercial railroads to be operated independently by joint ventures. Wrote Mike Knutton of *International Railway Journal*: “One of the boldest moves in using market mechanisms has been the establishment of autonomous railways such as the Guangzhou-Shenzhen Railway Corporation and the Sanshui-Maoming Railway Corporation. Both tailor freight rates and passenger fares to prevailing market conditions and generate sufficient funds to qualify for loans and part-finance developments such as [construction of] the Guangzhou-Shenzhen quasi-high-speed railway.”⁹⁵ China now seeks private-sector financing and the efficiencies brought about by private-sector management. Perhaps the success of Guangshen Railway Co. Ltd., a Hong Kong-listed enterprise controlled by China, has served as an inspiration. The railroad, which operates in Guangdong province across from Hong Kong and Macau, has seen its shares traded at near-record highs in August 1997 on the New York Stock Exchange.⁹⁶

New Zealand. Burdened by debt but operating at a slight profit, New Zealand Rail was sold by the government in 1993 to the Tranz Rail Ltd. consortium, which includes two U.S. firms, the Wisconsin Central railroad and Berkshire Finance, for \$220 million. The railway reports annual operating profit has since doubled to \$75.9 million. Francis Small, Tranz Rail managing director, wrote that “More than a third of our staff participate in an employee share purchasing scheme, and they now own five percent of the company’s stock.”⁹⁷ About passenger service, Wisconsin Central President Edward A. Burkhardt said to *Railway Gazette International*, “The railroad operates commuter services in Wellington and Auckland under contract to the local regional councils, and one of the few unsubsidized and profitable fleets of long-distance passenger trains in the world.”⁹⁸

Australia. This nation is privatizing railroads and seeking private capital to build new rail lines. In August 1997, the Australian National (AN) was sold to international consortia which include U.S.-based Wisconsin Central, Genesee & Wyoming, and RailAmerica. AN’s interstate passenger services were purchased by the Great Southern Railway consortium for \$11.9 million, which plans to grow the business by 50 percent within two years. Jim Morgan, Great Southern’s chief executive, said he would eventually

⁹³ *Issues and Achievements in the Five Years Since the Japan National Railway Reform*, Tokyo: Japan Transport Economics Research Center, October 1992.

⁹⁴ East Japan Railway Co., *Annual Report 1996*, p. 9.

⁹⁵ Mike Knutton, “China Embraces Market Economy,” *International Railway Journal*, June 1994, p. 1.

⁹⁶ Guangshen Railway Co., Symbol: GSH, Detailed Quotes, *Wall Street Journal Interactive Edition*, August 27, 1997.

⁹⁷ Francis Small, “Privatisation Benefits Railway And Customers,” *International Railway Journal*, August 1997, p. 34.

⁹⁸ “Railroading in three countries,” *Railway Gazette International*, December 1995, p. 855.

like to list the passenger business on the Australian Stock Exchange.⁹⁹ The government's next step will be to sell its majority stake in National Rail, a freight operator.¹⁰⁰ Separately, Queensland Rail plans to work with a private operator to convert the Cairns-Brisbane *Queenslander* into a land-cruise train. In high-speed rail, planning is underway for a \$1.4 billion Sydney-Canberra line. The federal government, along with New South Wales and Australian Capital Territory, require underwriting exclusively with private financing or the line won't be built. Six consortia have been pre-qualified to submit project plans.¹⁰¹ In freight, private interests propose to assume all costs of building a Melbourne-Darwin line, while an Alice Springs-Darwin project involves 70 percent private funding—down from a previous proposal for near-total government financing.¹⁰² “I think you will see a lot more private-sector trains and I think in the end the private sector will dominate Australia's railway system,” said Australian Transport Minister John Sharp.¹⁰³

C. South America

Argentina. In 1990, Ferrocarriles Argentinos (FA) was in terrible condition. According to Jorge H. Kogan, a privatization consultant, and Louis S. Thompson of the World Bank, “There was no further hope for a company that was mainly a provider of surplus employment and uneconomic services, subject to political pressure, and strongly influenced by workers' unions, suppliers, and local authorities. There were two options: let the situation continue until FA collapsed, or do something drastic.”¹⁰⁴

In 1991 Argentina received a \$300 million World Bank loan to invest in rail facilities and make severance payments, actions designed to attract buyers. Planners separated the railroads into units, which became 30-year concessions for those willing to pay fees to the government and provide capital for improvements. After six years, private operators have revived freight traffic. The privatization lured four U.S. railroads as advisors or bidders, including Burlington Northern Santa Fe, Conrail, Iowa Interstate Railroad, and Montana Rail Link.

A concession process that includes subsidies was used for local passenger service. Now four concessionaires run the large Buenos Aires commuter and subway networks, ridership and on-time performance are up. Most long-distance passenger trains incurred large deficits. The national government stopped subsidizing them, and about 70 percent of the passenger trains were discontinued. The freight railroads kept some passenger trains in service after provinces agreed to fund regional subsidies.

The intercity passenger link between Buenos Aires and the coastal city of Mar del Plata was franchised, as explained by Frank Richter in *Progressive Railroading*: “That is one of the two higher-density passenger corridors in the country. It has the largest patronage to and from both ends of the 325-mile distance. There also is a potential to obtain a larger share of the market with better equipment and faster schedules.”¹⁰⁵ The route carries 1.8 million passengers annually. By 1995 *International Railway Journal* reported that Ferrobaires, the company set up to take over those trains, “turned a heavily-loss-making run-down operation into a growing business. . . . As a result, the government now plans to privatize it. . .

⁹⁹ Ian Thomas, “AN split up in \$95m international sale,” *Australian Financial Review*, August 29, 1997, p. 1.

¹⁰⁰ Michael Byrnes, “Australia Starts Rail Revolution With Privatisation,” Reuters Ltd., September 20, 1997.

¹⁰¹ “Australian HS Bidders Pre-Qualify,” *International Railway Journal*, August 1997, p. 3.

¹⁰² “Australia: Alice Springs-Darwin Rail Plan Gets Govt. Boost,” AP-Dow Jones, August 25, 1997.

¹⁰³ Mark Bendeich, “Australia hails historic pact on railways,” Reuters Ltd., September 10, 1997.

¹⁰⁴ Jorge H. Kogan and Louis S. Thompson, “Reshaping Argentina's Railways,” *Japan Railway & Transport Review*, June 1994, p. 23.

¹⁰⁵ Frank Richter, “Restructuring paying off in Argentina,” *Progressive Railroading*, May 1996, p. 44.

. Astonishingly, Ferrobaires is now financially self-sufficient, requiring no subsidy from the central government. It has even been able to introduce new passenger services.”¹⁰⁶

Rail privatization has saved Argentina’s government more than \$300 million annually, terminated useless service, reduced shipping costs, improved passenger service where passenger trains make sense, and turned one passenger line into a profitable operation.

Other South and Central American countries privatizing railways include Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, Guatemala, Panama, Paraguay, Peru, Uruguay, and Venezuela.

D. North America

Mexico. The Mexican National Railway had a legacy of poor service and relying on government subsidies. By the early 1990s, it needed hundreds of millions of dollars in capital improvements, which the government could not afford to appropriate. Officials recognized that the private sector had to be enlisted to improve efficiency, especially with growing shipper demands resulting from the North American Free Trade Agreement. Thus, Mexico’s constitution was modified to permit railway privatization. Mexico sells portions of the railway as 50-year concessions. By 1996 a joint venture that includes the Kansas City Southern Railroad bid \$1.41 billion for what became known as Mexico’s Northeast Railway.¹⁰⁷ A second franchise was awarded in 1997 to a consortium that includes the Union Pacific Railroad, which bid \$396.3 million for the Pacific-North line.¹⁰⁸ Several other U.S.-based railroads have also shown interest in Mexican concessions, namely the Burlington Northern Santa Fe, Illinois Central, RailTex, and South Orient Railroad of Texas.

Canada. In 1995 the Canadian Parliament passed a measure to privatize the Canadian National Railway. Observed Gus Welty of *Railway Age*: “Investors snapped up the shares available in the initial public offering, 83.8 million shares that brought proceeds of \$2.1 billion. That was the richest and most successful privatization in Canada’s history, and one of the largest IPOs in the North American market in ‘95. . . . In its first year as a private company, CN saw the price of its shares more than double.”¹⁰⁹ CN President Paul Tellier’s said after one year (the following dollars are Canadian): “CN is now investor-owned and investor-driven. But the changes are much more profound than that. We had to improve productivity. Four years ago, we ran 3 million revenue-ton-miles-per-employee. Today, it is over 4 million. We had to improve the bottom line. Four years ago we lost nearly \$100 million dollars on \$3.9 billion of revenue. Last year we made a profit of \$350 million on \$4.1 billion.”¹¹⁰ The CN is freight-only, but its experience is relevant. Like passenger-carrying lines, success depends on the fundamentally different approaches that a privatized entity takes to its affairs.

In Canada, VIA Rail is similar to Amtrak. The heart of VIA Rail is the Quebec City-Toronto-Windsor corridor, accounting for approximately 85 percent of ridership and 70 percent of income. Because of financial losses, VIA Rail’s services were reduced in 1981 by a Liberal government and again in 1990 by a Conservative government.¹¹¹ Today, service is less than half of what it was when VIA Rail was

¹⁰⁶ “Ferrobaires To Be Sold Off,” *International Railway Journal*, January 1995, p. 17.

¹⁰⁷ “KCS maps ‘The NAFTA Railroad,’” *Railway Age*, January 1997, pp. 49-51.

¹⁰⁸ Joel Millman, “Group Including Union Pacific Gets Mexican Rail Line,” *Wall Street Journal*, June 27, 1997, p. A10.

¹⁰⁹ Gus Welty, “Railroader of the Year: CN’s Paul Tellier,” *Railway Age*, January 1997, pp. 35-42.

¹¹⁰ Paul M. Tellier, “Four years later: Maintain the momentum,” remarks before Toronto Railway Club, December 6, 1996, p. 1.

¹¹¹ “Canadian Intercity,” *Passenger Train Journal*, December 1995, p. 18.

established nearly 20 years ago. In 1996, after several years of static ridership, VIA Rail carried 3.7 million passengers, an anemic 1.9 percent gain over the previous year.¹¹²

Canada has privatized passenger service in limited ways. The government in 1990 awarded certain service rights to Great Canadian Railtours. Its cruise-type train, the *Rocky Mountaineer*, operates during the tourist season (early May to mid October) from Vancouver to Calgary and Jasper. The company is led by Peter Armstrong, a former Gray Line Tours executive, who said: “Generally speaking, rail is no longer a cheap, efficient way to transport people over long distances. However, this kind of rail experience where scenery, service and history are the attractions—more of an enjoyable excursion rather than a means of transportation—can still be marketed successfully.”¹¹³ By 1993 the company built traffic to nearly three times that of 1990.¹¹⁴ The *Rocky Mountaineer* made history on September 12, 1996, when it carried about 1,100 passengers on 37 cars—the “longest passenger train in Canadian history.”¹¹⁵

In Ontario, GO Transit is a public agency that operates Toronto’s extensive commuter rail system. It recently outsourced maintenance on its locomotives and coaches through a six-year contract with a private-sector firm, Bombardier Inc.¹¹⁶

Each of the countries addressed above is benefiting from positive returns in denationalizing rail services through a mixture of liquidation, privatization and regionalization.

¹¹² “VIA’s 1996 Annual Report,” News Release, April 30, 1997.

¹¹³ “Resurgence Of The Canadian Dream,” *Rocky Mountaineer Railtours Fact Sheet*, undated, p. 1.

¹¹⁴ Fred W. Frailey, “The stealth scenic train,” *Trains*, February 1996, p. 54.

¹¹⁵ “Rocky Mountaineer Railtours Pulls the Longest Passenger Train in Canadian History,” News Release, September 12, 1996.

¹¹⁶ “Bombardier To Maintain Rolling Stock,” Dow Jones, December 13, 1996.

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