

# Eliminate Grants to the National Rail Passenger Service Corporation (Amtrak)

SAVINGS IN MILLIONS OF DOLLARS

2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2016-2020	2016-2025
\$608	\$871	\$1,135	\$1,401	\$1,409	\$1,417	\$1,425	\$1,435	\$1,443	\$1,450	\$5,424	\$12,594

## Heritage Recommendation:

Eliminate the federal operating subsidy and phase out the capital programs over four years. This proposal saves \$608 million in 2016, and \$12.6 billion over 10 years.

## Rationale:

The National Railroad Passenger Corporation, now known as Amtrak, was created by the federal government to take over bankrupt private passenger rail companies. It began service on May 4, 1971. In fiscal year 2014, it received an operating grant of approximately \$340 million and a capital and debt service grant of about \$1.05 billion. Amtrak has received over \$66 billion (in 2014 dollars) in taxpayer-funded federal grants since its inception. Amtrak is not a federal agency, employing a corporate structure, and has a board appointed by the United States President; the federal government owns nearly all of Amtrak's stock.

Amtrak is characterized by an unsustainable financial situation and management that often appears more focused on lobbying Congress for more money rather than improving its performance and service for customers. Amtrak has a monopoly on passenger rail service, too, which stifles reform efforts. Labor costs, driven by the generous wages and benefits required by union labor agreements, constitute half of Amtrak's operating costs; this is an area ripe for reform. Amtrak trains are also notoriously behind schedule, evidenced by Amtrak's poor on-time performance rates. For example, the June 2014 Monthly Performance Report showed an on-time performance score of 69.7 percent, which was 6.2 percentage points less than a year prior, when just over three-fourths of trips were on time. In July 2014, Amtrak's score was 67.2 percent, 7.6 percentage points worse than in July 2013.

Congress should eliminate Amtrak's operating subsidies immediately in FY 2016, while phasing out its capital subsidies over five years, to give Amtrak's management time to modify business plans, work more closely with the private sector, reduce labor costs, change its marketing, and eliminate any money-losing lines. Simultaneously, the Secretary of Transportation should set up a task force to work with Amtrak's management to lay out a future for Amtrak, including but not limited to selling routes and equipment to the private sector, transferring Amtrak ownership to its employees, asking states to assume ownership and responsibility over routes, and discontinuing routes that are unprofitable and that a state does not want to fund. During this phase-out, Congress should repeal Amtrak's monopoly on passenger rail service, allowing private companies to enter the market and provide passenger rail service where they see a viable commercial market.

## Additional Reading:

- Ronald D. Utt, "Chairman Mica's New Amtrak Proposal Would Use the Private Sector to Reform Passenger Rail," Heritage Foundation *WebMemo* No. 3290, June 13, 2011, <http://www.Heritage.org/research/reports/2011/06/meric-privatization-proposal-to-reform-passenger-rail-service>.
- Tad DeHaven, "Downsizing the Federal Government: Privatizing Amtrak," Cato Institute, June 2010, <http://www.downsizinggovernment.org/transportation/privatizing-amtrak>.



## Calculations:

Savings are expressed as budget authority and were calculated using the FY 2014 enacted spending levels as found on pages 992–994 of “Appendix, Budget of the United States Government, Fiscal Year 2015,” March 2014, <http://www.whitehouse.gov/sites/default/files/omb/budget/fy2015/assets/dot.pdf>. Under the baseline scenario, the FY 2014 enacted operating subsidy and capital improvement costs are assumed to increase at the same rate as discretionary spending for 2016–2025, according to the CBO’s most recent August 2014 baseline spending projections. Under the proposal, the operating subsidy is eliminated and the capital subsidy is phased out over five years. Savings represent the difference between the baseline and proposed scenarios.

**Note:** A previous version of the figures related to eliminating grants to Amtrak contained an error which overstated the proposed savings. The savings for that specific proposal, as well as the transportation savings subtotal, were updated as of June 24, 2015.