

Railroads Seek Additional \$84 Million From Amtrak

Railroads carrying Amtrak trains — currently paid on an “avoidable loss” basis — now want an additional \$84 million per year, according to Stephen Ailes, president of the American Association of Railroads.

Money-losing Penn Central is asking an additional \$32 million annually to operate Amtrak trains on its rails. The request is now being considered by the Interstate Commerce Commission.

If Penn Central wins its case in the ICC, there is no doubt that at least 11 other railroads will be right behind seeking to participate in the money grab.

Mr. Ailes told a Senate committee recently that “Our rough figures indicate that payments to these 11 roads (excluding Penn Central) under the present interim basis, fall below full costs by approximately \$52 million on an annual basis.”

NARP is fighting the Penn Central case before the ICC, and will also contest the myopic, rapacious request of the “Pork Barrel eleven” if necessary.

In a statement filed at ICC by Chairman Anthony Haswell, NARP charges that Penn Central, having elected to join Amtrak

On May 16, NARP Chairman Anthony Haswell testified at the “Amtrak Oversight and Authorization” hearing before the Surface Transportation Subcommittee of the Senate Commerce Committee. Copies of the 73-page statement are available to NARP members. Ask for SENATE TESTIMONY (AMTRAK).

to be relieved of what the railroad then claimed to be staggering losses from passenger train service, *now wants to make a profit on Amtrak.*

“The profit which Penn Central now seeks is entirely inconsistent with the Amtrak law,” Mr. Haswell said.

“These additional monies would not buy a dime’s worth of new equipment or improved track and roadbed; they would simply enrich the railroads for the far from satisfactory service they are now providing for Amtrak,” Mr. Haswell’s statement continued.

Currently, Amtrak pays railroads enough to cover costs tied entirely to passenger service, plus an additional five per cent to help cover “avoidable” expenses, i.e., those that could be eliminated if the passenger trains stopped running.

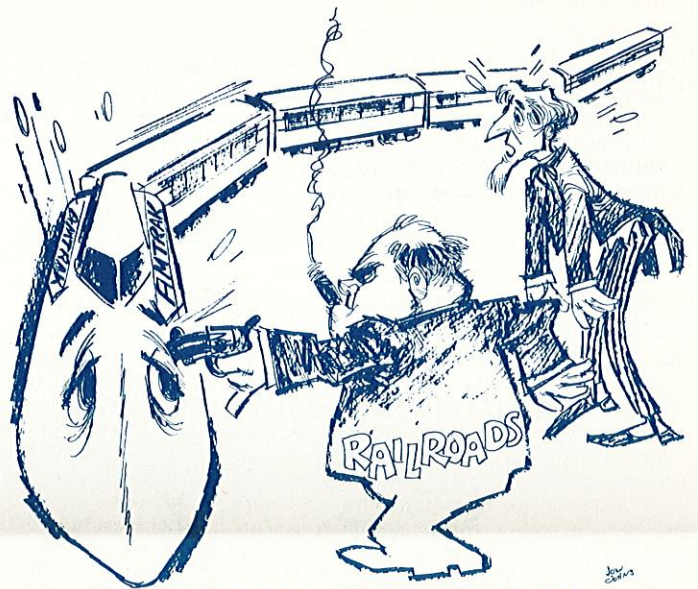
Penn Central says it should be paid on a “fully allocated” basis, i.e., that Amtrak should share all costs of facilities used for both freight and passenger service.

Mr. Haswell argues that it was the intent of Congress, in adopting the Amtrak law, to focus on the “avoidable cost” concept to the exclusion of any other specified concept.

“Penn Central’s problem is not one of urgency but of obstinacy. It has had every opportunity to prepare an avoidable costs study and to demonstrate in what respects, if any, the present compensation. . . falls short of the statutory standards of avoidable costs.

“Payment of an additional \$32 million per year to Penn Central would be a 50 per cent increase in Amtrak operating expenses; since the services are already losing money, the full increase would have to come out of the U.S. Treasury.

“This is an amount which Congress, in our judgment, would be most reluctant to pay, and which we, as members of the traveling public, would be most reluctant to ask it to pay.”



Tell your Uncle Sam to Fork-Over \$84 million more!

New York Brings Suit To Block Albany Area P.C. Abandonments

The State of New York has moved in United States District Court to restrain Penn Central Railroad from abandoning two rail routes serving the Albany area.

Joining a suit filed previously by the Harlem Valley Transportation Association, New York Attorney General Louis Lefkowitz said “If one of these vital links is severed, it will be impossible to restore passenger train service between Boston and Albany.

He charged that the Interstate Commerce Commission improperly ratified the Penn Central’s application to abandon its mainline tracks for 12 miles east of Rensselaer. He pointed out that the line is the only feasible route for passenger trains to enter the Albany-Rensselaer area from the east. Penn Central freight traffic by-passes Albany, using a spur which crosses the Hudson River at Selkirk.

The attorney general also charges the ICC with violating the

The city commission of Winter Park, Florida, has unanimously adopted a resolution urging Amtrak to continue Chicago-Florida passenger trains.

Commissioner Jerome J. Donnelly, who introduced the resolution, urges other cities to take similar action.

National Environmental Policy Act by considering the Penn Central’s application to abandon its tracks for 30 miles between Millerton and Ghent, New York, on its Harlem Division without the required statement as to the effects of the abandonment on the environment. The Penn Central until last year ran passenger trains, and still maintains freight service, over this route between New York City and Chatham. This service will be obstructed if the 30-mile segment is torn up, the attorney general said.

“The action of the ICC in allowing these rail links to be severed makes no sense”, the attorney general said. “In the light of the need to conserve gasoline, and the need to improve our air quality by encouraging the use of rail transportation, it is unthinkable to allow the piecemeal abandonment of rail lines on the eve of the adoption by Congress of a comprehensive program to preserve essential rail routes in the Northeast. There will be no hope of restoring needed passenger-train service between New York City and Chatham or between Albany and Boston if these links are cut. I intend to oppose vigorously any abandonments of such important rail connections in New York State”.



**NATIONAL ASSOCIATION
OF RAILROAD PASSENGERS**

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'TIE R.R. PAYMENT TO SERVICE' --ROGER LEWIS

(Editor's Note: Testimony of Roger Lewis, president of the National Railroad Passenger Corporation (Amtrak) at the Senate hearing on "Amtrak Oversight and Authorization" ran 186 typewritten pages. Obviously, all of it cannot be reproduced in NARP NEWS, but excerpts are presented here. Also quoted are some questions and remarks of U.S. Senator Vance Hartke, who is chairman of the Surface Transportation Subcommittee).

Mr. Lewis. Although the DOT report quite candidly details the problems we have faced and still face, the report's conclusion reaffirms my belief that we have been making progress and that the concept behind the creation of Amtrak is sound. During our first two years we have taken over the responsibility for rail service operations, assembled a staff that continues to acquire increasing competence, and made a number of train, station and service improvements.

The yearly decline in train ridership that continued for decades has been reversed on many of our routes and started on the uptrend...

On April 11, 1973, the ICC, acting pursuant to an order from Judge Fullam, had already commenced a rule-making proceeding on the subject of Amtrak-railroad compensation. In this proceeding the ICC is to advise Judge Fullam of a "formula" by June 15, 1973.

Penn Central is proposing before the ICC a reimbursement of costs by Amtrak on a "fully shared" or fully allocated basis plus an allowance for return on investment.

If the ICC adopts this proposal Amtrak's costs could be very substantially increased.

There is further danger that this "formula," if imposed on Amtrak, could be applied to other railroads, resulting in further very substantial additional increases in cost...

Amtrak is vigorously opposing the ICC's action and the Penn Central position. Amtrak takes the view that the question of compensation for services cannot be considered apart from the quality and value of the services received from the railroads. It is further Amtrak's position that the Congress intended in enacting the Rail Passenger Service Act of 1970 that this railroad avoidable cost of passenger service would be the theory of the compensation arrangements between Amtrak and the railroads.

Since the Commission's present action strikes at the heart of Amtrak's relations with the railroads, Amtrak is taking a strong exception to the Commission's rulemaking procedure. Amtrak believes that the amount of payments to the railroads must be tied to the cost, value and quality of the service provided and that the compensation arrangements must include guaranties of performance in the form of penalties for poor performance and incentives to motivate and reward superior performance by a railroad. These matters are of such fundamental significance that they cannot be disposed of by a simple change in the basis of compensation without a thorough examination of the principles, the history of performance by the railroads and a consideration of other aspects of the entire operating contract...

During fiscal year 1974, Amtrak expects to make its first purchase of new passenger cars. We anticipate that the \$15 million budgeted for this purpose will enable us to acquire about 50 new cars. These cars would represent the beginning of a regular replacement program for the older Amtrak cars...

Probably no other problem facing Amtrak is as potentially troublesome as the need for improved track and related facilities, not only to accommodate advanced equipment, but to improve the ride and schedule speeds of the conventional trains as well. Although improving track can take large amounts of money, selective improvements permitting better running times and smoother rides can increase revenues and reduce deficits. Track standards are promulgated by the Federal Railroad Administration and can provide a basis for a realistic apportionment of improvement and maintenance costs above the level the railroads are required to supply...

The first of these [reservation centers] was built at Bensalem, Pennsylvania, in the Philadelphia area and went into operation with the computers in Washington on April 15, marking the inauguration of the new system for actual use by Amtrak's customers in the Philadelphia area. After expansion of the Bensalem center's service area to include the region from Washington to Boston and Montreal (which is scheduled for completion by July 8), the second regional center, at Jacksonville, Florida, will be phased into



Mr. Lewis

the system. By the end of 1973 all the Eastern half of the United States will be served. Completion of the system expansion nationwide will take place during 1974...

In summary, as a result of our first very experimental years of operation, we now have good indications that there is indeed a future for intercity rail passenger service. Now we can enter a new and much more hopeful phase of operations. Much remains to be done and many questions remain to be answered, but the passenger train is no longer in danger of being pronounced prematurely dead. Revenue and growth potential has been found in long-distance as well as in high-density corridor service. During our first two years we have made some improvements, but many of our major efforts, now well underway, have not yet had a chance to yield the real benefits we expect. The battle is far from over, and to succeed we will need a continuity of funding, planning, investment and action. The legislation that has been proposed here represents another major step in filling out the Congressional intent expressed in the original Act...

Earlier in my statement, I called attention to a contingency which might have serious impact on our financial plan for 1974 and referred to the action initiated on April 11 by the ICC in response to an order from Judge Fullam and the Joint Petition filed by the Penn Central and ourselves with the ICC on May 11, 1973. This deals

with the question of cost reimbursement under our contract which is reopenable after July 1, 1973.

Another very significant dimension to this contingency was added by Mr. Stephen Ailes, President of the American Association of Railroads.

In it, he expressed the view that all of the participating railroads were of the opinion they were not being adequately reimbursed for the services rendered Amtrak and expressed the opinion that this deficiency for the railroads other than Penn Central was approximately \$52 million annually. You will also recall that in your questions to Mr. Ailes, it was developed that Penn Central was thinking in terms of \$60 or \$65 million so that the total for all the railroads might be well over \$100 million per year.

While it is true that, as of this morning, no railroad other than Penn Central has served such notice, we must recognize the probability that whatever is decided for Penn Central will ultimately be sought and might be granted to the other railroads in accordance with the contract and made retroactive to July 1, 1973. That is for this full fiscal year.

Senator Hartke. I want to come back to that in a moment, Mr. Lewis. Let me say that with the testimony you have submitted today and with the information we received from you the day before yesterday I think it becomes quite apparent that there is a basic fault in the present system.

What I feared at that time and which is occurring now is that the emphasis is still on the financial side instead of on the service side. Now, [the government] has a Sky Lab failure on our hands up there. That cost \$2,525,000,000.

If we can spend \$2,525,000,000 on a system that fails—and one that is not even going to move anything except two or three people around—I find us talking about a penny ante operation here...

Senator Hartke. I don't think you can expand unless you have adequate financing to do the job. I think you are still trying to go ahead and operate a Toonerville Trolley...

Mr. Lewis. Vast amounts of money would be required to make a significant improvement in right of way; and the estimate in the northeast corridor study for the piece between here and Boston is about \$300 million. There are other estimates that are up to \$1 billion...

Mr. Lewis. We feel this money [\$50 million]—this first money for right of way improvement should be spent on the high density track where speed is very important and has a high effect, and that is on the track between here and Boston; that is on the track from Chicago to St. Louis; Chicago to Detroit; Chicago to Cincinnati, and so forth. It is in these corridors where the problem is most acute, where the payoff is greatest that we want to spend the first money...

Mr. Lewis. The administration has impounded \$10 million of funds appropriated for Amtrak. This consists of 9.1 million in supplemental appropriations enacted October 31, 1972, plus an additional 900,000 in appropriations previously enacted. It includes 3.3 million for one additional year of operation on the Southern Montana and the Parkersburg experimental services. The Parkersburg service has been discontinued, but Amtrak is continuing to operate the Southern Montana service using funds planned for other uses. It includes 1.2 million for the

Amtrak Files Against L&N For Late Late Trains

In the first case of its kind, Amtrak has accused a railroad of operating one of Amtrak's passenger trains so late that the government-financed corporation has suffered loss of reputation.

The case was filed by Amtrak against the Louisville & Nashville Railroad, a subsidiary of Seaboard Coast Line Industries, before an arbitration panel. The government-supported passenger train corporation wants L&N to pay \$1.2 million in damages.

If Amtrak wins the case, officials believe it would be taken as a warning against other railroads that are giving Amtrak shoddy service.

This case—one of 18 Amtrak has so far filed before the national arbitration panel here against some of the 15 railroads that run its trains—involves the Chicago-Florida "Floridian" passenger train. L&N operates the segment between Louisville, Ky., and Montgomery, Ala.

Amtrak contends that the train lost an average of two hours and 13 minutes a day on the 490-mile segment over which L&N operates it during the first three months of this year. The train schedule, including stops, is supposed to operate at an average speed of 47.33 miles an hour. The lateness reduced this average to 38.91 miles an hour — making it about two hours slower for the trip than competing bus lines.

A major cause of the delay was interference from freight

trains. This accounted for 14 percent of the delay in January, and 22 percent in February.

The delays, Amtrak contends, "are attributable to freight train interference, bad dispatching and laxity in supervision."

Amtrak pointed out that patronage of the Floridian has been small — only 57 passengers aboard the train at any one time — and the poor performance has led to the conclusion by the Department of Transportation that the route is a hopeless loser and ought to be discontinued.

Amtrak asked the National Arbitration Panel not only to force L&N to provide better on-time performance — as called for in the railroad's contract with Amtrak—but also to require monthly reports on steps taken to improve passenger service. It also asks for "damages for loss of reputation for the Floridian train and to Amtrak, for loss of potential revenue and for added operating costs" totaling \$1.2 million.

The case is part of a continuing hassle Amtrak has been having with the railroads that operate its trains for the two years since it has been in existence. All are handled by the arbitration panel.

Among the issues is an accusation by Amtrak that nine railroads that own the Kansas City Union terminal have been overcharging Amtrak by about \$100,000 a month for two years — a total of \$2.4 million.

(continued from Page 2)

first year's anticipated losses from the operation of the three international services.

Amtrak is operating these services using funds planned for other purposes. It is also including 4.6 million for a proposed new experimental service in the San Joaquin Valley and operating the Mexican service via Little Rock. These two services are not being operated pending release of funds.

Senator Hartke. Would you object to an amendment to the act which would prohibit impoundment of funds?

Mr. Lewis. Senator, of course not. . . .

Senator Hartke. The Penn Central Railroad has asked for reimbursement to the extent of 32 million; is that correct?

Mr. Lewis. No, I think that's wrong, Senator. We, of course, do not know what the figure will be because this is a claim made before the ICC. But we understand that the total, what they are thinking about, is about \$65 million; and about half of that would be for cost reimbursement based on a new theory of reimbursement, and about half would be for the use of the property, what we call the ownership cost. It would be about \$65 million. That is our estimate. That would be an annual figure, of course.

Senator Hartke. The 65 million is a total figure, then?

Mr. Lewis. Total figure for Penn Central. . . .

Senator Hartke. We have to modify our figures more than we have already. What do you think if the other railroads come in, what do you think that would amount to?

Mr. Lewis. We think it would be about an equal amount. We would use the same cost formula.

Senator Hartke. So you are talking about — if they were all successful in making their claims in the amounts which you have indicated—you are talking about instead of a budget of 93.5 million, about a \$223 million budget instead; is that correct?

Mr. Lewis. Over 200, yes. . . .

Mr. Lewis. Senator, I feel that—first let me say that I think the contract we have is an unsatisfactory contract. First, it is a cost reimbursement type contract, not cost plus or per-

centage of cost, nothing like that; but we reimburse the railroads for the costs of performing the passenger services that we require from them. There are no provisions in it for performance enforcement, penalties or bonuses for operating good. All railroads are treated alike and they don't operate alike. It has payment features I don't like. We are billed two months later and we have to go through an elaborate audit procedure to check the bills. It is an unsatisfactory contract. It is a cost-reimbursement type contract.

It's been my view that any discussion of compensation would have to be related to a change in both the practice under the contract so that we could control costs, and then also a better provision for payment. . . .

Senator Hartke. Let me ask you the bigger question suggested by Mr. Ailes: That was that he suggested nationalization of the passenger service system. What is your comment?

Mr. Lewis. Senator, I don't really have a comment or want to make a comment about nationalization versus not nationalization. I really am trying to operate Amtrak.

Senator Hartke. I know that. . . .

Mr. Lewis. I think the real question here from our point of view in trying to run a better service is not the question of the ownership of the corporation but the control of the track. . . .

Mr. Lewis. This is a consumer business. The payoff is the cash register and the cash register is tinkled by a rider.

I am disappointed that the consumer representative has not been appointed to the board of directors and I am very anxious to set up a consumer council. I don't have the details of it worked out, but I think it is a very good idea and we intend to do it. . . .

Mr. Lewis. We have now taken over, will have by the end of this month, about 2500 people from previously employees of the railroads. These people are now on the Amtrak payroll. Generally speaking these are the people who sell tickets, who work in the terminals, reservations, et cetera.

We have taken over the station people. These people from the railroads pretty much completely in the western railroads and we are in the

process now of rounding that out with Penn Central which is our biggest user and we ought to have that pretty well along this year. I think in those areas that we are going to have probably altogether 4000 people on our payroll by the end of this year. . . .

Senator Hartke. Mr. Haswell indicated that the DOT had a hold on rebuilding the cars; is that true?

Mr. Lewis. No, that is not true. There is no hold.

Senator Hartke. What about mail? Will you carry more mail in the future?

Mr. Lewis. Yes, sir. We have a very aggressive program. We are carrying more now than we did a year ago. . . .

Senator Hartke. The Committee has received reports that Southern Pacific is fighting your attempt to institute auto-train service from Seattle to California. Is that true?

Mr. Lewis. Yes.

Senator Hartke. Do you need additional authority to make your rights on this clear?

Mr. Lewis. That might be necessary, Senator, after we have seen how we come out in court on this. The Northern Pacific takes the position that it is a freight car and that it has to be carried on the back of—well, it has to be carried on the back because that is the only way you can get the cars on and off.

But somebody has found an act in the California statute that says you cannot put a freight car on the end of a passenger train, so we have to take that to the California courts and find out who is right about it.

Senator Hartke. When do you anticipate a ruling?

Mr. Lewis. Probably a year or more.

Senator Hartke. In the meantime you cannot run an autotrain; is that correct?

Mr. Lewis. That is correct. (As far as California is concerned).

Senator Hartke. What about the corridor suggestion made by Mr. Ailes? If you recall, he suggested it be acquired by separate corporations which in turn would deal with Amtrak.

Mr. Lewis. Well, Senator, I think it would be — I would certainly support Mr. Ailes as I heard it expressed. . . .

Bus Operators Want Unified Stations With Amtrak 'In Every City Possible'

Plans are underway for a unified station in Washington, D.C., for railroads, the Washington Metro and motor buses.

Construction for the Metro station to be connected to Union Station has been proceeding for some time. No plans were believed to be developing for a bus station.

Charles A. Webb, president of the National Association of Motor Bus Owners, recently revealed that negotiations are taking place between the group, the Department of Transportation and the Department of the Interior for an "intermodal passenger terminal" at Union Station.

Washington local buses would also utilize the station. Thus, four methods of transportation would meet at Union Station in a system which is not uncommon in Europe but is a breakthrough for passengers in the U.S.A.

Mr. Webb said, "Our members fully agree that in every city where possible for Amtrak and for the buslines to share the cost of constructing and operating a terminal, that certainly they ought to do so.

"I think also that our members and the Amtrak Corporation ought to work out joint rate and through route arrangements so you can go to an Amtrak station and buy a ticket to any destination in the United States using bus if necessary as part of that transportation."

Southern Pacific Gets \$82,000 Handout For Its Two 'Farms' In California

Southern Pacific Railroad, which continues to provide difficulties for railroad passenger service, meanwhile is accepting a handout from Uncle Sam for farm subsidies.

Congressman Silvio O. Conte of Massachusetts recently inserted the following remarks in the Congressional Record concerning this activity:

Mr. CONTE. Mr. Speaker, fat cat farmers are not the only ones making tracks to the taxpayers' trough.

A wealthy railroad and a small municipal airport also hauled away hefty farm subsidy payments in 1972.

The Southern Pacific Railroad whistled away with \$82,000 in subsidies last year for two "farms" in California.

And the municipal airport of Kearney, Nebr., flew off with a farm subsidy of \$25,000.

Collecting fat farm subsidies may be a better way to travel for railroads and airports, but it is the taxpayer who is being taken for a ride.

FRIENDS OF THE RAILROAD PASSENGER

Congressman Thomas L. Ashley

In a letter to NARP member Ray Murnen of Toledo, Ohio, Congressman Ashley recently stated his dedication to the concept of "balanced transportation" with strengthened railroad passenger service.

"I have become more and more convinced over the years that one of the great unmet needs of our nation is the development of a balanced transportation system. Strangely enough, such a system existed until shortly after the turn of the century, with railroads, barges and surface highways providing a highly integrated system," he stated.

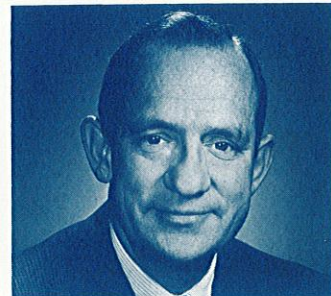
"In recent years, however, enormous emphasis and investment have been directed toward the use of our highways and airlines, very much to the prejudice of the railroads. You can count on my support of any legislation to correct this imbalance."

Congressman Ashley fought for inclusion of Toledo in the basic Amtrak network. In a statement before the House, he said: "As the staggering highway death tolls continue to increase and as our airports become more and more congested, we recognize ever more clearly the need for a balanced transportation system and the essential role of rail passenger transportation in such a system. How quickly this can be achieved will depend in large measure on the care and consideration that is given to selection of the cities to be included in the routes soon to be established.

"As an advocate for Toledo, I have tried to stress the importance of the contribution that our community can make if it is included. But from the standpoint of the Nation, the really important task is to move forward effectively in establishing rail passenger service as a component of a balanced transportation system."

Mr. Ashley was born in Toledo in 1923. He served in the Pacific during World War II. After the war, he attended Yale University, where he received his B.A. in 1948.

He attended night law school in Toledo, transferred to Ohio State University, where he received the LL. B. degree in 1951. On Nov. 2, 1954, he was elected to Congress for the first of 10 terms.



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