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Northeast corridor safe for Amtrak monopoly

By Kenric Ward

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A congressman's proposal to give Amtrak some private rail competition in the congested northeast corridor could be going off the tracks before it starts.

U.S. Rep. John Mica, R-Florida, says he wants to jolt the "Soviet-modeled monopoly" by opening competition for high-speed service between Washington, D.C., and Boston. His plan sets maximum trip times of 2 hours between D.C. and New York City, and 2:45 between New York City and Boston.

Bids would be received and awarded by the U.S. Department of Transportation.

Amtrak, which runs its high-speed Acela line and other trains in the Northeast, declined to comment to Watchdog.org. But at least one transportation expert calls Mica's proposal "a non-starter."

While Amtrak claims to make money on the highly traveled corridor, Randal O'Toole, a researcher for the free-market Cato Institute, said the passenger rail line "covers its operating costs partly by shifting a lot of those costs to 'maintenance.'"

"Then, in violation of generally accepted accounting principles, (Amtrak) redefined maintenance as a capital cost rather than an operating cost," he said.

O'Toole told Watchdog.org that Amtrak "charges really high fares for the Acela, but shares the costs of the Acela with slower regional trains."

Acela's one-way fares between D.C. and Boston (440 miles) range from $266 to $432 and trips take 6 ½ hours. Many of the train's nine daily runs are sold out days in advance.

"Any private operator would have to pay its share of maintenance costs and also would have to cover all of the costs of stations, ticket sales, baggage handling, etc., itself," O'Toole said.

"I don't believe that even a private operator could make a profit unless it had all of the trains, not just a competitive selection. Even then, it probably wouldn't earn enough money to do things like make major bridge replacements and other capital replacements."

Ironically, the corridor's congestion might work against a privatized venture. Obtaining rights of way and laying additional tracks would be costly, if not impossible.

"The northeast corridor has limited capacity, and it is currently at or near its limit," O'Toole said. "For a competitor to add a new train, Amtrak would have to give one up. It isn't like a bus operator who would share highway lanes with other buses and cars."

In fact, Amtrak's Acela train cannot sustain its advertised 125-mph speeds because of rail-line congestion and station stops.

Most damaging to Mica's vision is what O'Toole calls the veteran congressman's "sop to the unions." The Floridian's proposal would require any private competitor to "guarantee the same wages, benefits and retirement as Amtrak."

"This greatly reduces the ability of private operators to earn a profit," O'Toole said, dismissing the notion that outside investment could enhance commuter, freight and Amtrak service itself.

The Cato transit expert agrees that as the most heavily traveled section of the United States, the D.C.-Boston route offers the best prospect for making money.

"I agree with Mica that private operators could save money and make near-profitable forms of transportation into truly profitable forms. But I don't believe the northeast corridor is that close to being profitable, and I do believe that having multiple operators won't work," he said.

O'Toole pointed to a failed privatization effort in England.

“Britain tried it with one private operator managing the infrastructure and one or more running the trains. It didn’t work. The private infrastructure operator wasn’t able to earn enough to keep it in a state of good repair,” O’Toole said.

Mica, former chairman of the House Transportation Committee and current chairman of the Transportation and Public Assets Subcommittee, did not respond to Watchdog.org’s interview request.