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Stop the Train! No More COVID Bailouts for Amtrak

Ross Marchand

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Since the start of the pandemic, millions of businesses have lined up for federal loans to help them weather temporary interruptions in operations. Then there's the National Railroad Passenger Corporation, aka Amtrak. The rail entity has been poorly managed and taken lavish taxpayer subsidies for years yet still wants a handout. Congress awards Amtrak nearly \$2 billion per year in subsidies, in addition to more than \$200 million from states. And now, the rail corporation wants even more money from taxpayers despite a long history of mismanaging allocated dollars.

It's time for Congress to reevaluate existing subsidies to Amtrak, rather than putting taxpayers on the hook for large bailouts with little accountability.

By now, Congress is used to hearing Amtrak's federal funding appeals. In March, lawmakers awarded the taxpayer-financed company \$1 billion to offset its coronavirus-related losses. Yet according to Amtrak, this wasn't nearly enough to keep. CNBC reports, "U.S. passenger railroad service Amtrak said on Tuesday it needs a further \$1.475 billion bailout and disclosed plans to cut its workforce by up to 20% in the coming budget year. Amtrak said it also plans to reduce its operating costs by approximately \$500 million." These reforms are supposed to reassure taxpayers and policymakers, but in reality, these moves would hardly paper over Amtrak's years of mismanagement. In fact, on the eve of the pandemic, only 11 out of 45 Amtrak's routes were showing a profit.

The Chicago to St. Louis corridor offers a useful glimpse into the mentality of Amtrak's management. For the past few years, Amtrak has been busy spending \$2 billion on a route from Chicago to St. Louis. To be clear, this route already exists. Passengers currently can choose between a 5.5-hour rail journey between the two cities, an hour-long flight, or a 4.5-hour drive. Amtrak is throwing hard-earned taxpayer dollars into making the route slightly faster, reducing the journey to 4.5 hours instead of 5.5.

Amtrak regularly pours untold sums of money into route improvement, which in theory is not a problem. In the private sector, companies choose to double down on different service lines and operations every day. But for companies that don't have regular access to taxpayer dollars, these investments had better result in increased consumer satisfaction or the business could go belly-up. Amtrak is insulated from these profitability pressures and uses a tortured accounting system that fails to realistically account for profits and losses. As Cato Institute scholar Randal O'Toole explains, "Amtrak counts subsidies it receives from 17 states as 'passenger revenues' even though the vast majority of taxpayers who pay those subsidies never ride Amtrak." Its routes thus look successful on paper, even if consumers by and large avoid them and taxpayers are left footing the bill.

O'Toole also points to an even more glaring error in Amtrak's accounting—the rail corporation fails to take depreciation into account. Assets tend to experience wear and tear over time, and

train cars are certainly no exception. Asset depreciation is a key contributor to maintenance costs and pivotal for calculating profitability. Yet Amtrak's investors (read: taxpayers) would be hard-pressed to find any mention of depreciation in the corporation's financial press releases.

According to O'Toole, properly accounting for depreciation brings Amtrak's total losses to \$1.13 billion in 2019 (38 times the amount the amount claimed by Amtrak).

Despite covering up their losses with accounting tricks, taxpayers are expected to take Amtrak at their word that they will decrease operating expenses by \$500 million and winnow down their workforce by 20 percent. Even if that were true, lawmakers would have little recourse if Amtrak, say, used the bailout funds to reduce the route time of its Chicago-St. Louis line by another hour.

Instead of continuing to play along with these tired accounting games, Congress should consider phasing out the rail service's federal subsidy and finally expose Amtrak to market forces.

Ross Marchand is the director of policy for the Taxpayers Protection Alliance.