



Amtrak is no Way to Run a Railroad

BY RICHARD W. RAHN

GOVERNMENT MONOPOLIES OFTEN GO OFF THE RAILS

If taxpayers suddenly stopped subsidizing Amtrak, what do you think would happen? Before trying to answer that question, it is useful to review U.S. railroad history. The first railroads were built in the United States in the late 1820s, and by 1900, only 70 years later, almost every town in the country had rail access. Railroads were high tech, the Internet of their time. The system was built and profitably operated by private companies.

Amtrak and the modern freight railroad companies use the infrastructure that was built long ago. The 180-year-old privately built Canton Viaduct (a stone bridge) in Canton, Massachusetts and the 100-year-old Hells Gate Bridge over the East River in New York are still used by Amtrak. The investor-owned Pennsylvania Railroad built the hugely expensive railroad tunnels under the Hudson River in 1908, which were technological wonders of the time. They are still used by all of those who ride Amtrak from New Jersey to New York. (As an aside, I found it rather ironic when President Obama claimed that private business only succeeded by using government

infrastructure — "you did not build that" — when, in fact, government mostly uses privately built infrastructure.)

Once the railroads were built, state and local governments began heavily taxing every mile of track and other railroad facilities, and the federal government imposed endless regulations, including regulating fares. The predictable result was that expenses grew faster than revenues — causing deferred capital spending and maintenance. Eighty years ago, trucks, automobiles and airplanes began to lure away rail's customers. As a result, the rail industry began a death march after World War II. Railroad companies ripped up thousands of miles of track to save on expenses and tax levies. Today, the United States has a fraction of the number of miles of railroad tracks compared to what it had 100 years ago. Route mileage peaked at 254,251 miles in 1916 and fell to 139,679 miles in 2011.

By the late 1960s, most of the nation's railroads were in deep trouble as a result of new forms of competition, disastrous tax and regulatory policies, and inflexible unions. In 1971, the federal government created Amtrak as a government corporation to operate intercity passenger rail service. Freight rail was finally deregulated in 1980, now resulting in the most efficient and profitable freight railways in the world.

Amtrak has eaten through more than \$45 billion in taxpayer subsidies in its 44-year history. The only line it has that it claims to be profitable is the Northeast corridor from Washington to Boston, which was shut down for six days following last week's fatal train crash near Philadelphia. It is widely acknowledged that Amtrak is poorly managed — as are most government enterprises — but nothing is done about it by either the administration or Congress. Amtrak even manages to lose money on its food service, which is hard to do when one has a captive market and serves only mediocre food at high prices.

Studies show the government could save money by giving away airline tickets to everyone who rides some of the

long-distance Amtrak routes because the subsidy per passenger exceeds the cost of an airline ticket over the same route. It is no surprise that many of those who call for more taxpayer spending on Amtrak are the affluent media and political folks who frequently travel between New York and Washington. (To pay for their subsidies, they seem to have no trouble taxing lower-income folks in much of America who have no access to Amtrak.)

The rail tunnels under the Hudson River are now more than a hundred years old and will need to be rebuilt or replaced. Many members of Congress are calling for billions of taxpayer dollars to be spent to rebuild these tunnels. Yet we have many examples of private companies that are willing to invest in transportation infrastructure, such as bridges, tunnels and roads, when they are allowed to charge market prices for use of the infrastructure. No taxpayer dollars need be spent.

Again, if the subsidies were eliminated, what would happen? All of the trains now operated by Amtrak, other than the Northeast corridor, would cease operation. But then many private entrepreneurs would buy up some of the rail cars, or buy new ones, and make contracts with the railroads to run trains over their tracks (Amtrak uses the private railroad companies' tracks). Private passenger rail companies might well successfully compete with airplanes, buses and cars on some routes by providing luxury services with great dining cars as an alternative transportation experience, as they do in other parts of the world. We now know that a socialistic, government-regulated, -taxed and -operated passenger rail does not work. So let's get rid of Amtrak and its taxpayer subsidies, and see what magic free-market rail entrepreneurs might create.

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