

Downs Leaves Amtrak

Amtrak President Thomas M. Downs resigned unexpectedly December 10. The next day's *Washington Post* reported that he was "apparently pushed out during a two-day meeting of Amtrak's board." In the story, NARP President John R. Martin was quoted thus: "I'm surprised at the timing. I hate to see the continuity interrupted when some of the building blocks have now been put in place." He was referring to the successful passage of the Amtrak reauthorization and access to new Roth capital funding. Also on December 11, *The New York Times* cited Martin's comments that Downs deserved praise for working tirelessly to put Amtrak on a stable footing. Downs' resignation took effect immediately.

The board named George Warrington, president of the Northeast Corridor Business Unit, as acting president. Stan Bagley, Vice-President—Customer Service of the Northeast

Corridor, is acting president of the Corridor.

Among Downs' final actions were appointment of Lee Bullock as President of the Intercity business unit; Bullock had been acting president since Mark Cane's departure September 30. Ron Scolaro, who had been Chief Administrative and Operating Officer at Amtrak West, was appointed Vice-President—National Operations, replacing Robert VanderClute, who left Amtrak November 14 to become a vice president at the consulting firm Parsons Brinckerhoff.

Though the present board has a search committee, it is not clear whether this board or the new one that must be seated by July 1 would appoint a "permanent" new CEO. ■

The Downs Legacy

Thomas M. Downs played a vital role in getting Amtrak through perhaps its most difficult period. He arrived December 7, 1993, in the wake of Amtrak's worst accident and with Amtrak facing a cash crisis. His departure followed a successful effort to reauthorize Amtrak and unlock an unprecedented amount of capital funding for the railroad.

Amtrak's working capital ratio (current assets divided by current liabilities, a rough indicator of available cash and a company's financial health) rose from 1.44 in fiscal 1984 to 1.53 in 1988, but fell the next six years, to 0.47 in 1994.

In that year, terrible, safety-related publicity hurt Amtrak's revenues. The September 22, 1993, *Sunset Limited* tragedy likely increased publicity given later grade-crossing and other accidents. Amtrak became the butt of late-night TV monologue "jokes." In 1994, the National Transportation Safety Board's hearing on the *Sunset* was June 21, the Board adopted its final report September 19 and Secretary Peña's highly visible "U.S. Rail [safety] Summit" was September 30.

Topping it off, Amtrak took an estimated \$20 million hit in 1994 passenger revenue due to the new smoking ban on all short-distance and some long-distance trains; and *San Diegan* revenues were hurt (for a good reason—track improvements).

The cash problem set the stage for the long-distance frequency reductions and the short-distance route cuts Downs announced in December, 1994.

Increased state funding saved the short-distance routes and Vermont funded a new service to replace the *Montrealer*, but Downs quickly acknowledged that giving states only a few hours' advance notice of the public announcement of service cuts was a serious mistake.

Ultimately, Downs was praised for greatly improving relations between Amtrak and the cities and states. He regularly

RESTORATION AT INDEPENDENCE



—Pete and Carolyn McMasters

An October 4 grand opening marked the completion of a \$450,000 restoration for the historic Amtrak depot at Independence, MO (shown above in April during the Flexliner demonstration), according to the Missouri-Kansas Rail Passenger Coalition. The building had been closed since a fire caused by vandals in February, 1995, nearly destroyed it. Amtrak passengers now may wait in the former baggage room on the east end of the building, with volunteer staff present at train times. Served by Amtrak's St. Louis-Kansas City trains, the station is associated with President Harry S. Truman, whose home town was Independence.

Other Missouri station projects are advancing. At Sedalia, a civic group has a \$17,000 grant from the Great American Station Foundation and a \$25,000 commitment from Missouri DOT to go toward moving the Amtrak stop from a bus-stop shelter to the old, closed MP station (pending acquisition from owner Union Pacific).

At St. Louis, where Mayor Clarence Harmon said at the RailVolution conference in October that construction would start next summer on a new intermodal terminal, replacing the "temporary" trailers used by Amtrak since vacating Union Station in 1978.

A plan to move Amtrak back into Kansas City Union Station (June *News*) depends on finding \$1.5-3.3 million in funding, according to the November 6 *Kansas City Star*.

(continued on page 3)

More on Amtrak Reform Act

President Clinton on December 2 signed into law the Amtrak Reform and Accountability Act of 1997 (the Amtrak reauthorization bill passed by Congress November 13 that derived from HR 2247 and S 738). It is Public Law number 105-134. There was a small signing ceremony at the White House.

Our last newsletter (Oct.-Nov.) outlined the factors delaying passage of the bill until late in the fall—and the factors allowing compromises on key issues that led to passage of the act. The newsletter explained that enactment of this bill gives Amtrak access to the “Roth” capital money in the Taxpayer Relief Act of 1997. The Amtrak Reform Act’s provisions on labor (see clarification on page 4 of this issue), liability, and the Amtrak board of directors also were outlined in our last issue (box, p. 3). Here are some of the act’s other provisions:

• **Amtrak Reform Council.** By January 1, 1998 (a deadline not likely to be met), a Council of 11 members will be appointed without Senate confirmation. One will be DOT Secretary Slater, two appointed by the President (for rail labor and rail management), three each appointed by Senate Majority Leader Lott and House Speaker Gingrich, and one each appointed by Senate Minority Leader Daschle and House Minority Leader Gephardt. The Congressional appointees may not be federal employees, board members or employees of Amtrak, or represent rail labor or management. They “shall have technical qualifications, professional standing, and demonstrated expertise in the field of corporate management, finance, rail or other transportation operations, labor, economics, or the law, or other [relevant] areas of expertise.”

The Council will evaluate Amtrak’s performance and investment of the Roth money, report to Congress annually, and make recommendations to Amtrak on cost and financial improvements. It will consider “Amtrak’s operation as a national passenger rail system which provides access to all regions of the country and ties together existing and emerging rail passenger corridors.” It will monitor savings from work-rule changes made after January 1, 1997.

Finally, the Council will tell Congress and the President, at any time after December 2, 1999, if it finds that Amtrak is missing its financial goals and/or will require operating grants after 2002. Within 90 days of such a finding:

- the Council would develop and submit to Congress an action plan “for a restructured and rationalized national intercity rail passenger system”; and
- Amtrak would develop and submit to Congress a liquidation plan.

Within the next following 90 days, Congress must adopt the Council’s action plan (or any other plan), or the Senate must vote on a “liquidation disapproval resolution.”

• **Authorized funding.** For the five-year period, fiscal 1998-2002, a total of \$5.2 billion is authorized for Amtrak capital and operations. That includes the \$0.8 billion already appropriated for fiscal 1998. An authorization is not “money in hand,” but sets ceilings which appropriators normally do not exceed. (The \$2.3 billion in “Roth money” is separate and requires neither authorization nor appropriation.)

• **Self-sufficiency.** “Commencing no later than the fiscal year following the fifth anniversary of [this act, i.e. fiscal 2004],

Amtrak shall operate without Federal operating grants.” This does not count “mandatory payments” (payments by Amtrak to the federal railroad retirement and unemployment systems in excess of Amtrak workers’ demands on those systems).

• **Independent Assessment.** The DOT must contract with an independent party to perform an assessment of Amtrak’s financial requirements through fiscal year 2002 and Amtrak bidding practises on contracts (excluding intercity passenger, mail and express); Amtrak must revise bidding practises if it is found to be doing contract work below cost. The contract for the assessment is to be signed by December 17. In reality, the contract—which will be with the DOT’s Inspector General—is expected to be signed in mid or late January.

• **Annual Assessment.** In any year Amtrak requests Federal assistance, the DOT Inspector General must do an assessment of Amtrak’s financial requirements.

• **Amtrak bankruptcy report.** By early June, 1998, the Comptroller General must report to Congress on the implications of an Amtrak bankruptcy.

• **Amtrak operations.** Amtrak is called upon to “operate a national rail passenger transportation system which ties together existing and emergent regional rail passenger service and other intermodal passenger service.” The advance notice Amtrak must give states and localities before discontinuing a route is doubled, to 180 days. The seldom-used requirement that non-Amtrak carriers get Amtrak’s permission to provide a new service on an Amtrak route is repealed.

• **State-supported service.** Section 24704—previously Section 403(b)—is repealed. This set forth minimum state shares of costs of “non-basic-system” trains. States and Amtrak now may work out their own deals (and have been for some time). States will have access to Amtrak records.

• **Thruway buses.** Amtrak may contract for connecting bus services only for passengers whose trip includes some rail travel.

• **Government travel.** “Federal employees are authorized to travel on Amtrak for official business where total travel cost from office to office is competitive on a total trip or time basis” (Sec. 109). This fixes a problem whereby the General Accounting Office sometimes authorized only air travel even when the train made more sense (e.g., between downtown Washington and Manhattan).

• **Applicable laws.** The Freedom of Information Act applies only in years when Amtrak “receives a Federal subsidy.”

• **Retention of facilities.** Before a railroad or regional transportation authority can downgrade or sell any facility Amtrak used on January 1, 1997 (or on February 1, 1979—a continuation of present law), the Secretary of Transportation must approve such an action. The new date covers *Pioneer* and *Desert Wind* tracks and stations.

• **Taxes.** Amtrak is now exempt from local taxes on its Beech Grove, IN, maintenance facility, ending an exception made in 1981, when Amtrak was excused from paying all other real estate taxes.

• **Waste disposal.** The deadline for installing retention tanks in Amtrak passenger cars built between 1971 and 1990 is extended five years, to October 15, 2001.

• **Interstate Rail Compacts.** Congressional pre-approval is given to states wanting to form compacts with the aim of improving intercity passenger rail service. ■

attended national meetings of the National League of Cities and the U.S. Conference of Mayors.

Similarly, he devoted more energy to improving relations with passengers. Always accessible and a good listener, he met almost monthly with NARP staff. He established ongoing passenger surveys that produce a monthly, numerical Customer Satisfaction Score for each route, each business unit and Amtrak overall. He also established Amtrak's first Customer Advisory Committee.

We sometimes wished he would devote more attention to the day-to-day operations, but the constant, intense pressure of political and funding issues may have precluded this.

He inherited an organization so centralized that people joked they needed to call Washington before going to the bathroom. Announcing his attention to "move decision making closer to the platform," he established business units headquartered in Philadelphia, Chicago and Oakland and gave them considerable latitude in developing relations and funding agreements with the states. This, and the selection of former state officials to head two of the units, also helped improve relations with the states.

Downs infused Amtrak with a stronger business discipline that likely is vital to Amtrak's survival in the current political and budgetary environment. Change was particularly obvious in the Chicago-based Intercity business unit after Downs hired Mark Cane as its president. Cane negotiated a performance-based contract with Illinois under which Amtrak assumes financial risks related to on-time performance and passenger revenues.

Cane decided more mail and particularly express revenues would be needed to let the long-distance trains survive the continuing drive to reduce Amtrak's operating-grant requirements. This in turn required daily operation of long-distance routes. That and the need to cut costs, the desire to reduce passenger confusion caused by so many less-than-daily trains, and other factors led to the controversial proposal un-

veiled in August, 1996, to restore daily service on key long-distance routes and offset the added train-miles by completely discontinuing the *Pioneer*, *Desert Wind* and *Texas Eagle*.

The result: strong opposition and a supplemental appropriation that kept those trains running six more months.

As the express initiative developed, Cane came to regard the *Texas Eagle* as crucial to that initiative. He and his staff worked hard and successfully to support efforts to get Texas to provide Amtrak a loan that would justify Amtrak's decision to continue the *Eagle* while express business was developed. The ultimate outcome was the recent announcement of the addition of a fourth weekly frequency on the entire Chicago-San Antonio-Los Angeles run, and plans for a fifth.

Less than a year after Downs took over, Republicans took control of both the House and Senate. Then-Senate Majority Leader Bob Dole talked about cutting everything in the federal budget "from Amtrak to zoological studies." Rail passenger supporters urged Republicans not to kill Amtrak but to focus on making it more businesslike.

Downs, a Democrat, got and kept credibility with key legislators on both sides of the aisle. Indeed, when House Transportation and Infrastructure Committee Chairman Bud Shuster (R-PA) learned his reauthorization bill would have excluded Downs from the new Amtrak board, Shuster changed it to include the CEO on the board.

When Downs took the view that Amtrak could not afford wage increases sought by the Brotherhood of Maintenance of Way Employees (and sure to be sought by other unions), the board took over negotiations in October. It remains to be seen whether Congress—or even the Clinton Administration—will support the funding anticipated by that agreement. Once the deal was done, even in private conversations with NARP, Downs strongly supported the entire agreement, including the enhanced productivity features *and* the pay raises. Given his credibility with key Republicans on Capitol Hill, he seemed the ideal person to "sell" the agreement there.

Nonetheless, it is widely assumed that Downs' stance on labor led to his downfall. The *Washington Letter on Transportation* reported: "Amtrak's unions openly sought Downs's ouster, although it is not clear that rail labor has thought ahead to the issue of who might be named to replace him that would be more acceptable to the unions, now that the GOP-controlled Senate will have the power to confirm or reject the nominations of the board that will choose the new president."

When Downs first took the job, his predecessor, W. Graham Claytor Jr., told him, "Whatever you do, save the system." Amtrak's next CEO must share Downs' extraordinary commitment to that goal. This person also must be well-qualified and able to fill Downs's "big shoes" in general, be able to please the present White House *and* Congress (a tall order indeed!) and, of course, be acceptable to the board. ■

"ONE PER-CENT" FUNDS; MAINE BOND

Under the Taxpayer Relief Act, each state without Amtrak service gets 1% (\$23 million) of the law's Amtrak capital funds, to be used for intercity passenger rail and intercity bus projects. (Some legislators want to change the law to add eligible uses.)

Meanwhile, Maine voters just approved a \$56.8 million bond issue, some of it for passenger rail:

- **The expected Boston-Portland Amtrak run (April News) will get more 79 mph running (\$2.5 million).**

- **The Boston-Portland service would be extended to Freeport (home of many outlet stores but few parking spaces) and Brunswick.**

- **The Brunswick-Rockland (Acadia National Park) branch will be upgraded to as much as 59 mph (\$1.8 million in bond funds; \$4.6 million from ISTECA Congestion Mitigation funds).**

- **Portland-Bethel grade crossing protection will be improved so winter ski trains can resume (expected after Boston-Portland service begins).**

1998 AMTRAK CALENDAR

The *Crescent*, shown at Manassas, VA, in a watercolor by Ted Rose, is featured on the 1998 Amtrak 12-month wall calendar. They are available from Amtrak Calendar, P.O. Box 7717, Itasca, IL 60143. The cost is \$6 (or 2 for \$10, 3 for \$14, and less for higher amounts), allow two weeks for delivery.

TRAVELERS' ADVISORY

Stations—Fostoria, OH, was restored as a *Three Rivers* stop with trains originating December 14.

Paso Robles (CA) was moved from the ex-SP station to a new, intermodal station nearby with a longer platform and local transit and Greyhound service.

The *fourth Seattle-Portland train* is likely next April.

Thruways—Amtrak and Greyhound on November 18 began a Washington (Union Station)-Dulles Airport-Warrenton-Charlottesville (Union Station) route. Two daily trips run into Washington (three out).

Also in November, Amtrak and TNM&O Coaches started Pueblo-Colorado Springs-Denver service, connecting with the *California Zephyr* (both ways).

Transit—The San Diego Trolley was extended 6.1 miles November 23 from Old Town to Mission San Diego ("Mission Valley West" extension, via Fashion

Valley Transit Center and Qualcomm Stadium).

Maryland's MTA opened three new light rail stops December 6: Penn Station (Amtrak/MARC), BWI Business District and BWI Airport (at new international terminal, not Amtrak's station). The Penn-BWI ("Yellow") line uses much of the main ("Blue") line, but the new stops have service every 34 minutes (timetables available!).

A new Plymouth terminal opened November 30 on the Massachusetts Bay Transportation Authority's new Old Colony line (the majority of trains still serve the Kingston terminal, but some go instead to Plymouth).

Internet—Amtrak is participating in a six-month trial (started November 4) with the Microsoft Expedia.com web site <<http://expedia.com>>. Expedia.com is a site for people doing their own travel research and making their own travel and hotel reservations. Amtrak information is featured prominently.

CLARIFICATIONS TO OUR LAST ISSUE

• The ban on contracting-out at Amtrak becomes negotiable no later than November 1, 1999, but could be included in the current negotiations if both parties agree. [November 1999 is when Amtrak's new contract—now ratified and approved—with the Brotherhood of Maintenance of Way Employees may be reopened.]

• Our discussion of one-time highway funding in 1997 (p. 2) left out \$150 million for state infrastructure banks and understated by \$60 million the additional money for regular highway programs. Excluding all "one-time" fundings produces a 1997 federal highway spending level of \$19.5 billion and, as we reported, makes the 1998 level 20% higher than the 1997 level.

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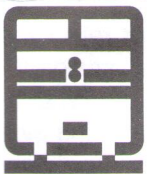
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