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# Roth Gets \$2.3 Billion in Amtrak Capital In "Tax Fairness Act"

## Will Amtrak Get the Money, Its Key to Survival?

### Labor Spat Stands in the Way

Thanks to the indefatigable William V. Roth, Jr. (R-DE), chairman of the Senate Finance Committee, the widely publicized Tax Fairness Act of 1997 provides Amtrak with \$2.3 billion in capital funding. That is the same amount as the "half-cent" language for which the Senate voted 77-21 on June 27 (July News).

The tax bill (which likely will be law before you read this), gives Amtrak the \$2.3 billion *only if* there is a new Amtrak authorization law—a condition required by many Republican leaders in Congress. In 1995, the House voted overwhelmingly (406-4) for an Amtrak reauthorization (HR 1788), with reform language which rail labor supported.

(continued on page 2)

### EXPANSION IN VIRGINIA



—John P. Stith

Amtrak Northeast introduced the *Twilight Shoreliner*, a new Boston-Newport News overnight train, July 11. The Viewliner sleeper shown above is specially decorated for this service.

July 26 was "Try the Train Day" in Virginia, with half-price tickets on the Washington-Newport News route. There was much advance publicity, lots of passengers, and events at staffed stations in Virginia (including a Virginia Association of Railway Patrons information table at Richmond).

### WHAT ARE "LABOR REFORMS?"

We understand that no one likes to lose privileges. But Amtrak workers—indeed, *everyone* who cares about rail passenger service—must recognize that the Republicans control the House and Senate, and thus have some say about the conditions under which Amtrak gets funded.

Today, federal law bars Amtrak from contracting out except for food service and for new work—i.e., work that does not cause furloughs of existing Amtrak union workers.

Federal law also requires Amtrak to make labor protection payments to individuals who lose their jobs due to closure of a route or—for shop-craft workers—a facility. These payments, at the annual rate of the employee's last year at work, run for as many years as the employee worked for Amtrak, up to six years.

The key "labor reforms" Republicans have pushed involve moving the above two provisions from the law to the bargaining table. Management could offer to write these protections into contracts if the unions make the right offers in return.

Indeed, as part of its new contract with reservations bureau workers, Amtrak agreed to a five-year ban on contracting out as part of a deal that included important new flexibility regarding part-time workers. ("New" reservations bureau work is always possible, so Amtrak had some leverage here.)

Amtrak management generally has little leverage—and unions have little incentive to agree to new contracts. Under the Railway Labor Act, existing contracts (now with cost-of-living-adjustments) stay in force until replaced by new contracts. So removing contracting-out and labor protection from federal law could have a big impact on Amtrak's ability to negotiate contracts with real productivity enhancements.

Some have said that enactment of reforms could lead Amtrak to "contract out all over the place." However, workers retain the right to strike. Management, knowing that a strike would damage Amtrak's survival prospects, has a strong incentive to avoid precipitating a strike.

Indeed, rail labor had helped modify the original HR 1788 reform language, by successfully supporting pro-labor amendments offered in committee by Jack Quinn (R-NY, July '95 *News*). Those amendments became part of the final HR 1788 (the Senate version of which was never passed) and are in Shuster's new authorization bill, HR 2247.

However, though the new bill is virtually identical to the old one, rail labor—and thus most Democratic lawmakers—do not support it. Labor now opposes the very “labor reform” provisions it helped write two years ago.

Aware that enacting a “stand-alone” Amtrak reauthorization is tough, Roth tried hard in late July to make a deal with the White House to put an Amtrak reauthorization right into the tax bill. He got fellow Republicans to agree to compromises on liability reform, on provisions relating to the Amtrak Board of Directors and on the Senate's “shut-down commission” (see box below). Also, on the afternoon of July 29, when President Clinton called Roth seeking his approval for extending NAFTA-like trade treatment to Caribbean nations, Roth set two conditions, one of which was approval of the Amtrak reform bill.

Sadly, Clinton took his cue from labor and turned thumbs down. The Amtrak reauthorization did not make it into the tax

### MORE AMTRAK REAUTHORIZATION ITEMS

Some non-labor items from the Amtrak reauthorization bills (HR 2247 and S 738) are listed here. The “compromises” refer to tentative agreements reached during the abortive late-July negotiations between the White House and Hill Republicans (lead story).

- **Liability:** There seems to be agreement on the concept of a “universal cap,” a per-occurrence limit to total liability, somewhere between \$200-250 million. The provision to allow indemnification for gross negligence has been dropped.

- **Amtrak Board of Directors:** The new and old House bills replace the present board with an “Emergency Reform Board” in which the President appoints and the Senate confirms all seven members; the President would “consult with” House and Senate leaders on six. The White House proposed to keep the existing board but to make all nine members—rather than just three—subject to Senate confirmation.

- **Amtrak Reform Council:** The Senate bill establishes a nine-member Council which, among other things, is to report annually on “Amtrak's progress on the resolution or status of productivity issues.” If, after two years, the Council finds Amtrak “will require operating grant funds after the fifth anniversary of the date of enactment,” the Council within 90 days must give Congress action plans to restructure and to liquidate Amtrak. Liquidation would be forced if Congress does not approve the restructuring plan by concurrent resolution within another 90 days. This may be modified so that Amtrak could not be shut down unless Congress votes to do so first.

bill, and Amtrak's future was put at risk—over the same language labor accepted in 1995.

If an authorization is enacted later this year, Amtrak could still get its “pot of gold” on schedule. That's because, under the tax bill (see box, bottom of next page), Amtrak would get the \$2.3 billion in the form of tax refunds from the IRS in two equal amounts in January 1998 and 1999.

However, time is short. There is such bad blood over this issue that success is not assured. Republicans might not return to the new compromises they offered this week. Indeed, the House Transportation and Infrastructure Committee on July 30 (immediately after the collapse of talks with the White House) passed HR 2247 without those compromises. [The vote was 36-30, with 35 Republicans and one Democrat—Gene Taylor (MS)—in favor.]

### HARD WORK ON HALF CENT HELPED

**With prospects for the Amtrak gas-tax half-cent always brighter in the Senate than in the House, a big job for passenger rail supporters since April was getting as many House sponsors as possible for the House half-cent bill, HR 1437.**

**NARP members worked very hard on that. By the time final agreement was reached on the budget package, HR 1437 had a respectable 81 sponsors from all across the country.**

**The final tax bill does not include Roth's original language for an Amtrak capital fund. However, an equivalent amount of capital funding for Amtrak was retained (see lead story). The number of sponsors on HR 1437 likely helped convince House negotiators to provide some form of the Amtrak capital approved by the Senate.**

Also July 30, the number-two executive at the AFL-CIO, Secretary-Treasurer Richard Trumka, wrote to President Clinton thanking him for his “thumbs down” and attacking Amtrak Chairman Thomas M. Downs. Downs' alleged “sin”: supporting the labor reforms essential to saving his company—the *same* provisions the unions supported two years ago.

There seems little doubt that Amtrak would go bankrupt by January without the \$2.3 billion. The highest-possible fiscal 1998 operating grant would be \$43 million less than Amtrak's request, but the “Roth” capital could help close that gap by letting Amtrak pay off principal on equipment loans, thereby reducing the amount of the operating grant needed for interest payments.

So Amtrak's fate hangs on whether President Clinton and Hill Republicans can make an Amtrak deal. Ironically, if the President is to save 23,400 Amtrak jobs and protect the stability of the Railroad Retirement System, he likely will have to ignore labor's pleas. One can only imagine him doing this if the outcry from others is loud. Rank-and-file Amtrak workers identifying themselves as in disagreement with union leaders would be particularly effective.

The address for writing to Clinton is, The President, The White House, Washington, DC 20500; telephone comment line, 202/456-1111; fax, 202/456-2461; e-mail, <president@whitehouse.gov>.

## LOW OPERATING GRANT ALSO HAS POTENTIAL TO SINK AMTRAK

The heart of Amtrak's fiscal 1998 appropriations dilemma is simple: the Senate approved the full, \$142 million for excess mandatory payments requested by both Amtrak and the Administration. (The Senate's 1998 transportation funding bill, S 1048, cleared subcommittee on July 15, full committee on July 22, and was passed by the full Senate on July 30.)

By contrast, the House subcommittee (in its bill, HR 2169) cut that category by \$60 million. That cut was ratified by the full committee July 11, and on the House floor July 23. It is essential that the Senate prevail in conference, but it is unclear whether Richard Shelby (R-AL), the Senate subcommittee chairman, will push for this.

To his credit, Shelby held a hearing July 17 about the

\$60 million. Witnesses from the Railroad Retirement Board, Office of Management and Budget (OMB), Department of Transportation and Amtrak all testified that Amtrak was required to pay the money. The OMB witness complained that some were misusing OMB's May 23 letter. *July News*, front page.)

Amtrak Chairman Thomas M. Downs summed it up this way: "If I owe a tax, a disagreement with my accountant about which line on the tax form it goes on does not excuse me from paying."

However, even after the hearing at the full committee mark-up, Shelby said he thought Amtrak would use the \$60 million for capital investment. He had originally proposed that the subcommittee approve an Amtrak operating grant of just \$108 million (\$94 million below the

House and Administration numbers, \$137 million below Amtrak's request). He modified that only under pressure from other subcommittee members, notably Arlen Specter (R-PA) and Frank Lautenberg (D-NJ).

Getting this \$60 million is vital because any gap here would have to be added to the \$44-million operating-grant shortfall between the Amtrak request and the House and Senate figures—and because even Amtrak's initial budget request was tight to start with.

When the full House considered HR 2169, it included the text of Rep. Frank Wolf's (R-VA) "Amtrak Route Closure and Realignment Act of 1997" (HR 1210), but this was removed on a point of order raised by Rep. Bud Shuster (R-PA). Wolf did not object, and took the opportunity to urge members to pass Shuster's reauthorization bill.

### 1998 TRANSPORTATION FUNDING

Compared with Current and Previous Years  
Appropriations (\$ millions)

Administration	1995	1996	1997	1998	1998	1998	House	1998	Senate
	Enacted	Enacted	Enacted	Amtrak Request	Clinton Request	House bill	bill vs. 1997	Senate bill	bill vs. 1997
Federal Highway	19,879	19,970	21,835	—	22,030	22,976	+ 5%	23,583	+ 8%
Federal Aviation	8,392	8,216	8,563	—	8,461	9,060	+ 6%	9,129	+ 7%
Federal Transit	4,614	4,051	4,382	—	4,487	4,838	+ 10%	4,685	+ 7%
Federal Railroad	1,162	874	1,031	—	918	919	- 11%	772	- 25%
* Amtrak + N.E. Corr.	994	750	843	1,138	789	793	- 6%	616	- 27%

\*These numbers also in Federal Railroad Administration total.

### Intercity Passenger Rail Categories

Amtrak:	1995	1996	1997	1998	1998	1998	House	1998	Senate
	Enacted	Enacted	Enacted	Amtrak Request	Clinton Request	House bill	bill vs. 1997	Senate bill	bill vs. 1997
Operations (A)	392	285	223	245	202	201	- 10%	201	- 10%
Capital	230	230	223	751(c)	422(c)	260	+ 17%	0	- 100%
Mandatory payments (B)	150	120	142	142	142	82	- 42%	142	n.c.
Northeast Corr.	222	115	255	(c)	(c)	250	- 2%	250	- 2%
Penn Sta./Farley	0	(D)	0	0	24	0	n.c.	24	n.a.
High Speed Rail	23	24	25	—	20	19	- 26%	26	+ 4%
TOTAL	1,017	774	867	1,138	809	811	- 7%	642	- 26%

#### NOTES:

A) 1996 operating figure includes \$100 million for "transition costs" related to Amtrak restructuring, service cuts, equipment retirement.

B) Federal railroad retirement and unemployment insurance costs in excess of Amtrak's demands on system, therefore not part of true cost of operating Amtrak system.

C) The 1998 capital requests are for a single figure which includes Northeast Corridor (except the Administration says at least \$200 million goes to the Northeast Corridor).

D) \$20 million of Amtrak capital was divertable to Farley project in 1996.

### HOW THE "ROTH" MONEY WORKS

The \$2.3 billion in Amtrak capital funds in the tax bill take an unusual form. If an Amtrak reauthorization is enacted, Amtrak would file for a \$1.15-billion "tax refund" from the Internal Revenue Service in January, 1998, and for an equal amount one year later. These funds thus count as part of the tax bill's roughly \$95 billion in tax reductions.

The device is called a "net operating loss carry-back" and is linked to corporate income taxes paid in the 1960's by the private railroads that operated passenger trains before Amtrak was created.

The theory is to give Amtrak a benefit vaguely com-

parable to what profitable businesses enjoy when they reduce their tax burden by writing off losses from previous years.

The bill also transfers the 4.3 cents a gallon in federal deficit-reduction taxes paid by highway and aviation users into their respective trust funds. However, there is no immediate mechanism for spending the funds. This 4.3 cents is expected to be split 80-20 between highway and transit accounts, as has been done since transit first started getting fuel tax money. (The 4.3 cents paid by railroads, including Amtrak, still goes into deficit reduction.)

## TRAVELERS' ADVISORY

**Sunset Limited:** Acting on a year-old NARP request, Amtrak on July 27 extended this train 24 miles from Sanford to Winter Park and Orlando, FL.

**Texas Eagle:** Amtrak announced July 26 it would run this train indefinitely beyond September 30, the date specified in the loan worked out with Texas in May (*May News*). A sticking point for train supporters all summer has been that Amtrak would not open *Eagle* reservations for any date beyond September 30. Now, Amtrak has opened the period October 1-25 (end of summer timetable). Reservations beyond that will be opened when the winter timetable is finalized.

**Trial "Automat Car" Service:** Since mid-July Amtrak has tested a refurbished table car with self-service food and drinks on some trips of the Chicago-Grand Rapids *Pere Marquette*. This train has no other lounge service, so this car has been popular. It has vending machines and microwave ovens to heat certain food items (dinner entrees and White Castle hamburgers).

**Bikes on Trains:** Up to four unboxed bikes have been allowed since August 1 on the Washington-Chicago *Cardinal*—Amtrak's first long-distance train with this service. One of the two lower-level baggage areas in the Superliner coach-smoking car has been equipped for bike storage. NARP and the League of American Bicyclists have been working on such an idea for several years. There is a \$15 reservation fee.

Since May, the Raleigh-Charlotte *Piedmont* has handled up to 10 unboxed bikes in the baggage car, to all stations, for a \$5 reservation fee.

## AMTRAK—"CURE" FOR ROAD "OBESITY"

"...[The Amtrak half-cent capital funding] will make sure that intercity passenger rail service will improve, and cities, in turn, will benefit from the arrangement.

"Passenger trains offer motorists a choice, and each time that choice is for a seat on a passenger train instead of a trip by car, we all breathe a little easier.

"...Stabilizing Amtrak's financing will enable passenger-train expansion. On the drawing boards are new, high-speed rail connections between Milwaukee and Chicago that will make the [85]-mile trip possible in just an hour. Similar improvements are being studied between Chicago, St. Louis and Detroit, and each service upgrade will reduce automobile congestion and parking demand in these cities, too.

"[Amtrak funding] is a pittance compared to the hundreds of billions available for highways. Amtrak's \$200 million in federal operating dollars is less than half the \$460 million that state and federal officials want to spend rebuilding just one interstate highway interchange in downtown Milwaukee.

"Amtrak needs the support of mayors, business officials, tourists and everyday travelers who use passenger rail service as part of a balanced transportation system. Adding highway lanes to reduce traffic congestion is like loosening your belt to cure obesity. Tell Congress to do the sensible thing and support Amtrak."

—Milwaukee Mayor John O. Norquist (D),  
part of letter in July 7 Chicago Tribune

## "FUN-TRAIN" COMING TO FLORIDA

First American Railways, Inc., has an agreement with Amtrak to run the Florida Fun-Train, a regular, tourist-oriented service between Central and South Florida, starting in October. Amtrak will lease locomotives and provide operating crews and maintenance. The passenger cars—four bi-level entertainment cars and up to eight glass-domed coaches (with 76 seats each)—are being built by Rader Railcar of Denver.

The train is being marketed as an extension of Florida tourist attractions. The entertainment cars will feature restaurants, lounges, arcades, a kids' area, musicians, clowns, and more. The adult fare will be approximately \$70 each way. The train will run daily, with additional service on Friday and Sunday. It will go from Orlando to Fort Lauderdale in about 4 hours, 20 minutes (the exact locations not yet known).

Florida Fun-Train is at 888/FUN-TRACK.



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