

No, Amtrak Does Not Have To Make A Profit

It's Time To Focus On Value

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by Jim Mathews

Sometimes accepted wisdom is merely accepted and not wise. Case in point: the persistent myth that Amtrak must turn a profit. Even huge parts of Amtrak have embraced this myth, and it's unfortunate because it's simply wrong – as a matter of fact and as a matter of law.

“But, but, but, the 1970 law that created Amtrak says it's supposed to operate like a for-profit company,” you say. Yes, it did say that. But at the time, the folks who wrote that measure acknowledged that it was more aspirational than anything else. And in 1978, lawmakers recognized their error. And they changed the law.

“We added the ‘for-profit’ clause because we thought this new entity should have high aspirations,” said A. Daniel O’Neal, who was at the time majority counsel for the Senate Transportation Subcommittee. “It would be wonderful if such service could be self-sustaining, but nowhere in the world has any nation been able to avoid subsidizing rail passengers.”

(O’Neal was quoted in a 2002 Congressional Research Service report that is worth your time if you’re so inclined. You can download it here:

<http://research.policyarchive.org/1446.pdf>

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That brings us to Section 301 of the Rail Passengers Service Act, which was amended to insert the words “operated and managed as” to introduce the term “a for profit corporation.” You’ll find that clause in the Amtrak Improvement Act of 1978. This wording was deliberate, and intended to recognize the reality that the objective was for Amtrak to do its best to run a tight ship, but not necessarily to make a profit.

“How do you know it was deliberate, Jim?” you ask.

The congressional committee that wrote it told us so, right in the report language accompanying the bill (H.R. Rep. No. 1182, 95thCongress, Second Session, 15):

*“Section 9 amends section 301 of the RPSA...to conform the law to reality, providing that Amtrak shall be ‘operated and managed as’ a for-profit corporation. **This amendment recognizes that Amtrak is not a for-profit corporation.**”*

When you interpret the law, the first thing you do is look at the text of that law, the plain language of the statute. After that, you try to suss out legislative intent; that is, what the lawmakers who made the law meant that law to do. Report language that accompanies bills is the ideal vehicle for communicating legislative intent. This report language is pretty unambiguous.

So there you have it -- since 1978, Congress has not required Amtrak to make a profit.

But at an even more fundamental level, I truly believe that the profit argument is a bad one. This is because it misstates the purpose of federal investment and overlooks the significant value that Amtrak creates for the entire country, cities and rural towns alike.

We as advocates need to stop talking about profits, and instead start talking – *shouting*, really – about **value**. Amtrak’s routes create value in every community they serve. That they create value in the Northeast Corridor is unchallenged. Indeed, with 20% of the country’s GDP flowing along that corridor, it’s not unfair to describe the NEC as the nation’s aorta.

But they also create enormous value in smaller communities, places that may not deliver a profit to Amtrak but which derive incredible support from the existence of that route.

Earlier this month I traveled to Cut Bank, MT, to speak to your Association's Northwest Division meeting, and the focus of my remarks was on the value of the *Empire Builder* to Cut Bank, to Montana, and to all the states that the *Builder* serves. The numbers are eye-popping.

- Last year, the *Empire Builder* made the economy of the City of Cut Bank better by **\$378,725**, thanks to the 2,400 passengers who got off the train there. This includes 40 out-of-towners who would not have traveled there at all, but for the existence of the *Builder*.
- The state of Montana got a **\$36.6 million** shot in the arm from the existence of the *Builder*. That's the combined effects of jobs supported by visitor spending, tourism, avoided highway incidents and preserving highway maintenance funds by taking a share of visitors off the roads.
- The eight states served by the *Empire Builder* can thank the train for a combined **\$326.7 million** worth of economic activity. Even Idaho, with only one stop, gets a piece of the action with \$2.3 million in annual benefit.

The bill for that \$326.7 million benefit? About \$57 million – that's roughly what Amtrak needs each year from the U.S. taxpayer to run the train. That's a pretty good deal.

There are many things that we spend money on as a country because...well, we want to have a country. Nobody asks if the Air Force turns a profit, nor the Centers for Disease Control. But I'm sure glad we have them, and we've agreed as a nation that we will spend our money together on things like this so that we can defend ourselves, whether from enemies or viruses.

The reason we have an Amtrak – and the reason we spend money on it – is because for nearly 50 years our elected representatives have continued to agree that passenger rail is a worthwhile investment for the good of the country, economically and socially. If the economy of the U.S. is getting five or six dollars from every dollar spent on passenger rail, then that's a pretty solid return, for the country and for the taxpayer.

Like any good enterprise, Amtrak needs to be focused on eliminating waste, and spending its dollars wisely. I applaud the railroad's efforts to find waste and run a tighter operation. But whether it's the *Washington Post* or the Heritage Foundation, the argument goes too far when it declares that Amtrak needs to make an






operating profit on its own. The law doesn't require it, and it's bad policy to risk what amounts to billions of dollars of economic prosperity for the sake of a pro forma balance sheet.


Don't focus on profits. Focus on value.

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Troy Kicklighter • 3 months ago

Excellent article and so badly needed to be shared with consumers & also the politicians!!!

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Schmolik • a month ago

So the Empire Builder is a \$326.7 million benefit for the country? Only if you live in one of the eight states. If you live in the East Coast or California, you don't see any of that \$326.7 but you're paying for the \$57 million in taxes. Why should anyone in Florida have to pay taxes so people in Montana benefit?