Flying Off The Rails: The Case For Privatizing Amtrak

By Katherine Baker

***Resolved: The United States federal government should substantially reform its transportation policy.***

In the late 1960s, America's passenger railroads were going bankrupt. Congress decided to have the federal government take over the failing rail lines and have the federal government operate a single system of passenger rail, keeping it in business with any necessary taxpayer subsidies.

The resulting passenger train system, Amtrak, has been a fiasco. It has never returned to profitability, instead eating up billions of dollars in taxpayer funding for trains that hardly anyone rides. Since buses and planes are faster and/or cheaper and/or more convenient, there's really not much use for passenger trains any more. As long as the government runs the trains, they will be run inefficiently and both consumers and taxpayers will suffer.

This plan auctions off Amtrak to whatever private companies think that any parts of it are profitable and can run it more efficiently, with no cost to the taxpayers and better service to train customers.

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In 2012, Randal O’Toole explained the state of our passenger train system when he said QUOTE:

Randal O’Toole, 2012 (Randal O’Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

In 1967 Anthony Haswell, who describes himself as “a lifelong rail buff,” created the National Association of Railroad Passengers to argue that a national network of passenger trains could be a cost-effective and reliable mode of transportation. His success has led many to call him the “father of Amtrak.” Three decades after Amtrak was created, however, Haswell was discouraged by Amtrak’s slow, unreliable, and costly trains. “Amtrak today ranks among such legendary boondoggles as the Tweed Courthouse of 1870,” wrote Haswell, who sadly concluded, “I am personally embarrassed by what I helped to create.”

It’s because my partner and I agree with Anthony Haswell that we stand Resolved: The United States federal government should substantially reform its transportation policy.

OBSERVATION 1. Our DEFINITIONS.

**Policy**: “a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body” (*Merriam Webster Online Dictionary, copyright 2017* [*http://www.merriam-webster.com/dictionary/policy*](http://www.merriam-webster.com/dictionary/policy))  
  
**Substantial**: “considerable in quantity” (*Merriam Webster Online Dictionary, copyright 2017* [*http://www.merriam-webster.com/dictionary/substantially*](http://www.merriam-webster.com/dictionary/substantially)*)*

**Transportation**: “means of conveyance or travel from one place to another” (*Merriam-Webster Online Dict. 2017* [*https://www.merriam-webster.com/dictionary/transportation*](https://www.merriam-webster.com/dictionary/transportation)*)*

OBSERVATION 2. INHERENCY, the structure of the Status Quo. Two key FACTS

FACT 1. The History

Amtrak nationalized the nation’s passenger train system in the early 1970s

POPULAR MECHANICS 2015 (journalist Michael Rowe) 7 May 2015 “How Did Amtrak Go So Wrong?” <http://www.popularmechanics.com/technology/infrastructure/a15425/history-amtrak-problems/>

Amtrak was created during the Nixon administration to sustain passenger train travel in the United States. Up until then, U.S. passenger rail service was in decline, losing money to air travel and an ever-growing car culture. But, as Simon Van Zuylen-Wood [writes](http://www.nationaljournal.com/magazine/amtrak-acela-high-speed-trains-20150417) for National Journal, Amtrak didn't exactly save the dream of viable American train travel. Instead, it has been bogged down in bureaucratic nightmares ever since.

FACT 2. Congressional mismanagement

Congressional control blocks Amtrak from making rational business decisions

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from the University of Waterloo and an MA in Economics from George Mason Univ; was a member of the Fiscal Future Commission of the National Academy of Sciences.) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

However, most of Amtrak's problems are created by Congress, which prevents the company from making rational business decisions. In particular, Congress insists on supporting an excessively large nationwide system of passenger rail that does not make economic sense. Nor does it make environmental sense for Amtrak to run routes with low ridership.

OBSERVATION 3. We offer the following PLAN implemented by Congress and the President

1. Congress votes to privatize Amtrak by selling its routes and assets to the highest bidders and ending all federal subsidies.
2. Funding is a net reduction in spending by ending subsidies
3. Enforcement through existing agencies
4. Plan takes effect October 1 of next year
5. Affirmative speeches may clarify the plan

OBSERVATION 4. ADVANTAGES

ADVANTAGE 1. Billions of dollars. We see this in 4 sub-points

A. Operating losses every year

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

Despite generous taxpayer subsidies, Amtrak has run operating losses every year since it began operating in 1971. Although these losses are declining, in 2014, the railroad reported what it described as a “strong” result, with an operating loss of only $227 million.

B. $45 billion dollars lost so far – around $1 billion per year – because of mismanagement

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

Amtrak has cost the government over $45 billion in subsidies over the last 44 years, allowing it to finance the upkeep of unprofitable routes, overstaffed trains, and the mismanagement of its food services.

C. Privatization is the only solution

Matthew Sabas, 2015 (Matthew Sabas is a research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

Privatizing Amtrak is the only option certain to prevent billions of taxpayer dollars from being wasted while providing the benefits that accompany competitive services. Congress should develop a plan to privatize the railroad and allow for private companies to compete for routes.

D. Economic Benefit. In addition to not wasting taxpayer money, every reduction in the deficit helps the economy

Dr William Gale and Benjamin Harris 2011. (Gale - PhD in economics, Stanford Univ.; senior fellow at the Brookings Institution and co-director of the Urban-Brookings Tax Policy Center; former assistant professor in the Department of Economics at UCLA, and a senior economist for the Council of Economic Advisers under President George H.W. Bush; Harris - master’s degree in economics from Cornell University and a master’s degree in quantitative methods from Columbia University; senior research associate with the Economics Studies Program at the Brookings Institution) “A VAT for the United States: Part of the Solution” <http://www.taxanalysts.com/www/freefiles.nsf/Files/GALE-HARRIS-5.pdf/$file/GALE-HARRIS-5.pdf>

But even in the absence of a crisis, sustained deficits have deleterious effects, as they translate into lower national savings, higher interest rates, and increased indebtedness to foreign investors, all of which serve to reduce future national income. Gale and Orszag (2004a) estimate that a 1 percent of GDP increase in the deficit will raise interest rates by 25 to 35 basis points and reduce national saving by 0.5 to 0.8 percentage points of GDP. Engen and Hubbard (2004) obtain similar results regarding interest rates.

ADVANTAGE 2. Decrease Transportation cost

A. Link: Government control guarantees failure and excess expense

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train - The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

A close look at the data reveal that Amtrak has failed for two primary reasons. First, in most markets passenger trains are simply not competitive against airline or highway travel. Even in the 100- to 500-mile ranges that rail advocates often say are optimal for passenger trains, buses are far less expensive (and far more energy efficient) than trains. Second, government control of Amtrak has saddled it with numerous inefficiencies, including unsustainably expensive labor contracts and political pressure to maintain service on routes that attract few passengers.

B. Impact: 110% more expensive than air fares thanks to Amtrak mismanagement

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

In 1970, the year before Amtrak took over the nation’s passenger trains, average rail fares were about one-third less than average airfares—about 18 cents (in today’s pennies) versus 27 cents per passenger mile. Four decades of Amtrak management have reversed this ratio and more: by 2011, average rail fares were 110 percent greater than airfares—about 28.5 cents versus 13.8 cents per passenger mile. Part of this change was due to a 50 percent decline in inflation-adjusted airline fares, which is beyond Amtrak’s control. But part is due to a 70 percent increase in average rail fares, which Amtrak says was necessary due in part to pressure from Congress to reduce the company’s operating losses. During an era when most private transportation costs significantly declined, Amtrak’s dramatic increase in fares was stunning.

C. Privatization Solves. Privatizing Amtrak would give better service at lower cost

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from Univ of Waterloo; MA in Economics from George Mason Univ) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

Privatization would increase rail efficiency and reduce costs. A private rail company could prune excess workers, base worker pay on performance, and end harmful union rules. It would be able to close the routes that are losing the most money. Passenger rail makes sense in the Northeast corridor between Boston and Washington, D.C., but that corridor accounts for less than 500 miles within a 21,000-mile system. Other routes may also make sense within a lower-cost privatized system. A privatized Amtrak could close the most uneconomic routes and shift investment and maintenance dollars to the core routes to improve service quality.

2A Evidence: Flying Off The Rails: Privatizing Amtrak

OPENING QUOTES / AFFIRMATIVE PHILOSOPHY

Amtrak is a “runaway train”

Randal O’Toole, 2012 (Randal O’Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

In short, budgetarily Amtrak has become a runaway train, eating up huge subsidies and providing little or no return. Over the past four decades, subsidies for every passenger mile carried by Amtrak have averaged close to 10 times as much as federal, state, and local subsidies to airlines and more than 20 times as much as subsidies to auto drivers.

SOURCE INDICTMENT

Amtrak officials: Manipulating data and misleading Congress

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from Univ of Waterloo; MA in Economics from George Mason Univ) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

Over the years, federal auditors have charged Amtrak with a lack of strategic planning, inefficient procurement policies, weak financial management, and insufficient accountability.Auditors found that the company manipulated its financial statements to obscure unfavorable data.And the company has a history of hiding information from investigators and presenting unrealistic projections to Congress.

INHERENCY

A/T “Trump’s budget solves” - Congress won’t cut Amtrak, they’ll keep subsidizing it

Carol Kent Wyatt, 2017 (Editor of the Washington County News and Holmes County Times-Advertiser, both located in Florida.)“SRC: Trump’s budget proposal won’t likely derail Amtrak here” Jun 4, 2017 <http://www.newsherald.com/news/20170604/src-trumps-budget-proposal-wont-likely-derail-amtrak-here+&cd=2&hl=en&ct=clnk&gl=us>

“President Trump proposed a budget like other Presidents before him, but Congress is the nation’s fiscal agent, and Amtrak is enjoying what we believe is the most support from Congress that it’s had in recent years,” SRC Secretary Knox Ross told Washington County News on Thursday. The 2018 budget outline includes a 13 percent cut to the Department of Transportation, which would eliminate federal subsidies for long-distance Amtrak routes and likely erase train travel among hundreds of cities and towns. “The proposal is unfortunate, but we are confidant it won’t stand and therefore not impact efforts on the Gulf Coast Passenger Rail Service,” Ross said.

Government mismanagement of Amtrak wastes money

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

Base pay may already be substantial, but regulations and poor oversight allowed employees to pocket $185 million in overtime pay in 2013. The management allowed employee misconduct and wasteful business practices to thrive, even as at the same time it hindered plans to make train stations accessible to the disabled to comply with the Americans with Disability Program.

Government ownership guarantees Amtrak cannot run efficiently like a business

Randal O’Toole, 2012 (Randal O’Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Amtrak is supposed to be a corporation, not a government agency, and Amtrak president Joseph Boardman says that it is his goal to run Amtrak like a business. But there are three obstacles to running a government funded organization like a business. First, an organization that can draw on tax dollars to cover losses has little incentive to operate efficiently. Everyone in the organization, from top managers on down, knows that they can fall back on tax dollars to make up for any inefficiencies in their operations.

MINOR REPAIR RESPONSES

All Minor Repairs fail: They’ve already been tried and already failed. Nothing but privatization will work

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Recent years have seen several attempts to reform Amtrak in order to reduce its costs and streamline its operations. But these efforts have proven futile as entrenched interests, ranging from labor unions to local activists demanding that government subsidize trains they rarely ride, have kept Amtrak an inefficient carrier heavily dependent on huge government subsidies. No amount of reform will overcome the fundamental problem that, so long as Amtrak is politically funded, members of Congress will pressure it to provide service to almost every state even if trains attract few riders in some of those states The only real solution for Amtrak is privatization. Private operators would enjoy substantial cost savings over Amtrak and would be free to serve those routes that attract the most passengers rather than the ones that are backed by the most political muscle. Private railroads would also be more likely to develop innovations that will attract new riders.

A/T “Contract it out”- Won’t work, still too politically influenced. Complete privatization is the only way

Randal O’Toole, 2012 (Randal O’Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Contracting out remains an imperfect solution because Amtrak’s route map would still be politically drawn rather than focused on the most suitable markets for passenger trains. Amtrak would still need to persuade Congress to subsidize most routes, and to do so it would need to extend service into most states even if some provided few customers. In the long run, both Amtrak and the private operators would lack market incentives to provide the most cost-effective transportation service. The proposal to require contractors to pay workers as much as Amtrak pays also represents an inefficient and inappropriate meddling with the market. Complete privatization of Amtrak is the only way to avoid these problems. Such privatization could be part of a comprehensive transportation reform package that eliminates subsidies to rail competitors, reduces whatever regulatory constraints remain on private operators, and provides for fair taxation of all modes of transportation.

Amtrak waste will continue as long as subsidies continue

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

The 2015 bill lacks an effective mechanism to force Amtrak’s food service to become solvent in an enforceable timeframe, thus allowing Amtrak to continue losing money without fear of losing its subsidies. The millions lost from its food services are dwarfed by the billions spent on labor costs and mismanagement of funds, and will continue as long as subsidies prevent accountability for the losses.

Reducing labor costs won’t solve

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

Amtrak has had 44 years to become solvent without success. Reducing labor costs can be an effective interim measure, but deregulating the passenger rail system is the best way to ensure improved service and lower fares for consumers. Cutting Amtrak's subsidies and ending its monopoly is a responsible alternative to passing inneffective reforms.

Internal reforms won’t work: Amtrak doesn’t obey requirements and ignores reform mandates

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

A provision in the 2015 bill requires Amtrak to develop and implement a plan to eliminate the losses from its food and beverage in five years, but a similar rule passed decades ago failed to achieve savings. Amtrak was required by Congress to turn a profit from its food and beverage service in 1981, but the railroad never complied. A 1997 law went a step further by requiring Amtrak to operate subsidy-free by 2002, but losses continued, along with government subsidies.

HARMS / SIGNIFICANCE

Federal Budget Waste

Insatiable need for government money

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

In fact, Amtrak’s appetite for federal funds appears to be insatiable. Its budget request for 2013 was 55 percent more than Congress gave it in 2012. In 2010 Amtrak proposed to spend $117 billion upgrading its 457-mile Northeast Corridor line, a plan whose cost ballooned to $151 billion by 2012. For comparison, the inflation-adjusted cost of building the entire Interstate Highway System was only about three times this much, yet it is more than 100 times as long as the Northeast Corridor and—unlike Amtrak—it was paid for entirely out of user fees.

Overpaid employees

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

Amtrak’s largest expense is labor, salary, and benefits, which cost over $2 billion in 2014. Maintaining fully-staffed trains on infrequently-traveled routes has contributed to high labor costs, but the pay rate of Amtrak’s employees raise its costs substantially. The average onboard employee made $41.19 an hour on Amtrak in 2012, while railroads that contracted out services to private companies paid their employees $7.75 to $13.00 an hour.

A/T “Other modes of transportation are subsidized”: Amtrak receives more subsidies

Chris Edwards, 2016 (director of tax policy studies at Cato;BA in Economics from the University of Waterloo and an MA in Economics from George Mason Univ.) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

Amtrak supporters argue that since other modes of transportation receive subsidies, so should passenger rail. But Amtrak currently receives vastly more subsidies—measured by subsidies per passenger mile—than other modes of transportation, including automobiles, buses, and aviation. Automobiles receive relatively little in net subsidies because government highway spending is mainly covered by fuel taxes. That said, subsidies to all modes of transportation should be cut.

A/T “Other modes of transportation more subsidized”: Doesn’t take into count passenger numbers

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Fares are just part of the cost of transportation, as most modes of passenger transport receive some government subsidies. Amtrak supporters are quick to point out that subsidies to air and highway travel are greater than subsidies to Amtrak. But domestic air routes carry nearly 100 times as many passenger miles as Amtrak, while intercity highways carry some 300 times as many passenger miles as Amtrak. This means per-passenger-mile subsidies to Amtrak are far greater than subsidies to its competitors.

Amtrak subsidies are 9 times airline subsidies and 22 times more than highway subsidies

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

While 95 percent of the airline subsidies came from the federal government, all of the highway subsidies came from state and local governments. By comparison, federal Amtrak subsidies over the same time period averaged 25 cents per passenger mile. State subsidies averaged another 2.8 cents. Per-passenger-mile subsidies to Amtrak were nearly 9 times subsidies to air travel and nearly 22 times subsidies to highway travel.

A/T “Farebox recovery”- Stretched numbers

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

In response to concerns about its large subsidies, Amtrak claims that its “‘farebox recovery,’ i.e., the portion of operating costs directly covered by ticket revenue, was 79% in fiscal year 2011, compared with 76% in fiscal year 2010.” However, it reaches this conclusion only with a very liberal definition of “farebox revenues” and a very conservative definition of “operating costs.”

A/T “Farebox recovery: Actual numbers

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Actual fares collected by Amtrak in 2011 totaled $1.851 billion, which was 79 percent of $2.344 billion. But $2.344 billion isn’t enough to cover Amtrak’s labor, operations, and fuel costs, much less materials, facilities, advertising, or other operating costs. Revenues become sufficient to cover 79 percent of costs only if they include $109 million in food service revenues—which arguably are passenger revenues even if they aren’t strictly farebox revenues—and $191 million in state subsidies to short-distance corridor trains— which aren’t passenger revenues at all. On the other hand, Amtrak’s calculation of operating costs excludes what it calls “capital improvements.” But most of the money Amtrak spends on so-called capital improvements is actually for maintenance costs, including overhauling aging locomotives and passenger cars, replacing worn-out ties, renovating passenger stations, and renewing electrical hardware needed to power its electric locomotives in the Northeast Corridor. As the Congressional Research Service observes, “under generally accepted accounting principles, maintenance is considered an operating expense,” not a capital improvement. By redefining routine maintenance activities as “capital improvements,” and then pretending that capital improvements don’t need to be justified by revenues, Amtrak falsely makes it appear that it is becoming more solvent.

Hides operating support in capital improvement budget

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

For example, in early 2012, Amtrak issued a press release bragging that it was requesting less “federal operating support” from Congress for 2013 than it received in 2012: $450 million instead of $466 million. But it more than doubled its capital improvement request from $657 million to $1.435 billion. This increase, the agency said, “is necessary to move beyond mere maintenance of existing equipment and infrastructure,” effectively admitting that most of its “capital improvements” in recent years were actually maintenance. Even true capital improvements designed to increase rather than just maintain service must eventually be repaid, preferably by service revenues.

Travel Cost

Amtrak no longer economically feasible for average American

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Before Amtrak took over the nation’s passenger trains, rail travel cost a little more than buses but considerably less than flying. It thus offered people of all incomes a genuine alternative mode of transportation. Today, thanks to Amtrak management, trains have become the highest-cost mode of intercity travel, and many of them are patronized mainly by the well-to-do who can afford the extra time required for trains rather than flying.

Amtrak is highest-cost mode of intercity travel

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

When Congress created Amtrak in 1970, passenger-rail advocates hoped that it would become an efficient and attractive mode of travel. More than 40 years of Amtrak operations have disappointed them, as Amtrak has become the highest-cost mode of intercity travel and remains an insignificant player in the nation’s transportation system. Nationally, average Amtrak fares are more than twice as much, per passenger mile, as airfares. Despite these high fares, per-passenger-mile subsidies to Amtrak are nearly nine times as much as subsidies to airlines, and more than 20 times as much as subsidies to driving. When fares and subsidies are combined, Amtrak’s costs per passenger mile are nearly four times as great as airline costs.

Including subsidies, Amtrak is significantly more expensive than airlines

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

When counting all costs, including fares and subsidies, Amtrak spends 60 cents per passenger mile, compared with about 16 cents for airline fares plus subsidies to air travel. When amortized capital and maintenance costs are included, even trains with the lowest fares per passenger mile are a considerably more expensive mode of travel than flying when subsidies are included.

A/T “Cheaper than planes”: More expensive than buses

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

While Amtrak may be less expensive than air travel for relatively short trips, buses are less expensive than Amtrak—often far less expensive—for all lengths of trips. In 2001 (the last year for which comprehensive data are available), bus fares averaged just under 13 cents a passenger mile compared with just over 13 cents for airfares and 25 cents for Amtrak. Today, the “new model” of bus service pioneered by Megabus costs significantly less than that. At 217 miles, the average bus trip is only a little shorter than the average Amtrak trip, so there is no trip length over which Amtrak has a real competitive advantage.

A/T “Government support in Europe”: Negligible benefits

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

American rail advocates often point to government support of passenger trains in Europe and lament that the same support isn’t provided in the United States. Yet a close look at European data reveals that passenger trains in these countries require large public subsidies that produce negligible benefits.

SOLVENCY / ADVOCACY

Details and dollar estimates of what privatization would be

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train: The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Privatization would mean selling Amtrak’s assets: 623 route miles between Boston and Washington, New Haven and Springfield, Philadelphia and Harrisburg, and in Michigan; 105 rail stations; maintenance facilities; and roughly 2,300 locomotives, passenger cars, and other rolling stock. Amtrak estimates that these and other assets are worth about $11.1 billion, while its liabilities are about $5.3 billion. These numbers, however, represent the costs to Amtrak of purchasing right of way, infrastructure, and rolling stock, minus depreciation. Just because Amtrak paid these amounts to provide trains that lose money, however, doesn’t mean they are worth that much on the open market. Privatization will probably produce net revenues that are less than the $5.8 billion Amtrak claims is its net asset value.

Privatization proven to solve

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from the University of Waterloo and an MA in Economics from George Mason University) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

Reforms abroad show that privatizing passenger rail works. In his book, Vranich counted dozens of nations that had either partly or fully privatized their passenger rail systems. He found that privatized rail systems generally provide better service, increased ridership, and more efficient operations.

Privatization will make rail more competitive

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from the University of Waterloo and an MA in Economics from George Mason University) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

The problem for passenger rail is not that it needs more subsidies, but that competitors to rail have become more efficient over time. Real rail prices have risen in recent decades, while real airline prices have plunged because of the deregulated and competitive airline environment. Intercity bus prices have also fallen with the rise of low-cost firms such as Megabus. To tackle air and bus competition, rail needs to be moved to a private and deregulated environment.

Historical precedence: Britain

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from the University of Waterloo and an MA in Economics from George Mason University) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

However, British passenger services have thrived since privatization. Rail ridership has more than doubled in the past two decades, from 740 million passenger trips to 1.5 billion. Ridership is hitting levels not seen since the early 1920s, and ridership growth has surpassed the growth elsewhere in Europe. Despite the increase in passengers, the on-time performance of British passenger rail is quite high and surveys find solid levels of customer satisfaction. Rail privatization in Britain brought entrepreneurial innovation to the industry. Vranich noted that "private operators have demonstrated more initiative, imagination, and visionary planning than state-run British Rail did in its prime or Amtrak does today." In a 2013 study, the European Commission found that UK's railways were the "most improved" in Europe since the 1990s.

Historical precedence: Japan

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from the University of Waterloo and an MA in Economics from George Mason University) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

Japanese rail privatization was also a success. In the 1980s, Japanese National Railways (JNR) was stagnating as a result of bloated labor costs, labor strife, and political manipulation. The government-owned JNR was "conservative, indolent, and fearful of change." The government broke up JNR into six regional and vertically integrated passenger rail companies in 1987, and then it started privatizing them in the 1990s. The JNR companies reformed rigid union rules and slashed workforces by roughly one-third following the reforms. A National Bureau of Economic Research study found that labor productivity in the Japanese passenger rail companies increased, on average, about 50 percent with the restructuring and privatization of the 1990s. It also found that accident rates were cut in half.

Historical precedence: US freight rail

Chris Edwards, 2016 (director of tax policy studies at Cato; BA in Economics from the University of Waterloo and an MA in Economics from George Mason University) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

The United States has its own positive experience with rail privatization—freight rail privatization. When the Penn Central Railroad collapsed in 1970, it was the largest business failure in American history to that date. Other railroads followed it into bankruptcy. Congress created Conrail in the mid-1970s to replace the failed private railroads. The government-owned company consumed $8 billion of subsidies and floundered until Congress deregulated freight rail under the Staggers Rail Act of 1980. Deregulation allowed Conrail to become profitable, and it was privatized in 1987. Since then, U.S. freight railroads have been a dramatic success. Rail's share of total U.S. freight has increased substantially in recent decades.

Privatization worked for freight rail in the US in the 1980s

Matthew Sabas, 2015 (research associate at Economics21 at the Manhattan Institute for Policy Research.) “Amtrak Bill Continues History of Wasted Subsidies” March 6, 2015 <https://economics21.org/html/amtrak-bill-continues-history-wasted-subsidies-1263.html>

America has successfully privatized rail before, as freight railroads were once unprofitable enterprises subsidized by the federal government until the industry was deregulated and sold to private investors in the 1980s. The industry has thrived since routes were opened up to competition.

DISAVANTAGE RESPONSES

A/T “Privatization will end passenger trains”: Not all routes would die

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Though privatization might result in an end to passenger trains on some routes, many routes could survive. Table 2, which shows data for the 44 routes in Amtrak’s system, provides some clues as to what routes those would be. The table shows the “operating profit” for each route in 2011; this includes state subsidies on the revenue side but does not include depreciation, interest, capital improvements, or maintenance on the cost side. “Cost per passenger mile” is equal to the revenue per passenger mile (not shown) minus the profit per passenger mile.

A/T “Passenger trains die” – So what. If people don’t use them, let them die

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

“If passenger trains are in the red because they’re technologically obsolete, because Americans prefer the convenience of a car or the speed of a jet, then these trains must be given a decent burial and left to the historians,” said Trains magazine editor David P. Morgan in 1959. “Neither Trains nor anyone else can intelligently or morally plead the train’s cause on the grounds of nostalgia or job protection.”

Buses and cars are more energy efficient than Amtrak now, and planes soon will be

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Passenger-train advocates tout the energy savings offered by trains over planes and automobiles. It is true that Amtrak uses about 20 percent less energy per passenger mile than flying. However, Amtrak’s claims of energy savings over autos is more questionable, while buses have a clear energy-saving advantage over Amtrak. Moreover, under current trends, even flying will be more energy-efficient than trains in a few years.

Cars use less energy than Amtrak

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

According to the Data Book, the average car used 5,342 BTUs per vehicle mile in 2010. The data book uses an occupancy rate of 1.55 people per car to calculate BTUs per passenger mile. However, the 1.55 number is based on urban travel. According to a study commissioned by the California High-Speed Rail Authority, cars in intercity travel tend to carry more people, an average of 2.4. At 2.4 people per car, the average car used 2,226 BTUs per passenger mile in intercity travel in 2010, which makes intercity driving more energy efficient than Amtrak today. Using an occupancy rate of 2.19 for trips over 75 miles, a Congressional Research Service study also found that cars use slightly less energy than Amtrak.

Intercity buses use less energy than Amtrak. Ending subsidies would save energy

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Scheduled intercity buses already use far less energy per passenger mile than Amtrak. According to a 2008 study commissioned by the American Bus Association, intercity buses use about 60 percent fewer BTUs per passenger mile than Amtrak. The same conclusion was independently reached by the Congressional Research Service in 1996 and the National Surface Transportation Revenue and Policy Commission, a group commissioned by Congress to evaluate federal transportation policy, in 2007. If Congress wants to save energy, it should stop subsidizing Amtrak, which would encourage an expansion of intercity bus service along Amtrak corridors.

A/T “Amtrak reduces energy consumption”: Better options available

Chris Edwards, 2016 (director of tax policy studies at Cato and editor of www.DownsizingGovernment.org. He is a top expert on federal and state tax and budget issues. Edwards holds a BA in Economics from the University of Waterloo and an MA in Economics from George Mason University. He was a member of the Fiscal Future Commission of the National Academy of Sciences.) “Privatizing Amtrak” October 17, 2016 <https://www.downsizinggovernment.org/transportation/privatizing-amtrak>

Amtrak supporters say that we should subsidize passenger rail to reduce energy consumption and help the environment. But intercity buses are more energy efficient than trains, and thus better for the environment. Also, running half-empty trains over Amtrak's long-distance routes is a waste of energy.

Amtrak consumes more energy than other forms of transportation

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

The above energy data considers only the energy costs of operating planes, trains, buses, and autos. When full life-cycle costs are considered, including manufacturing, infrastructure construction, and disposal, rails are even less efficient than other modes. A lifecycle analysis by researchers at the University of California found that, because rail lines carry so few passenger miles relative to highways or airlines, construction, manufacture, and disposal consumed many more BTUs per passenger mile. Specifically, the analysis concluded that, over their complete lifecycle, passenger rail lines used about 2.5 times as much energy as they used in just operations, while highway users consumed only about 1.6 times as much energy as in operations.

A/T “Amtrak needed for rural areas”: Prohibitive cost, and Amtrak isn’t covering them today

Randal O’Toole, 2012 (Randal O’Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

The cost of actually providing everyone with equal access to any of these services is prohibitive. Even the Postal Service doesn’t deliver mail to the door of every rural home. The Census Bureau estimates there are more than 3,500 urban clusters of more than 2,500 people in the United States, and Amtrak stops at only about 500 of them.

A/T “Amtrak needed for rural areas”: Doesn’t justify taxpayer subsidies. If they want trains, maybe they should move

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Nor do Americans expect that they will have ready access to all possible services no matter where they live. People’s decisions to locate in various places recognize tradeoffs: locating close to jobs often means sacrificing good schools or quiet neighborhoods; locating in a big city may mean higher-paying jobs but less affordable housing. Americans move an average of nearly a dozen times during their lifetimes as their preferences and needs change. Taxpayers should not have to subsidize people who choose to live in areas that do not support every possible transportation service.

A/T “Hurts rural communities” – Nobody rides. Rural routes average 8 passengers per train

Randal O’Toole, 2012 (Randal O’Toole is a Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Any proposal to eliminate or reduce train service to small towns brings out cries of protest from people who claim this service is vital to their community. Yet Amtrak’s twice-daily (once in each direction) passenger trains stopping in towns such as Brookhaven, Mississippi; Las Vegas, New Mexico; Libby, Montana; Sandpoint, Idaho; and Winslow, Arizona pick up or drop off an average of fewer than eight passengers per train (which means fewer than eight round trips per day to or from each of these cities).

Amtrak = Small contribution to nation’s transportation even in the busiest zones

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Despite its growing cost, Amtrak’s contribution to the nation’s transportation is truly miniscule. The average American travels about 15,000 miles a year by auto—well over 3,000 of them on interstate highways—and 1,800 to 2,000 miles a year by air, but only about 20 miles a year by Amtrak. Even in the Northeast, the average resident of the Boston, New York, Washington, and intermediate urban areas travels little more than 40 miles a year in Amtrak’s Northeast Corridor trains.

Disads have no impact: No impact if Amtrak disappeared– other transportation would pick up the slack immediately

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Amtrak brags that it carries more passengers in the Northeast corridor than the airlines, but it admits that it only has about 6 percent of the corridor’s total intercity travel market, with highways carrying 89 percent. The truth is that if Amtrak disappeared tomorrow, autos, buses, and planes could easily take up the slack without anyone noticing any significant increase in congestion on highways or at the airports.

Disads have no impact: Despite “record ridership,” almost nobody rides Amtrak

Randal O’Toole, 2012 (Cato Institute Senior Fellow working on urban growth, public land, and transportation issues.) “Stopping the Runaway Train The Case for Privatizing Amtrak” November 13, 2012 <https://www.cato.org/publications/policy-analysis/stopping-runaway-train-case-privatizing-amtrak>

Amtrak brags that its ridership has reached record levels in recent years. Yet, for the vast majority of Americans, Amtrak remains an insignificant if not a completely irrelevant mode of travel. In 2007 domestic air travel peaked at more than 2,000 miles per person. At about the same time, per capita highway travel peaked at about 15,600 miles per year, about a third of which was intercity travel. Amtrak, meanwhile, carried Americans an average of just 19 miles per person.

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