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NATIONAL RAILROAD PASSENGER CORPORATION

1 Massachusetts Avenue, NW, Washington, DC 20001
Tel 202.906.2408



August 11, 2020

Mr. Richard L. Schmeling, President
ProRail Nebraska
4610 Van Dorn Street
Lincoln, Nebraska 68506

Dear Mr. Schmeling:

Thank you for your June 24 letter to Mr. Flynn. I am responding on his behalf.

We appreciate your support for Amtrak, and your concern about the planned temporary reductions in the frequency of our Long Distance services. The reductions are meant to reflect the unprecedented drop in ridership and revenues we have experienced as a result of COVID-19. Even before the pandemic, Long Distance trains accounted for nearly 90 percent of Amtrak's federally funded, annual operating loss. In FY 2019, Long Distance trains generated \$538 million in revenue but cost \$1.013 billion to operate, resulting in a net operating loss of \$475 million. Long Distance losses will be much higher in FY 2020, given the dramatic drop in revenue and the expense of our current daily operation. Per-passenger subsidies on Long Distance routes are now at unsustainable levels, having increased dramatically since the onset of the pandemic.

Amtrak's ridership continues to be sharply depressed compared to last year. Within a two-week span in late March, 95 percent of Amtrak ridership disappeared. A rapid drop of that magnitude has never occurred during the time of any previous Amtrak management, and probably never before in the history of American passenger railroading. Recovery since then has been very slow. In May, systemwide ridership and gross revenues were down 92 percent compared to May 2019; and were down 85 percent in June. Long Distance ridership was down by a somewhat lower amount, but the Long Distance trains, as a group, had none of the service frequency cuts in Fiscal 2020 that were implemented in the Northeast Corridor and State Corridor sectors. Demand for future travel remains very low. We are paying close attention to the progression of the pandemic and its impacts on public health and travel trends across all modes and, frankly, the data is very troubling. It indicates that there will not be a quick recovery for Amtrak, nor for the airline or intercity bus industries, and that our next fiscal year will be deeply impacted by this.

You also stated that Amtrak is repeating the mistake of previous frequency reductions that were attempted a generation or more ago. However, you did not take into account how profoundly different today's circumstances are compared to the earlier attempts, for the reasons noted above. In normal times, Long



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Distance trains cover most of their frequency variable costs, the short-term operating costs that vary with the number of train frequencies operated such as wages and benefits for employees working on the train, fuel, and host railroad payments. Therefore, reducing service frequency would not produce large, immediate reductions in operating losses. However, since ridership and revenues on Long Distance trains already have fallen dramatically, these trains are covering only a small portion of their frequency variable costs during what is normally the peak summer season. Even with the very cautious assumptions we have made about how less frequent service will impact ridership as we have developed our plans, we project significant net savings from reducing Long Distance service until ridership demand and revenues approach more normal levels.

We simply do not see an alternative. We are facing a budget crisis in FY 2021, with the loss of a very significant amount of our ticket revenue and with tremendous uncertainty about if and when we may see any substantial return to more normal conditions. We would be doing a disservice to our remaining passengers to run a regular schedule right up to the moment we ran out of money, and it would also be irresponsible of us as it is our job to be good stewards of taxpayer's investment, a responsibility that we take very seriously. Instead, we need to work with Congress, our state partners, and other stakeholders to think about the most prudent way to invest our limited funds given the current situation.

We appreciate your support for Amtrak's Long Distance service and we share your commitment to it. Despite the extraordinary impact of the COVID-19 pandemic on our finances, we are continuing to make significant investments in all aspects of our Long Distance service. We are completing the acquisition of 130 new single-level long distance cars and the interior refreshment of our existing Long Distance passenger car fleet. We have ordered 75 new diesel locomotives that will be used primarily for Long Distance trains. We are installing or funding installation of PTC and other safety technologies on hundreds of miles of track used by long distance trains, and we are investing in design and construction of accessibility and customer service improvements at 24 stations served only by Long Distance trains. We are seeking increased funding for our National Network in our forthcoming reauthorization to enable us to make the major capital investments, particularly the acquisition of new equipment to replace 35-40 year old Superliner I and Amfleet II cars, required to maintain our Long Distance services. We are also asking Congress to enhance our ability to provide our passengers with reliable, on-time service, which has become increasingly difficult when some of our host railroads ignore the law that gives our trains preference over freight trains. Earlier this Congress, bills were introduced in both the House and Senate (HR.2, the Moving Forward Act, and S.2922, the Rail Passenger Fairness Act) to provide Amtrak with the ability to enforce its right to preference. The transportation bill recently adopted by the House includes this vital legislation.



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It is also important for Congress to approve our supplemental funding request for nearly \$1.5 billion for the upcoming Fiscal Year. This supplemental amount will bring our total Federal funding request to over \$3.5 billion for next year, which would be roughly 75 percent increase above the highest levels of funding Amtrak has ever received from Congress in a given year, just to maintain the limited service levels we are planning for. A funding bill for Fiscal Year 2021 that has been moving through the House of Representatives would provide \$10 billion for Amtrak (inclusive of our requests for \$3.5 billion), which would be enough to reverse the temporary service reductions and invest in important capital programs, such as those described above. While that funding level would be very useful to preserving and improving passenger rail service, its passage through the Senate and approval by the President are far from assured, and it is also unclear whether it would be finalized soon enough to avert any service reductions planned for October 1.

We hope that ProRail Nebraska will continue to support these and other efforts to sustain and improve our Long Distance services. Thank you again for your letter, your advocacy, and your concern for Amtrak and American intercity passenger rail.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Harris", written in a cursive style.

Roger Harris

Executive Vice President

Chief Marketing and Revenue Officer

cc: Bill Flynn