Amtrak CEO tells employees to expect pay cuts

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On March 28, Amtrak CEO Joseph Boardman sent a letter to employees suggesting that hourly employees are the main cost holding the agency back from improved financial performance. Nothing in the letter mentions low federal funding, atrocious delays caused by freight railroads, or outdated infrastructure as a source of financial problems for the agency, which is America's national passenger rail system.

The letter begins by emphasizing that Amtrak is to be run as a business, and states that "our expenses are too high and our revenue is too low...we continue to struggle with overhead costs, overtime costs and lack of efficiencies."

It then singles out employee compensation, which averages $28.86 an hour for unionized employees.

While Boardman describe workers' wages as "a just wage, a living wage," he then states that "Amtrak's total payroll (including all benefits and taxes) is 93.6 percent of Amtrak's ticket revenue. The company cannot sustain this level of payroll or overtime going forward."

Implicit is that workers should prepare for wage freezes or cuts. The next portion of the letter briefly mentions the need to make management more efficient, but is silent on executive compensation levels. Boardman himself receives a salary of $350,000 a year.

Instead, the rest of the letter refers to Amtrak's potential loss of operating contracts on various passenger rail corridors. Amtrak operates national service, as well as regional and commuter service on higher-traffic corridors within specific states. On some routes, Amtrak operates under contract for a state, and in recent years, private transportation companies have been selected for a few of these contracts instead of Amtrak. Boardman is turning reality on its head when he tells employees "we need to be lean and compete" or "we will lose our position as the preferred provider of rail passenger service in this nation."

Amtrak was created in 1971 because private freight railroads wanted to rid their balance sheets of the losses incurred by passenger service. As a quasi-government "company," Amtrak has been continually starved of funding by Congress, leading a year-to-year existence where cuts to service are always looming. Each administration, whether Democratic or Republican, has presented a farcical demand that the agency become profitable as enormous infrastructure and investment needs go unmet. The private operators that have taken up contracts on various corridors still rely on government subsidies to fund equipment, infrastructure, and maintenance. Their "profit" comes through attempting to reduce operating costs, specifically, the wages and benefits of employees.

In 2010, a French transport company, Keolis, won the contract to operate Virginia's Washington, D.C.-area commuter rail services, which Amtrak had previously staffed. As a signal of what sort of future Amtrak employees expected with Keolis, only 1 of 80 employees choose to sign on with the company. In Boston, Keolis recently won the contract for commuter rail services by promising cost savings over the current operator, a joint venture that Keolis itself was a part of. Boardman's letter entirely ignores the real cost issues facing Amtrak—the same issues that will affect any private operators. Above all, passenger rail and transit infrastructure in the United States is in a pitiful state, and there is no commitment by the federal government to fix it.

Yet transit and passenger rail use continues to rise. Nationally, commuter rail ridership increased by 2.1 percent in 2013, and overall transit use—10.7 billion trips on buses, subways, and trains in 2013—represents the highest total since 1956. In 2013, Amtrak reached its highest-ever ridership, 31.5 million, which compares to just 20 million in the year 2000.

In the case of Amtrak, the underfunding of equipment is so severe that it effectively cannot expand service even as ridership grows. Existing small orders for new passenger cars are only to replace the oldest passenger cars, and therefore will not add significant capacity. The fleet of diesel engines that powers many Amtrak trains are approaching 20 years of age, and at present so many are out of service for maintenance that it threatens a shortage of power to maintain current operations.

The Northeast Corridor, which carried 11.4 million passengers in 2012, is Amtrak's busiest route and has the highest speeds in the country. Its high-priced "Acela Express" service competes with airlines for business travelers between Washington, D.C., Boston, and points in between. But the infrastructure of the route is often ancient and causes daily problems and delays. The estimated cost to upgrade the route ranges from $25 to $50 billion—while Amtrak's overall federal funding in 2013 was just $1.37 billion.

Boardman's reference to overtime costs as a significant budget issue for Amtrak disregards the fact that overtime is incurred as a result of workers' daily efforts to make such old equipment and infrastructure function correctly. He also fails to mention delays caused by private freight railroads to Amtrak service, which lengthen the work day of on-board staff and require extra crews. One route, between Seattle and Chicago, is so congested with oil and grain traffic that Amtrak service is two to four hours late every day, or worse. These delays were so severe last fall that Amtrak had to cancel the train for a week to rebalance equipment.

The fact that ridership grows despite deteriorating service shows that there is a need for improved access to efficient and reliable public transportation. In 2009, the Obama administration added a token $8 billion in "high-speed rail" funding to the American Recovery and Reinvestment Act. This amount was spread across funding needs for passenger rail nationwide, and much of it went to immediate infrastructure needs. About half went to actual high-speed rail projects in California and Florida that, five years later, have yet to break ground.

Aside from that one-time amount, Amtrak has received progressively lower yearly subsidies since 2010, even as ridership and financial performance have improved. Rather than respond to the need for more investment, the Obama administration has pushed for the agency to become "profitable," which Boardman's letter indicates will require a reduction in the wages and benefits of employees.