

Testimony of  
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Amtrak and COVID-19

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## **Amtrak and COVID-19**

### **Introduction**

Good morning, Chairman Lipinski, Ranking Member Crawford, and Members of this Subcommittee. Thank you for calling this hearing today to discuss Amtrak and COVID-19. My name is William Flynn, and this is my first opportunity to testify as Amtrak's president and chief executive officer, a position I assumed in April of this year.

Let me begin by thanking this Subcommittee for drafting and advancing the Rail Title of the INVEST in America Act. This critical piece of legislation proposes historic levels of federal investment that will help Amtrak rehabilitate or replace its aged assets, such as 100-year-old bridges, tunnels and 40-year-old trains, and expand our services. The bill also includes important policy reforms, such as passenger train preference enforcement to ensure on-time performance on our host freight railroads, an expedited process for host railroad access, and substantial grant funding that will help Amtrak evolve, expand, and modernize our network so that we can connect more Americans to the places they want to go. If enacted, the INVEST Act will be a game changer for Amtrak and intercity passenger rail. It is what Americans deserve, and I applaud your bold leadership and thank you for your confidence in Amtrak.

Let me also take this opportunity to thank the thousands of Amtrak employees who have risen to the challenges associated with COVID-19 and have remained focused on Amtrak's mission to provide safe, reliable transportation to our customers and your constituents. Ticket agents, conductors, train attendants, red caps, cleaners, and dozens of other specialties are doing their part to keep America moving, and I am very proud of to be a part of the team.

I come from a railroad family. My father and uncle were locomotive engineers, and my brother was an Amtrak conductor and local union chair. My first transportation job during summer break from college was working on a maintenance-of-way gang that was installing welded rail on the Northeast Corridor (NEC) in New England. In 43 years in the transportation industry, I have had the opportunity to serve in a multitude of roles in ocean shipping, airline, and railroad companies. These connections deepen the honor I feel to lead Amtrak, and I will do all I can to further Amtrak's important mission to serve the country.

As Amtrak finished FY 2019 and even through the first five months of FY 2020, the company was in a stronger position than at any time in its soon to be fifty-year history. Ridership, revenue, and financial performance were at record levels. Amtrak was on track to generate passenger revenues exceeding operating expenses in FY 2020 for the first time ever. The company was preparing to take delivery of next generation *Acela* trainsets for its high-speed NEC service, and had a bold vision of expanding train service in new and existing corridors across the country.

Unfortunately, the COVID-19 pandemic then hit this nation. Amtrak, like all transportation providers, was hit especially hard. In a matter of weeks, Amtrak's ridership plummeted by 97% and we undertook immediate actions to protect the health and safety of our customers and employees and reduce capacity.

Shortly thereafter, Congress passed the CARES Act, which provided important emergency funding to Amtrak and our state partners in order to minimize the negative financial impacts of COVID-19 during FY 2020. Unfortunately, recovery has been slow, and our ridership and revenue are still down over 80% compared to a year ago. It has become clear that the pandemic's impacts will extend through, and almost certainly beyond, FY 2021 as well, and Amtrak, along with our state partners, are now working to plan for the year ahead.

What I would like to do today is discuss with you Amtrak's response to COVID-19 thus far, including how we ensure our customers and employees are safe and healthy, as well as the steps we have taken to manage the loss of revenue. I would also like to focus on two issues that I know are important to this subcommittee: how we must adjust our workforce and our train service given the pandemic's impacts on our ridership. Finally, it is important to understand what happens after we get through this pandemic and the vision for Amtrak and intercity passenger rail for the future.

### **Amtrak's Response to COVID-19**

To provide more detail about how Amtrak has responded to COVID-19, let me offer a quick summary of the steps we have taken since the crisis began to unfold in late winter of this year.

Our number one job is to provide a safe work and travel environment for our employees and our riders. In January, as concern about the virus spreading in the U.S. started to emerge, we began reminding employees about the need to be vigilant about hand washing and sanitizing. As it became clearer that we were about to face a serious public health crisis we developed a safety plan, and over the past several months we have worked to inform and execute our plan with the best available information.

We have taken many actions to minimize health and safety risks to our customers and employees. They include:

- Requiring masks for passengers and employees on our trains and in our facilities.
- Limiting reservations on trains (other than in private sleeping room accommodations) to allow social distancing.
- Adopting and continuously refining new and enhanced cleaning procedures on our trains and in our stations.
- Instructing all employees whose jobs can be performed remotely to work from home.
- Distributing supplies of Personal Protective Equipment to employees across the country.

- Providing every employee infected by or exposed to COVID-19 with up to two weeks of pay protection to safeguard their households and ensure that ill employees stay home. (Similarly, absenteeism due to COVID-19 symptoms has not been subject to the application of our attendance policy.)
- Enhancing our web site and mobile application with features like improved boarding guides and train capacity indicators that help our customers to make safe traveling decisions.
- Installing protective plastic barriers in our café cars and in our stations to support physical distancing, and hand sanitizer dispensers on all our trains.
- Contracting with Quest Diagnostics to make voluntary COVID-19 testing available to all employees. While our employees primarily rely upon testing available at no cost to them through the CARES Act, this service will provide additional confidence that we are taking the necessary steps to mitigate the risk of infection among our workforce.
- Creating a research partnership with a leading university to study airflow, ventilation, and air filtration systems in passenger railcars to determine if additional measures would further reduce the possibility of airborne spread of infectious particles on our equipment.
- Working with RB, the makers of Lysol, to strengthen our comprehensive disinfection protocols for trains, stations, and lounges. The partnership will launch in NEC stations and on the *Pacific Surfliner* route, before expanding across our network.
- Partnering with the George Washington University Milken Institute School of Public Health to secure ongoing technical expertise and guidance to enhance Amtrak's comprehensive coronavirus pandemic response.

We have prominently communicated information about our response to COVID-19 and the changes we have made to address it to our passengers through Amtrak.com, social media and station signage. We have also communicated openly and frequently with our employees through employee advisories and companywide town halls. During the townhalls, we have briefed employees on new developments and answered their questions, the responses to which are made available to all employees on our intranet. In addition, our labor relations team has met at least weekly with representatives of our unions.

### **COVID-19's Financial Impact**

We, along with our state partners, have seen stunning revenue losses as a result of the precipitous decline in ticket sales due to COVID-19. As of early March, Amtrak was on track to generate FY 2020 passenger revenues greater than operating costs for the first time in our history. Over the next few weeks, ridership on our trains plummeted by 97%, and since then only a small portion of our passengers have resumed traveling. Our latest projections are that in FY 2020, Amtrak's revenue loss from ticket sales will be \$1.266 billion, which would be only 55% of what it was in FY 2019.

To try to align with the current depressed demand for service, manage our financial losses, and continue to make investments in capital projects for future riders, we made several cost-cutting decisions:

- We have reduced service frequency and train capacity on the NEC, and on our state supported routes in partnership with our 20 state partners.
- We deferred and/or restructured \$600 million in capital projects.
- We dramatically reduced overtime.
- We offered voluntary unpaid time off to our employees.
- Several of our unions agreed to defer previously negotiated wage increases, for which we are grateful.
- The reduced number of trains meant that while our agreement employees have not been furloughed, their earnings have been impacted by a reduction in hours worked.
- The 401k match for our non-agreement employees was suspended, and their pay was reduced 7-22% based on a tiered system for the remainder of FY 2020. I have not drawn a salary during this difficult time.

A combination of these cost controls and the FY 2020 CARES Act funding allowed us to avoid involuntary layoffs and furloughs during this fiscal year.

### **Adjustments to Train Service**

In the immediate aftermath of the COVID-19 pandemic's onset, we reduced service frequency on both the NEC and state-supported routes by approximately 70%. On the NEC, *Acela* service was suspended entirely, along with all but a few *Northeast Regional* trains; and in consultation with our state partners we reduced service on 10 of our 28 state-supported routes and suspended all service on 14 others. Some service has since been restored, including a limited number of *Acela* trains that resumed operation on June 1. A complete list of the service reductions and the restorations made to date is appended to my testimony.

We have joined with our state partners in urging Congress to provide additional funding to help offset the lost revenue that our state partners are experiencing during the pandemic. We are gratified that Congress included additional funding for FY 2020 in the CARES Act, and that the House appropriations bill includes such funding for FY 2021. We will continue to work closely with Congress to find the best way to help our state partners out during these difficult times. We recently updated our forecast and now anticipate needing up to \$4.9 billion in funding to operate and invest in our network, support our partners, and address various congressional concerns like avoiding employee furloughs and maintaining daily long distance service.

In addition to changes in service frequency, we have also adjusted the number and types of cars operated on individual trains, as well as on-board food service, ticketing policies, and other aspects

of our customer service. We made these changes to facilitate social distancing, match capacity to reduced demand, avoid unnecessary expenditures, and accommodate COVID-19 driven changes in customer preferences and state partner service change requests on state-supported routes.

We are in the process of finalizing our FY 2021 Operating Plan. Unlike years past, that Plan will undoubtedly require frequent adjustments to reflect both the presently unpredictable progress in the battle against COVID-19 and the equally unpredictable impact COVID-19 will have on Americans' willingness to travel during the year ahead. We will constantly evaluate external developments, and changes in Amtrak ridership, ticket revenue, and customer preferences, as we refine that Plan, adjust service levels to match demand, and provide state partners with the changes in services they request. I should note that the Operating Plan includes as one of its assumptions the availability of a vaccine. Should a vaccine not become available, or be extensively delayed, this will have significant negative consequences for our projections.

### **Long Distance Frequency Reductions**

Throughout FY 2020, Amtrak has continued to operate its long distance trains on their normal, pre-pandemic service frequency, despite huge ridership drops and service reductions – or outright service suspensions – on every other North American intercity passenger service. Airlines, intercity bus companies and the Alaska Railroad have all made major reductions in service, as Amtrak has done on the NEC and our state-supported routes. VIA Rail Canada, our Canadian counterpart, has suspended all service on its long distance routes until at least November 1.

In the early days of the COVID-19 pandemic, we hoped that passenger demand would increase appreciably on long distance routes during what is normally their peak Summer season. Because of the resurgence in COVID-19 infections and the continuing reluctance of travelers to take any trips, particularly long trips on public transportation, that did not happen. In June and July, ridership and revenues on long distance routes (excluding the *Auto Train*) were down by nearly two-thirds compared to the same months in 2019 – even though we had not made the huge reductions in service implemented on nearly all of our other routes.

The two thirds reduction in revenues has had a major impact on long distance financial performance. While long distance trains had significant operating losses prior to COVID-19 (\$475 million in FY 2019), in normal times they cover most of the out-of-pocket costs such as fuel, commissary supplies, host railroad payments, and wages and benefits for on-board employees that are incurred by each train that operates over a route. Therefore, operating service three times a week rather than daily ordinarily would not produce significant and immediate cash savings.

However, these are not ordinary times. Since ridership and revenues on long distance trains (other than the *Auto Train*) have fallen precipitously, we are incurring huge, additional operating

losses for each train we operate – for the benefit of just a third of the normal number of passengers. Given that, we felt that it would be irresponsible to continue spending a much larger share of our limited funding to provide the same frequency of service for a much smaller number of remaining passengers, particularly as we entered the Fall/Winter season when monthly long distance ridership normally declines up to 40% from the Summer peak.

Beginning in October, we will temporarily reduce service on most long-distance routes from daily to three times per week. The exceptions are the *Auto Train*, which will continue to operate daily; the *Silver Meteor*, which began operating four days a week in July to provide daily service between New York City and Miami in combination with the *Silver Star*, which was reduced to tri-weekly operation and operates a similar route between New York City and Miami; and the *Cardinal* and *Sunset Limited*, which already operate three times a week.

Like the more significant service reductions we have made on our NEC and state supported routes, these long distance frequency adjustments will be temporary. As ridership returns, we intend to restore service frequency to previous levels. We remain committed to our long distance system.

If Amtrak receives less than \$4.9 billion and there is no congressional directive related to long distance service, we will evaluate three metrics to decide in February of next year whether to restore daily service on each affected long distance route.

- 1) **Public Health: Is the COVID-19 pandemic under control?** Are COVID-19-related hospitalization rates in the regions through which a given long distance route operates stable or declining?
- 2) **Future Demand: Are customers booking trips near the same rate as in 2020?** Is the percentage of available seat- and room-miles booked for 2021 (as of February 15, 2021) at least 90% of the percentage for June 2020 (as of February 15, 2020), taking into account any caps on ticket sales to promote social distancing or other relevant measures adopted to minimize COVID-19-related risks?
- 3) **Current Performance: Is ridership close to our projections in our operating plan?** Was systemwide ridership in the First Quarter of FY 2021 (October-December 2020) at least 90% of the projected figure in our FY 2021 operating plan, which already accounts for reduced ridership due to COVID-19?

If all three conditions are met for a given long distance route, we will restore daily service along that route between late May and June 2021. If any route is not yet ready to be restored when we conduct our review, we will apply an updated version of the criteria described above as part of our FY 2022 planning cycle (or sooner, in the event of a dramatic improvement in demand prior to that point).

One thing I want to make absolutely clear: these long distance frequency reductions are temporary. We are committed to continuing to operate our current long distance network and to improving the service we provide to our long distance passengers. However, we need two things from Congress to enable us to provide a viable long distance service when the COVID-19 pandemic is at last behind us. The first is increased funding for essential long distance capital investments, particularly equipment. Most of the passenger cars we operate on our long distance trains are already, or will soon be, more than 40 years old. These cars have reached the end of their useful lives and must be replaced if we are to maintain current long distance services.

The second thing we need from Congress is the ability to enforce our statutory right to preference over freight trains. The greatest threat to the future of our long distance network is not COVID-19, but rather poor on-time performance that diminishes the value of these services to our customers. The leading cause of delays to our long distance trains is the failure of some of our host railroads to comply with this longstanding legal obligation to provide Amtrak trains with preference over their tracks. During FY 2019, our trains incurred over one million minutes of delays due to freight train interference on host railroads. While freight train interference also affects some state supported routes, our long distance passengers – who have the same right to arrive at their destinations on time as passengers on the Amtrak-dispatched NEC – bear the brunt of these railroads' inability or refusal to obey the law. We are very grateful that this Committee included a provision in the INVEST in America Act that gives us the ability to enforce our preference rights.

Our commitment to the future of our long distance network is reflected in the many investments we are currently pursuing, despite funding limitations that the COVID-19 pandemic has exacerbated, to modernize our long distance service and enhance its safety.

- Capital projects to improve accessibility for customers with disabilities and the experience of all customers when they use our stations are under construction at eight stations served only by long distance trains; projects at 16 more long distance-only stations are out for bid or in final design.
- We are taking delivery of the last of the 130 Viewliner II cars that have replaced the long distance cars that were the oldest equipment in our fleet; we are refreshing the interiors of our other long distance passenger cars with new seat cushions, upholstery, and carpet.
- We have ordered 75 new Amtrak Long Distance Charger 4,200 horsepower (ALC-42) diesel locomotives that will begin the replacement of our long distance locomotive fleet; and we are planning for the acquisition of the next generation of long distance passenger equipment.
- We continue to invest in track upgrades across multiple long distance routes, including major upgrades on the *Southwest Chief* route and improvements to Chicago-area tracks used by the *Cardinal*, and are working to install positive train control (PTC) technology or make other safety enhancing investments on portions of eight long distance routes.



## **Adjustments to Workforce**

From the outset of the COVID-19 pandemic, what has been most important to us other than ensuring the safety of our passengers and employees is preserving the jobs of our workforce. Avoiding involuntary reductions in force was not only the right thing to do, it was also necessary to safeguard the skills, talent, and experience of our employees, our most valuable asset. The aid extended to Amtrak by the CARES Act allowed us to make it through FY 2020 with no involuntary furloughs or layoffs.

With the CARES Act funding running out, and the increasing recognition by everyone in the travel industry that it will be years before travel demand returns to normal, we recognize that we cannot ask Congress and the taxpayers to continue to pay all of the employees for whom we will not have any work in the foreseeable future. Likewise, as the state partners who provide funding for our State-Supported services struggle with unprecedented fiscal challenges brought about by COVID-19, many of them have made it clear to us that they will not be able to continue to pay for those services unless we reduce our costs to reflect the significant reductions in the number of trains operating, and the much greater losses in ticket revenues. Other companies in the travel industry – an industry severely decimated by COVID-19 – are facing the same dilemma. Most major airlines have announced plans to reduce their workforces by 20% or more when the CARES Act prohibition on airline employee furloughs ends on September 30.

While we see no alternative to workforce reductions, we have taken every possible step to minimize the number of people whose jobs will be impacted. As I mentioned earlier, we offered voluntary unpaid leave to our employees and implemented other cost-saving measures that enabled us to stretch out our CARES Act funding. When it became apparent that we would have to become a smaller company, we implemented a voluntary separation incentive program in which 521 agreement-covered and management employees elected to participate. As we undertake painful but necessary reductions of 100 management employees and 1,950 furloughs among our agreement forces, we will continue to communicate with our employees, their union representatives, and Congress regarding adjustments to our workforce. Going forward, we will do everything in our power to bring employees who must be furloughed back to our workforce as soon as possible.

Looking at both the temporary changes to our long distance service and our recent workforce reductions, I must emphasize that Amtrak really had no choice but to take these actions, given the uncertainty in our federal funding. Without these vital cost saving measures, we will burn through nearly \$250 million each month, ultimately forcing us to take drastic measures that would have wide-ranging impacts on the company, our employees, and our ability to serve our customers. If this continued long enough, we would eventually face insolvency.

## Capital Commitments

The biggest challenge Amtrak has faced since we began operation in 1971 is the lack of dedicated and reliable capital funding. One of the most significant accomplishments Amtrak has made in recent years is that our increased revenues and more efficient operations have enabled us to set aside money from our annual appropriations, which in years past were used primarily to subsidize operations, so that we can fund critically important capital projects. In addition to the long distance investments I already mentioned, the most urgent investment needs include replacement of the 45-year old Amfleet I fleet that provides most of our NEC and much of our state supported service and major capital projects such as Portal North Bridge, New York Penn Moynihan Train Hall, and desperately needed improvements at Chicago Union Station.

Some have suggested that Amtrak should not alter its services or workforce to reflect the greatly reduced ridership and financial changes wrought by COVID-19, but should instead take money out of these capital commitments and use it to fund regular operations for the duration of this crisis. I cannot emphasize too strongly that cannibalizing these capital funds is the wrong approach. Using scarce capital funding to operate nearly empty trains would not be productive, nor would it be a prudent use of the American taxpayer's investment in Amtrak. Rather, it would preclude us from undertaking projects that will increase safety, enhance reliability, and improve convenience in ways that will benefit tens of millions of our customers in FY 2021 and the years ahead. It is also critical that Congress understands that slashing capital spending would not prevent workforce reductions since much of this capital spending goes for the wages and benefits of the Amtrak employees who work on capital projects. Maintaining and improving infrastructure supports a large, dedicated, skilled workforce, representing approximately 2,000 full time equivalent employees. To be clear, cutting capital spending would also result in workforce reductions.

It is also misleading to call our capital needs discretionary. Some of our capital dollars are restricted by law from being used for other purposes, such as the federal dollars Congress has directed us to set aside for ADA compliance, upgrades to the *Southwest Chief* route, and important safety technology for certain corridor routes. The Northeast Corridor Commission estimates that the NEC has a more-than-\$40 billion state-of-good-repair backlog. When we delay the replacement of century-old infrastructure, the Amtrak employees who would perform the work on those projects bear the immediate cost. But the Amtrak and commuter train passengers who use the NEC every day also pay the cost, as they endure the unreliability that comes with depending on infrastructure never meant for today's demands. We cannot allow the COVID-19 crisis to cost us projects that are essential to restoring and maintaining normal operations and will dramatically improve the safety, reliability, and quality of our services for many decades to come.

## **Amtrak's Future**

2020 has been a hard year for the country and for Amtrak. We will be grappling with the effects of the pandemic for years to come. However, it is important to remind ourselves of deeper trends that still bode well for Amtrak's future, despite the setbacks we are currently facing. COVID-19 has not changed the fact that intercity passenger rail is the most efficient and the most environmentally responsible way to serve the transportation need of the megaregions throughout the country whose rapid population growth will continue. It has not changed the need to address highway congestion by steps other than adding more lanes. In fact, highway congestion is already returning as travelers resume driving between cities and avoid air and transit travel due to social distancing concerns. Nor has COVID-19 reduced the requests Amtrak receives from communities and elected officials across the country for service in corridors and regions we do not serve today. Finally, the extraordinary increase in unemployment that COVID-19 has spawned has reinforced the need for many additional good, living wage jobs for skilled employees of the kind that Amtrak, and the companies from which we buy equipment, goods, and services, provide.

We want to be ready to provide the passenger rail service America needs as the country returns to normal: along the Northeast Corridor where the much-anticipated replacement of the *Acela* fleet will begin next year; on our state-supported routes and new intercity corridors, where we see our greatest opportunities to meaningfully address the carbon crisis and enhance mobility as our population continues to grow; and in the small towns throughout rural America where our long distance trains help connect our riders to their family and friends. In the meantime, I am committed to working through this crisis with you, our employees, our state partners, our customers and other stakeholders to best manage the near-term challenges while protecting the future we all want for intercity passenger service in the next 50 years.

Thank you for your time and your support of Amtrak. I look forward to your questions.

## COVID-19 SERVICE REDUCTIONS ON NORTHEAST CORRIDOR AND STATE-SUPPORTED ROUTES

*Note that daily totals for some routes may be averages.*

- *Acela*: Suspended entirely March 23 – June 1. Currently operating 4 daily round trips.
- *Northeast Regional*: Most service initially suspended. Currently operating 10 round trips Washington-New York City and 8 round trips New York City-Boston on weekdays, and reduced service on weekends.
- *Adirondack*: Suspended Albany-Montreal since March 17.
- *Blue Water*: Unchanged
- *Capitol Corridor*: Operating 8 daily round trips, down from 12, with reduced weekend service.
- *Carolinian*: Suspended entirely April through June. Now operating with reduced capacity.
- *Cascades*: Operating 1 round trip Seattle-Portland-Eugene, down from 4; no service Vancouver, BC-Seattle.
- *Downeaster*: Initially suspended entirely; now operating 4 round trips, down from 5.
- *Empire Service*: Operating 9 weekday round trips, down from 12, with reduced service on weekends.
- *Empire West/Maple Leaf*: Initially reduced to 1 daily round trip, now 2, down from 3. Service suspended between Niagara Falls, New York and Toronto, Canada.
- *Ethan Allen*: Suspended north of Albany since March 17.
- *Heartland Flyer*: Unchanged.
- *Hiawatha*: Initially suspended; now operating 4 weekday round trips, down from 7.
- *Illini/Saluki*: Operating 1 daily round trip, down from 2.
- *Illinois Zephyr/Carl Sandburg*: 1 daily round trip, down from 2.
- *Keystone*: Suspended March 18 to June 1. Full service recently restored Harrisburg-Philadelphia; Philadelphia-New York City suspended except for 1 weekday round trip.
- *Lincoln Service*: Operating 2 daily round trips, down from 4.
- *Missouri River Runner*: 1 daily round trip, down from 2.
- *New Haven – Springfield/Valley Flyer*: Operating 5 daily New Haven-Springfield round trips, down from 8; 1 round trip north of Springfield, down from 2.
- *Pacific Surfliner*: 6 daily round trips between Los Angeles and San Diego, down from 13; 4 of normal 5 round trips north of Los Angeles.
- *Pennsylvanian*: Suspended March 19; resumed June 1.
- *Pere Marquette*: Suspended March 21; resumed June 29.
- *Piedmont*: Operating 1 daily round, down from 3.
- *San Joaquins*: Operating 4 daily round trips between Bakersfield-Oakland, down from 5. Bakersfield-Sacramento service suspended.
- *Vermont*: Suspended north of New Haven since March 26.
- *Wolverine*: 1 daily round trip, down from 3.
- *Washington-Roanoke*: Unchanged.
- *Washington-Newport News*: Full service recently restored.
- *Washington-Norfolk*: 1 daily round trip, down from 2.
- *Washington-Richmond*: 1 daily round trip suspended.