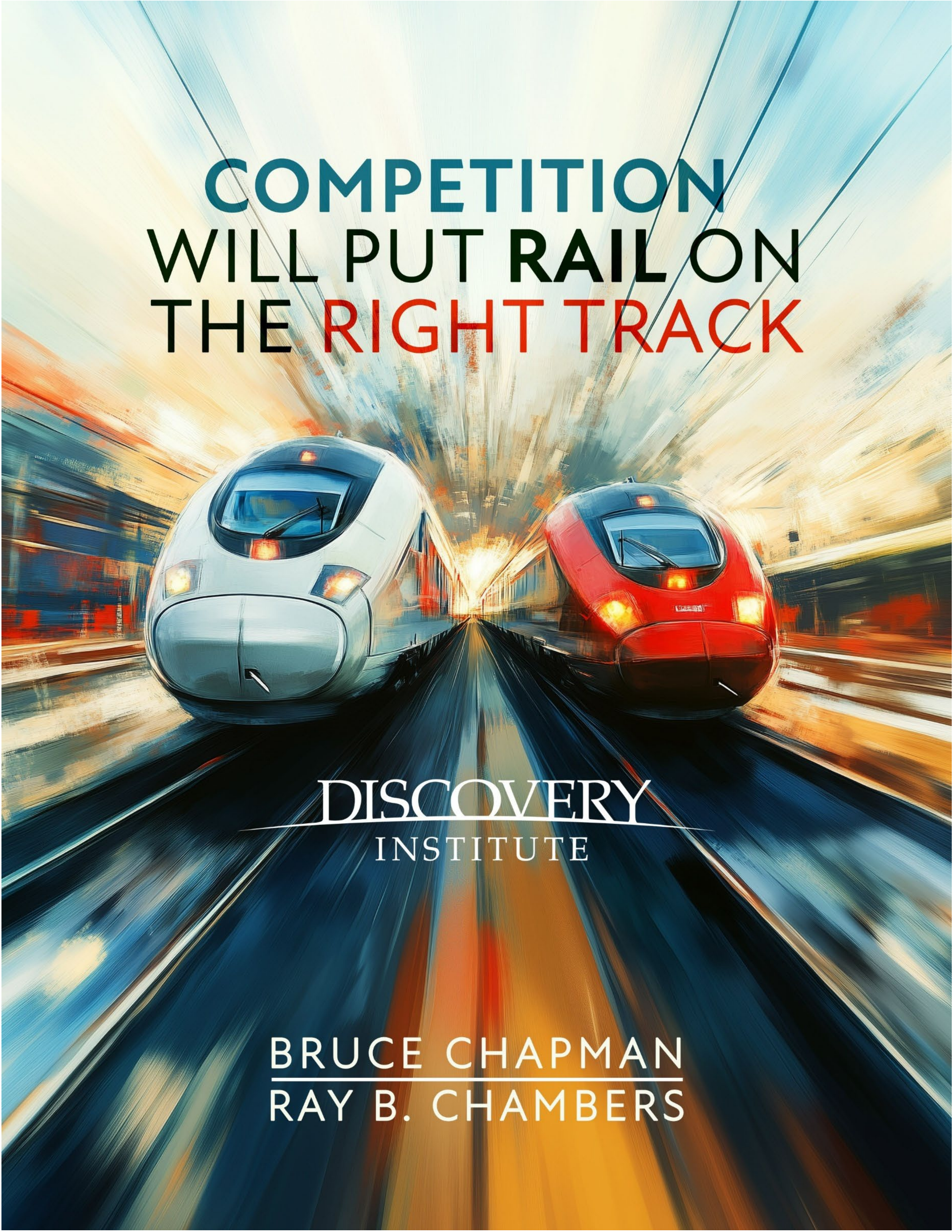

COMPETITION WILL PUT RAIL ON THE RIGHT TRACK

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Competition Will Put Passenger Rail on The Right Track

By Bruce Chapman and Ray B. Chambers

Summary: The revival of passenger rail in America is more feasible now than at any time in the past fifty years, thanks to the interest of new private potential competitors to Amtrak, greater openness from railroad unions, and a new act looming in Congress that could result in a fresh start.

Passenger rail helped build America, but the growing popularity of freeways and jet planes led to the decline of private rail services after the 1950s. Rail companies wanted federal relief from the responsibility of carrying passengers, which led to the creation of Amtrak in 1970. Private railroads could then concentrate on freight. In return, they were obliged to provide Amtrak with the use of their tracks at below-cost rates. The arrangement has never worked very well.

In recent decades, the intercity passenger rail network, except for the Auto-Train from Washington to Florida and the Northeast Corridor (NEC) route, has limped along. For over half a century, political decisions regarding routes, inconsistent annual funding, and the massive federal commitment to infrastructure for highway and air travel have weakened Amtrak's role. Both Donald Trump and Elon Musk spoke for many observers when they unfavorably compared the US passenger rail system to those of Europe, Japan, and China.

Freight rail has thrived since 1970, but only recently has Amtrak, spurred by $66 billion in advance funding through the Infrastructure Investment and Jobs Act (IIJA), begun to improve service on key routes. Ridership has somewhat increased.

Fortunately, in recent years, there have also been developments in the private sector that could revitalize travel options. Over the past three decades, private rail operators have entered the market. Several run metropolitan commuter rail services under contract and limited inter-city programs. These companies are growing ridership and expanding geographical reach. Despite the failure of many municipal public transit and commuter rail systems to seriously dent auto traffic congestion, some have succeeded to a considerable extent. In those systems and on some inter-city routes, private companies such as Herzog, Keolis, Transdev, and RATPdev are now permitted to compete with one another for routes and services, and to some degree, compete with Amtrak.

A star performer is Brightline, which operates independently as an intercity train service in Florida, connecting Miami, Palm Beach, Orlando, and soon Tampa. Brightline is not a contractor to public authorities but operates its own trains. Nevertheless, Brightline has embraced a collaborative approach to partnering with the public sector. It enjoys close cooperation from state and local authorities, including tax-exempt bonds, grade crossing grants, and other financial incentives. Brightline West is building a high-speed line from suburban Los Angeles to Las Vegas. The project received a three-billion-dollar Federal Railroad Administration (FRA) grant for the construction of the rail infrastructure. The goal is to open the line before the 2028 Los Angeles Olympics.

Meanwhile, the Texas Central company is trying to launch a private rail line—also with government-backed support through Amtrak—to connect Texas' major cities. The project experienced a setback, however, in April 2025 when the Federal Railroad Administration (FRA) withdrew a $63.9 million grant to Amtrak for Texas Central. Department of Transportation Secretary Sean Duffy said the project had become too dependent on Amtrak and distracted Amtrak from the challenge "of improving its subpar services."

The current Surface Transportation Reauthorization Act is set to expire on September 30, 2026, and momentum for reform is being built. The House Transportation and Infrastructure Committee (T&I) has already solicited proposals for intercity passenger rail, and both the House T&I Committee and the Senate Commerce Committee have begun hearings on the Rail Title. Meanwhile, the Trump Administration has shaken up Amtrak's board and staff leadership, resulting in a new openness to reform. On June 16, 2025, Amtrak issued a detailed plan for becoming "operationally profitable" by FY 2028. The new plan proposes separating its losses into two categories: 1) passenger operations; 2) infrastructure and construction. This approach is consistent with the Chapman-Chambers reform recommendation outlined below.

Anyone scrutinizing Amtrak's record would see that the system subsidizes almost all long-distance routes. In some cases, it would be cheaper to buy all the passengers airline tickets. One exception, as noted, is the Amtrak Auto Train, which operates between suburban Washington, DC (Lorton, VA) and Orlando, Florida (near Sanford). It provides an overnight trip that is unusually popular and financially stable. Nonetheless, overall losses on long-distance train service constitute one of Amtrak's most significant problems.

Intercity service ("city pairs") of a regional nature (routes less than 750 miles), such as the Amtrak Cascades from Portland to Seattle to Vancouver, B.C., also lose money. By law (Section 301 of the Passenger Rail Investment and Improvement Act of 2008, *also known as* PRIIA), they are supported by state government subsidies. Thus, it is the states that decide on the social and economic value. That is appropriate. We think this city pairs offer one of the best opportunities for a solid intercity network. Increased state oversight, combined with competition for operations, will result in greater private investment and more efficient management.

That brings us to the Northeast Corridor. The NEC Amtrak passenger trains are closer to "above the ground profitability" than other routes. That means profitability is determined by not counting capital investment in the NEC infrastructure. However, there is widespread public confusion about how the costs are accounted for in Amtrak's complex bookkeeping. It appears that much of the NEC capital investment is disguised as "overhead" and that a sizable portion of this "overhead" is allocated to state-supported city pair trains and the long-distance trains. If we are correct in this speculation, the losses on both the thirty current state-supported routes and fifteen long-distance routes are far less than currently asserted.

Connecting the densely populated region from Boston and New York through Philadelphia and Baltimore to Washington, DC, the Northeast Corridor should be the "crown jewel" of intercity passenger routes. The Acela train sets, introduced in 2000, offer internet service and a comfortable, convenient ride from city center to city center. It is popular with most kinds of travelers. Twenty-eight new Acela trainsets, known as "Avelia Liberty," were planned to enter service in 2021. There have been severe delays, but these are expected to enter service this summer.

However, the Northeast Corridor poses a significant challenge in planning for the future of passenger rail. The infrastructure issues, including the tracks, bridges, tunnels, train stations, and railyards, pose different problems than doing the actual train operations. From canals to the transcontinental railroad, to highways and air terminals, the government has historically funded major infrastructure improvements, while operations over that infrastructure have been private. Only with Amtrak has a government corporation been responsible for infrastructure development *and* operations.

The lesson learned is that federal transportation subsidies are necessary in the infrastructure category but are to be avoided to the extent possible in the operations category.

Our proposal, therefore, is to establish an oversight organization or public authority to ensure the government's proper role in funding capital projects that support the growth of intercity passenger rail. This separate organization would oversee federal investment in all rail passenger infrastructure. The states, federal authorities, and railroads would apply to the FRA for discretionary grants that serve the public purpose.

Whether Amtrak should continue to own the Northeast Corridor infrastructure is a question worth exploring. If it does continue, it should have responsibility for its rights-of-way and would apply to the Infrastructure Authority or the FRA for capital grants.

However, most passenger operations, such as the Amtrak Cascades in the Pacific Northwest, operate over private freight railroad tracks. In this case, direct negotiation, deal-making, and arbitration would be used to resolve disputes. The state authorities would likely be the applicants, with the Infrastructure Authority having the final say.

There is an argument that Amtrak could be entirely privatized at this point. That was the recommendation of Elon Musk and DOGE when they first looked at Amtrak. It would require an Act of Congress*.* Would that be a smart move? Probably not.

If the government were to completely withdraw subsidies for operating the national network without providing significant infrastructure support, it would be too risky for any private company to undertake. Private companies are unlikely to fill the gap in the near future. Amtrak, uncapitalized, would fail. The current intercity passenger rail network would collapse.

There is also an argument to be made that passenger rail is a vital social good, especially for mid-sized cities and small towns that airlines tend to overlook, and for travelers who want to avoid the hassle of airports. Many state governments have endorsed this view and backed it with funding for rail. Demographically, trains are especially well-suited for older individuals, military personnel, people with disabilities, and students.

Another argument for expanding train service is that the government does have a historic role in transportation infrastructure. Many cities grew up around train service, and even today, some, like the afore-mentioned downtown Miami, Meridian, Mississippi, or Emeryville, California, have used passenger rail expansion as a development tool. In a future program, transportation-oriented development rights could serve as an incentive for increased private sector involvement in rail transportation.

Some transportation experts argue that long-distance trains, at the very least, should be discontinued. That might be true from a budgetary standpoint, but one might consider that trains could be routed more profitably to better meet the needs of a larger number of people. Certain routes rack up deficits because they are not serving the growing populations. Alternatively, in cases like Fort Wayne, Indiana, and Olympia, Washington, the Amtrak station is far from town, which discourages travelers. (If you have to drive twenty minutes to get to a train station, why not just keep driving?) Likewise, more emphasis could be placed on sleeper cars, rather than coach cars since they are more profitable.

Tourists are another key market for a passenger train future. Rocky Mountaineer is a luxury sightseeing train service offering scenic journeys through the American Southwest and Canadian Rockies from mid-April to mid-October. Plans are underway for expansion in the near term. These include a train between Glacier and Yellowstone/Grand Teton National Park. Another would restore passenger service between the cities of Boise and Salt Lake before the 2032 Winter Olympics in Salt Lake. Commonly known as the Pioneer Corridor Restoration Project, the cities have applied for the Federal Railroad Administration's Corridor Identification and Development (CID) grants. Dreamstar Lines aims to revive overnight sleeper trains between San Francisco and Los Angeles, while Luna train seeks to provide overnight service in the East and Midwest.

Indeed, some cross-country trains might be more financially viable if they were rescheduled primarily for summer and off-season excursions, thereby avoiding the decline in winter traffic. Grandma could still take the train to see the grandkids, but the train service would be geared to tourism. A successful model is the state-owned Alaska Railroad. AR gets 70% of its revenue from freight. It also provides local passenger service and high-end tourist trains for cruise passengers that showcase Alaska's dramatic landscapes, wildlife, and unique destinations. These daily passenger trains operate from mid-May to mid-September.

One question is whether the private sector can take over train operations free of the costs of infrastructure. There is also a question of whether the government's politically driven controls can allow the private sector to operate without excessive interference.

With these considerations in mind, and as Congress prepares to consider reauthorization of the US "Rail Title", we submit that a successful passenger rail reform package might consist of the following:

First, a government authority to oversee fundamental rail reform that stresses competition; and second, eight specific reform objectives for the authority to advance.

A Passenger Rail Authority

The authority would have the power to restructure passenger rail policy, much as happened with the US Railway Association (USRA). Beginning in 1974, the USRA restructured bankrupt PennCentral and other Northeast railroads into the government-owned Conrail. After a major battle between Norfolk Southern (NS) and CSX to acquire Conrail, in 1998, the Surface Transportation Board approved a new joint plan to acquire and split Conrail's assets between NS and CSX. This led to increased competition and a long-term boom in freight rail across the Northeast.

The USRA provides a basic model for restructuring the intercity passenger network. We understand there will be opposition to any new government entity. An acceptable alternative to establishing a new authority would be to assign a similar process to the Federal Railroad Administration or the Surface Transportation Board. However, we believe a new temporary authority or commission would be a more effective approach.

We believe the Passenger Rail Authority might be composed of the Secretary of Transportation, the chair of the Surface Transportation Board, Amtrak, private sector operators, labor, equipment providers, risk management, and state government stakeholders. It would be staffed either by the FRA or the Surface Transportation Board (STB). It would be tasked with addressing the future of the core city-pair program (short-distance routes), long-distance routes, the Northeast Corridor, and high-speed rail.

Upon developing its plan, the President would review the Passenger Rail Authority's recommendations, and then the resulting package would be submitted to Congress. Unless Congress rejects the recommendations by a certain date, they will take effect and be implemented by the FRA. While competition and commercial enterprise would drive intercity passenger growth, the FRA would be responsible for safety and interconnectivity, as well as overseeing public interest infrastructure development that would permit the resulting revitalized network.

In conclusion, if there is one word to describe the needed thrust of passenger rail reform, it is “competition.”

Eight Specific Reforms to be Developed by the Authority

1) *Restructure the US passenger rail system to ensure competition by adopting a Competitive Access Model*. If the Amtrak statutory right to access freight tracks at a below-cost rate continues unaltered, the deck will be stacked against private rail competitors. Few could survive. Therefore, the old model for expanding intercity service needs to change.

Over the past few years, the Union Pacific Railroad, and the Association of Innovative Passenger Rail Operations (AIPRO) have developed a model for passenger rail access called the Competitive Direct Access Model (CDAM). Under the CDAM model, the current Amtrak statutory operator preferences over track owners, which have created a near-monopoly, would be eliminated. Access to track usage, key performance indicators, and operating standards, including on-time performance, would be negotiated through legal contracts, and disputes would be settled by arbitration. Like Deutsche Bahn in Germany, Amtrak would continue to operate as a commercial entity and compete in the new passenger rail marketplace. Amtrak and private competitors would have equal access to tracks through negotiated agreements with the freight railroads. Is the Direct Access Model a revolutionary novel approach? Not at all. It is a frequently deployed model used to achieve commuter rail access from Florida's Tri-Rail to Chicago Metra's 86-mile Rockford line. It has been used on intercity service, most notably to set Amtrak access terms for the California Capitol Corridor.

Under the Direct Access Model, grants from the Federal Railroad Administration for new corridor projects would require competitive bidding among potential operators, or, in some cases, public justification for a sole-source selection. In the case of a sole source selection, the grant applicant selecting Amtrak or an alternative rail operator would provide written justification for why that operator is the best, based on price and other factors, and that the use of the proposed operator would not unnecessarily increase the project's cost. (Footnote: See Section 301 of the Passenger Rail Investment and Improvement Act of 2009, *aka* PRIIA.)

2) *Strengthen state government management of city-pair routes (routes of less than 750 miles)*. Again, following the PRIIA guidelines, states should fund, as desired, any subsidies needed for city-pair routes. There are now thirty city-pair corridors, and the FRA has provided scoping funds for sixty-nine new projects in forty-one states. The fact is, only a few states, such as Washington, California, and Connecticut, are adequately staffed and trained today to manage this responsibility. Accordingly, the FRA should help build capacity for state management through technical assistance and even one-time Federal-State partnership grants.

3) *Consider Separating Northeast Corridor Train Service and Infrastructure*. The Shuster Blue Ribbon Panel on Amtrak reform was under the auspices of the House Transportation and Infrastructure Committee. Its 1997 report and the 2002 report of the Statutory Amtrak Reform Council (on which one of us, Bruce Chapman, was a member) made similar proposals. The recommendations were split Amtrak into two federally owned corporations, one focused on the passenger rail *operations* and the other on *infrastructure*. This functional separation would clarify costs, improve financial transparency, and facilitate targeted investments by the government for infrastructure and by private management for operations. The new Passenger Rail Authority would provide detailed recommendations to the President and Congress, and the FRA would implement the recommendations.

4) *Reconfigure long-distance (LD) routes to optimize traffic flow and manage costs effectively.* One of the principal challenges in passenger rail operations concerns the future of long-distance trains. These services are highly popular with local leaders and highly unprofitable as a general rule. If the LD

network is to be stabilized and expanded a clear commitment is needed similar to highway and aviation. The public interest must be defined and stable funding provided. The current LD network has a large footprint across rural America and has significant bipartisan support. As previously discussed, long-distance trains are especially beneficial for older adults, military personnel, individuals with disabilities, and students. The LD network offers connectivity to underserved rural communities, granting mobility where commercial airlines do not fly and intercity buses do not operate. For the National Network it is necessary to assess both social and economic benefits and then authorize subsidy levels. It is important to note the National Network is composed of **two** separate groups. The first is state-supported city-pair corridors (those under 750 miles). The second is the Long-Distance (LD) Network. There are currently thirty state-supported corridors with over sixty new projects in various stages of development. There are fifteen LD corridors. For the state supported network the policy is the right one. The states determine the economic and social benefits and provide the subsidy. For long-distance routes, Congress must play that role by quantifying the social and economic benefits and providing stable funding. The Trump Administration supports the basic LD network and has even proposed modest increase in LD funding for FY 2026, somewhat at the expense of the Northeast Corridor.

A key role for the Authority will be recommendations to stabilize and improve the network. This means introducing cost measures and controls that do not now exist and creating opportunities for additional private sector participation. One important prospect will be to foster growth of the excursion train experiences, such as those offered by Rocky Mountaineer, Alaska Railroad, or prospective operators like Dreamstar. Additionally, the Big Sky Passenger Rail Authority has endorsed competitive selection of an operator for its proposed route from Chicago through Montana to Seattle and Portland. We propose this be a pilot project in the effort to identify innovative rail solutions for the LD network. As advanced long-distance options are evaluated, concurrent reform efforts for the state-supported city pairs and the Northeast Corridor should continue to advance.

5) *Establish a sustainable rail capital fund, similar to those that support roads and air traffic.* This federal fund would be sufficient to build bridges, tunnels, stations, maintenance yards, bypasses, and other necessary infrastructure to expand the passenger rail network. Funding sources might include rights-of-way utility fees and transportation-oriented development “value capture” from urban development projects adjacent to new passenger rail facilities. Meanwhile, the FRA’s Federal State Partnership Discretionary Grant program should continue. Primary applicants should be states, with Amtrak and state-approved private competitors being eligible.

6) *Institute legal reforms.* Liability and indemnification processes for equitable insurance access should be made available to new private competitors. Commuter systems should be admitted to this program. Likewise, a National Equipment Supply initiative should be established to identify and meet equipment needs for the next 20 years. Environmental and other permitting should be accelerated to complete all reviews within the next two years.

7) *Create a High-Speed Rail (HSR) Plan.* The Authority should devise a plan for HSR development that includes planning, regulatory processes, and funding systems needed to build a network akin to those in China, Japan, and Europe. For a plan to be real, primary funding sources must be identified. This could include a mix of federal grants, state funds, and private investment, including through transportation-oriented development (TOD). Regarding TOD, legislation introduced by former Congressman Tom Petri (R-Wis) in a previous Congress should be dusted off and revisited. New funding, such as proposed by Congressman Seth Moulton's (D-Mass) American High Speed Rail Act, should be seriously considered. This Plan must apply "lessons learned" from California's troubled and very costly HSR project, which faces solid Republican opposition as "the train to nowhere." Pursuing a program with bipartisan support will be critical.

During the campaign last summer, Mr. Trump highlighted the advanced passenger trains in China and other countries, noting that they "operate at astonishing speeds and are incredibly comfortable," while pointing out that the United States lacks such a system. He said, "it is illogical not to have one." The Authority should aim to develop the system envisioned by President Trump in that statement.

8) *Assure worker rights on the intercity passenger network.* Intercity rail corridor development will uphold worker rights for rail operations, as established under PRIIA, section 301. This includes labor rights during any transitions from Amtrak to new operators for operating and non-operating (rights of way maintenance and signal crews). On infrastructure construction projects, the Davis-Bacon Act's prevailing wage requirements will apply to all federally funded projects.

To summarize our proposal again: for significantly higher quality passenger rail, we recommend promoting much greater competition.

The Background of Passenger Rail Reform

Under the U.S. Constitution, Congress has the authority to establish roads and to charter private corporations for that purpose. Early on, Congress, along with state and local officials, helped build roads, canals, and railroads. With the encouragement of President Lincoln, Congress passed the Pacific Railroad Act of 1862, which led to the construction of transcontinental railroads and thereby accelerated the development of the West. Federal bonds, land grants to railroads, and private investment helped make the post-Civil War economy boom as new cities grew up around rail junctions.

After World War II, Congress adopted the Federal Airport Act of 1946, which provided localities with federal funds equal to half of the cost of new public airports. Under President Eisenhower, in 1956, the Federal-Aid Highway Act was passed, leading to the massive construction of the Interstate Highway System. Passenger rail remained popular for a while, with modern diesel-propelled, Art Deco-inspired trains like the California Zephyr (from 1949), expressing confidence in the future. But, as a recent report by the American Public Transportation Association (APTA) describes it, in the 1960s, “passenger trains declined. By 1970, the railroads sought relief from their common carrier obligations of carrying passengers. Amtrak was the result.”

The new US passenger train model, however, was not a remarkable success. Amtrak was plagued by overly bureaucratic management and spotty performance. Congress organized an Amtrak Reform Council (ARC) to suggest changes, some of which were adopted after the Council reported in 1998. But the key recommendation of separating Amtrak infrastructure and operations was not accepted by President Bush or Congress, let alone by the Amtrak leadership. Railroad labor unions and citizen groups that promote passenger rail were likewise skeptical.

Outright privatization of Amtrak did not gain majority support on the reform council and is still not anticipated in the pending Congressional bill. Some Members actually want greater subsidies for Amtrak. That was, in fact, what happened in recent years.

The COVID-19 pandemic accelerated the decline in Amtrak ridership, although the numbers gradually recovered, and in 2024, Amtrak carried more passengers than ever before. The system still loses money, especially on long-distance routes. Under the Administration of Joe Biden, a longtime Amtrak enthusiast, Congress funded $66 billion of new rail facilities under the Infrastructure Investment and Jobs Act of 2021. Under the Act, a key innovation encouraged private companies to compete with Amtrak for new service contracts.

Those funds are being expended now, and the Trump Administration did not claw them back. Rather, USDOT has initiated a responsible program to expand intercity service. Hopefully, the next step will be to set in motion the Trump vision of an American passenger network that will "operate at astonishing speeds and is incredibly comfortable."

What about Amtrak? The possibility exists that Amtrak could be privatized. Over time, its staff improved professional skills, and it undoubtedly has a vault of valuable experience that private owners might desire. As AIPRO has advised Congress, “Amtrak should be treated fairly, but put on a business footing.”

ABOUT THE AUTHORS

Ray Chambers has been a longtime champion of passenger rail and a Transportation Fellow of the Discovery Institute. He also helps lead a private sector group called the Association for Innovative Passenger Operations (AIPRO), an amalgam of private rail companies, labor unions, construction firms, and rail stakeholder groups.

Bruce Chapman, Board Chair of Discovery Institute, also has a long record of support for passenger rail reform and served on the Amtrak Reform Council (ARC), established by Congress during the George W. Bush Administration.