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Privatizing Amtrak

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EXECUTIVE SUMMARY

Passenger rail flourished as a private industry from the mid-1800s into the early 1900s, when cars, buses, and airlines began to siphon off intercity traffic. Railroads tried to respond to the new competition but were saddled with costly regulations, exceptionally high taxes, and rigid labor union rules. By the 1960s, the rail industry was struggling, and Congress responded by creating Amtrak in 1970 to take over passenger services.

More than half a century later, Amtrak remains an inefficient government-owned company that has never turned a profit while receiving billions of dollars in ongoing subsidies. Amtrak is plagued by delays, an inflexible workforce, equipment breakdowns, botched capital projects, and costly "Buy America" regulations. Routes in the Northeast Corridor earn an operating profit, but most routes across the rest of the country are consistent money losers.

Passenger rail contrasts with freight rail, which was deregulated in 1980 and privatized in 1987. Productivity, safety, and profitability improved sharply when entrepreneurs and competition replaced political control and subsidies. Congress should heed that example by privatizing Amtrak and repealing regulations that raise costs and stifle innovation. Rail faces stiff competition from other transportation modes, but by removing government-imposed costs and restrictions, we would discover which US rail corridors make sense for consumers and the economy.



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INTRODUCTION

Passenger rail thrived in the private sector between the mid-19th and early-20th centuries. But then the rise of automobiles, buses, and airlines generated growing competition that undermined the demand for rail. Railroads were also saddled with exceptionally high taxes and regulations, which reduced their ability to cut costs and innovate. Labor unions burdened railroads further with inflexible work rules.

By the 1960s, many railroads were struggling, and Congress created Amtrak in 1970 to take over their unprofitable passenger services. Today, Amtrak operates passenger rail in 46 states over a 21,000-mile network. Amtrak was supposed to become self-supporting but receives large ongoing subsidies.

A half century after the government helped kill private passenger rail, we remain stuck with a mismanaged government-owned rail company. Congress prevents Amtrak from operating efficiently and from ending its many money-losing routes.

Freight rail provides a contrast. The industry was deregulated in 1980, and government-owned Conrail was privatized in 1987. Since then, freight rail has thrived with competition, innovation, and productivity growth. The success of US freight rail shows that deregulation and entrepreneurship, not endless subsidies, are the ways to turn around troubled industries.

Congress should privatize Amtrak and deregulate passenger rail so that entrepreneurs can cut costs and pioneer new ways of running passenger services. We should let consumers and markets determine where rail makes sense for intercity travel. The Trump administration has made some beneficial changes to rail policy, including ending high-speed rail funding, but bolder reforms are needed.

DAMAGE AND DECLINE

The rail industry thrived in the United States from the mid-19th century to the early 20th century. But the rise of automobiles, trucks, buses, and airlines in the mid-20th century created a huge competitive challenge. By the 1960s, many railroads faced bankruptcy, and both freight and passenger services were restructured during the 1970s.

Railroad passenger volume fell during the 1920s and 1930s, spiked during World War II, and then dropped throughout the 1950s and 1960s. Rail volume plunged from 25 billion passenger miles in the early 1950s to 6 billion by 1970.[1] As a share of all intercity passenger miles, rail fell from 11 percent in 1947 to less than 1 percent by 1970.[2]

The problem for rail was not just new competition but also damage imposed by governments. Railroads faced heavier regulatory, tax, and labor union burdens than other transportation modes. Looking back at the 1950s, *Classic Trains* magazine lamented, "Railroads confronted antiquated labor work rules; money-losing passenger, commuter, and branchline operations; burdensome taxation; and restrictive government regulation."[3] A 1978 Department of Transportation (DOT) report on the troubled US rail industry noted, "Probably the most significant restriction on railroads is rate regulation."[4] Let's look at that problem first.

Rate Regulation

The federal government assumed control over railroad rates, or pricing, with the 1887 creation of the Interstate Commerce Commission (ICC). Congress then expanded the ICC's powers in the Transportation Act of 1920. The ICC established minimum and maximum rates and was charged with approving or denying rate changes.

A DOT report in 1977 found that while "the railroad industry benefited from federal regulation from its inception in 1887 until the Depression of the 1930s," rate regulations "later handicapped the railroad industry, particularly in the period following World War II, in its efforts to respond to strong competition from the newer modes."[5]

ICC rate regulations were aimed at claimed "public goals" that undermined railroads, such as setting rates to help farmers, seaports, and depressed industries. For decades, the agency "rendered rail rate decisions that protected the trucking and water carrier industries" at the expense of the railroads.[6] After World War II, the railroads "attempted to remain competitive by reducing shipping rates but were often not allowed to do so by the ICC."[7]

In 2003, the Congressional Budget Office (CBO) discussed the damage caused by ICC rate regulations:

> Railroads were finding it increasingly difficult to compete with trucks—especially in the Northeast, where manufacturing activity was strong. To keep from losing business to truckers, they needed to be able to reduce the rates they charged on high-value shipments, such as manufactured goods, a market in which trucking was making inroads. The ICC prevented the railroads from doing that, however.[8]

The 1977 DOT report similarly noted:

> Federal economic regulation hindered the railroads in their attempts to adjust rates to meet competition from the trucking and waterway industries. . . . While much of the traffic of the railroads' competitors was unregulated, railroad rates were often maintained at artificially high levels to "fair share" traffic among the major modes of intercity freight transportation.[9]

Even when the ICC approved rate changes, the process was so bureaucratic that it cost rail companies billions of dollars.[10] The DOT found that the slowness and complexity of ratemaking encouraged shippers to choose trucks instead of rail. The effect of all this was to deprive the railroads of revenues and profits. Rail investment declined, and regulations delayed rail companies from adopting innovations to improve productivity.[11]

Restructuring

The ICC and state authorities restricted railroads from downsizing their money-losing services. This was a crucial issue in the mid-20th century because the railroads needed to restructure to meet rising competition from other transportation modes.

The ICC considered supposed public interest concerns before allowing railroads to drop services, which it thought was "too important to be left to individual railroad management decisions."[12] Even for proposed changes that the ICC ultimately approved, the bureaucratic decisions could take two to four years with railroads losing money the whole time.[13] The DOT found that railroads were "plagued by excess capacity" partly because of government barriers to shedding services.[14]

The DOT additionally found that

> the rigidities of the regulatory system undoubtedly complicated what was a very painful adjustment process for the railroads. . . . At a time when flexibility and quick-reaction would have most helped the railroads, the ICC moved at a very cautious pace following traditional policies. . . . Rail line abandonment became a contentious, costly, and protracted procedure.[15]

The federal government also restricted railroad mergers, further undermining the industry's ability to adapt. The DOT observed that "proposals for railroad mergers that were potentially helpful to the industry took up to ten years for the federal government to decide, thereby delaying or dissipating whatever benefits might have accrued to the rail industry from such restructuring."[16]

Speed Limits

Rail scholar Randal O'Toole points to another way that government regulations undermined the ability of railroads to adapt to rising competition.[17] He argues that a 1951 ICC regulation on passenger rail speed reduced an advantage that rail was developing over automobiles. The ICC limited train speed to 79 miles per hour unless railroads adopted expensive new signaling equipment. O'Toole says that the cost of the new equipment was too high, resulting in the railroads slowing their trains and making them less competitive with automobiles and buses. By the late 1930s, some new passenger trains were regularly hitting 100 miles per hour, but the government speed limit put an end to such innovations and killed an important rail advantage.

Property Taxes

For decades, railroads were used as cash cows for federal, state, and local governments. In 1924, *Time* magazine noted:

> Railroads have long been a favorite source of tax revenue, not only to the federal government, but to all of the 48 states. . . . It seems to railroad men particularly

> unfair that much of the money taken from them in the form of taxes has been spent to furnish free rights of way in the form of new roads, to such competing forms of transportation as motor trucking.[18]

Property taxes were the largest tax burden on railroads. The burden was not shared by automobiles, buses, trucks, or inland waterways, which used government-owned infrastructure. Railroads built their own massive infrastructure and then paid high taxes on it. A Brookings Institution book on the property tax noted:

> In 1957, for example, property taxes absorbed nearly 3.5 percent of all rail operating revenues, but only 0.4 percent for motor carriers and 0.2 percent for air carriers. Rising property taxes in postwar years imposed costs on railroads far in excess of any parallel general tax confronting their competitors, and contributed to increases in railroad rates, hardly a good competitive strategy for a hard-pressed industry.[19]

The problem was not just that railroads owned large amounts of taxable property but also that the states typically taxed rail property at higher rates than other types of property. A report submitted to the Joint Economic Committee in 1968 found, "Because railroads own their own rights-of-way, and because of frequent discriminatory assessment of railroad property, property taxes on railroads are very high relative to those on other types of transportation."[20]

During congressional hearings in 1966, property tax appraiser Broley Travis pointed to "tax discrimination against railroads due to the practice of assessing railroad property at percentages of full value much higher than most other property that is subject to the same tax rates."[21] He said that "ratio studies made by taxpayer groups and also by administrative and research organizations have all confirmed the claim of the railroads that they are being subjected to gross discrimination in the field of ad valorem [property] taxation."[22]

At the 1966 hearings, railroad executive James Ogden pointed to four studies, each finding that effective property tax rates on railroads were about double the rates on other types of property.[23] These high tax rates resulted in less incentive and less cash available for the railroads to maintain their infrastructure and invest in upgrades.

Corporate Income Taxes

Railroads paid heavy corporate income taxes, which reduced earnings for reinvestment and innovation. The statutory federal corporate income tax rate averaged 51 percent during the 1950s and 1960s, and effective tax rates on corporate capital were also very high.[24] Depreciation rules for long-lived assets were unfavorable during the mid-20th century, which raised effective tax rates on capital-intensive industries such as railroads.

In 1959, tax law professors James Gidding and Arnold McKinnon noted:

> the situation of the railroads would not be so serious were it not for the fact that these reduced earnings are further depleted by high taxes, including the federal income tax, and for the fact that the amount of the railroads' income subjected to tax is increased by outmoded depreciation concepts. . . . A large part of the railroads' financial problem is caused by the combined effect of high income tax rates and low income tax depreciation allowances.[25]

Gidding and McKinnon continued, "The position of the railroad industry with its small depreciation deduction based on its long-lived assets compares most unfavorably with its competitors with respect to whose depreciable assets relatively short lives have been accorded."[26] The government eventually reformed the corporate tax, but decades of damage had deprived the rail industry of the cash and incentives needed for reinvestment to stay competitive.

Payroll Taxes

Railroads and their employees pay higher federal payroll taxes than other industries. Railroads have a retirement system run by the Railroad Retirement Board, separate from Social Security.[27] The industry pays Tier 1 taxes, which are similar to Social Security taxes and fund basic benefits, and hefty Tier 2 taxes, which fund additional railroad retirement benefits. The DOT reported in 1977 that "the railroads have

clearly had to bear a heavier payroll tax burden than the other [transportation] modes. Per hourly wage earner, the railroads have been required to pay approximately twice as much as other modes for federally enacted employee benefit programs."[28] The current employer-employee Tier 2 tax rate is a huge 18 percent, which comes on top of the Tier 1 tax rate for retirement of 12.4 percent. While railroad workers receive generous retirement benefits, these high payroll taxes are an extra railroad cost that other travel modes do not share.

Excise Taxes

During the 20th century, federal, state, and local governments subsidized infrastructure for highways, aviation, and inland waterways. However, railroads generally "financed construction and improvement of their systems internally without government assistance."[29] Other transportation modes paid excise taxes to fund their own infrastructure, but railroads paid excise taxes that funded general government spending. The DOT reported, "The railroad industry was burdened from 1942 to 1958 by a federal excise tax on freight waybills and from 1941 through 1962 by another federal tax on passenger tickets."[30] This was "a highly unfavorable time to be taxing a rapidly failing mode in the name of raising general tax revenues."[31]

Airlines paid federal taxes on passenger tickets, but the revenues funded aviation infrastructure. Road users paid federal fuel taxes, which after 1956, were used to fund highways. As for inland water shipping, the "public investment in the waterway system has amounted to a total subsidy since a water way user charge has never been imposed on either commercial or private users of the system."[32]

By contrast, the railroad "waybill and ticket taxes were, of course, levied for general revenue purposes and were not regarded as user charges. In effect, however, they were a tax on the users of the railroads, and it is fair to say that the railroad mode received no direct federal aid in return."[33]

In sum, railroads were hit with a heavy burden of excise taxes, property taxes, corporate income taxes, and payroll taxes. All this federal and state taxation put the railroads at a competitive disadvantage to other transportation modes. And while the federal government launched aid programs for aviation, highways, and inland waterways, railroads built their own infrastructure.

Labor Unions

The union share of the US workforce peaked in 1953 at 33 percent and then fell, but the union share of the railroad workforce remained much higher.[34] In the 1950s and 1960s, the union share of the railroad workforce was more than 80 percent. Labor unions raised costs and made it more difficult for the railroads to adjust to changing economic conditions.

The Railway Labor Act of 1926 required that rail unions be based on employee crafts or occupations and organized on a systemwide basis. Each craft had specific inflexible work rules. The DOT in 1977 said there is an "enormous body of specific work rules dividing the responsibilities of the numerous individual railway unions and specific labor categories within those unions, which affect both operating and non-operating employees."[35] Disputes over job rules were "numerous and elaborate," and the pay scales for the many job categories were "extraordinarily complex."[36]

The unions were rigid structures keeping railroads stuck in the past. The DOT found that "operating policies and procedures dating back to the era of steam locomotion and telegraph communication still remain in effect, resulting in many outmoded practices."[37] On steam-powered locomotives, the firemen shoveled coal and tended to the fire. The emergence of diesel engines made firemen obsolete. But it was not until the mid-1960s that a government board ruled that railroads could eliminate the fireman position, decades after diesel had entered widespread use.[38]

A 1980 Government Accounting Office (GAO) report discussed how federal union rules put the rail workforce in a straitjacket:

> The Railway Labor Act of 1926 governs labor relations in the rail industry. The law institutionalized the union structure that existed at that time, with the result that the craft and class divisions in repair shops are extremely narrow and no longer represent the work which now needs to be done.[39]

GAO noted that in "the countless provisions of labor contracts that govern how labor is used on railroad engines and trains, the assignment of employees to their daily tasks, and the intricate formulas by which they are paid—have the effect of increasing operating cost. In addition, work rules

have the effect of restricting productivity."[40] By sapping productivity, labor union rules undermined the ability of railroads to respond to rising competition.

To sum up, taxes, regulations, and labor union rules all played major roles in draining revenues and profits from the railroad industry. These government burdens crippled incentives for reinvestment and pushed railroads into a downward financial spiral. Many were facing bankruptcy by the late 1960s and early 1970s.

Congress took over passenger rail services in 1970 and created Amtrak. Congress then passed legislation in 1973 to take over numerous freight railroads in the Northeast and Midwest to create Conrail.[41] Subsequently, freight rail was deregulated in the 1980 Staggers Rail Act, and Conrail was privatized in 1987. But the government still owns and controls the nation's passenger rail system.

INEFFICIENT OPERATIONS

Congress created the National Railroad Passenger Corporation (Amtrak) in 1970 by combining the passenger services of 20 railroad companies. Amtrak was structured as a for-profit corporation with the federal government owning virtually all the stock. The federal government also appoints the board of directors.

Amtrak's founders "expected the company to become self-sufficient and operate as a private entity without subsidies within a few years."[42] However, Amtrak has never earned a profit and has relied on many billions of dollars in subsidies over five decades. In 1997, the Amtrak Reform and Accountability Act directed the company to end its dependency on operating subsidies, but that did not happen.[43]

In 2025, Amtrak had revenues of $4.2 billion, expenses of $6.1 billion, and a net operating loss of $1.9 billion.[44] More than $400 million of the revenues were subsidies from the states, which indicates that passenger rail finances are further out of balance than Amtrak's official loss suggests.

Amtrak had been receiving about $2 billion a year in federal subsidies, but then during the COVID-19 pandemic, Congress provided Amtrak an extra $3.7 billion in aid.[45] That was followed by $66 billion in aid for rail over five years in the Infrastructure Investment and Jobs Act of 2021, of which $22 billion was for Amtrak directly and the rest for federal and state rail grants.

Amtrak boasted that its 2025 passenger volume of 34.5 million was its highest ever.[46] But that figure is small compared to 62 million annual intercity bus passengers and 970 million annual domestic airline passengers.[47] All these transportation modes are dwarfed by personal vehicle travel, which accounts for 90 percent of all US trips over 50 miles.[48]

Amtrak's stewardship of its assets is poor, and the company has a massive $84 billion repair backlog.[49] Passenger rail supporters might say that the backlog indicates that Amtrak is underfunded, but instead it reveals how far out of balance the company's finances are because it is losing money *and* its assets are deteriorating from a lack of repairs.

Amtrak suffers many woes that stem from government ownership. Congress micromanages Amtrak and burdens it with extra costs, while Amtrak managers and employees do not face marketplace disciplines. The following are problems with Amtrak's operations, and the section after discusses problems with Amtrak's capital investments.

Late Trains

For the overall Amtrak network, only about three-quarters of trains are on time; for long-distance trains, only about half are on time.[50] Just one-third of Amtrak routes are currently meeting the standard for customer on-time performance.[51]

Amtrak's inspector general notes that "some factors—particularly freight train interference—are largely outside the company's control, but Amtrak can control other factors, such as making sure its equipment is in good working condition and available to operate as planned."[52] A recent article in Smart Cities Dive observed that Amtrak has been "plagued with breakdowns" and "dismal on-time performance" partly stemming from equipment failures.[53]

As a comparison, rail performance appears to be better in the United Kingdom. In 2025, 98 percent of UK passenger trains left within 15 minutes of scheduled time and 85 percent left within 3 minutes of scheduled time.[54] That is impressive given that UK passenger trains also share tracks with freight.

Costly Compensation

Workforce compensation accounts for 51 percent of Amtrak's operational expenses. In 2025, the company had 21,700 employees earning, on average, a generous $142,000

a year in wages and benefits.[55] Worker pay at Amtrak is tied more to labor union rules, job categories, and seniority than to job performance. The payment of excessive overtime has also been a concern.[56]

A 2009 study by Amtrak's Office of the Inspector General (OIG) found that the company's wage and benefit levels were far higher than levels in European rail firms. The study concluded that the "average annual cost of an Amtrak infrastructure worker is 2.3 times that of the average European railroad infrastructure worker."[57] The study is now dated, but that is a large difference.

For a more recent comparison, let's consider compensation at the UK's largest passenger rail firm. In 2025, average compensation for Govia Thameslink Railway's 7,454 workers was the US dollar equivalent of $94,000.[58] Amtrak's average was much higher, though it should be noted that average US incomes are higher than UK incomes. (Govia Thameslink was restructured in 2026.)

Amtrak's executives have received large bonuses despite the company's poor performance. In 2021, Amtrak paid $2.3 million in executive bonuses after reporting its biggest loss in a decade. In 2024, the *New York Times* reported, "Fourteen Amtrak executives received more than $200,000 each in incentive bonuses last year despite the service's poor recent financial performance and struggles with its capital improvement projects."[59]

Inflexible Workforce

More than a dozen collective bargaining agreements cover 83 percent of Amtrak's workforce.[60] Labor unions tend to raise costs and reduce productivity by protecting poorly performing workers, pushing for excessive staffing levels, and resisting cost-saving innovations. They also bar employees from providing direct input to management.[61] Recently, railroad unions have resisted new technologies for track inspections.[62]

Former Amtrak head David Gunn complained that at the company's maintenance facilities, workers from different crafts were not allowed to share work on projects, which reduces efficiencies.[63] He tried to have the work rules changed but was rebuffed by the George W. Bush administration. Amtrak leaders again tried and failed to gain more flexibility over work rules in a dispute with its unions in 2007.[64]

A 2019 OIG report examined the company's maintenance facilities. It found that "current labor agreements also limit the company's staffing flexibility, which results in inefficiencies and additional costs."[65] As an example, "employees in particular [union] crafts are prevented from doing anything more than incidental work in another craft, regardless of whether they are trained and qualified to do so."[66] The report concluded that Amtrak could save 10 percent of its labor costs at maintenance facilities with a more efficient workforce.

The union share of the US private-sector workforce has fallen to just 6 percent today as Americans have generally rejected unions.[67] Amtrak's high unionization rate is out of step with the modern economy.

Employee Misconduct

Amtrak's IG says that one of the company's "high-risk fraud areas" is "employee wrongdoing." Investigations "regularly lead to convictions, employee terminations, and resignations" for abuses such as false claims for hours worked.[68] Employees used to abuse family and medical leave, and when Amtrak finally beefed up its approval process in 2025, claims dropped by 72 percent.[69]

Health benefit scams are another problem at Amtrak. In 2025, auditors found "a widespread scheme in which at least 119 current and former employees conspired with New York health care providers to bilk Amtrak's health care plan of more than $12 million."[70] The providers and employees filed fraudulent medical claims for services that were not provided or needed.

Equipment Failures

A 2026 analysis in *TrainsPro* discussed the many "hours-long delays resulting from grade crossing collisions; and numerous locomotive failures." It also noted that "delayed departures, or breakdowns shortly after leaving a terminal on time, are happening frequently."[71] When a train breaks down, it can take hours to send another engine to the location, and other engines are often not available.

A 2025 analysis in *Railway Age* said that Amtrak's long-distance network "is suffering mechanical, personnel, and performance setbacks on an almost daily basis."[72] The

setbacks include: "Locomotives malfunctioning en route or before they even leave the station. Reduced speeds due to weather conditions or freight train congestion. Departures delayed on account of no rested crews. Coaches and sleeping cars having inoperable climate control or toilets. Dining cars unable to serve meals. Late trains getting later or being annulled altogether."[73] Trains are often hours late due to equipment failures, adverse weather, and freight rail slowdowns.

Parts of Amtrak's electrical gear date to the 1930s, and failures are causing major disruptions.[74] On February 11, 2026, a 60-year-old electrical part failed on the Pelham Bay Bridge, which shut down service above New York City on the heavily traveled Northeast Corridor (NEC) for half a day.[75] Similarly, the *New York Times* reported on a circuit breaker explosion in 2024 that halted rail traffic between Philadelphia and Connecticut for hours. The explosion "showed that much of Amtrak's vulnerabilities along the NEC can be traced back to the system's astonishing age and long-outdated technology." A wholesale modernization effort "would come at tremendous cost and take more than a decade."[76]

Such incidents reveal the dilapidated condition of Amtrak's infrastructure and how costly passenger rail really is. Amtrak's revenues are not only short of covering its operating costs but also short of covering the large costs of proper asset maintenance.

INEFFICIENT INVESTMENT

Amtrak's capital investment is misallocated and mismanaged. CBO noted that soon after Amtrak's launch in the 1970s, it "became evident that Amtrak would be guided by politics as much as by business decisions."[77] That is still true. Congress tasks Amtrak with running many routes that have high costs and low passenger volumes, and it imposes Buy America policies on the company, which artificially raise the costs of equipment purchases. Another concern is that Amtrak has a poor record of managing large projects.

Congressional Misallocation

Amtrak operates passenger rail services in 46 states over a 21,000-mile network. The routes are grouped into three service lines. The NEC, which runs between Boston and Washington, DC, carries 44 percent of Amtrak trips and includes the Acela and Northeast Regional trains. Outside the NEC, state-supported routes carry 43 percent of Amtrak trips. These are shorter-distance routes (up to 750 miles), which receive state government subsidies. Long-distance routes (more than 750 miles) carry 13 percent of Amtrak trips and typically only run once a day.

On the NEC, Amtrak owns about four-fifths of the track and runs electric locomotives. On the rest of the network, Amtrak owns the trains while freight rail companies generally own the tracks. Outside the NEC, most of the trains are diesel powered.

The NEC routes earn operational profits, but nearly all other routes lose money. Table 1 shows that in 2025, the NEC routes earned $349 million, while the state-supported routes lost $232 million and the long-distance routes lost $623 million.[78] Without the state subsidies, the state-supported routes would have lost $560 million.

Amtrak's long-distance routes lose the most money. They account for 13 percent of riders but 36 percent of operating expenses. In its annual report, Amtrak admits that its long-distance trains "typically run once daily or less, reach major metropolitan areas at inconvenient hours, suffer from poor on-time performance, and generate significant operating losses."[79]

The state-supported routes are also inefficient. Data in Table 1 indicate that ticket revenues cover just 48 percent of operating expenses for the state-supported routes, which is even less than the 51 percent for the long-distance routes.

As bad as these figures are, they represent Amtrak's optimistic spin. The company's "adjusted" earnings do not include some expenses usually included on corporate income statements, particularly depreciation, which accounts for the deterioration of facilities and equipment over time. Amtrak's actual operating loss for 2025 was $1.9 billion compared to the sum of the "adjusted" losses for the three service lines of $506 million. Thus, the actual per-rider earnings for all service lines are worse than those shown in Table 1.

Another way to compare service lines is by load factors, which are the number of riders divided by capacity. In 2025, state-supported trains had a load factor averaging just 39 percent, compared to 56 percent for long-distance trains

Table 1

Amtrak service line metrics, 2025

	Northeast Corridor	State supported	Long distance
Service line results *(millions of dollars)*			
Gross ticket revenue	$1,542	$551	$671
Other revenue	$28	$31	$14
State subsidies	$0	$328	$0
Total operating revenues	$1,570	$910	$685
Operating expenses	$1,220	$1,142	$1,308
Adjusted operating earnings	$349	–$232	–$623
Earnings, without state subsidies	$349	–$560	–$623
Ridership *(thousands)*	15,172	14,849	4,450
Per passenger *(dollars)*			
Ticket revenue	$101.63	$37.10	$150.81
Other revenue	$1.83	$2.07	$3.10
Operating expenses	$80.43	$76.89	$293.84
Earnings, without state subsidies	$23.02	–$37.71	–$139.93

Source: Author's calculations based on Amtrak's financial statements, fiscal year 2025.

and 68 percent for NEC trains. By contrast, the average load factor for US domestic airline flights is about 80 percent.[80]

The losses on some individual routes are huge.[81] In 2025, Amtrak lost $505 per rider on the Sunset Limited between New Orleans and Los Angeles, and it lost $278 per rider on the Southwest Chief between Chicago and Los Angeles. Except for the Auto Train from Virginia to Florida, all the other 15 of Amtrak's long-distance routes lose money. For the state-supported routes, 28 out of 30 lose money even with the state subsidies.

In a 2018 analysis, Amtrak compared the economics of a long-distance route with an NEC route: the California Zephyr between Chicago and San Francisco compared to a Northeast Regional round trip between New York City and Washington, DC.[82] In 2025, the former route lost $187 per rider while the latter earned $16 per rider.

This long-distance route generated $39 per mile in revenue compared to the NEC round trip of $135 per mile. Also, the long-distance route imposed much higher costs because the trip took 52 hours with 45 employees, compared to the NEC round trip of 7 hours with 5 employees. Further, the long-distance trip needed 18 locomotives and cars, while 9 were needed for the NEC round trip.

Amtrak's core financial problem is that Congress insists on running train routes that lose so much money. The high-cost long-distance routes run through many congressional districts but make little economic sense. The state-supported routes usually run half empty, and 10 of them often run two-thirds empty. Intercity buses are generally a more efficient, safer, and environmentally sound option for the state-supported routes.

Congress and Amtrak should downsize the system by cutting the routes that lose the most money. The first Trump administration tried to end funding for long-distance routes, arguing that they "consistently suffer from poor on-time performance, serve a small percentage of the population, and

generate the vast majority of Amtrak's operating losses."[83] Congress rejected those reforms and then reversed course with the passage of the Infrastructure Investment and Jobs Act under President Biden, which pumped billions of dollars more into non-NEC routes. Under Biden, Amtrak released plans for a $75 billion network expansion, which would have added more money-losing routes to the system.[84]

A George W. Bush administration spokesman testified to Congress in 2003 about the need to cut "staggering subsidies for long-distance rail."[85] But he also noted the difficulty of ending these money-losing routes: "Even raising this issue begins to unravel the fragile political coalition that has supported Amtrak's ever-growing annual subsidies."[86] Trapped inside the government, Amtrak has difficulty improving efficiencies because some members of Congress always object.

Buy America Rules

Congress imposes burdensome Buy America rules on passenger rail. These rules generally require that purchased materials and equipment use US iron and steel and must be manufactured and assembled domestically.[87] The effect can be to push up the cost of new trains and other equipment and delay investments. This is an important current concern because, as Amtrak notes, a "significant portion of our equipment fleet is at or nearing the end of its useful service life."[88]

Amtrak criticized the Buy America rules in its 2025 annual report:

> Few companies have domestic manufacturing facilities capable of producing the, in many cases, unique new equipment Amtrak needs, and U.S. manufacturing capacity for many components and materials required for rail infrastructure projects is also very limited. This limited supplier base could negatively impact the availability and cost of equipment and materials Amtrak requires for major capital projects and the time required to complete such projects.[89]

The "negative impact" was evident when a state consortium proceeded with a $352 million purchase of 130 rail cars for Midwest and California Amtrak routes funded by federal stimulus legislation in 2009. The supplier was Japan's Nippon Sharyo, which had planned to manufacture the cars in the United States to fit the Buy America rules. The expected production costs ballooned as the design was changed to fit US regulatory requirements, and the company "had to rely on suppliers that it has never worked with before and found some components so difficult to obtain."[90]

The *Wall Street Journal* reported on the deal, saying that "stalled production shows struggles of foreign companies to comply with made-in-U.S. guidelines."[91] The Nippon Sharyo train order was canceled in 2017. The state consortium then hired Siemens to provide the new trains, but it also ran into technical and regulatory problems. Siemens delivered the trains two years late, which created operational headaches for Amtrak.[92]

In 2025, Amtrak put into service a new generation of Acela trains on the NEC. The trains had been funded 15 years earlier, but Amtrak's procurement, design, and production process was slowed due to frequent changes in direction driven by politics. A 2025 Senate committee report found that the Acela delivery was delayed by at least four years.[93]

The Buy America provisions slowed the Acela procurement by requiring complex waiver requests for items that were difficult to obtain domestically. Other complex federal regulations raised costs as well. The Senate report says that the procurement delays cost Amtrak $287 million in higher costs and lower revenues. The Acela trains were billed as "high speed," but they ended up going no faster than the old trains because of the NEC's poor track quality.

Intercity rail is not the only mode of public transportation undermined by the Buy America rules. One study found that US cities are paying one-third more for urban light-rail cars than European or Asian cities partly because of the rules.[94] Another study found that US city bus systems pay much more for buses than systems in Japan and South Korea.[95] Privatizing transportation systems would allow for more efficient capital investment.

Mismanaged Projects

Governments often mismanage large infrastructure projects, and rail projects are no exception. The projected cost of California's high-speed rail project from Los Angeles to San Francisco has soared from $34 billion

in 2008 to $126 billion today.[96] Officially, it is expected to be finished in 2038, but it may be mothballed because the costs keep rising and the project is short on funding. The Trump administration has canceled $4 billion of federal aid for the project.[97]

In the United Kingdom, the government's HS2 project for high-speed rail from London to Birmingham has soared in projected cost from £33 billion in 2012 to £103 billion today.[98] The project was supposed to be completed by 2026 but now is expected to open in 2036.[99] In 2025, the UK transport minister admitted that the project is an "appalling mess" and has suffered a "litany of failure."[100]

In Germany, Stuttgart 21 is a government high-speed rail project that includes underground routes and a new railway station. The projected cost has soared from €4.5 billion in 2009 to €11.3 billion by 2025. The project is expected to rise in cost another €2 billion, and it will be completed a decade late.[101]

Amtrak also suffers cost overruns and mismanaged projects. In 2026, Amtrak's OIG admitted that the company struggles "to develop accurate cost and schedule estimates, leading to cost overruns and late deliveries."[102] In 2024, the IG testified that Amtrak "struggled" with capital projects and noted its "longstanding pattern of insufficient project management processes, tools, and staff to oversee the capital investment work."[103]

Amtrak suffered a 69 percent cost overrun on the Moynihan Train Hall in New York City because it did not budget for numerous basic costs.[104] Amtrak botched the planning for a $6 billion tunnel project in Baltimore, with the OIG finding that management was "overwhelmed" by the project.[105] The OIG has criticized Amtrak for its management of state projects and for cost overruns on technology projects.[106]

Amtrak's 30th Street Station restoration project in Philadelphia was mired in scandal and almost doubled in cost from $58 million to $109 million.[107] Five individuals were convicted of corruption-related crimes, and indicted Amtrak project manager Ajith Bhaskaran died while awaiting trial.[108] In its 2025 investigation, the *Philadelphia Inquirer* called the project a "corruption bonanza."[109]

Contractors lavished Amtrak employees with cash, luxury cars, and vacations in exchange for millions of dollars in work on the 30th Street Station project. One contractor paid Bhaskaran $323,686 in bribes to approve excess billings of $2 million, and another paid him $160,000 to approve an excess billing of $786,247. The latter firm won contracts as a women-owned firm by putting the name of Bhaskaran's sister on documents.

The Philadelphia scandal revealed that Amtrak's contracting process is lax. A single individual was able to push through millions of dollars in payments. The corruption continued for more than three years with Bhaskaran living the high life on ill-gotten gains. Amtrak only discovered the corruption because of an anonymous tip to the OIG.

Amtrak's OIG reported in 2023 that the company's "weak controls" can be exploited, with the Infrastructure Investment and Jobs Act funding providing "criminals with a lucrative target for fraud."[110] For nearly a decade, the OIG has complained about Amtrak's cost overruns, arguing that "current systems and processes hinder executives and project teams from obtaining consistent, detailed cost data."[111]

Despite this poor track record, the Trump administration put Amtrak in charge of the redevelopment of New York's Pennsylvania Station, which could cost federal taxpayers $8 billion.[112] Alas, failures in government often lead to larger budgets and more subsidies, not reforms.

COULD ENTREPRENEURS MAKE RAIL WORK?

Opinions differ on whether passenger rail makes sense in the United States. On one side, rail enthusiasts envision a nationwide high-speed system built with federal subsidies.[113] On the other side, skeptics argue that either airlines, buses, or automobiles are more efficient than rail on every route in the country.[114] The former view is pie-in-the-sky, as California's high-speed rail boondoggle illustrates. But the latter view may be too pessimistic—perhaps entrepreneurs could cut costs and innovate to make rail financially viable in some places.

The problem today is that government ownership has locked passenger rail into a high-cost, low-innovation straitjacket. While privately owned freight rail has vastly improved performance over recent decades, government-owned passenger rail has stagnated. While airlines and intercity buses have increased efficiencies, unionized and politically driven Amtrak plods on.

To discover whether passenger rail can be competitive, Congress should privatize Amtrak, repeal political control, rescind union and Buy America rules, and let entrepreneurs experiment with routes, rolling stock, workforces, and other rail parameters. Entrepreneurs could harness new technologies—such as automation and AI—to drive new efficiencies. These technologies promise to improve operations planning and dispatching, asset management, and customer services.[115] One recent development is the automation of track inspections with cameras and lasers, which appears to cut costs and boost safety.[116]

Freight Rail Reform

Developments in freight rail illustrate how privatization, deregulation, and entrepreneurship can invigorate an industry. The outlook was bleak when Penn Central and half a dozen other railroads went bankrupt in the 1970s. Congress passed legislation in 1973 to consolidate the failed freight railroads and create Conrail, which ended up receiving $7 billion in subsidies.[117] Fortunately, Congress then changed direction and deregulated freight rail under the Staggers Rail Act of 1980 and privatized Conrail in 1987.

Since the 1980s, US freight rail has boomed. Total factor productivity growth for the railroad industry between 1980 and 2008 outpaced productivity growth in airlines and trucking and was much higher than the growth rate in the overall private sector.[118] That "increased productivity translated to lower prices for shippers and financial stability for the railroads."[119] Between 1980 and 2000, rail industry profits increased, energy intensity was cut, and freight rates fell 38 percent in real terms.[120] Further, the Federal Railroad Administration concluded, "The industry also showed remarkable safety improvements since Staggers with train accident rates declining by 65 percent (1981–2009)."[121] Deregulation and privatization were a dramatic success.

Since 2000, the main (Class I) freight railroads have continued to improve efficiency with the implementation of Precision Scheduled Railroading (PSR), which favors longer trains with mixed shipments running on tighter schedules with less terminal dwell time.[122] PSR has allowed railroads to maintain shipments while downsizing their workforces and assets. Total employment in rail transportation is down from 205,000 in 2015 to 150,000 in 2026.[123]

As with other innovations, labor unions have resisted PSR, but the changes have allowed for cutting both management and union workforces.[124] An article in *Trains* reported: "The PSR systems also have cut management positions at their headquarters, some by as much as 30%. The idea is to push operational decision-making into the field, where local operating people are closer to the railroad's customers."[125] Some concerns have been voiced about the safety effects of PSR, but GAO found that overall derailment and injury rates have not risen with its adoption.[126]

The first convert to the PSR revolution was the Canadian National Railway (CNR), which had been government-owned. Industrial relations professor Carol Beatty said CNR was "generally acknowledged as one of the worst railroads in North America, highly indebted, perpetually in the red, and losing market share to the more efficient, flexible and newly deregulated U.S. railway and trucking industries."[127]

In 1995, the Canadian government privatized CNR. CNR purchased the Illinois Central Railroad in 1998. Its CEO, Hunter Harrison, joined CNR as COO and then later became CEO. Beatty explains how Harrison transformed CNR with his PSR innovations:

> The challenge was enormous. A cultural overhang still existed from the railway's public sector days when it was more of an employment generation device than a business, complete with regionalism, isolation from commercial pressures, formal chains of command, hostile unions and a culture of entitlement. . . . Fast forward to 2008 and CNR was then widely recognized as the most efficient railway in North America. How he accomplished this cultural transformation is nothing short of miraculous.[128]

Beatty continued:

> The operating ratio—the cost of operating and maintaining the railway as a percentage of revenue—fell from 89% in 1995 to 61% in 2006, well below that of its main competitors, which average about 80%. At the same time, its revenue almost doubled. By any measure, CNR is now a huge turnaround story and is now considered by railway analysts to be the most efficient, profitable and innovative railroad in North America.[129]

Finance professor John Strong examined CNR's transformation and came to similar conclusions: "Historically, CN[R] had long been a laggard under government ownership. But since its 1995 privatization, the railway had not only improved each year, but by 2000 had achieved the lowest operating ratio [expenses/revenues] of all Class I railroads."[130]

CNR's remarkable turnaround would not have happened under government ownership. The relevance to Amtrak is clear: Privatization could be a catalyst for change by bringing entrepreneurs into the stagnant passenger rail industry. Amtrak is similar to CNR before privatization: high-cost, bureaucratic, and driven by politics. As with CNR, privatization is needed to bring innovation to Amtrak and passenger rail.

Competitive Challenges

Even an improved passenger rail system would face tough competition from other transportation modes. Congress should reform Amtrak, though it would still face challenges in matching other modes on speed, fares, safety, and environmental effects.

- **Speed.** Currently, rail trips cannot compete with airlines on door-to-door speeds for trips over about 300 miles.[131] On shorter routes, Amtrak is often slower than buses because its trains mainly run on freight tracks and because traversing mountains can be slow.[132] For example, Amtrak's service from New York to Pittsburgh takes about nine hours while intercity buses take about eight hours.
- **Fares.** A 2012 study by Randal O'Toole found that average bus fares were about half of Amtrak fares in a sample of 23 routes.[133] A 2013 study for the American Bus Association found that buses were cheaper than Amtrak on 60 percent of 20 routes.[134] A 2014 study by DePaul University researchers found that average bus fares were 50 percent cheaper than Amtrak fares on 52 routes.[135] And a 2025 study by the Reason Foundation found that average bus fares were 22 percent cheaper than Amtrak fares on eight routes.[136]
- **Safety.** Ian Savage of Northwestern University looked at fatality rates per billion passenger miles and found the lowest rates, in order, were for aviation, intercity buses, intercity rail, and automobiles.[137] O'Toole also found that buses have lower fatality rates than passenger rail.[138] A 2025 Amtrak OIG report found that "Amtrak trains struck people and occupied vehicles on the tracks about 800 times over a recent four-year period, causing 594 deaths and 279 injuries."[139] The National Transportation Safety Board concluded in 2017 that Amtrak's "weak safety culture" had contributed to numerous accidents.[140]
- **Environmental Effects.** A 2011 study in *Environmental Practice* found that intercity buses achieved higher passenger miles per gallon of fuel than passenger rail, air travel, and automobiles.[141] A 2022 CBO study determined that pounds of carbon emissions per passenger mile were 0.47 for automobiles, 0.34 for airlines, 0.30 for passenger rail, and 0.15 for intercity buses.[142] And a 2023 study by Texas A&M University researchers found that intercity buses "used the least amount of energy and produced the lowest CO2 emissions per passenger-mile of any of the transportation modes analyzed," including rail.[143]

O'Toole says that Amtrak has "no reason to exist" because it is "too slow to compete with the airlines and too expensive to compete with buses" and is thus "not competitive in any market without huge subsidies."[144] His pessimistic view may be right, but passenger rail has been dominated by the government for more than half a century. If given a chance, rail entrepreneurs could potentially close some of the competitive gaps with other transportation modes.

O'Toole is right that rail receives huge subsidies. Federal and state governments aid highways and aviation, but that aid is substantially offset by taxes, fees, and charges on those modes. Federal highway spending is partly funded by general taxation, but state governments have steadily raised gas taxes and vehicle fees to fund their highways.

Generally, studies find that passenger rail is heavily subsidized, air and automobile travel are modestly subsidized, and intercity buses are little subsidized. In a study covering 2002 to 2009, Nathan Associates found that Amtrak received $57 per trip in net subsidies, airlines received $6 per trip, and bus passengers and motorists received nearly zero subsidies.[145] An analysis by O'Toole in 2021 found that net

subsidies per passenger mile were 0.8 cents for airlines, 1.0 cents for highways, and 39.2 cents for Amtrak.[146]

A 2025 Cato Institute analysis calculated the ratio of government spending on each mode to taxes, fees, and user charges collected from the mode.[147] The study found that highway users cover 96 percent of highway costs and aviation users cover 88 percent of aviation costs, but Amtrak users cover just 44 percent of costs.

Passenger Rail Abroad

Amtrak supporters say the United States should subsidize passenger rail as Europe does. But Europe's promotion of passenger rail has come at the expense of freight rail. As a result, relatively less freight goes by rail in Europe than in the United States. In Europe, annual ton-kilometers of rail freight is just 22 percent that of road freight; in the United States, rail freight is 64 percent of road freight.[148]

In February 2026, columnist Andrew Miller argued that the narrative "America is behind Europe on trains" is incorrect because it compares our "visibly mediocre service for passengers but ignores invisibly great service for cargo."[149] The United States, he says, "features the most productive freight railroad in the world, and by optimizing for that, it has chosen not to pursue passenger speed."[150] US railroad infrastructure—outside the NEC—is optimized for slow and heavy freight cars, and that is a positive for the overall economy.

The US economy and the environment have benefited by allowing markets to channel freight efficiently onto rail, instead of favoring passengers over freight as the Europeans do. Miller notes, "North American freight rail rates are among the lowest in the world, with shippers in the United States paying an average of 4.66 cents per revenue ton-mile, half of what shippers in Germany pay."[151]

If Congress increased Amtrak passenger services on US freight tracks, there would be a cost. Recent disputes between Amtrak and the freight railroads show that adding new passenger services would require expensive infrastructure upgrades.[152] Also, as analyst Marc Scribner notes, increasing passenger rail traffic on existing freight tracks would reduce safety and harm the environment as some rail freight is shifted onto trucks.[153] Miller describes this passenger-freight trade-off:

> The likely consequence of passenger-first optimization on shared corridors would be the diversion of freight from rail to road, meaning more trucks on highways: more congestion, more road damage, and more emissions. A single freight train can replace three hundred trucks, meaning that the logic of sustainability favors rail for cargo even as the service arithmetic favors rail for passengers. Optimizing for one means accepting costs on the other.[154]

However, US policymakers can still learn some rail lessons from Europe. One lesson is that even with subsidies, passenger rail can be improved with at least partial privatization. In the UK before the 1990s, government-owned British Rail was heavily subsidized and rail travel was in decline. In 1994, the government separated track ownership from the operation of rail services, which were privatized in a franchise structure.

This partial privatization did not end subsidies, but it did bring entrepreneurial innovation to the rail industry. UK rail ridership soared from 740 million passenger trips in 1994 to more than 1.8 billion trips by 2026.[155] UK ridership growth surpassed other European countries and has hit levels not seen since the 1920s. In a 2013 study, the European Commission found that UK railways were the "most improved" in Europe.[156] Unfortunately, the current UK government is renationalizing the nation's passenger rail system.[157]

Japan's rail privatization is also instructive. Before the 1990s, government-owned Japanese National Railways (JNR) struggled with bloated costs, labor strife, and political manipulation.[158] The government split JNR into six regional firms in 1987 and privatized the largest ones (JR Central, JR East, and JR West) in the 1990s. These firms reformed union rules and slashed workforces by about one-third. Labor productivity increased about 50 percent, and accident rates were cut in half.[159]

Today, Japan's privatized railroads earn operating profits without subsidies, and they have diversified into other activities that complement their rail businesses.[160] A National Bureau of Economic Research study concluded, "The Japanese approach to rail restructuring has succeeded in many ways, by improving productivity, cutting operating deficits, decreasing fares, and providing better services."[161]

Entrepreneurs and Markets

For the United States, Amtrak privatization would allow entrepreneurs to seek ways of running financially viable rail services. Freed from political meddling, entrepreneurs could prune excess workers, base pay on performance, reduce unionization, close inefficient routes, and purchase new equipment from the best suppliers. While reforming rail, Congress should also phase out subsidies to other transportation modes to create a level playing field for competition.

In a privatized and deregulated system, the passenger rail industry would likely shrink as money-losing routes were dropped. Some passengers would move to more efficient and environmentally sound intercity buses. Fewer passenger trains would free capacity for more freight, thus better optimizing overall transportation efficiency.

Privatized passenger rail may be able to earn positive returns in the NEC and a few other routes, such as the Auto Train from Virginia to Florida. Entrepreneurs would figure out which other routes could earn a return as they cut costs and innovated. State governments wanting to subsidize passenger services could do so by contracting services from a privatized Amtrak or other rail firms.

Entrepreneurs have shown interest in launching rail services, even with Amtrak dominating the market. Brightline has provided service between Miami and West Palm Beach since 2018 and has now extended service to Orlando. Brightline is privately funded, although it has received government support for station improvements. The company has attracted substantial ridership but is in financial trouble from excessive borrowing.[162]

In Canada, the government's VIA Rail was losing money and canceling passenger services. In 1990, entrepreneur Peter Armstrong stepped in to operate routes through the Rocky Mountains. Today, the Rocky Mountaineer company operates three successful routes in Western Canada and two routes in the Western United States.[163]

In a 2025 study on Amtrak, analyst J. D. Wong argues that NEC routes could be successful in a privatized system but that state-supported routes should be ended given the low load factors.[164] He identifies US long-distance routes that could be run profitably and points to an Australian firm that successfully runs tourist trains from Darwin to Adelaide and from Sydney to Perth.[165] The Australian government privatized those routes in 1997, and they have been run profitably without subsidies since 2006.[166]

In President Trump's first term, the administration suggested downsizing the federal role in passenger rail, including ending subsidies for long-distance routes.[167] Congress rejected the proposals. In Trump's second term, the administration ended subsidies for high-speed rail, but it has also announced new funding for Amtrak projects.[168] Unfortunately, the administration seems focused on tweaking Amtrak priorities rather than making fundamental reforms.

CONCLUSION

Governments inflicted severe damage on US railroads in the mid-20th century through taxes, regulations, and labor union rules. This was at a time when railroads were facing rising competition from automobiles, buses, trucks, and airlines. Congress changed course with the freight portion of the rail industry, and freight rail rebounded strongly once it was privatized and deregulated. But Congress continues to smother passenger rail with rules and bureaucracy, stifling innovation and preventing needed cost cutting.

Congress should privatize Amtrak and repeal government control over routes, labor relations, capital investments, and other aspects of rail operations. Privatization would not automatically solve Amtrak's failings, but it would create a flexible structure that allows for improvements over time. Entrepreneurs would strive to make rail routes financially viable by bringing new efficiencies and innovations to the table. To find out which corridors across the nation make economic sense for passenger rail, we need to free rail from the federal government.

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