



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

June 9, 2008
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 6003 – Passenger Rail Investment and Improvement Act of 2008

(Rep. Oberstar (D) Minnesota and 41 cosponsors)

The Administration believes that a significantly reformed intercity passenger rail system has the potential to play a role of growing importance in providing transportation options in the United States, including helping to reduce congestion along heavily traveled intercity corridors. However, the Administration strongly opposes House passage of H.R. 6003, which would reauthorize the National Railroad Passenger Corporation (Amtrak) for five years, because it would authorize an appropriation of more than \$14 billion without requiring any meaningful reforms in Amtrak's governance or operations and without allocating resources based on the demand for passenger rail service. For this reason, and others set forth below, if the bill were presented to the President in its current form, his senior advisors would recommend he veto it.

Amtrak is a private corporation that continues to receive large Federal operating subsidies, despite longstanding existing law requiring that, after 2002, "Amtrak shall operate without Federal operating grant funds appropriated for its benefit." H.R. 6003 authorizes an unprecedented level of funding but does not include basic measures to hold Amtrak accountable to taxpayers for its spending decisions. For example, H.R. 6003 provides scant opportunity for competition on existing Amtrak routes and does not include provisions that would condition Amtrak's funding based on progress on reforms. Measures to address these areas are included in S. 294 and should be adopted before Congress completes its work on this measure.

The Administration also would strongly object if bonding authority were added to the bill. Language in the introduced version of H.R. 6004, the Rail Infrastructure Development and Expansion Act for the 21st Century, permits State issuance of \$24 billion in bonds, including but not limited to tax credit bonds. In particular, the use of tax credit bonds to finance the construction of high-speed rail capital projects would be expensive and highly inefficient, and costs would be borne by taxpayers, not system users.

To move Amtrak towards a sustainable business model, the Administration urges Congress to pass legislation that reflects the following core reform principles consistently articulated by this Administration: (1) create a system driven by sound economics where services are provided based primarily on consumer demand; (2) promote competition; (3) focus Amtrak on core operating competencies; (4) establish funding partnerships with States; and (5) improve the investment in and management of the Northeast Corridor.

The Administration appreciates that H.R. 6003 includes measures to promote private sector development of the Northeast Corridor and other potential high-speed routes. Making use of the private sector's operational and financial management capabilities could help new rail services to

perform at a high level for the traveling public. However, the Administration is concerned that the authorized funding levels for high-speed rail in H.R. 6003 send the wrong message; any expansions of rail service should be based on a sustainable business model.

Titles III and V would establish certain capital grants programs requiring workers employed with funds obtained under these programs be paid pursuant to Davis-Bacon Act requirements. Thus, Titles III and V would expand Davis-Bacon Act coverage, which is contrary to the Administration's long-standing policy of opposing any statutory attempt to expand or contract the applicability of Davis-Bacon Act prevailing wage requirements. This expansion could undermine the effectiveness of the enumerated programs.

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