

**Before the Subcommittee on Transportation
Committee on Appropriations**

United States Senate

For Release on Delivery
expected at
10:00 a.m. EST
Thursday
March 7, 2002
Report Number: CC-2002-116

**Amtrak's
Performance, Budget,
and Passenger Rail
Service Issues**

**Statement of
The Honorable Kenneth M. Mead
Inspector General
U.S. Department of Transportation**



Madam Chairwoman and Members of the Subcommittee:

We appreciate the opportunity to testify on Amtrak's performance, budget and passenger rail service issues. Since December 1997, Amtrak has operated under a Federal mandate to eliminate its need for Federal operating assistance by December 2, 2002. Amtrak has not succeeded in implementing enduring financial improvements of the magnitude necessary to attain and sustain self-sufficiency in and beyond 2003. *Despite marked growth in Amtrak's passenger revenues and ridership – 26.1 percent and 11.4 percent, respectively – expense growth has more than kept pace, so that for every \$1 Amtrak realized in additional revenue, cash expenses increased by \$1.05.*

Amtrak's operating loss in 2001 of \$1.1 billion was \$129 million higher than the 2000 loss and the largest in Amtrak's history. Amtrak's cash losses, which are the basis for measuring Amtrak's progress towards self-sufficiency, were \$585 million in 2001. This was \$24 million worse than Amtrak's cash loss in 1998, the first year of Amtrak's self-sufficiency mandate.

Amtrak's failure to eliminate its need for operating assistance has detracted attention from the more critical issue, which is how much capital investment will be needed to sustain a system of intercity passenger rail. The long-distance trains, which account for most of Amtrak's cash losses, actually constitute a relatively small subset of Amtrak's capital needs. *The annual net operating subsidy required to continue operating Amtrak's most unprofitable long-distance trains is about 30 percent of the annual capital subsidy required to continue operating Amtrak's most profitable trains in the Northeast Corridor.* The Northeast Corridor alone accounted for about 55 percent of Amtrak's total ridership in Fiscal Year 2001 and contributed about \$89 million in cash profits to the rest of the system, but to ensure safe and reliable operations, most of Amtrak's capital investment dollars will need to be invested there.

Any system of passenger rail – profitable or not – will require substantial and continuing capital funding. Even if Amtrak (or a successor) were to succeed in becoming operationally self-sufficient, it would still require substantial external assistance to address its capital needs. The Northeast Corridor has a backlog of capital investment needs to bring it to a state of good repair that Amtrak has recently estimated to cost about \$5 billion. To address this backlog and make the kinds of annual reinvestment necessary to sustain safe and reliable operations, Amtrak estimates that it will need between \$1 billion and \$1.5 billion annually.

As Congress continues with its reauthorization proceedings, three core issues will need to be addressed:

- The level of funding necessary to address the capital and operating needs of various options for an intercity passenger rail system,
- The most equitable and appropriate source and vehicle for funding these needs, and
- The importance of each component of the system from a national, regional, and state perspective and implications of such for cost-sharing decisions.

Detailed Operating and Capital Cost Estimates Must Be Developed For Each Passenger Rail Option Considered.

Congress and the Administration need to determine whether the public interest lies in a linked national passenger rail system, in regional systems of time-competitive routes, in some variation of the two, or in no passenger rail service at all. Once the desired system is determined, a detailed cost analysis, including the funding that will be needed to support operations and adequate capital investment will need to be developed.

On February 15, Amtrak submitted its own grant request to the President, seeking \$1.2 billion for operating and capital needs in Fiscal Year 2003.¹ The request included \$840 million for capital investment needs that Amtrak describes as, “essential for keeping a national rail service network intact,” during that year. This “limp-along” budget is substantially greater than the Administration’s placeholder budget request for 2003 of \$521 million.

Amtrak projects that over the next 25 years, it will need to invest about \$30 billion in capital projects just to sustain the system as currently structured. Approximately one-half will be needed in the Northeast Corridor, including \$5 billion to address the backlog of state-of-good-repair needs. The magnitude of need makes it clear that neither the Administration’s request nor Amtrak’s request would allow Amtrak to begin to meaningfully address these needs in 2003. However, it is not clear at this point how passenger rail will be structured beyond that date, which could affect the required level and location of investment.

Congress needs to understand how and where Amtrak intends to use its requested 2003 appropriation before it can determine the appropriate amount of funding. *Amtrak needs to develop specific and detailed information on the exact operating*

¹ The Office of Management and Budget traditionally requests funds on behalf of Amtrak which it includes in the Department of Transportation budget request. A request was submitted by the Department on February 4, 2002 for Fiscal Year 2003 funds, which included \$521 million for Amtrak’s 2003 operations. Amtrak subsequently transmitted its own request to the President on February 15, 2002, requesting \$1.2 billion.

and capital programs requiring immediate funding as well as long-term attention. More specifically,

- To support its FY 2003 grant request for \$840 million in capital investments, Amtrak needs to provide detailed data on project location, construction schedules, cost estimates, spending plans, and associated assumptions. Amtrak should identify which routes and states would benefit from these investments and describe for each project what the implications would be from a safety, legal, service reliability, and financial perspective (operating revenues and costs) if the investments were not made in FY 2003.
- Additionally, to support its request of \$200 million for the net losses associated with operating 18 long-distance trains, Amtrak should provide details on how it calculated the operating losses for each of the trains, how it derived the internally generated offsetting profits, and the basis for the related capital investment savings. Also, Amtrak needs to provide more specific support for how it arrived at its estimate for \$160 million in excess RRTA expenses.

In order to determine the capital and operating subsidies necessary to support any future intercity passenger rail service, it will be necessary to develop fully allocated cost estimates for each option considered, for example, the current system, the current system minus long-distance trains, the Northeast Corridor only, or existing corridors plus new corridors.

Amtrak's figures are likely to be the best data currently available to establish a cost baseline. From these data, the short- and long-term capital and operating funding needs associated with any potential option for passenger rail could be determined. *This information will be essential to the Congress and other stakeholders if any discussion of route or service restructuring is to be considered. Amtrak should be encouraged to develop these data as quickly as possible.*

Funding For Continued Rail Service Should Be Shared Among Stakeholders.

Amtrak has historically received Federal capital and operating subsidies, which it invests systemwide as needed to support operations across a national network. In some cases, states and freight railroads have partnered with Amtrak on a project-by-project basis to fund capital improvements. Some states have also agreed to subsidize the operations of services that Amtrak could not otherwise operate due to the losses associated with these services.

The "formula" for partnering, however, is inconsistent, and some entities have contributed substantially to the growth and operation of passenger rail while others have benefited from service without contributing anything. Work should be

done to better identify and allocate the costs of capital and operating investment according to the benefits realized by stakeholders. An important precursor to allocating costs will be determining how each service fulfills our national, regional, and state goals for mobility and other transportation priorities.

Importance of Rail Service to a Region Will Likely Play An Integral Role in Determining Cost-Sharing Ratios.

Once the costs of subsidizing passenger service are identified – both operating and capital – it will be important to weigh the subsidies needed – both capital and operating – in light of national, regional, and state priorities. A number of variables should be considered in these evaluations including the importance of the rail system to regional mobility, essential transportation for small communities, national security, the need for transportation alternatives, relationship to other national priorities including environmental issues, political considerations, and historical or nostalgic importance.

For example, an argument has been made that the rail infrastructure in the Northeast Corridor is a national asset and is essential to national mobility. The Northeast Corridor serves cities with four of the seven most congested airports in the United States, and has for several years carried more passengers between Washington and New York (62 percent of the total) than all airlines combined. Including intermediate stops on the New York to Washington route, Amtrak carries nearly three times as many passengers as the airlines. While the capital subsidies associated with maintaining the Northeast Corridor service may be higher than in other parts of the country, the contribution to regional mobility and the implications on congestion for other modes of transportation without it, may justify the significant capital investment.

Regions and states may decide that even if a service or corridor does not fulfill a national need, it serves a critical regional or state priority. For example, California has decided to subsidize both rail service operations and capital improvement projects to expand rail service within California consistent with the state's sensitivity to environmental issues and concerns about regional mobility.

Assessing and identifying the importance and need of service in a particular region or community will play an integral role in determining who should bear responsibility for financially supporting that service or how those costs should be shared among stakeholders. It is possible that cost-sharing equations would differ in areas where limited demand makes service less of a necessity even though the relative subsidies to continue that service might be far less than what would be required in other, more rail-dependent, communities.

Eliminating Amtrak Does Not Address Primary Issue of Capital Funding.

Proposals have been made concerning the possibility of establishing separate entities – either public or private – to address the operational needs and infrastructure needs of intercity passenger rail. While elements of these proposals may have merit, the primary issue of funding needs to be resolved first. Amtrak currently estimates that it would need about \$1.0 billion to \$1.5 billion in capital each year just to sustain the current system and another \$0.5 billion each year to begin to develop new high-speed corridors. These needs would not just go away by handing the system or parts of it over to another entity. What it will cost to continue and begin to expand passenger rail in the United States is not dependent upon whether Amtrak is the operator or not. *The debate over whether a private company or government entity should be established solely for the purpose of administering the rail infrastructure investment program is irrelevant if there is no assurance that adequate capital funding has been secured to invest in the system.*

In fact, privatization is not likely to be an option unless adequate funding is secured. If the Northeast Corridor were to be franchised “as is,” with its \$15 billion in long-term capital investment needs, few investors would find it a good bargain. For the Northeast Corridor to become marketable, the capital needs must first be addressed, which leads us back to the funding question already on the table: “How much will it cost, who pays, and how?”

The recent experience in Great Britain with rail service underscores concerns about commercializing and separating infrastructure and operating functions. Allowing a business to operate “like a business” may mean relinquishing control over how certain expenses are cut or which capital investments are made. *An infrastructure company that is focused on its bottom line may make decisions that are in its best interest financially, but which may affect the safety or efficiency of rail service operations.*

With Amtrak’s authorization expiring at the end of 2002, many questions face the Congress about the future of intercity passenger rail in the United States. The question of what kind of system is best for the country is inextricably intertwined with the question of how much the country is willing to pay for such a system. The answers to both questions are most appropriately left to the Administration, the citizens of the United States, and their elected representatives.

We expect that our contribution to the debate will be in helping to frame the questions in such a way as to make the task easier as Congress moves forward to develop answers. As part of our legislative mandate to perform annual assessments of Amtrak’s financial condition and needs, we will also provide

whatever information we can concerning possible options and the likely costs, risks, or both associated with the various options put on the table.

The following discussion summarizes Amtrak's performance achievements and shortfalls since it received its self-sufficiency mandate in 1997, as well as general performance trends experienced over the past decade. We also offer some observations on Amtrak's Fiscal Year 2003 grant request.

Amtrak's Performance Achievements and Shortfalls

In the following section, we highlight some of Amtrak's achievements and shortfalls in financial and operating performance since its self-sufficiency mandate in December 1997 as well as longer-term trends in performance. For the most part, the record shows that Amtrak has fallen far short of its financial and operating performance goals and, as a result, its financial health has significantly deteriorated.

▪ Implementation of High-Speed Rail Service in the Northeast Corridor

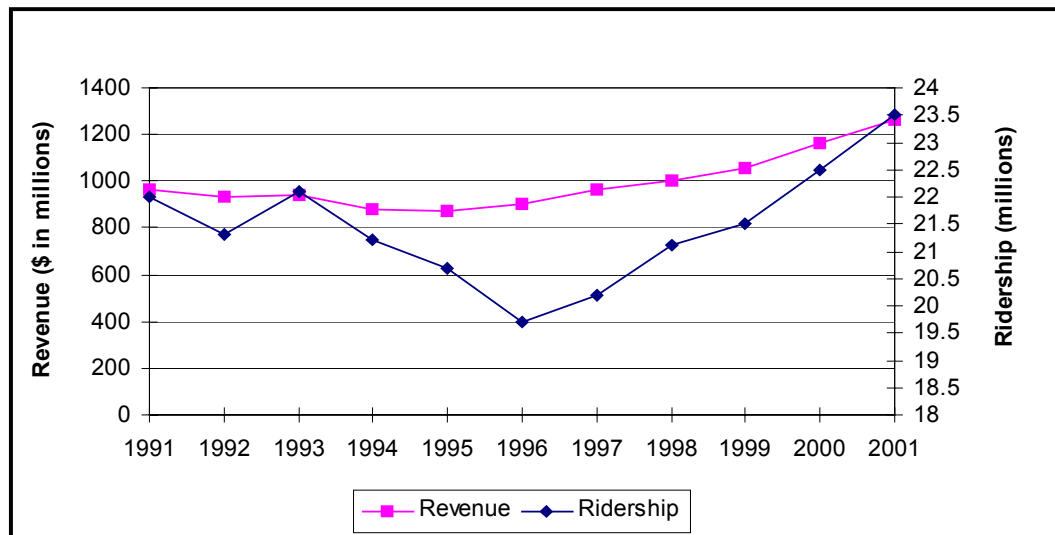
First and foremost, Amtrak implemented high-speed rail service in the Northeast Corridor. Acela Regional service was initiated on a limited basis in January 2000 and Acela Express revenue service started in December 2000. These accomplishments were not without their downside, however. The electrification of the right-of-way between New Haven, Connecticut, and Boston, Massachusetts, was completed about 1 year behind schedule and more than \$300 million over budget. Similarly, Acela Express revenue service was introduced about 1 year behind schedule with substantial budget overruns. The 20th and final Acela Express trainset is now projected to be in service by the summer of 2002, about 2 years behind schedule.

▪ **Passenger Revenue and Ridership Growth**

In 2001, systemwide passenger revenue² and ridership improved from 2000, continuing the upward swing of the past few years. Passenger revenues increased by 8.2 percent and ridership by 4.3 percent. The Northeast Corridor experienced the most significant increase where passenger revenues grew a strong 13.5 percent and ridership increased by 4.6 percent.

Systemwide ridership grew 19.3 percent between 1996 and 2001, rising from 19.7 million to 23.5 million. Additionally, systemwide passenger revenue grew 44 percent between 1995 and 2001. The revenue growth trend that began in 1995 has brought Amtrak to the highest passenger revenue levels in its history. Figure 1 illustrates systemwide passenger revenue and ridership growth from 1991 through 2001.

Figure 1. Passenger Revenue and Ridership Growth Since 1991



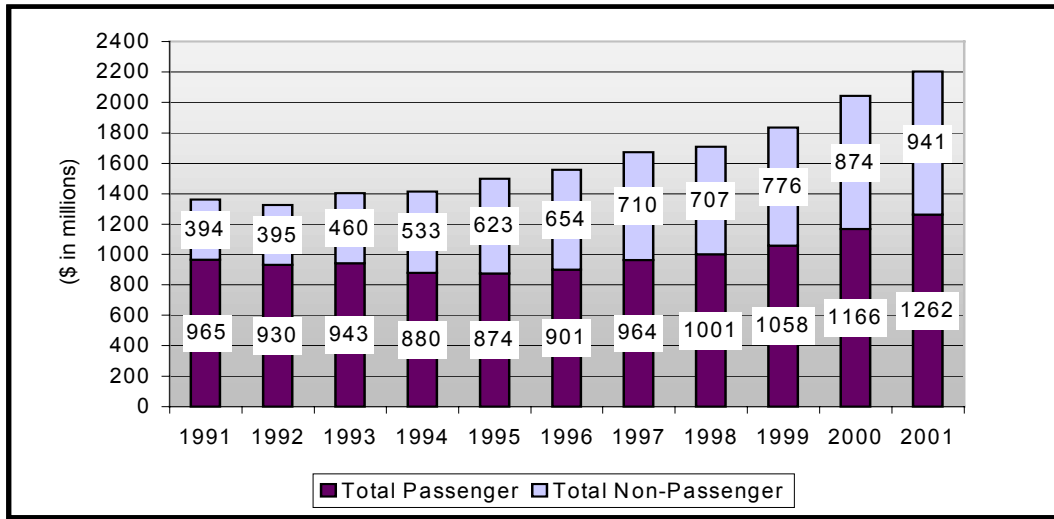
² Financial data for Fiscal Year 2001 were compiled from Amtrak’s unaudited internal financial statements.

While growth has fallen short of Amtrak's projections for both revenue and ridership, in the current economic climate and in the wake of the terrorist attacks, Amtrak's relative performance has been more positive than its competitors. Domestic air passenger enplanements for the major carriers were down approximately 21 percent for the most recent quarter ended December 31, 2001, compared to the same quarter last year and air carrier passenger revenues were down almost 33 percent. Amtrak's ridership and revenue numbers, however, remained strong. Compared to the same quarter last year, Amtrak's systemwide ridership was only down about 1 percent and passenger revenues were *up* by 13 percent. It is particularly noteworthy that passenger revenue in the Northeast Corridor grew by 21 percent over the same quarter a year ago.

- **Non-passenger Revenue Growth**

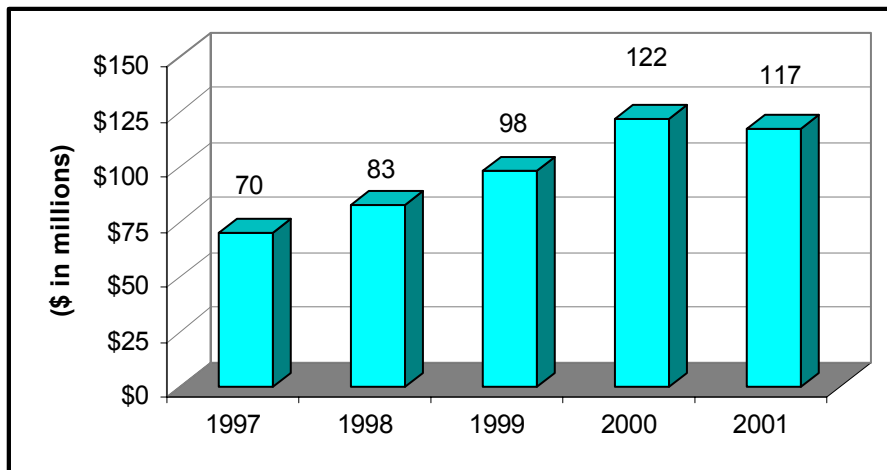
Non-passenger revenue has accounted for an increasing share of Amtrak's total revenues between 1991 and 2001. In contrast to passenger revenues, which grew 31 percent, the overall increase in non-passenger revenue has been 139 percent, rising from \$394 million in 1991 to \$941 million in 2001. Non-passenger revenue includes revenue from operating commuter services, mail and express, reimbursable work, state support for train services, commercial development, and other miscellaneous sources. Non-passenger activities now account for 43 percent of Amtrak's total revenues. Figure 2 illustrates growth in non-passenger revenues between 1991 and 2001.

Figure 2. Composition of Amtrak Revenues, 1991 Through 2001



Amtrak’s fastest growing source of non-passenger revenues was projected to come from its expanded Mail and Express business line. To its credit, Amtrak’s Mail and Express revenues increased 67 percent, from \$70 million in 1997 to \$117 million in 2001. Figure 3 illustrates actual revenues generated from Amtrak’s Mail and Express business line for the 5-year period 1997 through 2001.

Figure 3. Actual Mail and Express Revenues, 1997 Through 2001

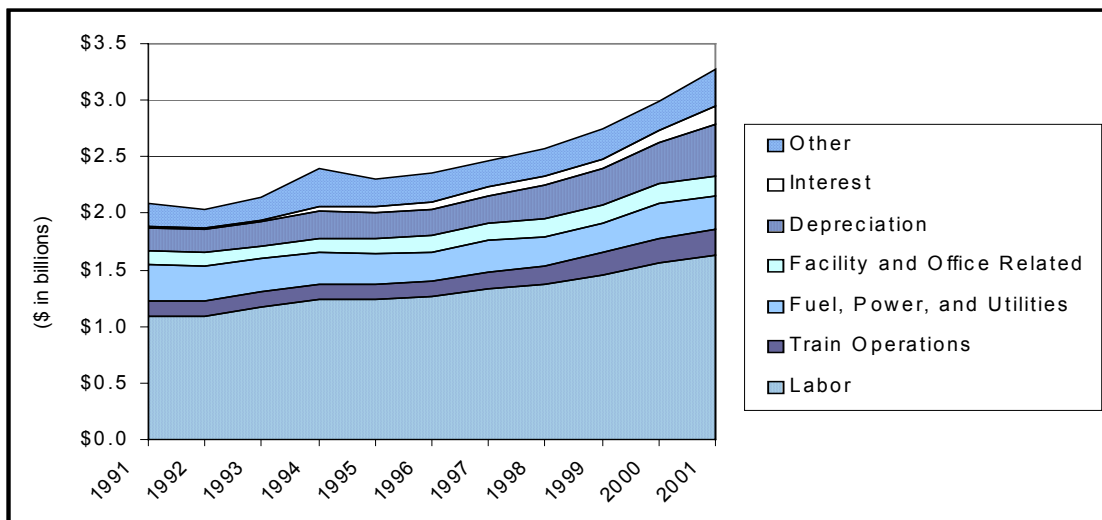


However, this performance fell far short of Amtrak’s projections. Amtrak’s 2001 Strategic Business Plan projected revenues of \$181 million for 2001, growing exponentially to over \$400 million by 2003. Subsequent issuing its business plan, Amtrak recognized that its forecasts were not realistic and substantially reduced the estimated contributions from the Mail and Express business.

▪ **Expense Growth Has More Than Kept Pace**

Since receiving its mandate in December 1997, for every \$1 Amtrak realized in additional revenue, cash expenses increased by \$1.05. Between 2000 and 2001, Amtrak’s expenses, including depreciation, grew 9.8 percent, or a total of \$294 million. Viewing expense growth in the longer term, since 1991, total operating expenses have grown about \$1.2 billion, from \$2.1 billion to \$3.3 billion, representing an overall increase of 57 percent. In the same time period, total revenues grew by about \$850 million. Figure 4 illustrates growth in various categories of expenses between 1991 and 2001.

Figure 4. Growth in Amtrak’s Expenses, 1991 Through 2001

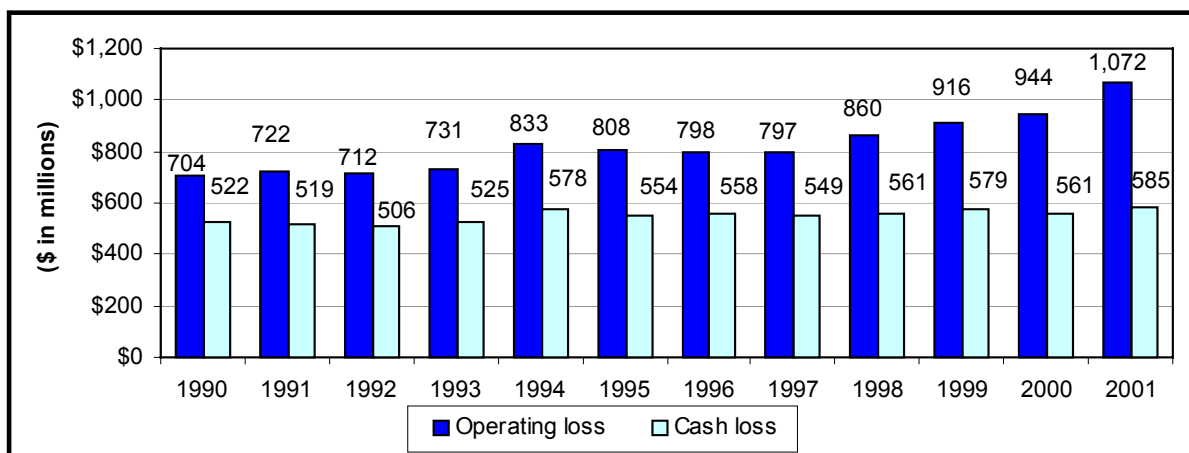


Our assessments of Amtrak’s prior Strategic Business Plans identified large gaps in Amtrak’s ability to stay on its glidepath. Simply put, Amtrak needed to curtail expense growth by over \$700 million and the railroad did not have concrete plans to achieve the reductions. In FY 2001, Amtrak began to focus on cost management initiatives but these actions were clearly inadequate.

▪ **Operating and Cash Losses Continued to Grow**

Continued expense growth coupled with lower-than-projected revenue growth has resulted in operating losses that have continued to increase since Amtrak’s mandate was established in 1997. Amtrak’s operating loss in 2001 of \$1.1 billion was \$129 million higher than the 2000 loss and the largest in Amtrak’s history. Amtrak’s 2001 cash loss, which is the basis for measuring operating self-sufficiency, was \$585 million, \$24 million higher than its cash loss in 2000. Figure 5 illustrates growth in Amtrak’s operating and cash losses since 1990.

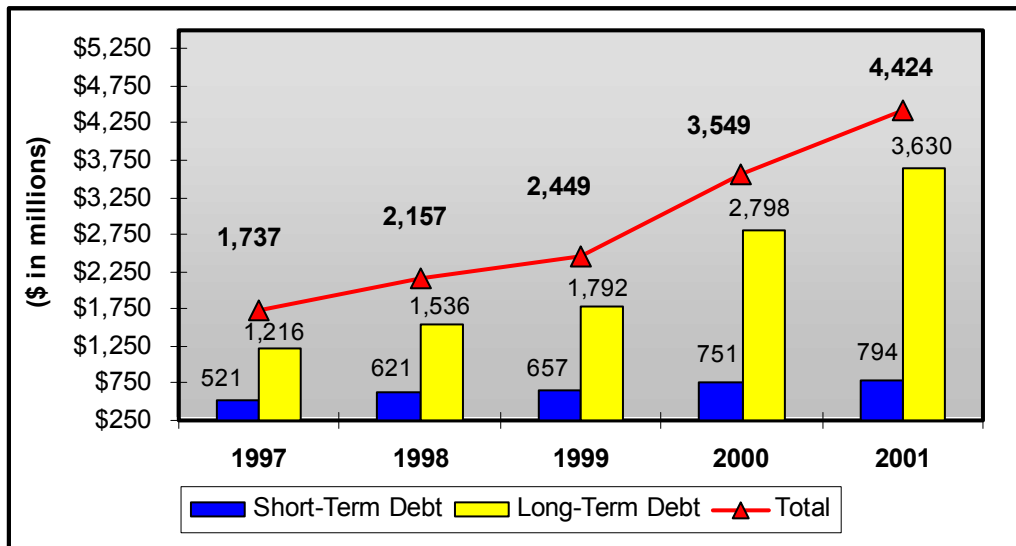
Figure 5. Growth in Operating and Cash Losses, 1990 Through 2001



- **Amtrak's Overall Financial Health Has Deteriorated**

Between September 2000 and September 2001, Amtrak's long-term debt and capital lease obligations grew by 30 percent, or a total of \$832 million. Since 1997, Amtrak's total debt has grown about \$2.7 billion, from \$1.7 billion to \$4.4 billion, representing an overall increase of 155 percent.³ Figure 6 illustrates the growth in Amtrak's short-term liabilities as well as long-term debt and capital lease obligations since 1997.

Figure 6. Growth in Amtrak's Short- and Long-Term Debt, 1997 Through 2001



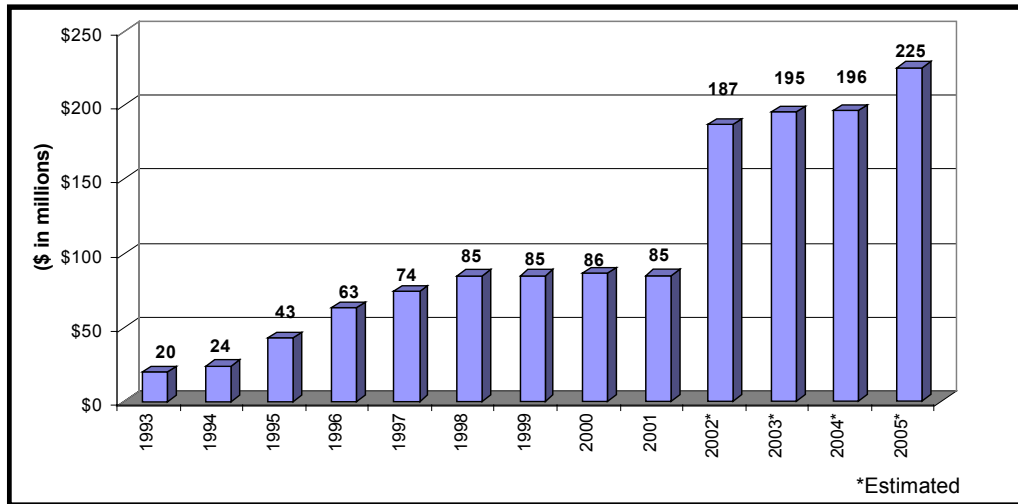
As a result of its growing debt burden, Amtrak has experienced a significant increase in interest expenses.⁴ The expenses primarily relate to externally financed purchases of new equipment, including the Acela trainsets and high-horsepower locomotives in the Northeast Corridor. Interest expense is expected to

³ In 2000, Amtrak entered into several sale-leaseback transactions involving passenger train equipment. Amtrak set aside proceeds from the transactions that, combined with projected interest earnings on the proceeds, are expected to satisfy the associated future capital lease obligations of over \$900 million.

⁴ Discussion of interest is on a cash interest basis, rather than accrual.

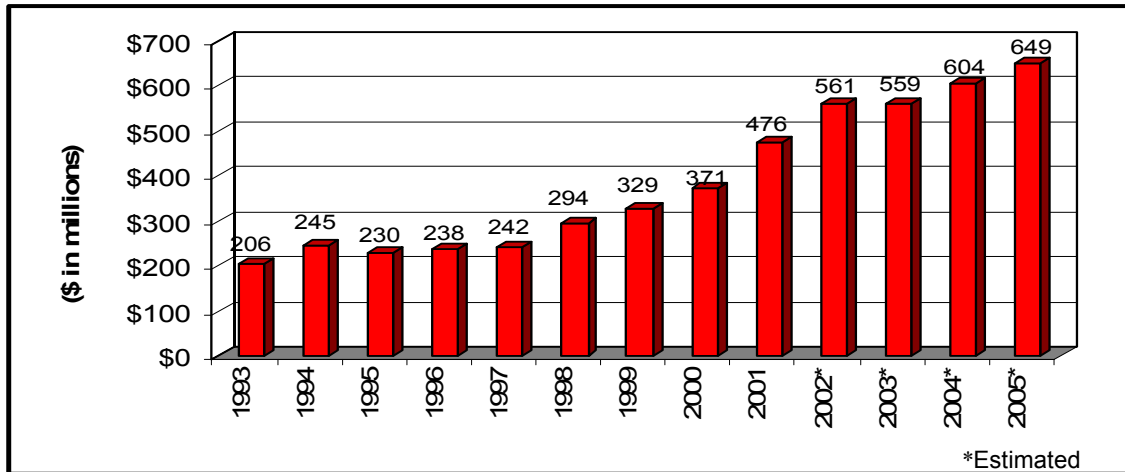
grow substantially, reaching \$225 million by 2005. Figure 7 illustrates past growth in interest expense since 1993 and projected growth through 2005.

Figure 7. Growth in Interest Expense, 1993 Through 2005*



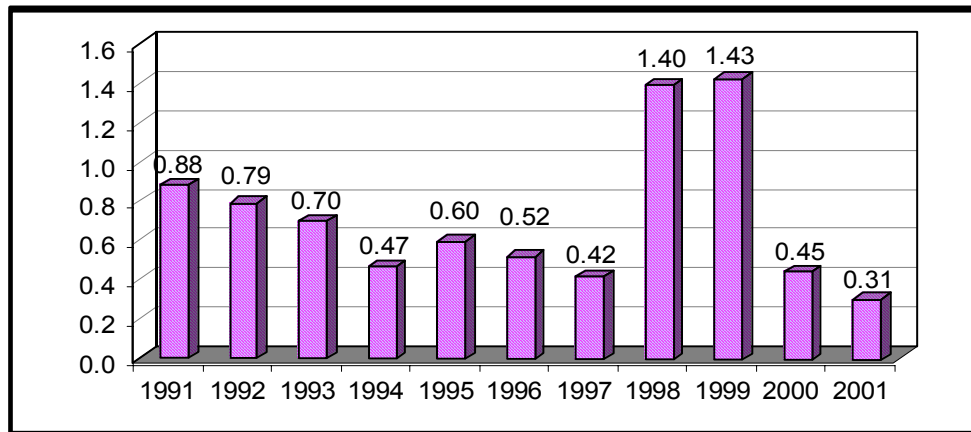
In addition, depreciation expenses will increase dramatically over the next 4 years as the new capital investments financed by Taxpayer Relief Act funds, Federal appropriations, and private borrowing add to the total value of Amtrak's capital assets. Depreciation expense is expected to reach nearly \$650 million by 2005, almost double the expense in 2000. Although depreciation is a non-cash expense, it is important to note that this reflects the cost of assets used up in generating the railroad's revenues. In essence, this is the annual amount of capital required just to replace or restore train equipment, stations, tracks, and other facilities. Figure 8 shows actual depreciation levels from 1993 through 2001 and projected levels for 2002 through 2005.

Figure 8. Growth in Depreciation Expense, 1993 Through 2005*



During 2001, Amtrak’s liquidity continued to deteriorate. As a result, Amtrak sought to compensate for cash shortfalls through a variety of means, including mortgaging portions of one of its most valuable assets, Penn Station-New York, for approximately \$300 million. Despite this cash infusion, Amtrak’s working capital ratio went from 0.45 in 2000 to 0.31 in 2001, its lowest level in over a decade. The working capital ratio, which is calculated by dividing the value of current assets by current liabilities, is a measure of an entity’s ability to meet short-term liabilities. The decrease in working capital means that Amtrak may have to increase its short-term borrowing or slash current expenses to enable it to meet its current obligations. Figure 9 shows the changes in Amtrak’s working capital ratio since 1991.

Figure 9. Changes in Working Capital Ratio, 1991 Through 2001



- **Amtrak Has Not Met Its Operating Performance Goals**

While Amtrak's ridership grew from 22.5 million in 2000 to 23.5 million in 2001, it fell short of Amtrak's 2001 ridership goal of 24.7 million. The shortfall was primarily attributed to delays in the Acela Express trainset deliveries, a slowing economy, and poor on-time performance. Other key performance measures for Amtrak are on-time performance and the Customer Satisfaction Index (Index). Amtrak reported systemwide on-time performance in 2001 of 75 percent, which was significantly below performance levels in 1999 and 2000, and far short of 2001 goals. Amtrak cited scheduled and unscheduled track work, freight rail traffic interference, mechanical failures, and weather as the largest contributors to the poor performance. As illustrated in Table 1, all three business units fell short of 2001 on-time performance goals.

Table 1. On Time Performance (percentage)

Business Unit	1999 Actual	2000 Actual	2001 Actual	2001 Goal	+/(-) 2000	+/(-) Goal
Systemwide	78	78	75	85	(3)	(10)
Intercity	67	68	62	75	(6)	(13)
Northeast Corridor	88	87	83	92	(4)	(9)
West	75	75	75	79	0	(4)

Amtrak's Customer Satisfaction Index, which indicates the level of customer satisfaction with Amtrak's overall service delivery, remained the same in 2001 as the score in 2000, 82 (out of 100). However, as Table 2 indicates, all three business units fell short of their goals for 2001.

Table 2. Customer Satisfaction Index Results (Scale: 1 – 100)

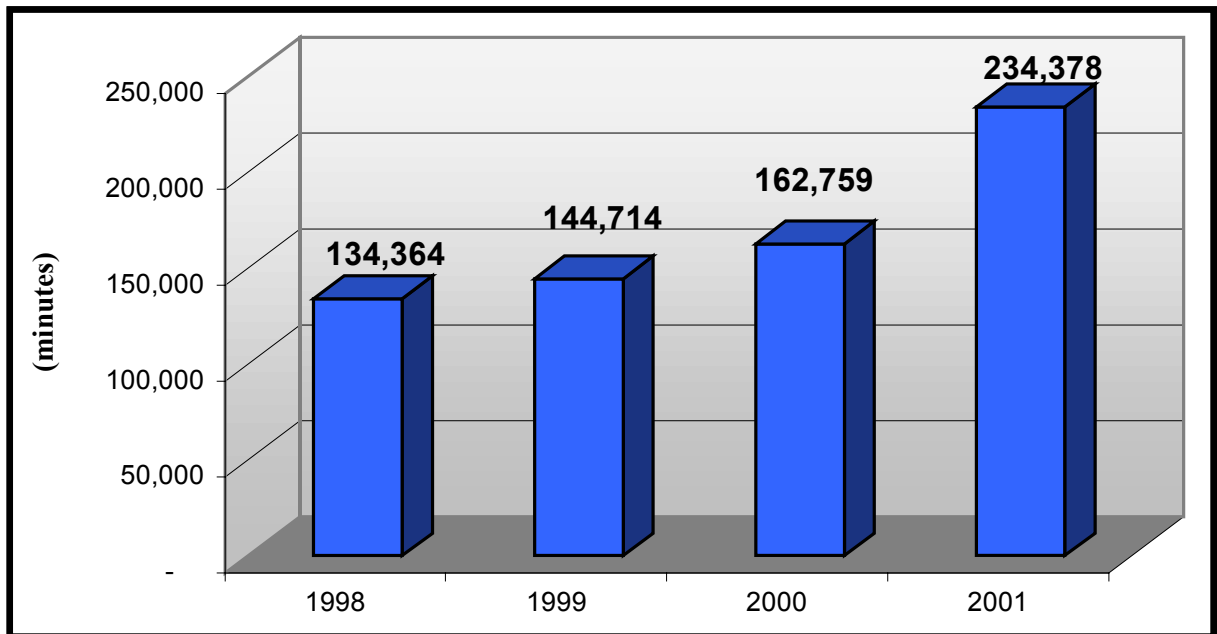
Business Unit	1999 Actual	2000 Actual	2001 Actual	2001 Goal	+/(-) 2000	+/(-) Goal
Systemwide	83	82	82	86	0	(4)
Intercity	78	79	79	83	0	(4)
Northeast Corridor	85	82	81	86	(1)	(5)
West	86	84	87	89	3	(2)

▪ **Infrastructure Has Deteriorated Due To Underinvestment**

While Amtrak's capital funding since 1998 has been substantial, it has not been sufficient to invest in both high rate-of-return projects *and* reinvest sufficiently in existing infrastructure. The projects that support self-sufficiency, while not frivolous, have come at the expense of other, less visible reinvestment and

operational reliability projects. The most notable of these needs is an estimated \$5.0 billion backlog of “state of good repair” needs in the Northeast Corridor. Amtrak has not been able to invest sufficiently in operational reliability or other kinds of projects that would begin to address these needs. The results of this deferred spending are becoming apparent. Total minutes of delay for Amtrak trains in the Northeast Corridor rose nearly 75 percent between 1998 and 2001.⁵ Figure 10 compares minutes of delay in the Northeast Corridor from 1998 to 2001.

Figure 10. Comparison of NEC Minutes of Delay, 1998 Through 2001

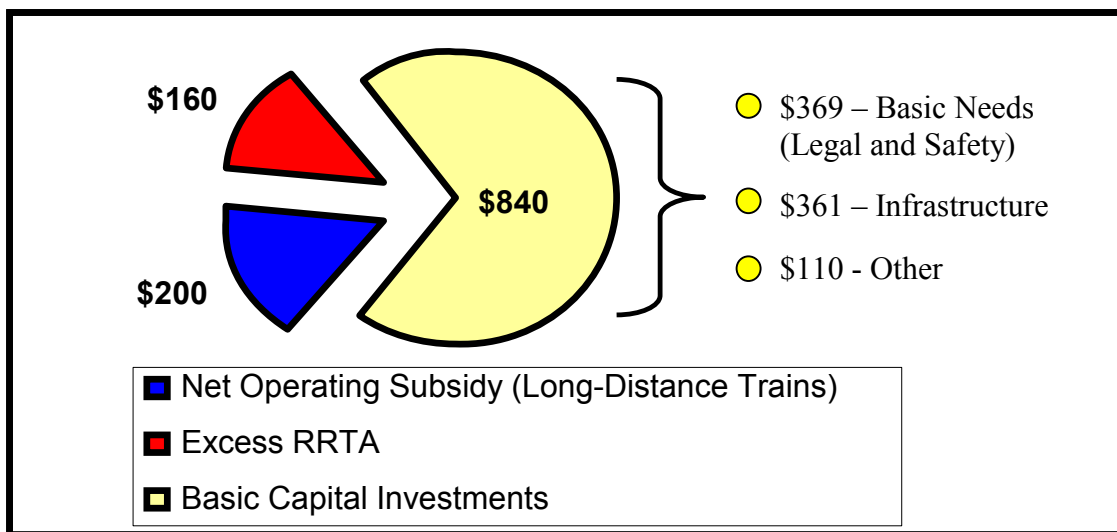


⁵ Total includes delays caused by equipment, infrastructure, train operations, and outside interference (weather, police, and trespassers). The total includes delays incurred by Amtrak operating along its own right-of-way as well as trains operating over territory in which Amtrak neither owns nor is responsible for maintaining the infrastructure.

Amtrak's FY 2003 Grant Request Exceeds The Administration's Budget Submission By Nearly \$700 Million

The Department of Transportation's FY 2003 budget submission to the President requested funding in the amount of \$521 million for Amtrak. On February 15, 2002, Amtrak submitted its own grant request to the President, requesting \$1.2 billion, which it stated would be, "essential for keeping a national rail service network intact" in 2003. Included in this \$1.2 billion is \$160 million for payments to the railroad retirement fund in excess of the amount paid to Amtrak retirees, commonly referred to as "excess RRTA," \$200 million to cover net losses generated by 18 long-distance trains, and \$840 million to pursue a "minimum" capital program. Figure 11 illustrates Amtrak's FY 2003 grant request.

**Figure 11. Amtrak's \$1.2 Billion Grant Request
(\$ in millions)**



We have not had an opportunity to review the detailed support, but Amtrak's request for \$200 million to subsidize the operation of 18 long-distance trains as well as \$160 million for excess RRTA appears reasonable. However, the \$840 million Amtrak is requesting for “minimum” capital investment needs close scrutiny. Table 3 outlines the general categories of capital projects Amtrak is proposing to fund with its FY 2003 capital grant request.

**Table 3. Amtrak’s \$840 Million Capital Grant Request
(\$ in millions)**

Environmental	\$29
Americans With Disabilities Act	19
Minimum Fleet Overhauls/Preventive Maintenance	190
Life Safety	26
Debt	105
Federal Infrastructure/Operational Reliability	286
Non-Federal Infrastructure/Operational Reliability	75
Fleet Repair and Additional Limited Overhaul	59
Facilities	12
Technology	40
Total Capital	\$840

Amtrak’s grant request for capital alone is significantly higher than the funds requested by the Administration for Amtrak’s total needs in 2003. We note that the Administration recognized that the \$521 million essentially serves as a funding placeholder until a new paradigm for intercity passenger rail service is identified.

However, Amtrak's mandatory requirements including payment on debt service, excess RRTA, and net losses on the 18 long-distance trains identified by Amtrak amount to about \$500 million before the first dollar is spent on real capital projects.

Amtrak forecasts that over the next 25 years, it will need to invest about \$30 billion in capital projects just to sustain the system as currently structured. Approximately one-half will be needed in the Northeast Corridor, including about \$5 billion to address the backlog of state-of-good-repair needs. The magnitude of need makes it clear that neither the Administration's request nor Amtrak's request would allow Amtrak to begin to meaningfully address these needs in 2003. However, it is not clear at this point how passenger rail will be structured beyond that date, which could affect the required level and location of investment. Congress needs to understand how and where Amtrak intends to use its 2003 capital dollars before it can determine the appropriate amount of funding.

In our view, the most significant area where more information is needed is in the category of investment related to "infrastructure/operational reliability." Amtrak's budget request includes \$286 million for Federally-owned infrastructure and \$75 million for agreements with partner railroads for improvements on non-Federally-owned infrastructure. In our prior assessments, we have maintained

that Amtrak's annual minimum capital need for Federally-owned infrastructure was about \$135 million, \$151 million less than Amtrak's grant request.

It may be that Amtrak needs more than our annual estimate for FY 2003, but its budget request only includes a laundry list of projects that could be undertaken, which Amtrak indicates is "subject to condition assessments." To enable Congress and the Administration to make informed decisions, Amtrak should provide specific and detailed information on exactly what projects need to be done in FY 2003, where they are, how much each is estimated to cost, how the projects will improve service, and what would be the implications if the projects were not done in FY 2003.

The same type of information is needed for the \$75 million Amtrak requested for operational reliability on non-Federally-owned infrastructure. While we fully endorse Amtrak partnerships that leverage funding from other sources and improve service, Amtrak has not shown in detail how the \$75 million will be spent and the implications if it did fund its share of these agreements in FY 2003.

The lack of clarity and specificity in its budget request may be symptomatic of Amtrak's unwillingness or inability to provide detailed financial information for effective decision making. Despite recommendations by the Amtrak Reform Council to break out financial results from train operations and owned

infrastructure, and our repeated requests for detailed financial information on its mail and express business, Amtrak resisted implementing a financial reporting system that provided the information.

The absence of this important data makes it difficult to arrive at good business decisions and to pinpoint responsibility and accountability for achieving measured results. As an example, even though Amtrak was leaning heavily on generating substantial bottom-line contributions from its mail and express business to achieve self-sufficiency, Amtrak was not closely tracking the costs associated with this business line and could not account for how much, if any, it was netting from this activity. Even as it entered the 5th year of its 5-year glidepath, Amtrak was still trying to refine how to assign costs to its mail and express activity.

Madam Chairwoman, this concludes our statement. I would be pleased to answer any questions.

Testimony Charts and Tables

Figure 1. Passenger Revenue and Ridership Growth, 1991 Through 2001

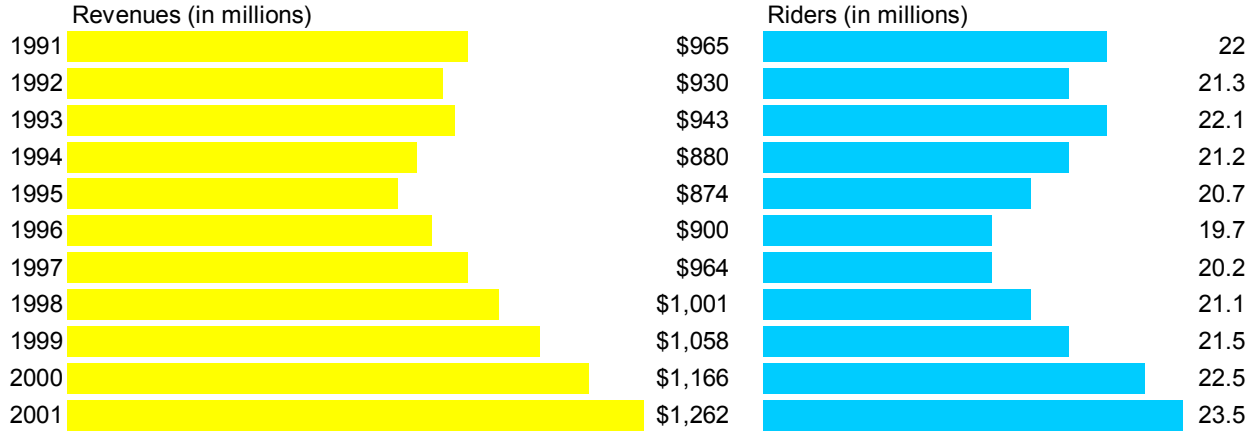


Figure 2. Composition of Amtrak Revenues, 1991 Through 2001 (\$ in millions)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total Passenger	\$965	\$930	\$943	\$880	\$874	\$901	\$964	\$1,001	\$1,058	\$1,166	\$1,262
Total Non-Passenger	\$394	\$395	\$460	\$533	\$623	\$654	\$710	\$707	\$776	\$874	\$941

Figure 3. Actual Mail and Express Revenues, 1997 Through 2001 (\$ in millions)

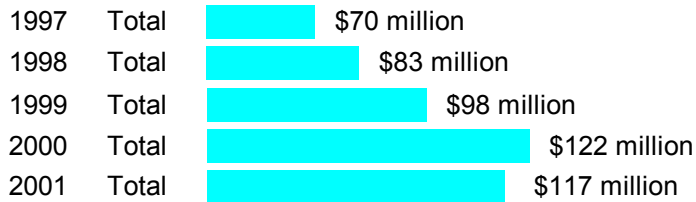


Figure 4. Growth in Amtrak's Expenses, 1991 Through 2001 (\$ in billions)

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Labor	\$1,094	\$1,096	\$1,177	\$1,239	\$1,241	\$1,271	\$1,334	\$1,378	\$1,457	\$1,563	\$1,625
Train Operations	\$130	\$134	\$132	\$133	\$127	\$125	\$142	\$150	\$194	\$216	\$228
Fuel, Power, and Utilities	\$330	\$303	\$290	\$288	\$269	\$258	\$284	\$264	\$263	\$312	\$306
Facility and Office Related	\$110	\$117	\$116	\$120	\$139	\$147	\$152	\$159	\$155	\$173	\$171
Depreciation	\$203	\$206	\$206	\$245	\$230	\$238	\$241	\$292	\$327	\$359	\$452
Interest	\$14	\$18	\$21	\$32	\$48	\$60	\$76	\$88	\$83	\$107	\$162
Other	\$200	\$163	\$192	\$342	\$251	\$254	\$241	\$235	\$264	\$253	\$333
Total	\$2,081	\$2,037	\$2,134	\$2,399	\$2,305	\$2,353	\$2,470	\$2,566	\$2,743	\$2,983	\$3,277

Figure 5. Growth in Operating and Cash Losses, 1990 Through 2001

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Operating Loss	\$704	\$722	\$712	\$731	\$833	\$808	\$798	\$797	\$860	\$916	\$944	\$1,072
Cash Loss	\$522	\$519	\$506	\$525	\$578	\$554	\$558	\$549	\$561	\$579	\$561	\$585

Figure 6. Growth in Amtrak's Short- and Long-Term Debt, 1997 Through 2001 (\$ in millions)

	1997	1998	1999	2000	2001
Short-Term Debt	\$521	\$621	\$657	\$751	\$794
Long-Term Debt	\$1,216	\$1,536	\$1,792	\$2,798	\$3,630
Total Debt	\$1,737	\$2,157	\$2,449	\$3,549	\$4,424

Figure 7. Growth in Interest Expense, 1993 Through 2005 (\$ in millions)

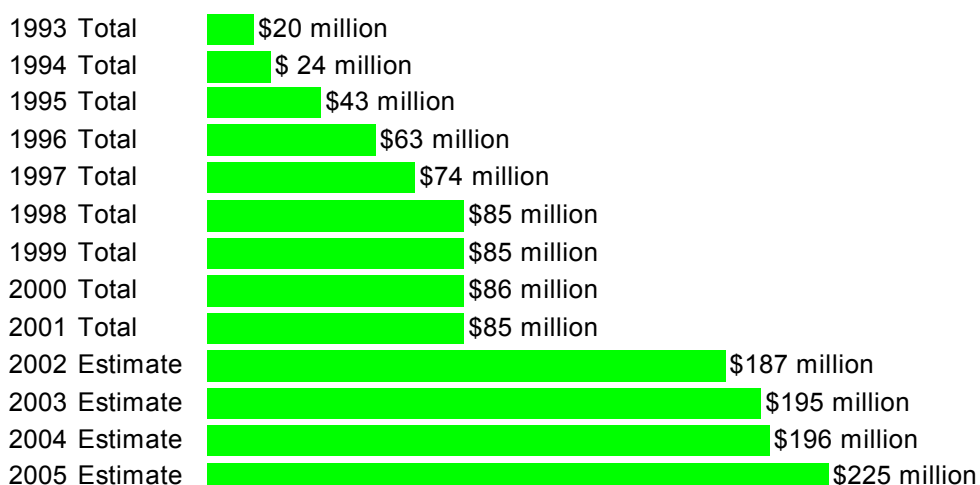


Figure 8. Growth in Depreciation Expense, 1993 Through 2005 (\$ in millions)

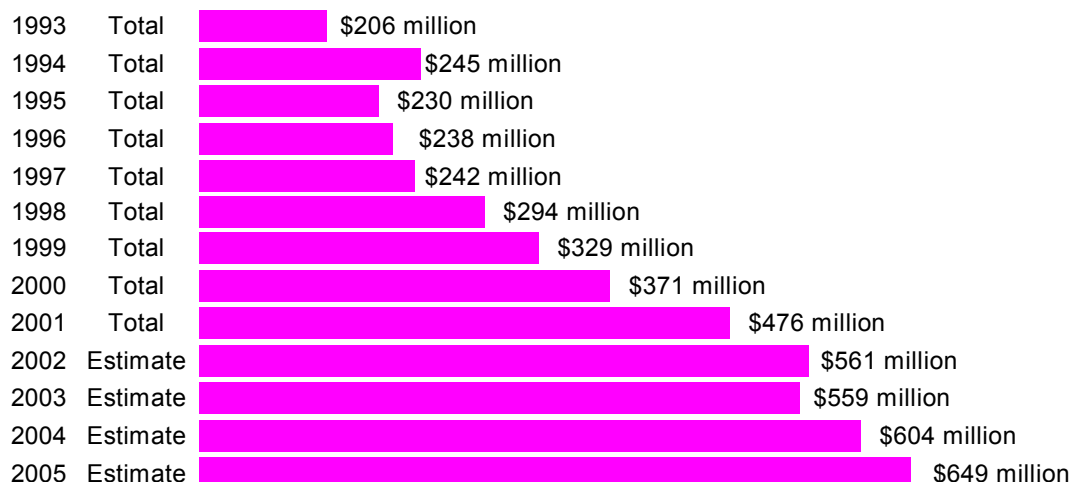


Figure 9. Changes in Working Capital Ratio, 1991 Through 2001

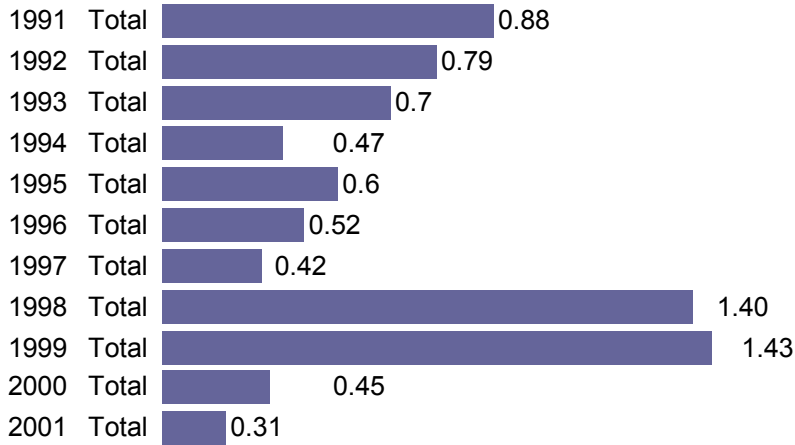


Figure 10. Comparison of NEC Minutes of Delay, 1998 Through 2001 (in minutes)



Figure 11. Amtrak's FY 2003 \$1.2 Billion Grant Request (\$ in millions)

Net Operating Subsidy	\$200
Excess RRTA	\$160
Basic Capital Investments*	\$840

*Basic Capital Investments consist of the following:	
Basic Needs (Legal and Safety)	\$369
Infrastructure	\$361
Other	\$110