**Before the Subcommittee on Railroads**
**Committee on Transportation and Infrastructure**
**U.S. House of Representatives**

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# Amtrak's Financial Performance and Requirements


**Statement of**

**The Honorable Kenneth M. Mead**

**Inspector General**

**U.S. Department of Transportation**

Mr. Chairman and Members of the Subcommittee:

Thank you for providing us the opportunity to comment on Amtrak's financial performance and its short and long-term capital funding needs. In 1997, the Amtrak Reform and Accountability Act tasked our office with performing an annual assessment of Amtrak's financial performance and requirements in every year that Amtrak requests Federal assistance.[1]

Today, we would like to focus on three areas of concern, each of which contributed to Amtrak's cash flow shortfalls: Amtrak's financial performance, Acela delays and early performance, and capital funding needs.

### *Amtrak's Financial Performance Has Not Met Expectations and Amtrak's Ability To Meet Its Self-Sufficiency Mandate Is In Serious Jeopardy*

- **Cash Losses Continue.** Amtrak's cash loss of $561 million in 2000[2] was marginally better than 1999, but higher, even, than its cash loss in 1995. The picture remains bleak into 2001. In the first 8 months of 2001, Amtrak's cash losses are worse than its losses last year during this period, and $21 million worse than projected. Four years into its mandate for operating self-sufficiency, Amtrak should be showing signs of significant improvement, not standing in place or, worse, moving backwards.

  We have repeatedly stressed the need for Amtrak to close a portion of the budget gap each year, so that it is not suddenly faced with a $300 million gap in the final year of its mandate. Amtrak has not done so, and now faces a very short window in which it needs to make tremendous progress.

- **Results Vary By Strategic Business Unit.** The Intercity business unit, which is responsible for most of Amtrak's long-distance trains, has historically faced the greatest challenges in realizing improvements. In the first 8 months of 2001, revenues grew by $15 million over the same period in 2000, but cash expenses grew by $53 million.

  Despite delays in Acela, revenue grew in the Northeast Corridor by $72 million, or 10 percent over the same period last year, and cash expenses increased $44 million, representing growth of approximately 7 percent.

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[1] We began our fourth such assessment in January and expect to issue a final report with our findings in September, although we are still waiting for a substantial amount of information from Amtrak in order to complete our analysis.

[2] All years are Amtrak fiscal years, from October 1 through September 30, which coincides with the Federal fiscal year.

Revenues in Amtrak West grew $20 million over this period compared to 2000, which was $11 million better than projected. However, cash expenses grew by $23 million, which was $22 million worse than projected.

- **Self-Sufficiency Mandate Is In Jeopardy.** By law, Amtrak may not use Federal funds for operating expenses after December 2, 2002. Amtrak's window for incrementally improving its bottom line is rapidly closing. Amtrak has not been successful in closing significant portions of the gap each year, and now has very little time to reduce its annual cash losses by over $300 million.

  One of the reasons we have repeatedly urged Amtrak to reduce expenses and show steady improvement in its cash losses each year is so that it would have time to absorb and accommodate the changes in one year before a new round of changes is instituted in the next. Amtrak's failure to show incremental improvement now presents Amtrak with few options outside of far-reaching actions such as across-the-board service cuts or personnel reductions. Such actions may improve Amtrak's bottom line in the short term, but not without long-term consequences.

  Furthermore, Amtrak's recent mortgage of portions of Penn Station-New York to generate operating cash will add approximately $26 million in interest costs each year. When added to the existing interest owed on equipment debt financing, Amtrak's interest burden will reach nearly $195 million each year, beginning in 2002.

  We have no doubt that Amtrak could make the kinds of draconian cuts necessary to meet its self-sufficiency mandate on time, but it should not do so at the cost of the assets and human resources necessary to maintain a healthy railroad beyond 2003. Such a victory would be hollow and have serious repercussions for the future of intercity passenger rail.

### *Acela Delays And Early Experience*

- **Additional Delays Affect Amtrak's Cash Flow In 2001 And 2002.** Amtrak's original service schedule for high-speed rail called for service beginning in the Fall of 1999 with delivery of the final trainset in June 2000. Delays have accrued since this schedule, with the most recently announced delays extending final delivery from September 2001 to December 2001. As such, Amtrak will continue to experience foregone revenues in 2002. In 2000, Amtrak compensated for the delays through a variety of actions including sale-leasebacks of equipment and short-term borrowing. However, in 2001, Amtrak's line of credit was not sufficient and Amtrak recently mortgaged a portion of Penn-Station New York in order to meet its short-term cash obligations.

- **Early Acela Express Operating Results Are Mixed.** On the Southend of the Northeast Corridor, Acela Express load factors, -- the percentage of available seats that are occupied -- increased from 31 percent in December 2000 to 40 percent in June 2001. On the Northend between New York and Boston, however, load factors have been steadily declining, starting at a high of 48 percent in December 2000 and dropping to just under 38 percent in June. Load factors for the Metroliner, which only operates on the Southend between New York and Washington, have remained steady at around 50 percent, prior to and following introduction of Acela Express. Caution should be exercised, however, in extrapolating the early experience of a new, and not fully implemented service to its eventual performance, since frequencies, fares, marketing, and many other factors can significantly affect consumer choices.

  The load factors on Acela Express and the Metroliner may seem low, but they are actually on par with recent airline experience. While the average load factors for all airlines, nationwide, have been around 70 percent this year, they are lower in the Washington-New York-Boston markets. For example, in January, February, and March 2001, load factors on flights between New York and Boston averaged between 50 and 61 percent (50 percent from New York-LaGuardia to Boston-Logan), and averaged 50 percent between New York and Washington (47 percent between New York-LaGuardia and Washington-National).

  Combined ridership on Acela Express and the Metroliner was 8.6 percent higher in February, March, and April of 2001 than the same months in 2000. Ridership growth for the entire Northeast Corridor was over 5 percent during these three months, in contrast to airline ridership, which on average, decreased by 0.1 percent. On time performance for Acela Express averaged 83 percent in April, May, and June of 2001, which is consistent with the average Northeast Corridor performance, but below Metroliner performance which averaged almost 90 percent during these months.

### *Capital Funding Shortfalls*

- **Amtrak's Efforts To Achieve Self-Sufficiency Will Fail If Additional Capital Is Not Forthcoming.** If Amtrak's Federal appropriations in 2002 and 2003 are commensurate with Amtrak's appropriations in 2000 and 2001, Amtrak's available capital funding will not be sufficient to meet its needs, nor would it be adequate if Amtrak is to remain viable beyond 2003. Even with adequate short-term funding, Amtrak may not be able to achieve operating self-sufficiency by its mandated deadline, but without a significant, long-term source of capital funding, failure will be a certainty.

- **Amtrak Will Require Substantial Federal Appropriations, Even After It Achieves Self-Sufficiency**. In the foreseeable future, we see no set of circumstances where passenger and other revenues will be sufficient to cover operating expenses *and* fund the level of capital investment necessary to keep the railroad operating on a national level in good condition. Amtrak estimates that it needs $973 million each year for general capital investment, with one-half to two-thirds of that going towards Northeast Corridor needs. Even if the high-speed rail investment bond bill, as currently proposed, were passed, Amtrak would still need about $750 million each year in Federal appropriations for its general capital investment needs and excess railroad retirement payments.

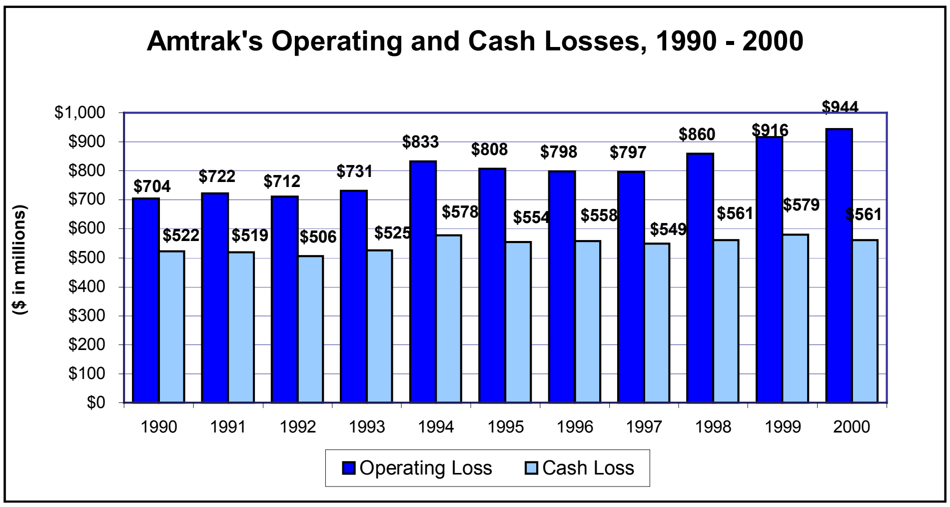
- **Costs of Developing All 10 Designated High-Speed Corridors Far Exceed Funds Proposed In The Current Bond Bill.** If the bond bill or a similar funding instrument were to be adopted, it should be clear to all parties that the $12 billion provided to Amtrak would just be the proverbial "drop in the bucket," if it is expected that *every* corridor under current consideration were to be fully developed.

  The cost for developing a high-speed rail program in each of the ten designated high-speed corridors would run into the tens of billions of dollars. Careful consideration should be given to where the remaining funding would come from, as well as the likely return on investment, as a precursor to Amtrak investing in any of these corridors. Absent such analysis, it is plausible that the country could find itself with 10 partially built corridors that, in addition to the Northeast Corridor, will each boast a multi-billion dollar price-tag for completion.

The combination of these factors suggests that the debate on Amtrak's future may not wait until 2003. It is our understanding that the Secretary of Transportation will recommend to Congress that hearings should be held earlier, rather than later, in 2002 on the subject of Amtrak's future and the future of intercity passenger rail. We endorse this position.

## Amtrak's Financial Improvement Has Not Met Expectations And Its Ability To Reach Operating Self-Sufficiency By 2003 Is In Serious Jeopardy

Amtrak's overall financial results have not improved significantly since 1999. Amtrak's 2000 operating loss of $944 million, including depreciation, was $28 million more than its 1999 loss and the largest in Amtrak's history. Amtrak's test for self-sufficiency, however, pivots on its cash losses rather than its operating losses. In 2000, the cash loss was $561 million, about $18 million better than 1999, but short of Amtrak's business plan goals by $120 million. In the first 8 months of 2001, Amtrak has posted a systemwide cash loss of $405 million, which is $17 million worse than last year's loss during this period, and $21 million worse than

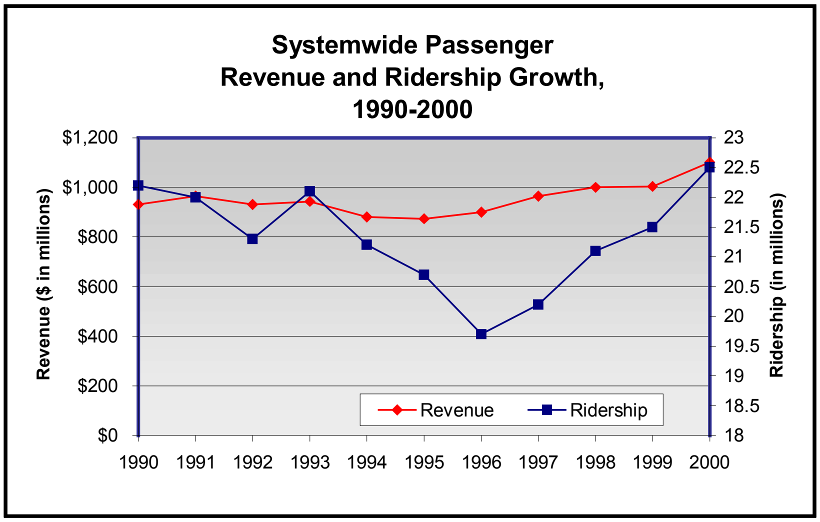



projected.

Amtrak is getting very close to the point, if it has not already reached it, where it will be unable to close the budget gap incrementally through productivity efficiencies and operational adjustments. We have repeatedly stressed the need for Amtrak to close a portion of the budget gap each year, so that it is not suddenly faced with a $300 million gap in the final year of its mandate. Amtrak has not been successful in making significant progress each year, and is now faced with a tight window in which it must improve its bottom line by several hundred million dollars.

Amtrak may be at the point where severe and far-reaching actions, including unprecedented personnel and service reductions, would be the only viable options for attaining the quick and significant financial improvements necessary to fulfill Amtrak's self-sufficiency mandate. These actions would likely bring Amtrak close to its goal in the short-term, but care must be taken not to harm Amtrak's long-term viability by cutting too close to the bone.

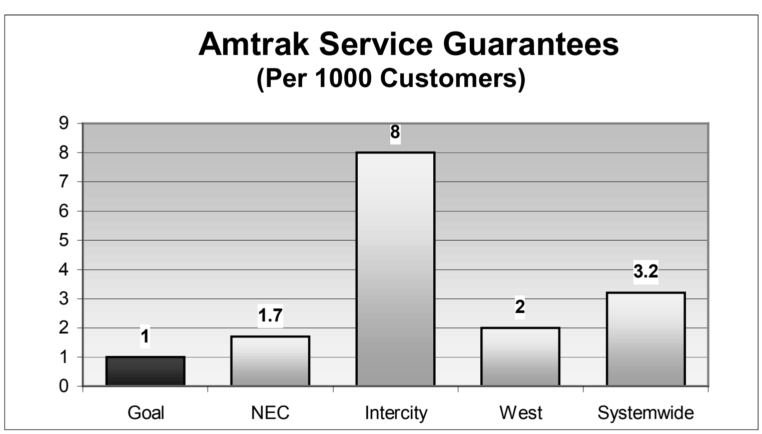
**Revenue and Ridership Continue to Grow.** In 2000 and the first 8 months of 2001, Amtrak's revenue and ridership have continued to grow. Amtrak's passenger revenues in 2000 approached $1.2 billion, growing 10 percent over



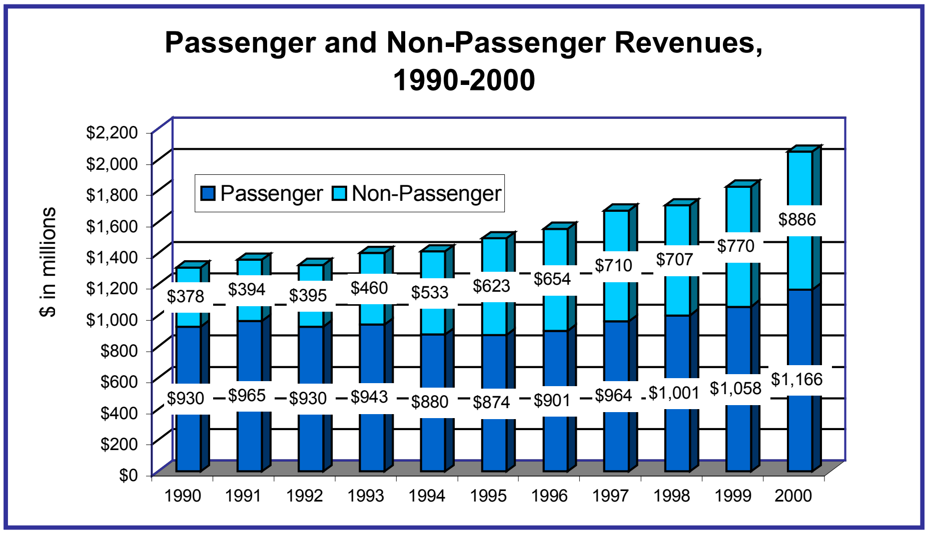

1999 to set a new record. In the first 8 months of 2001, passenger revenues are up another 10.8 percent, and ridership is up about 6 percent.

To further bolster ridership, passenger retention, and revenue, Amtrak instituted a Customer Service Guarantee in July 2000. The guarantee provides passengers who are not satisfied with Amtrak's service, for any reason, with vouchers for future travel equal to the value of the trip on which they were dissatisfied.

Amtrak's goal for the Customer Service Guarantee is that no more than 1 passenger in 1,000 (a 99.9 percent satisfaction rate) will request a voucher. Between July 4, 2000 and June 30, 2001, Amtrak issued about 74,000 service guarantee vouchers with a total value of $6.4 million. Vouchers issued per 1,000 passengers was 3.2 systemwide (a 99.7 percent satisfaction rate), 8.0 in Intercity, 2.0 in Amtrak West, and 1.7 in the Northeast Corridor (NEC).



Non-passenger revenues were up 15 percent in 2000 over 1999. Non-passenger revenues have become increasingly important to Amtrak and, totaling $886 million in 2000, they accounted for over 43 percent of Amtrak's total revenues. In 1990, non-passenger revenues totaled $378 million and accounted for less than 29 percent of total revenues.



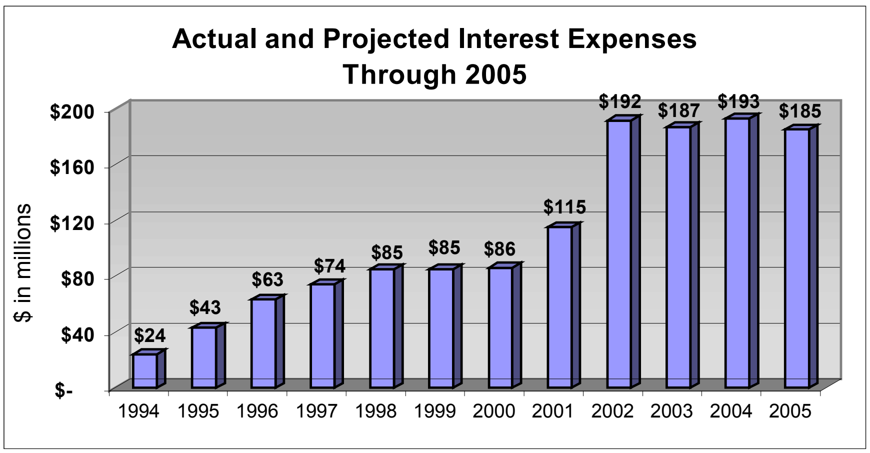

In the first 8 months of 2001, total non-passenger revenues were up 6.4 percent over the same period last year, but were still $7 million behind plan. While commuter and commercial revenues posted increased revenues, mail revenues were 15 percent lower than the same period last year and 16 percent behind plan. Reimbursable revenues also lagged both last year's performance and this year's projections by almost 20 percent.

Amtrak's progress in improving total operating revenues has varied across Strategic Business Units. In the Northeast Corridor, revenues increased by 10 percent, although this was 2 percent short of projections. Intercity, which accounts for most of Amtrak's long-distance trains, showed a 4 percent improvement in 2001 over the first 8 months of 2000, but still fell short of Amtrak's projections by $39 million or 9 percent. Amtrak West was the only business unit with revenues ahead of its projections.

| Operating Revenues | 8 Month Financial Performance By Strategic Business Unit | | | | |
|---|---|---|---|---|---|
| ( $ in millions) | 2001 Actual | 2000 Actual | % Difference 2001 vs. 2000 | 2001 Goal | % Difference 2001 vs. Goal |
| Northeast Corridor | $ 767 | $ 695 | 10 | $ 785 | -2 |
| Intercity | 401 | 386 | 4 | 440 | -9 |
| West | 189 | 169 | 12 | 178 | 6 |
| Corporate | 26 | 20 | 30 | 24 | 8 |
| | | | | | |
| **Amtrak - Total** | **$1,383** | **$1,270** | **9** | **$1,427** | **-3** |

**Expenses Continue to Grow.** Unfortunately, Amtrak has not been successful in curbing expense growth. In 2000, cash operating expenses increased by 8.6 percent over 1999. One of the drivers behind the growth is the interest expense associated with the level of debt Amtrak has assumed in recent years to finance new equipment purchases. As of September 2000, Amtrak's long-term debt and capital lease obligations totaled $2.8 billion, an increase of $1 billion over 1999.

In 1994, Amtrak's annual interest expenses on borrowing totaled $24 million; in 2000, that total was $86 million. The outlook for the future is worse – by 2002, interest expenses will total an estimated $192 million and will remain close to that level through 2005. The projections for 2002 and beyond include the financing costs of the Acela Express trainsets and the additional interest costs related to the mortgage of Penn Station-New York.




Expense growth also varied by Strategic Business Unit. In the first 8 months of 2001, cash expenses grew overall by $130 million over the same period in 2000. Expenses grew in each business unit, although at a slower pace than projected in all but the West business unit. The largest growth was in Intercity, which posted a $53 million cash expense increase over the expenses incurred during the first 8 months of 2000. This was still $4 million better than projected.

| Cash Operating Expenses | 8 Months Financial Performance By Strategic Business Unit | | | | |
|---|---|---|---|---|---|
| **( $ in millions)** | **2001 Actual** | **2000 Actual** | **% Difference 2001 vs. 2000** | **2001 Goal** | **% Difference 2001 vs. Goal** |
| Northeast Corridor | $ 710 | $ 666 | 6.6% | $ 734 | -3.3% |
| Intercity | 548 | 495 | 10.7 | 552 | -0.7 |
| West | 221 | 198 | 11.6 | 199 | 11.1 |
| Corporate | 309 | 299 | 3.3 | 326 | -5.2 |
| | | | | | |
| **Amtrak – Total** | **$1,788** | **$1,658** | **7.8** | **$1,811** | **-1.3** |

**Key Performance Measures Fall Short of Goals.** Two key performance measures for Amtrak are the Customer Satisfaction Index (Index) and on-time performance. Amtrak's Index, which indicates the level of customer satisfaction with Amtrak's overall service delivery, dropped from 83 (out of 100) in 1999 to 82 in 2000. As the following table indicates, all three business units fell short of their goals for 2000. In the first 8 months of 2001, the Index remained at 82.

**Customer Satisfaction Index Results (Scale: 1 – 100)**

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

Amtrak reported systemwide on-time performance in 2000 of 78 percent, which was slightly below performance levels in 1999 and 1998. Similar to the performance in customer satisfaction, none of the three business units met their goals in 2000. Systemwide on-time performance in the first 8 months of 2001 fell slightly to 77 percent. Amtrak cited scheduled and unscheduled track work, freight rail traffic interference, mechanical failures, and weather as the largest contributors to the reduced performance.

**On Time Performance (percentage)**

| Business Unit | 1999 Actual | 2000 Actual | 2000 Goal | +/(-) 1999 | +/(-) Goal |
|---|---|---|---|---|---|
| **Systemwide** | 78 | 78 | 85 | 0 | (7) |
| **Intercity** | 67 | 68 | 75 | 1 | (7) |
| **Northeast Corridor** | 88 | 87 | 92 | (1) | (5) |
| **West** | 75 | 75 | 78 | 0 | (3) |

**Self-Sufficiency Mandate in Jeopardy.** Congress has mandated that Amtrak reach operating self-sufficiency by 2003. Our position on the deadline is that, according to the 1997 law, Amtrak must operate after December 2, 2002 without Federal operating subsidies in order to achieve its mandate. Last September, when we testified before the Senate Commerce Committee and again in March before the House Appropriations Subcommittee on Transportation and Related Agencies, we stated that time was running short for Amtrak to close the holes in its business plan and remain on track for reaching operating self-sufficiency by 2003. In our judgment today, Amtrak's ability to reach operating self-sufficiency by 2003 is in serious jeopardy.

The new delays in delivery of Acela equipment will extend the financial losses associated with these delays into 2002. Additional principal and interest payments on the Penn Station-New York mortgage will be repaid with operating revenues, which will raise the bar by an additional $35 million each year. Amtrak is also in the process of substantially revising its mail and express revenue projections for the next few years and any reductions will require Amtrak to identify additional actions to compensate for these lost revenues.

Finally, there still appear to be significant gaps in Amtrak's business plan where no actions have been yet identified to curb continued expense growth. Even if Amtrak fills those gaps this year, it must improve its bottom line by over $300 million in the next 2 years. Even under the very best of circumstances, there may not be sufficient time for these plans to bear fruit by Amtrak's mandated deadline.

Amtrak has made progress in some areas although not as quickly as is probably necessary to meet its 2003 mandate. In order to maximize the financial benefits it will receive from these actions, Amtrak needs to vigorously pursue the following:

- ***First,*** it must fully implement high-speed rail in the Northeast Corridor. When all 20 trainsets and 15 high-horsepower locomotives are in service, Amtrak estimates a net revenue contribution of close to $180 million each year. Delays in equipment delivery until December 2001 will extend losses associated with these delays into 2002. However, our initial findings in our current annual assessment indicate that given the level of airline delays, Amtrak's projections for Acela revenue when fully ramped up may now, in fact, be somewhat conservative.

- ***Second,*** Amtrak must make significant strides in curbing expense growth. Nearly all of the $737 million in undefined management actions in Amtrak's 2000 business plan related to expense reductions. The first step will be identifying concrete plans to fill the gap in the business plan, but defining the management actions is not enough. Amtrak must make these plans deliver. Amtrak's success in improving revenues will be undermined unless it is equally successful in curbing expense growth.

## Acela Delays Have Placed Amtrak In A Precarious Financial Position.

**Financial Impact of Delays.** Bombardier has recently announced delays of an additional 3 months before delivery of the final (20th) Acela Express trainset.

Delays exceeding 1 year to date have hurt Amtrak's revenues in 2000 and 2001, and the most recent set of delays will mean that Amtrak will continue to forego revenue in 2002. Last September, we testified that if there were no further extended delays, the Acela service would likely be able to reach its full operating and revenue potential in 2003. This is still possible, but it is becoming increasingly difficult for Amtrak to compensate for the revenues being lost each day the service does not operate.

Delays in ramping up Acela Express have not only jeopardized Amtrak's ability to maintain its glidepath and reach operating self-sufficiency as mandated by 2003, but they have also created a serious short-term cash flow problem. Amtrak was able to offset past losses from the Acela delays with equipment sale-leasebacks and short-term borrowing, but cash losses from forgone Acela revenues in 2001 pushed Amtrak to a critical position. In order to avert a cash shortfall and meet its short-term cash obligations, last month Amtrak mortgaged a portion of Penn Station-New York.

While this transaction will satisfy Amtrak's short-term cash needs, it also will contribute to its long-term difficulties in achieving operating self-sufficiency. The interest and principal repayments related to this and any other borrowing will raise the bar that Amtrak must clear in order to meet its operational self-sufficiency mandate.

**Acela Performance To Date.** Amtrak began operating one daily round-trip Acela Express train between Washington and Boston in December 2000, and currently has 10 trainsets in service with 5 roundtrips daily between New York and Boston, and 6 roundtrips daily between New York and Washington. In the first 7 months of operations, load factors have averaged 34.1 percent between Washington and New York and 39.8 percent between New York and Boston. The Metroliner service between New York and Washington is still popular and represents a less expensive alternative to the Express service. When Acela Express is fully operational, Amtrak plans to phase out Metroliner service, diverting what Amtrak hopes to be significant ridership to the Express service.

Caution should be exercised, however, in extrapolating the early experience of a new, and not fully implemented service to its eventual performance, since frequencies, fares, marketing, and many other factors can significantly affect consumer choices.

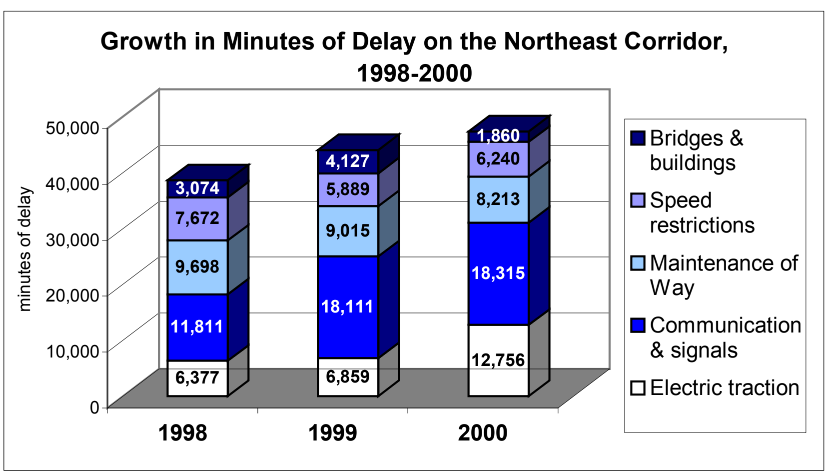
Combined ridership on Acela Express and the Metroliner was 8.6 percent higher in February, March, and April of 2001 than the same months in 2000. Ridership growth for the entire Northeast Corridor was over 5 percent during these three months, in contrast to airline ridership, which on average, decreased by

0.1 percent. On time performance for Acela Express averaged 83 percent in April, May, and June of 2001, which is consistent with the average Northeast Corridor performance, but below Metroliner performance which averaged almost 90 percent during these months.

## Amtrak's Projected Capital Funding Will Fall Short of Its Capital Needs.

Even if Amtrak succeeds in reaching operating self-sufficiency, it will continue to need significant and sustained capital funding beyond 2003. In the foreseeable future, we see no set of circumstances where passenger and other revenues will be sufficient to cover operating expenses *and* fund the level of capital investment necessary to keep the railroad operating on a national level in good condition. Amtrak estimates that its total annual capital requirement is about $1.5 billion for addressing general capital needs, beginning to address a backlog of needs in the Northeast Corridor, and paying its share of developing new high-speed corridors.

If Amtrak is to succeed in achieving its mandate without starving the basic minimum infrastructure needs of the system, it will need additional capital funding in the short term. In the past few years, Amtrak has underspent on minimum needs -- the kinds of projects that maintain the sustainable integrity of its infrastructure, including operational reliability projects and life-safety needs -- and the consequences are beginning to surface. Between 1998 and 2000, delays on the Northeast Corridor related to signals and communications increased by 55 percent, and delays related to electric traction problems doubled.




Even if Amtrak makes its operating self-sufficiency mandate in 2003, it will still continue to need significant, sustained, funding. Amtrak estimates that it will need $973 million in capital funding in 2002 and 2003 to pursue a state-of-good-repair capital investment strategy.[3] Amtrak believes that this level of funding would be sufficient to ensure a quality national network for the provision of existing services; address the state-of-good repair needs for infrastructure, facilities and fleet; address life/safety needs, including investments required in the New York tunnels; and support a viable national system necessary for Amtrak to achieve and sustain operational self-sufficiency.

To pursue development and expansion of high-speed corridors around the country, Amtrak estimates needs totaling $1.5 billion each year.[4] Amtrak has prepared a 20-year comprehensive systemwide capital plan and we are reviewing it closely as part of our ongoing assessment. We would like to briefly discuss a few of the many options for securing capital funding of this magnitude.

- **General Capital Appropriations.** Amtrak's needs have traditionally been funded through an annual appropriations process, although Congress has periodically provided separate capital grants including the $2.2 billion tax rebate authorized under the Taxpayer Relief Act of 1997. Annual appropriations could continue to be the primary source of capital funds, but they would need to be substantially higher than recent years' appropriations if Amtrak is to be able to adequately invest in its capital needs.

- **Designated or Earmarked Appropriations.** Amtrak has significant needs in the Northeast Corridor that it has had difficulty addressing because of its large cash losses and the competing interest of investing in higher rate-of-return projects that support its efforts to achieve operating self-sufficiency. Consequently, Amtrak has not invested adequately in projects that sustain the integrity of the system, including life-safety needs.

  Amtrak's most pressing life-safety needs include the 15 miles of tunnels leading into Penn-Station New York where nearly $900 million is needed to bring them up to par with modern safety standards, including the replacement of narrow, winding, spiral staircases, installation of modern ventilation fans, and the rehabilitation of benchwalls. In 1998, Amtrak warned Congress that unless improvements were made rapidly, the age and condition of the tunnels, coupled with the projected growth in traffic, would raise the potential for a serious and consequential accident.

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[3] This is exclusive of the $190 million and $196 million Amtrak estimates it will need for payments in 2002 and 2003, respectively, to fund expenses associated with liabilities for Amtrak's railroad retirement taxes that exceed the amount needed for the benefits of Amtrak retirees or funds needed for eligible operating expenses until December 2, 2002, when Amtrak is required to operate without Federal operating assistance.
[4] Again, this is exclusive of the approximately $200 million each year Amtrak will need to meet its exceess railroad retirement requirements.

Last fall, Amtrak, the Long Island Rail Road, and New Jersey Transit developed an accelerated schedule that would complete all work by 2010, and the most critical projects by 2005. But accelerating the schedule can only be accomplished if adequate funding is made available and the three railroads agree on an equitable cost-sharing arrangement. An annual average investment of $90 million (in 2002 dollars) would be required to adhere to the accelerated 2010 schedule.

One option for funding could be an earmarked 2002 appropriation equal to Amtrak's share of total project costs that would be available until expended (the last portion in 2010, or sooner if possible). The other users of the tunnels would need to find matches at the State or local level. The benefit of a full appropriation at the start – vs. annual appropriations – is the assurance of a steady stream of funds that will be available when needed to cover Amtrak's share of the costs. Because of the multi-year nature of many of the projects, uncertain or uneven levels of funding in the past has made it difficult to schedule project starts and coordinate matching funds. By appropriating the full amount up front and removing any uncertainty over funding, the safety projects should be able to proceed as quickly as operationally feasible.

- **Proceeds from Amtrak-issued Bonds.** Another funding option is an instrument similar to the High-Speed Rail Investment Act (HSRIA), which was introduced in the last Congress, but was not enacted. The current version introduced in the Senate (S. 250) and the House (H.R. 2329) would make $12 billion available over 10 years through the sale of bonds for development of high-speed corridors around the country. It will be important that any proposed bill provide for sufficient Federal oversight of Amtrak's spending of the bond proceeds.

  If the bond bill or a similar funding instrument were to be adopted, it should be clear to all parties that the $12 billion provided to Amtrak would just be the proverbial "drop in the bucket," if it is expected that *every* corridor under current consideration were to be fully developed. The price tag for developing a high-speed rail program in each of the 10 designated high-speed corridors would run into the tens of billions of dollars. Careful consideration should be given to where the remaining funding would come from, as well as the likely return on investment, as a precursor to Amtrak investing in any of these corridors.

*Mr. Chairman, this concludes our statement. I would be pleased to answer any questions.*