



Highlights of [GAO-05-698T](#), a report to Subcommittee on Railroads, Committee on Transportation and Infrastructure, House of Representatives

### Why GAO Did This Study

In 1996, the National Railroad Passenger Corporation (Amtrak) executed contracts to build high-speed trainsets (a combination of locomotives and passenger cars) as part of the Northeast High Speed Rail Improvement Project. Since that time, Amtrak has experienced multiple challenges related to this program, including recently removing all trains from service due to brake problems. Amtrak has struggled since its inception to earn sufficient revenues and depends heavily on federal subsidies to remain solvent. The April 2005 action to remove the Acela trainsets—Amtrak’s biggest revenue source—from service has only exacerbated problems by putting increased pressure on Amtrak’s ridership and revenue levels.

This testimony is based on GAO’s past work on Amtrak and focuses on (1) background on problems related to the development of the Acela program, (2) summary of issues related to lawsuits between Amtrak and the train manufacturers and the related settlement, (3) key challenges associated with the settlement, and (4) initial observations on possible challenges in Amtrak managing large-scale projects.

[www.gao.gov/cgi-bin/getrpt?GAO-05-698T](http://www.gao.gov/cgi-bin/getrpt?GAO-05-698T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact JayEtta Z. Hecker, (202) 512-2834, [heckerj@gao.gov](mailto:heckerj@gao.gov).

## AMTRAK

# Acela's Continued Problems Underscore Importance of Meeting Broader Challenges in Managing Large-Scale Projects

### What GAO Found

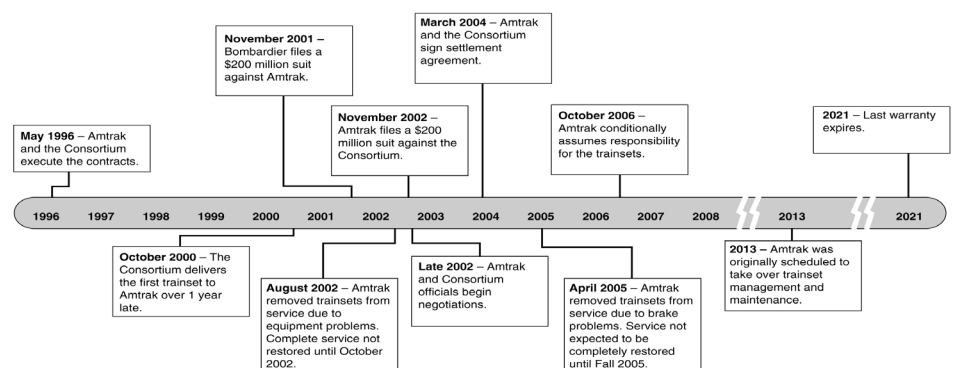
Significant issues and controversy have impacted the Acela program since its inception. According to Amtrak, what started out as a simple procurement of train equipment evolved into a complex high-speed rail program. Acela has encountered numerous difficulties due to such things as new technology and production delays. Even after Acela service began, unexpected problems were encountered, which required Amtrak to remove the trainsets from service, resulting in lost revenue.

Concerns about the quality of the Consortium of train manufacturers’ (Bombardier and Alstom) work and Amtrak’s withholding of payments for the Acela trainsets resulted in the parties suing each other, each seeking \$200 million in damages. Amtrak and the Consortium reached a negotiated settlement in March 2004. Although the settlement agreement protects Amtrak through certain warranties, loss of revenue resulting from removal of trains from service is not directly recoverable. Under the settlement, Amtrak is conditionally scheduled to assume maintenance functions from the Consortium in October 2006.

Aside from the current problems, Amtrak faces other risks and challenges to the recent settlement, including obtaining technical expertise and providing sufficient funding for maintenance. Achieving a successful transition is critical to Amtrak given the importance of the Acela program. The recent brake problems may impact the transition through such things as delayed management training.

As GAO reported in February 2004, Amtrak had difficulties managing the Northeast High Speed Rail Improvement Project and many critical elements of the project were not completed and the project goal of a 3-hour trip time between Boston and New York City was not attained. GAO has ongoing work addressing Amtrak management and performance issues that GAO plans to report on later this year.

#### Timeline of key events



Source: GAO.