Testimony of

Joseph Vranich

before the

Commerce, Science & Transportation Committee

U.S. Senate

Washington, D.C.

September 26, 2000

INDEX

SUMMARY STATEMENT

Good morning, Mr. Chairman and distinguished members of this committee. My name is Joseph Vranich and I appreciate the opportunity to testify before you regarding Amtrak. Because of time limitations, I will summarize my prepared testimony.

I have no employer or client involved in transportation today. Thus, I speak as an independent voice. I am accompanied here by Mr. Anthony Haswell, who is seated in the audience. He founded the National Association of Railroad Passengers in 1967. In 1970, he hired me to be its executive director. Mr. Haswell is an attorney who for many significant reasons is referred to as the Afather of Amtrak.@ He agrees with the overall thrust of my testimony.

Although this marks the 31st year that I have been a proponent for rail service, I am now embarrassed to admit that I worked to create Amtrak.

$ The Amtrak I and others envisioned would design a flexible system attuned to contemporary need and demand, adjusting and fine-tuning its services to carry people where they are willing to travel by train. But we do not have that with today=s Amtrak.

$ The Amtrak we envisioned would be demonstrating leadership in bringing about true high-speed trains to America. But we do not have that with today=s Amtrak.

$ The Amtrak we worked to create would be one that would give passengers priority over freight. But we do not have that, either.

Instead, what we have is an underperforming Amtrak that remains a candidate for liquidation.

My most recent relevant position was as a member of the Amtrak Reform Council, a post I was appointed to by the Senate Majority Leader on February 24, 1998. When I was appointed, Senator Trent Lott said, "The ARC will ensure that Amtrak spends the taxpayers' money wisely. The Council's first loyalty will be to the American taxpayer.@ Note the responsibilities under the Amtrak Reform and Accountability Act of 1997 (ARAA), subsection 203,

> Amtrak shall make available to the Council all information that the Council requires to carry out its duties. . . . The Council shall (A) evaluate Amtrak=s performance; and (B) make recommendations to Amtrak for achieving further cost containment and productivity improvements, and financial reforms. . . . In making its evaluations and recommendations. . . the Council shall consider all relevant performance factors, including . . . management efficiencies and revenue enhancements, including savings achieved through labor and contracting negotiations. . . . Amtrak shall report quarterly to the Council (A) the savings realized as a result

of the [new labor work-rules] agreement and (B) how the savings are allocated.

Amtrak has made performing such tasks unduly difficult if not impossible for the Amtrak Reform Council. As such, I believe that the Council is unable to effectively fulfill the oversight role that Congress intended for it, and that there is no realistic prospect that it will be able to do so in the foreseeable future. Thus, I resigned my position effective July 10th of this year.

I will summarize the facts regarding Amtrak obstructionism on several major issues B its so-called Aincome tax refund,@ its freight program, and Amtrak productivity.

$ <u>Amtrak=s AIncome Tax Refund@</u>: Congress in the Taxpayer Relief Act ordered the IRS to provide Amtrak with a $2.2 billion Atax refund@ B even though Amtrak has never paid federal income taxes. The ARAA, Section 209 states, AThe Amtrak Reform Council shall report quarterly to the Congress on the use of amounts received by Amtrak under section 977 of the Taxpayer Relief Act of 1997.@ I was appointed by former Council Chair Christine Todd Whitman to assemble information for such reports. While Amtrak provided lists of capital projects, Amtrak routinely failed to provide rates-of-return for such projects despite repeated requests. I was not surprised by GAO=s February report that stated Amtrak reports to the ARC are Aless useful than they could be in helping the Council comply with its responsibility to monitor Amtrak=s use of Taxpayer Relief Act funds.@

$ <u>Freight</u>: To accommodate freight (which Amtrak refers to as Aexpress@) shipments, Amtrak has added time to its schedules, making trips longer for passengers. The ARC has asked Amtrak to provide the costs of its freight program, not just its revenues, and Amtrak Chairman Tommy Thompson assured me on September 24, 1998 B two years ago B that Amtrak would cooperate. Also since then Amtrak has asserted to the media that freight is Acontributing to the bottom line.@ This is a worthy goal, but unfortunately, freight profit-loss information has not been provided, so the truth of Amtrak=s claim cannot be verified. Amtrak has not been forthcoming on this issue in any respect. Absent evidence to the contrary, it=s highly probable taxpayers are subsidizing shippers who move freight on Amtrak, including major corporations like Campbell=s Soup and United Parcel Service. If true, that is an outcome never envisioned by people who worked to create a rail system for passengers.

$ <u>Productivity:</u> Amtrak has misled the Senate by stating that it has improved workforce productivity. Up until my July departure, Amtrak had provided no factual support for assertions that the 20 percent increase in wages after new labor agreements were signed in 1997 will be offset by work-rules savings. Moreover, despite ARC reporting requirements, Amtrak failed to answer many questions about the subject. Based on information that can be gleaned from public reports, it appears that Amtrak=s productivity dropped in 1999 compared to prior years on two key measurements B passengers per employee and passenger-miles per employee. In that last measurement, productivity was lower than every year of the previous ten years.

These examples regarding Amtrak=s stonewalling of the ARC are more fully explained in my complete testimony, including a chronology of when we asked Amtrak questions to which Amtrak was non-responsive. (Attachment 1.)

No one really knows the full public cost of running Amtrak today. Senator Wayne Allard was justified to say recently in floor debate: AI have grown increasingly skeptical about what is going on with Amtrak. It seems they found a way to pick up government subsidies all over the place.@ He is correct. Known federal subsidies to Amtrak will soon exceed $24.3 billion. But excluded from Amtrak reports are the costs of numerous public programs that help finance Amtrak or shift Amtrak expenses to the books of other agencies such as the Federal Railroad Administration, the Federal Transit Administration and the Treasury Department. The most notable of these is the federal bailout of more than $1 billion in Amtrak government-guaranteed loans, the cost of which is carried on the Treasury Department=s books. (Attachment 2.)

Amtrak=s pride in its new ridership record is not cause for celebration but cause for alarm. I say that because during this all-time record year of travel, Amtrak will be breaking a level set in 1988 B twelve years ago. This means Amtrak=s ridership growth is anemic during the biggest travel boom in the history of our country. Indeed, its ridership figures are an indictment of Amtrak=s non-responsiveness to the changing travel marketplace. As food for thought, on Memorial Day weekend, U.S. commercial aviation carried well over 12 million passengers B which means in just one holiday weekend airlines carry more than half the number of people who board Amtrak during the entire year. Amtrak=s market share routinely drops, and today, according to the Eno Transportation Foundation, Amtrak holds only six-tenths of one percent of the travel market. (Attachment 3.)

Amtrak is violating the law that requires it to run modern rail passenger service when it adds trains that are slower than trains were decades ago. On April 15, Amtrak began running the *Lake Country Limited*, which takes 3 hours and 20 minutes to travel from Janesville, Wisconsin, to Chicago. The old Chicago & North Western Railroad connected Janesville with Chicago an hour-and-a-half faster when Harry Truman was President in 1952. The press reports traffic on the train has averaged 11 people per day in each direction. In Indiana, Amtrak added a train whose schedule is 3 hours slower than a pre-Amtrak train was on the same route when Calvin Coolidge was President in 1926. Meanwhile, I know this committee has spent considerable time lately on airline performance, and I believe Amtrak on-time performance deserves the same attention. In this testimony I am revealing for the first time the completed results of my review of Amtrak scheduling practices. Amtrak may boast that it=s enjoying its Abest on-time performance in 13 years,@ but the facts show Amtrak performance outside of the Northeast is in shambles. Amtrak now inserts very long periods of time just before Acheckpoints@ where on-time performance is calculated. If Amtrak performance were measured at the stop before an official checkpoint, Amtrak=s on-time statistics would be far worse than official reports indicate. Amtrak employs this practice to a degree unprecedented in the railroad business. Amtrak=s method goes way beyond anything found in aviation today, so it=s possible that the airlines -- even with terrible airport delays this summer -- had a better on-time record than Amtrak did outside of the Northeast. (See Attachment 4.)

As one who has testified before Congress in support of the *Acela Express* program, I am pleased that the *Acela Express* will soon begin operations. The train is a needed improvement that I welcome because it will offer many amenities and quicker train travel. I=m disappointed, however, with management of the project. The *Acela Express* is three years behind schedule. It is clear from Amtrak promises that the first *Acela Express* was to have been delivered in April 1996 and begin carrying passengers after a year of testing. My complete testimony quotes Amtrak=s words verbatim about the delivery schedule to begin in 1996. Moreover, I=m dissatisfied with the *Acela Express* schedules. For perspective, the New Haven Railroad=s *Merchants Limited* connected New York with Boston in 4 hours flat in 1950. They did that without the benefits of today=s electrification east of New Haven, tilt-train technology and advanced signaling systems. I also question the degree of liability facing the U.S. Government as a result of a $1 billion loan for the *Acela Express* from the Canadian government, the details of which remain secret. To my knowledge, the ARC was never informed of the loan, the uses to which it was put, principal amount owed, interest rate, repayment schedule, or other terms and conditions. I must ask B are the *Acela Express* trains serving as collateral? We don=t know. There is much we don=t know about this financial arrangement. (See Attachment 5.)

Regarding the High Speed Rail Investment Act (S.1900/H.R.3700) B Amtrak has become zealous in torturing the English language to Are-define@ what constitutes a Ahigh-speed@ train. This is most pronounced for proposed trains in the Southeast, Midwest and West where after money is spent the trains will still operate at rather ordinary speeds. Hence, the legislation will do virtually nothing to bring about high-speed trains. The bill simply turns over more responsibility to Amtrak, whose management and organizational culture are poorly suited to develop truly advanced train systems. Amtrak has taken seven years to design, build and test the *Acela Express* while other countries have completed such projects in only four years. One of the arguments for high-speed rail is that we can divert passengers from air travel to trains, thereby freeing up slots at congested airports. But the funds in this bill, once spent, will result in trains insufficient to the task of competing with air travel. The resulting passenger diversion rate from air would be so small that I doubt a single flight would be removed anywhere in our aviation system. Also, Amtrak may spend a portion of the funds on routes that are excessively long, such as Washington, D.C. to Jacksonville, Florida, where there is no way B not now, not ever B that even the fastest high-speed trains could compete with air travel. No executive I=ve ever met on a single high-speed rail operation overseas has ever proposed a route that long, at 753 miles, when high-speed rail=s effectiveness falls after a distance of 300 miles. For these reasons, Amtrak=s claim that this bill will help will ease aviation congestion is unscrupulous. Moreover, my understanding is the cost of the legislation will be more than what Amtrak claims. I note that the Heritage Foundation issued a report on August 28 describing the federal government=s implicit interest payments, concluding that AThe loss of tax revenues to the U.S. Treasury would total $16 billion if interest rates remain unchanged at 8 percent.@ With Amtrak=s financial record, it=s doubtful that Amtrak will ever repay those bonds. I view the bill as a way to create another method to bury subsidies to Amtrak in the ledgers within the Treasury Department, similar to what was done in the 1980s when Amtrak defaulted on more than $1 billion in government-guaranteed loans. Finally, by reinforcing Amtrak=s *de facto* monopoly, the bill is harmful to those imaginative folks in the private-sector who have expressed interest in developing high-speed rail in the United States. To effectively plan market-sensitive high-speed train systems, a new direction is needed to include participation by regional agencies, private businesses and joint ventures in innovative, imaginative public-private partnerships. Finally, I ask you to consider that the Amtrak Reform Council, the GAO, and the DOT Inspector General have all faulted Amtrak for not having the proper capital planning in place. It is unreasonable to fund Amtrak-style high-speed rail when we don=t even know what Amtrak=s project costs will be. (See Attachment 6.)

In conclusion, Amtrak will likely require billions of additional tax dollars to stay alive. Congress should take a closer look at Amtrak and demand real accountability. Congress should consider investigating inappropriate Amtrak actions and establish penalties for Amtrak=s failure to cooperate with the Amtrak Reform Council. Congress should amend the ARAA to tighten reporting requirements on Amtrak financial issues. In the interests of passengers, Congress should pass a ATruth in Scheduling@ provision to require Amtrak trains to be on time more often in more cities it serves, not just at the cities that serve as Acheckpoints@ for the purposes of calculating on-time performance. Finally, Congress should refuse to pass the so-called High Speed Rail Investment Act because it will not bring about high-speed trains. The bill will help bail out Amtrak during another financial crisis, a reasonable conclusion considering that Amtrak is awash in red ink now and remains a candidate for liquidation. (Attachment 7.)

Mr. Chairman, that concludes my testimony. I will be happy to answer your questions. Thank you.

ATTACHMENT 1: AMTRAK=S LACK OF COOPERATION WITH THE ARC

I believe that the Amtrak Reform Council is unable to effectively fulfill the oversight role that Congress intended for it, and that there is no realistic prospect that it will be able to do so in the foreseeable future. I say this because Amtrak has resisted providing information in significant areas B impairing the Council as it attempted to carry out its statutory duties.

The Council=s right to information is unconditional as to nature and time frame, subject only to the requirement that trade secrets, etc. be kept confidential. Understanding the sensitivity of delving into Amtrak=s affairs, the Council established procedures to ensure against the public disclosure of information that is a trade secret or commercial or financial information that is privileged or confidential. Council members voluntarily signed ARC-developed confidentiality agreements. Amtrak declined to accept those confidentiality agreements and demanded that members sign an Amtrak-written confidentiality agreement. All Council members signed the second agreement. Despite the Council=s good-faith demonstration that proper safeguards were in place, Amtrak nevertheless declined to provide germane or timely information.

Amtrak=s IRS AIncome Tax Refund@ Expenditures Were Unexplained

The Council has a statutory responsibility to monitor Amtrak expenditures from its Atax return@ of $2.2 billion authorized by Section 977 of the Taxpayer Relief Act of 1997 (TRA). The legislative intention of Section 977 was to make significant amounts of funding available so that Amtrak could make investments in high-priority, high-return capital projects that would facilitate Amtrak=s ability to operate without federal operating subsidies.

Amtrak first resisted providing information to the Council after the ARC=s first chair, New Jersey Governor Christine Todd Whitman, directed the start of an evaluation as to how Amtrak was spending the unique and unprecedented subsidy.

The question was whether Amtrak was using TRA funds for the kinds of high-priority, high-return investments that will help its bottom line. The ARC asked Amtrak what the projected rates of return are per project financed. This is a common practice on freight railroads, where officials rank which capital improvementsCtrack and signal work, new yards or closing of old ones, bridge replacement, curve straightening, congestion elimination, and so forthC should receive funding from the current year=s budget allocation based on rate of return. In general, it could be assumed that Amtrak=s financing of high rates-of-return projects would be a healthy practice, but investment in low rates-of-return projects would indicate a poor practice.

Obtaining such useful information from Amtrak about its TRA disbursements was an odyssey that failed. The following chronology represents my personal interactions on this issue:

May 26, 1998: The Amtrak Reform Council holds its first meeting.
July 6, 1998: At an ARC meeting, Amtrak indicated that the first TRA quarterly report was being prepared for submission to the Council. The ARC Chairman appointed me and one other member to review the upcoming Amtrak report and prepare a draft ARC report to Congress for consideration by the full Council.

July 31, 1998: Amtrak submitted AMaking Investments in America=s Passenger Rail System: Amtrak=s Quarterly Report on TRA Funding.@ The report is replete with phraseology stating that Amtrak is making a Awise investment@ of its resources and that funds are being committed for Ahigh rate-of-return@ projects that were selected after Arigorous evaluation.@

Date Uncertain: Shortly thereafter I asked Amtrak to substantiate its assertions by providing rates-of-return for TRA-funded capital projects. Amtrak asserted that it doesn=t compile such data. Which statement is the ARC to believe? This statement or the one on July 31? I again requested Amtrak to provide TRA rates-of-return.

August 31, 1998: Recognizing that rates-of-return would not be forthcoming, I decided to look at the Abigger picture@ by requesting a route-by-route summary of the extent to which operating losses are expected to drop because of TRA-financed projects. My question was: On which routes will TRA funding induce reduced costs and increased revenue? Amtrak=s reply was non-responsive.

September 17, 1998: At an ARC meeting, I reported that Amtrak failed to provide appropriate responses to requests for information and said I believed that ARC was in no position to issue a report to Congress that could be responsive to the statute. The ARC had no staff during this period, and it was difficult for the Council=s citizen-volunteers to proceed. I said that I would continue, time permitting, to try to obtain data for a later report to Congress.

September 24, 1998: In a meeting between the ARC and several members of the Amtrak Reform Board, I indicated to Amtrak Chairman Tommy Thompson, Vice Chairman Michael Dukakis and CEO George Warrington that Amtrak=s responses thus far have been inadequate. I also introduced the subject of concern over possible financial losses in Amtrak=s new freight program and asked Amtrak to provide the Council with a profit-loss statement. Governor Thompson promised that proper answers will be provided, a promise that was never kept.

October 1, 1998: In a telephone call, several Amtrak representatives agree to provide data on these topics in a follow-up letter.

October 21, 1998: A representative of the Federal Railroad Administration provides added perspective regarding the TRA issue, but admits that he also is unable to quantify rates-of-return on TRA-financed capital items.

<u>Late 1998</u>: I concluded that Amtrak either does not have or will not provide key pieces of measurement regarding TRA expenditures. Missing was the degree to which performance of each route is enhanced by TRA expenditures, an important consideration because, for Amtrak to reach operational self-sufficiency, routes in addition to Boston-Washington must become profitable to offset routes that will continue to lose millions of dollars annually. I=ve asked Amtrak to identify any route that TRA expenditures will help move into the black and illustrate with a timeline when each such route will reach the break-even point. Amtrak failed to respond.

Because of Amtrak=s non-responsiveness, I lay squarely at Amtrak=s doorstep the resulting inability of the Council to meet its statutory obligation to file reports to Congress on TRA funding. The limited documentation Amtrak did provide fails to demonstrate the economic benefits of its capital projects or how they will help Amtrak reach self-sufficiency.

Continuing a search for adequate information, by early 1999 I voluntarily reviewed (or re-reviewed) numerous Amtrak documents, namely:

$ Strategic Business Plan, FY1998-FY2000, dated September 23, 1997
$ FY 1998 Capital Budget, November 5, 1997
$ FY 1998 Proposed Addendum to the Capital Budget, February 3, 1998
$ FY 1999 Amtrak Legislative Report and Federal Grant Request, February 13, 1998
$ Capital Plan Summary Presented to ARC, April 24, 1998
$ Amtrak=s presentation to ARC, May 26, 1998
$ FY 1998 Third Quarter Business and Financial Performance Report, July 31, 1998
$ FY98 Capital Projects Funded by Federal Funds, submitted to ARC on Sept. 16, 1998
$ Capital Investment Summary submitted to ARC on October 7, 1998
$ Strategic Business Plan, FY1999-2002, submitted to ARC on October 19, 1998

In doing so I discovered a few hints of capital-related data. For example, route-specific Ainternal rates of return@ can rank from a high of 121 percent (for rerouting Florida trains) to a low of 5 percent for acquiring a parking facility (which adjoins the Providence station). But such limited information was gleaned from my voluntary effort, not because Amtrak was forthcoming. Moreover, if Amtrak doesn=t calculate rates-of-return, as it asserted to the ARC, how could some of these reports contain estimated rates-of-return?

Indicators are absent in the above-listed reports regarding which investments will help convert money-losing routes into profitable ones or at least vastly improve their financial performance. This is a significant concern. In Fiscal Year 1997, Amtrak operated 18 routes that endured fully allocated losses exceeding $20 million per route. Moreover, if upcoming labor negotiations cause costs to increase, a logical question is the wisdom of spending capital on low rate-of-return projects where cost increases outstrip the savings attributable to the capital projects.

Amtrak=s roadblocks and issuance of conflicting information was telling. I concluded that Amtrak lacks diligence in funding high rate-of-return projects and high market-growth opportunities and wants to avoid scrutiny on the method by which it does select projects. It seemed to me that Amtrak doesn=t want its current practices to be well known or understood.

Skepticism abounds regarding Amtrak=s financial decision-making. Consider the independent assessment of Amtrak conducted in 1997 by the Working Group on Inter-City Rail. It found among other deficiencies that Amtrak=s subsidies Aare not directed to activities of maximum benefit.@ That statement could easily be applied to how Amtrak commits TRA funding and possibly explains why Amtrak stonewalled ARC requests for information.

When the ARC was finally able to hire a small staff to review Amtrak=s capital spending, the staff concluded, and the Council approved for publication in its January 24, 2000, report AA Preliminary Assessment of Amtrak@ this statement:

> Based on preliminary information, significant amounts of the TRA funds are being borrowed temporarily for maintenance expenditures rather than being immediately invested by Amtrak in high priority, high return capital projects necessary to achieve the improvements in financial performance initially anticipated when Section 977 of the TRA was enacted. If these temporary loans are not repaid, such expenditures for maintenance (which are permitted under the TRA) will likely result in the need for increased capital investment funding by the federal government and others in the future. In addition, Amtrak has not produced a long-term capital expenditure plan for several years. The Council, the Congress, and other governmental agencies need Amtrak=s long-term capital expenditure plan to carry out their statutory obligations.

On February 29, 2000, the GAO it its report AAmtrak Needs to Improve Its Accountability for Taxpayer Relief Act Funds@ examined TRA funding with different objectives and reported:

> Amtrak=s quarterly reports to the Amtrak Reform Council on its use of Taxpayer Relief Act funds do not fully disclose the extent to which Amtrak has used these funds for equipment maintenance. As a result, these reports are less useful than they could be in helping the Council comply with its responsibility to monitor Amtrak=s use of Taxpayer Relief Act funds. . . the reports do not fully disclose how TRA funds are actually used once they are deposited into Amtrak=s general cash account. . . . Amtrak reviews and approves capital improvement projects to determine that the projects qualify under TRA. However, it does not determine whether individual expenses incurred and paid are allowable under the act. We find Amtrak=s lack of review of expenditures troubling because, without such a review, Amtrak does not have reasonable assurance that TRA funds are spent in accordance with the law.

Incidentally, when I was in Amtrak=s Public Affairs Department in the 1970s and served on the

Passenger Service Committee, we reviewed capital projects based on estimated rates-of-return and recommended projects to the Board for approval. It is beyond belief that Amtrak's large bureaucracy in the 1990s, one that relies extensively on computer accounting systems, is unable to produce data that Amtrak's smaller staff without computers compiled in the 1970s.

Amtrak estimates that it will need in excess of $4 billion in federally provided capital over the next five years. Amtrak identifies the $2 billion in TRA funding as a Afirst step@ toward obtaining $4 billion through the appropriations process. But Amtrak does not deserve an additional $4 billion in subsidies when Amtrak has failed to justify how it is spending the $2.2 billion Aincome tax-refund@ it has already received.

For Two Years Amtrak Has Failed to Provide Costs of its Freight Service

Since starting freight operations Amtrak has claimed "success" B but always citing only the program=s revenues, not startup costs or operating costs. Freight income/expense is a major issue because Amtrak claims freight can help make it profitable. The ARC has urged a transparent accounting of the revenues and expenses so that the claim can be substantiated, a request Amtrak has ignored. Amtrak asserts to the ARC it cannot as yet separate freight expenses from mail expenses and create a freight profit-loss statement. (Who remains in a line of business for more than two years without knowing its financial performance?) Yet Amtrak claims to the news media that freight is making a "positive contribution" to the bottom line. How can this information exist for media purposes but not the Amtrak Reform Council?

If the ARC is to meet its mandate to evaluate Amtrak=s performance and make recommendations to Amtrak for achieving further cost containment, productivity improvements, and financial reforms, then the ARC must understand the extent of profit or loss incurred in this service. In a meeting on September 24, 1998, I asked Amtrak Chairman Tommy Thompson to insure Amtrak provides the ARC with information to help determine the effect of carrying freight on Amtrak's bottom line. Gov. Thompson promised that Amtrak would cooperate, yet these questions were not answered B at least not prior to my resignation in July, 2000.

A recent report indicates that Washington State apple growers are considering shipping via Amtrak. If Amtrak=s program is making a Apositive contribution,@ why it is necessary to ask legislators in Olympia to spend $500,000 in state funds and seek up to $10 million in federal funds to buy refrigerated cars to ship apples on Amtrak? This is evidence suggesting that Amtrak=s freight program is unprofitable and is subsidized by federal and state taxpayers.

Amtrak=s new *Kentucky Cardinal* exists primarily to carry United Parcel Service (UPS) package freight from Louisville to Chicago. It is possible that this train is losing money, which would mean that public funds intended for passenger travel are subsidizing UPS. When rail advocates worked to create Amtrak, none of us intended to create subsidies for private shippers.

Questions About Productivity Were Unanswered

It appears that Amtrak has misled Congress about improvements in workforce productivity. According to press accounts, Amtrak said in a hearing on November 7, 1997, that pay raises negotiated that year would be paid for by more efficient operations. But no data has been submitted to the ARC to substantiate Amtrak=s claim. In fact, in 1999 Amtrak productivity worsened on two measures that were available to the Council B Riders Per Employee, which at 854.2 was lower than in six of the previous ten years, and Passenger Miles Per Employee, which at 211,681 was lower than every year of the previous ten years.

It should not be assumed that productivity refers only to employees represented by labor unions. Anecdotal evidence suggests that Amtrak=s management is overstaffed and contributes to Amtrak=s lack of efficiency gains. Such observations gained credibility when the GAO reported in a May 2000 report:

> Amtrak attempted to reduce its management staff in 1994 and 1995 by offering management employees early retirement and buyouts to leave the company. As a result of these buyouts and early retirements, Amtrak=s management staff declined by a total of about 15 percent between 1994 and 1995. But, by 1999, the number of management employees was almost the same as it was in 1994.

The Council is charged with evaluating Amtrak=s efficiency and its progress in achieving productivity improvements. Section 203(g)(2)(C) of the ARAA provides that in making its evaluation and recommendations, Athe Council shall consider all relevant performance factors, including . . . management efficiencies and revenue enhancements, including savings achieved through labor and contracting negotiations.@

The Council must monitor Amtrak work-rule savings and include an assessment of such savings in its annual report to Congress. Note how specific the requirement is under Section 203(g)(3): AIf after January 1, 1997, Amtrak enters into an agreement involving work-rules intended to achieve savings with an organization representing Amtrak employees, then Amtrak shall report quarterly to the Council B (A) the savings realized as a result of the agreement; and (B) how the savings are allocated.@

Note also the specificity of Section 203(h): AEach year . . . the Council shall submit to the Congress a report that includes as assessment of (1) Amtrak=s progress on the resolution of productivity issues; or (2) the status of those productivity issues, and makes recommendations for improvements and for any changes in law it believes to be necessary or appropriate.@

The council=s duties are clear, yet Amtrak failed to provide needed and relevant information to ARC=s questions. According to the Council=s January report to Congress:

> Amtrak=s responses to the Council=s request to date essentially consist of copies of:
> -- recently negotiated labor agreements;
> -- management summaries of various work-rule changes in the agreements;
> -- recent examples of productivity analyses regarding: (i) the Amtrak Reservations Centers

> (1995), (ii) benchmarking Amtrak maintenance-of-way productivity against the rail transit industries (1998), and (iii) determining Amtrak=s maintenance cost for diesel locomotives (1997) (for which the outside contractor needed to restate Amtrak=s financial accounting system reports with its own estimates); and
>
> -- statements regarding certain identified savings from various work-rule changes in recent agreements; and various factual data regarding the Amtrak labor force.
>
> Amtrak also submitted to the Council a AFY1999 Report on Productivity Improvements and Work Rule and Cash Savings,@ which provided a set of numbers on a quarter-by-quarter basis for FY1999. . . . The report stated a total of $19.5 million in Aproductivity improvements and work rules and cash savings@ for FY1999 [but the data] arguably may not satisfy the statutory criteria of ARAA Section 203(g)(3). The current format of Amtrak=s report does not clearly show how the savings are allocated and provides no analysis of how the numbers were calculated.

That was a non-confrontational way of saying that Amtrak failed to document its claim that 20 percent of recent wage increases will be offset by work-rules savings; failed to substantiate that it has a methodology in place to measure productivity; failed to provide any productivity analyses that Amtrak or a consultant for Amtrak has conducted; and failed to clarify whether Amtrak has performed any studies regarding cost savings in the area of contracting out.

On a positive note, as reported in the ARC=s January report, Amtrak has achieved some work-rules changes in recent agreements that have the potential to bring cost savings. Such changes include contracting out of Amtrak=s entire Commissary operations, extension from four hours to six hours of the period before a second engineer must be added to a locomotive, flexibility in establishing district gangs in the Bridge & Building and Electric Traction sub-departments, and increased management flexibility to establish Construction Gangs working outside normal starting times on the Northeast Corridor.

The ARC has been stymied in its attempt to review the facts regarding these issues. I note with interest this passage from the GAO=s May 2000 report: AAmtrak does not have measures of labor productivity for its lines of business (e.g., intercity passenger service, commuter service) that would allow it to better manage its labor costs.@

ATTACHMENT 2: FULL PUBLIC COST OF AMTRAK IS UNKNOWN

Federal Amtrak Subsidies Soon to Exceed $24.3 Billion

No one really knows the full public cost of running Amtrak. Amtrak=s financial reporting system does not fairly represent to government officials or taxpayers its condition or level of subsidies. Meanwhile, Amtrak's financial losses continue. For the first three quarters of fiscal year 2000, its operating loss grew to $710.9 million from the prior year=s figure of $705.1 million. Although not Amtrak=s worst performance, it is nonetheless an increase over the prior year and a far cry from Amtrak=s glowing picture of its finances.

Consider the methods employed that artificially reduce Amtrak=s self-reported subsidy totals and mask the extent of its financial condition:

$ Amtrak benefits from a taxpayer-sponsored windfall. Although Amtrak has never paid a penny in income taxes, Congress ordered the IRS to give Amtrak a $2.2 billion "tax refund." Amtrak has been using the funds in part to repay a portion of what I=ve been told was $1.6 billion in debt to the private capital markets, and in part as an investment in high-yield, interest-bearing accounts. Thus, the Aincome tax refund@ B money Amtrak did not "earn" in the true business sense B is reducing Amtrak debt costs and increasing interest income, a balance-sheet sweetener of monumental proportions that has nothing to do with its commercial activity as a passenger railroad.

$ Amtrak now inflates income by counting many public subsidies as "revenue" in its annual report, something it hasn't done through most of its history. For example, the GAO testified before a House committee on October 28, 1999, that Amtrak records a portion of its unearned Aincome-tax refund@ made available by the Taxpayer Relief Act as revenues.

$ Amtrak has created the appearance of lower operating losses by shifting almost a half a billion dollars in maintenance costs to its capital account, according to the GAO.

The GAO report issued in May 2000 entitled AAmtrak Will Continue to Have Difficulty Controlling Its Costs and Meeting Capital Needs@ stated that AAmtrak=s losses have remained high: In 1999, its net loss B revenues minus expenses B was about $900 million.@ The DOT Inspector General has estimated that Amtrak will incur more in cash losses than Amtrak suggests. The DOT Inspector General and the GAO have found that Amtrak is unlikely to meet a legal requirement of zero operating subsidies by the end of fiscal year 2002.

<u>Dispute About How to Monitor Amtrak=s Performance</u>

Section 203(g)(2)(B) of the ARAA prescribes that the Amtrak Reform Council shall consider all relevant factors in evaluating Amtrak=s performance, including Aappropriate methods for adoption of uniform cost and accounting procedures throughout the Amtrak system *based on generally accepted accounting principles.* [Emphasis added.] According to the Legal Counsel to the ARC, the statute provides for no other standard than generally accepted accounting principles. The GAAP principles comprise the criteria normally used to measure the financial performance of for-profit corporations, which Amtrak B under the law B was established to be.

Amtrak, however, wants to exclude depreciation and certain other costs as operating expenses for purposes of measuring operating self-sufficiency. Amtrak wants to treat progressive equipment overhauls as a capital instead of an operating expenditure. If Amtrak=s contentions are accepted, there would be no standard in place to ensure that Amtrak becomes operationally self-sufficient by Fiscal year 2003 and that taxpayers no longer subsidize Amtrak operations after that date.

This issue has concerned several oversight bodies:

$ The ARC stated in its January report that AThe accounting standard specifically referred to in the Council=s statutory mandate, GAAP, is, both logically and under current law, the method by which Amtrak=s performance is measured.@ An opinion by the ARC=s Legal Counsel concluded that ABoth GAO and DOT/IG have publicly noted their view that under the ARAA, Amtrak operating expenses as defined under GAAP, such as ›progressive overhauls=, cannot be federally funded after Fiscal year 2002 regardless of how such operating expenses were funded in the past.@

$ The DOT Inspector General stated before a House committee on March 4, 1999: ARegardless of the type of Federal grants Amtrak receives or how Amtrak is permitted to spend them, Amtrak will have to cover all of its operating expenses (except for excess payments for RRTA) in Fiscal year 2003 from non-Federal sources. In other words, maintenance of equipment and maintenance of way expenses would, under current law, no longer be eligible for Federal funding in 2003. That is the mandate from ARAA, and it is the standard we are using to gauge Amtrak=s financial viability in our assessments.@

$ The GAO report to this Committee in July 1999 entitled AAmtrak=s Progress in Improving Its Financial Condition Has Been Mixed@ said Amtrak Adisagreed with our inclusion of expenses for progressive overhauls in our discussion of Amtrak=s progress in achieving operational self-sufficiency. . . . As discussed in our report, generally accepted accounting principles consider progressive overhaul expenses to be operating expenses [and] we conducted our review from January 1999 through June 1999 in accordance with generally accepted government auditing standards.@

My view is that if Amtrak=s financial performance were truly positive, Amtrak would have no need to redefine operating expenses as a device to lower its perceived losses; would have no need to request treatment that is prohibited in corporations throughout America; and would have no need to further impair the public=s understanding of Amtrak=s true costs and subsidies.

Backdoor Subsidies Increasing

In July, Senator Wayne Allard said in a floor debate: AI have grown increasingly skeptical about what is going on with Amtrak. It seems they found a way to pick up government subsidies all over the place.@ His doubts are justified as Washington has been masterful in masking the depth of Amtrak subsidies.

I=m unable to recall when an independent oversight body or public agency last tabulated and presented for public scrutiny the full public cost of running Amtrak, but it may have been a GAO report in the early 1980s or late 1970s. That report was prior to the start of numerous programs that finance Amtrak or artificially lower Amtrak=s costs by shifting expenses to the books of other agencies such as the Federal Railroad Administration (FRA), the Federal Transit Administration (FTA) or the Treasury Department.

Excluded from Amtrak's annual reports, and congressional testimony is a sum of the costs of numerous publicly funded programs that assist in financing Amtrak, as follows:

Federal Funding Not Included in Amtrak Subsidy Totals

$ FRA Grants B Amtrak benefits from grants for train stations, historic building restorations, grade crossing improvements, studies and technology development.

$ FTA Grants B two examples are a grant of $18.7 million to Pennsylvania to purchase coaches for Amtrak and $3.5 million to Vermont to start a train to Rutland. FTA grants also help pay to build or improve Amtrak stations.

$ TIFIA Federal Credit Assistance (a new program): Amtrak is seeking a $29 million direct loan in 2001 to finance a $120 million plan to rehabilitate existing locomotives for its *Acela Regional* service in the Northeast Corridor. This is under the two-year-old Transportation Infrastructure Financing and Innovation Act program administered by the DOT.

$ Other federal funds B some states like California rely on Congestion Mitigation & Air Quality funds to support Amtrak.

$ Federal job-training funds have benefitted Amtrak in several locations, such as a $500,000 grant to Amtrak to retain a reservations office in Philadelphia.

$ Unknown Risk Loan B In 1996, an agency of the Canadian government issued a loan to help finance the *Acela Express*, the principal of which remains outstanding. Without knowledge of the details of this loan, the degree to which American taxpayers hold liabilities to repay the loan=s principal, interest or penalties in a default is unknown.

$ For many years Amtrak failed to list funds received through guaranteed loans. Amtrak never repaid $880 million in loans received between 1971 and 1975, and that obligation, plus more than a quarter of a billion dollars in interest, was paid by the FRA on Amtrak's behalf. For evidence of this continuing taxpayer obligation, the 1983 Amtrak annual report contains this disclosure: AOn September 30, 1983, Amtrak had borrowed under notes payable to the Federal Financing Bank up to its maximum Federal guaranteed loan authority of $880,000,000. On October 5, 1983, this obligation, plus $239,635,000 in accrued interest, was paid on Amtrak's behalf by the Federal Railroad Administration, and a new note in the amount of $1,119,635,000 was executed as of that date between Amtrak and the U.S. Government. The note matures on November 1, 2082, and will be renewed for successive 99-year terms. Interest is payable only in the event of prepayment or acceleration of the principal.@

It is generally understood that since 1970 Congress has appropriated more than $23.2 billion to Amtrak. But if the $1.1 billion note to cover Amtrak=s loan default is added (which is rarely done because it wasn't an "appropriation"), the federal government's expenditures total at least $24.3 billion. (State operating and capital subsidies total at least $2 billion for a total of at least $26 billion in public funding.) But the true cost of subsidizing Amtrak if we include all programs is unknown.

Table A: History of Federal Subsidies/Grants/Loans to Amtrak

(All dollar figures in millions)

Fiscal Year	Operating Funds	Excess R.R. Retirement	General Capital	Bos-Wash Capital	Lump Sum	IRS ATax Refund@	Totals
71/72	$40.0						$40.0
73	$170.0						$170.0
74	$146.6		$2.5				$149.1
75	$276.5						$276.5
76	$357.0		$114.2				$471.2
TQ	$105.0		$25.0	$50.0			$180.0
77	$482.6		$93.1	$225.0			$800.7
78	$ 561.0**A**		$130.0	$425.0			$1,116.0
79	$ 625.0**A**		$130.0	$479.0			$1,234.0
80	$670.4		$191.0	$362.0			$1,223.4
81	$709.2		$187.1	$350.0			$1,246.3
82	$522.4	$36.0	$176.6	$170.0			$905.0
83	$561.5	$44.0	$94.5	$115.0			$815.0
84	$562.1	$56.0	$98.3	$100.0			$816.4
85	$551.7	$76.0	$52.3	$27.6			$707.6
86	$500.7	$88.0	$2.0	$12.0			$602.7
87	$468.5	$112.0	$26.5	$11.5			$618.5
88	$413.6	$121.0	$46.2	$27.5			$608.3
89	$410.6	$144.0	$29.4	$19.6			$603.6
90	$388.1	$133.0	$83.6	$24.4			$629.1
91	$343.1	$144.8	$132.0	$179.0			$798.9
92	$331.0	$150.2	$175.0	$205.0			$861.2
93	$351.0	$146.0	$190.0	$204.1			$891.1
94	$351.7	$150.5	$195.0	$225.0			$922.2
95	$392.0	$150.0	$230.0	$200.0			$972.0
96	$285.0	$120.0	$230.0	$115.0			$750.0
97	$222.5	$142.0	$ 303.0**B**	$175.0			$842.5
98	$245.0	$142.0	$250.0	C		$1,091.8	$1,728.8
99					$571.0	$1,091.8	$1,662.8
2000					$521.0		$521.0
Loans			$1,119.6**D**				$1,119.6
Totals	$11,043.8	$1,955.5	$4,306.9	$3,701.7	$1,092.0	$2,183.6	$24,283.5

Sources: *Background on Amtrak*, Amtrak Annual Reports, Amtrak Finance Dept., GAO, DOT Inspector General, ARC

TQ - Transition Quarter as Federal fiscal year changed from July 1 to Oct. 1.

A - Includes appropriations of $25 million in 1978 and 1979 for partial repayments of government-guaranteed loans.

B - Includes of $80 million for Ahigh speed rail@ in 1997.

C - Amtrak combined Boston-Washington capital request with General Capital.

D - In the 1970s, Congress gave Amtrak guarantee authority to borrow $880 million in a government-guarantee loan program. Amtrak stated in 1983 that it would not ever be likely to repay the debt, and $880 million in debt plus $239.6 million in interest owed to the U.S. Treasury=s Federal Financing Bank was repaid through an appropriation to DOT of $1,119,635,000.

Note - The GAO states that with inflation Amtrak has received more than $29 billion in real 1995 dollars. This is understated because of failure to include principal and interest for loans as identified in Footnote D, uncalculated state and local subsidies, and subsequent federal subsidies.

ATTACHMENT 3: AMTRAK=S GROWTH IS ANEMIC DESPITE A TRAVEL BOOM

As one who has promoted train travel for many years, I=m pleased that more people are riding trains today. However, Amtrak is greatly exaggerating its success in building ridership. The Amtrak Reform Council=s January report stated: ADuring a decade when the American economy and most of its transportation system have expanded in an unprecedented manner, Amtrak=s ridership has remained virtually unchanged.@

Amtrak Traffic Level Is a Sad Tale

Amtrak=s new ridership record is hollow because during this all-time record year of travel Amtrak will only be breaking a level set in 1988 B twelve years ago. In 1999, which Amtrak also boasts of being Ahighly successful,@ Amtrak carried 21.5 million passengers, a million passengers lower than it projected in a report to Congress, only 400,000 above the previous year, and the same number it carried in 1988. Also in 1999, Amtrak usage totaled 5.3 billion passenger-miles, 500 million passenger-miles lower than it projected in a report to Congress and a number equal to or lower than that in 8 of the last 10 years.

In testimony before a House committee on October 28, 1999, the GAO observed that Ain fiscal year 1997, fewer than 100 passengers, on average, boarded Amtrak intercity trains and connecting buses per day in 13 states.@ Although Amtrak will set a record in fiscal year 2000, it is still true that usage remains very light at many points on Amtrak=s route system.

Amtrak Ridership Growth Is Vastly Inferior to That of Aviation

On Memorial Day weekend, U.S. commercial aviation carried well over 12 million passengers B which means in just one holiday weekend airlines carry more than half the number of people who board Amtrak during the entire year. The gap continues to worsen for Amtrak despite serious airline and FAA problems. In Amtrak=s first full year of operation, 1972, Amtrak carried an average of 45,500 passengers a day. In 1999, more than a quarter-century later, it stood at only 58,900 daily. Meanwhile, the number of U.S. airline passengers has more than tripled, from 524,100 daily in 1972 to 1,740,800 daily in 1999. (If airline traffic reaches a projected 670 million this year, the daily air travel count will total 1,835,600.)

Population Rises But Amtrak=s Usefulness Falls

The U.S. population in 1972, Amtrak=s first full year of operation, was 209.9 million. The Census Bureau population estimate as of September 18, 2000, is 275.8 million B up 65.9 million. The vast majority of these additional 65.9 million people aren=t riding Amtrak. Amtrak=s insensitivity to marketplace messages is why Amtrak=s share of the intercity travel market is lower than ever B six-tenths of one percent and still falling.

Projections Doubtful

Amtrak representations to this committee about future ridership should be evaluated in the light of history. In 1998 Amtrak told Congress its fiscal year 1999 ridership would reach 22.5 million B but it turned out that its traffic was a million passengers lower. This is a long-running problem. A GAO study in 1979 looked at earlier Amtrak reports to examine ridership estimates. GAO found that in 1974 Amtrak filed with Congress a projection that ridership in 1979 would be a stunning 37 million (it turned out to be 18.7 million passengers). In 1975 Amtrak downgraded the estimate to 29.2 million passengers (it turned out to be 17.4 million passengers). Amtrak=s estimates about future ridership deserve great skepticism.

When ridership estimates are off, so are revenue estimates, and this inaccuracy is a continuing problem. In 1995 testimony to Congress, the GAO stated that Amtrak=s financial problems have accelerated, and one reason is that AAmtrak overestimated passenger revenues by $600 million from 1991 through 1994.@

On this very day we are hearing from the DOT Inspector General who has found in his latest assessment that under certain circumstances Amtrak=s cash loss would be about $1.4 billion more than it projects over the 5-year period, 2000 through 2004.

Table B: Amtrak Versus Aviation Ridership

Year	U.S. Census Population Estimate (millions)	Airline Revenue Passengers (millions)	Amtrak Passengers (millions)	Amtrak ›99 Plan Estimate (millions)	Amtrak Passenger-Miles (billions)	Amtrak ›99 Plan Estimate (billions)
1972	209.9	191.3	16.6		3.0	
1973	211.9	202.2	16.9		3.8	
1974	213.9	207.5	18.7		4.5	
1975	216.0	205.1	17.4		3.9	
1976	218.0	223.3	18.2		4.2	
1977	220.2	240.3	19.2		4.3	
1978	222.6	274.7	18.9		4.0	
1979	225.0	316.9	21.4		4.9	
1980	227.2	296.9	21.2		4.6	
1981	229.5	286.0	20.6		4.8	
1982	231.7	294.1	19.0		4.2	
1983	233.8	318.6	19.0		4.2	
1984	235.8	344.7	19.9		4.6	
1985	237.9	382.0	20.8		4.8	
1986	240.1	418.9	20.3		5.0	
1987	242.3	447.7	20.4		5.2	
1988	244.5	454.6	**21.5 ***		**5.7 ***	
1989	246.8	453.7	21.4		**5.9 ***	
1990	249.5	465.6	**22.2 ***		**6.1 ***	
1991	252.2	452.3	**22.0 ***		**6.3 ***	
1992	255.0	475.1	21.3		**6.0 ***	
1993	257.8	488.5	**22.1 ***		**6.2 ***	
1994	260.3	528.8	**21.8 ***		**5.9 ***	
1995	262.8	547.8	20.7		**5.5 ***	
1996	265.2	581.2	19.7		5.0	
1997	267.8	594.7	20.2		5.2	
1998	270.2	612.9	21.1		**5.3 ***	
1999	272.7	635.4	21.5	22.5	5.3	5.8
2000	275.8	670.0 est.				

* means Amtrak=s 1999 ridership was equal to or lower than such years
Airline passenger traffic statistics from Bureau of Transportation Statistics
Amtrak passenger traffic statistics from *Background on Amtrak* and Amtrak annual reports

ATTACHMENT 4: AMTRAK EXPANDS NETWORK OF POOR, SLOW TRAINS

New Amtrak Trains Are Slower than 1926, 1952 pre-Amtrak Trains

Prospects for success on new and proposed Amtrak routes in most of the nation are bleak. For example, Amtrak's new *Kentucky Cardinal* is inferior to the equivalent service provided by the Pennsylvania Railroad 70 years ago. Amtrak's 12-hour Chicago-Jeffersonville, Ind., (near Louisville) schedule is 3 hours longer than it took our great-grandparents to ride a 1926 "milk run" on the same route, which was pulled by a steam locomotive and served nearly every village along the way. This is why I have called this Amtrak train B one of the slowest in the world B a "Conestoga Wagon With Lights." This train is driven by Amtrak's desire to carry UPS parcel freight, and the passenger accommodations are but a fig leaf to provide Amtrak with legal cover behind which it expands freight operations.

On April 15, Amtrak began running the *Lake Country Limited*, which takes 3 hours and 20 minutes to travel from Janesville, Wisconsin, to Chicago. The Chicago & North Western train in 1952 connecting Janesville with Chicago was an hour-and-a-half faster. The media reports traffic on the train has averaged 11 people per day in each direction. Amtrak plans to add a train from Fond du Lac, Wisconsin, to Chicago on a 3 hour, 39 minute schedule. Its 1952 predecessor was an hour faster.

New Slow Trains Violate Amtrak Law

Amtrak's assertion that millions of new travelers will climb aboard such slow trains is bogus. I believe that the *Kentucky Cardinal, Lake Country Limited* and the proposed Fond du Lac services are illegal because they violate Amtrak's statutory mandate to provide <u>modern</u> rail passenger service, 49 USC Sec. 24101 (a)(1)(b). What is Amodern@ about trains that are slower than trains on the same routes were in the 1950s, 1940s, and earlier?

Amtrak Priority Should Be to Fix System of Late-Running Trains

While Amtrak employs resources to start new trains, its existing services outside of the Northeast Corridor have terrible on-time performance records. As a member of the Council facing significant policy issues, I was little inclined to pursue Amtrak=s poor operating practices.

My inclination changed, however, when Amtrak Chairman Tommy Thompson sent a letter to the Council in 1999 asserting that on-time performance was 80 percent and Astill ahead@ of airline performance. The claim was false as many long-distance trains in the Midwest and West were routinely running two or more hours behind schedule.

Next came a press statement that Amtrak has Athe best on-time performance in 13 years.@ I knew the statement was untrue because of information coming in from around the nation about late-running Amtrak trains. As a former consumer-group leader, I was motivated to conduct my own review of Amtrak scheduling practices.

I determined that Amtrak reports its trains as being far more punctual than they really are on virtually every route outside of the Northeast Corridor. Amtrak abuses what used to be a modest railroad practice to put extra minutes (Afat@) into its timetables for Ascheduling cushion.@ Amtrak inserts very long periods of time just before Acheckpoints@ where on-time performance is calculated. If Amtrak on-time performance were measured at the stop before an official checkpoint, Amtrak=s record would be much worse than official reports indicate. In fact, the performance figures would be devastating. Amtrak employs this dishonest practice on a sweeping basis.

It is highly likely that the airline industry B despite very serious delays B had an on-time performance record this summer that was superior to that of Amtrak outside of the Northeast. One reason is that the time added near the end of a flight schedule is nowhere near the time inserted by Amtrak. Also, an aircraft doesn=t serve 20 communities a day, arrive an hour or more late at 19 of them as Amtrak does, and be considered punctual because it eased through Afat@ in the end of the schedule and was on-time only at the checkpoint. (Amtrak generally defines on-time for short-distance trains as arriving within 10 minutes of schedule and for long-distance trains as arriving within 30 minutes of schedule.)

In an August 31, 1999, ARC meeting, I provided a preliminary analysis of Amtrak=s misleading performance figures to the Council with Amtrak representatives in attendance. I had three purposes in introducing the subject B to alert the ARC of the extent to which Amtrak presents misleading figures to the Council; to possibly discuss the revenue loss that Amtrak suffers as a result of misleading travelers; and to question whether Amtrak has undue overtime expenses if employee=s work hours conform to scheduled train times instead of their actual late arrivals. It turns out that concerns about such expenses are justified considering these findings in GAO=s May 2000 report:

> Amtrak incurs a fairly high amount of overtime to provide its services, which may suggest some level of inefficiency in its utilization of its labor force. From 1995 to 1999, overtime represented, on average, about 11 percent of Amtrak=s total employee hours worked. The amount of overtime hours also increased steadily during this period B from about 4.2 million hours in 1995 to about 6.3 million hours in 1999. . . . Amtrak did not know specifically why overtime had increased.

The ARC took no action, but I was hopeful that exposing the issue would dampen Amtrak=s enthusiasm for this deceptive practice. Unfortunately, it did not as excessive Afat@ remains in schedules and Amtrak continues to issue statements regarding on-time performance that lack credibility.
Please refer to the table below. I will reference the first train listed to illustrate the point. Amtrak=s

eastbound *Sunset Limited* routinely takes 45 honest minutes when running over the 32-mile stretch of track from Los Angeles to Pomona, California. No on-time performance calculations are made on this train at this point. In recent years, however, Amtrak has added extra time to the westbound schedule from Pomona to the Los Angeles Acheckpoint@ so that it now takes 1 hour and 57 minutes for the run B more than twice as long as the eastbound counterpart. Hence, passengers suffer the inconvenience of waiting for late westbound *Sunset Limited* trains in one community after another but official reports will show their train listed as Aon time.@

Amtrak=s long-distance on-time record of 61 percent for Fiscal year 1999 (a poor enough figure in itself) is simply not credible. The figure represents performance at about 32 checkpoints across the country, yet Amtrak served 510 stations. If we subtract these and other checkpoints we have about 470 non-checkpoint stations where trains could run an hour or more late yet be reported by Amtrak as being Aon time.@

Traditionally the pre-Amtrak railroads did allow a modest amount of additional time for trains at the end of their runs to allow a little bit of cushion to make up time. In 1952, to cite just one example, the Santa Fe=s westbound *Grand Canyon* took 54 minutes between Chicago and Joliet, but eastbound took only 4 minutes longer. The minor schedule difference on the private railroad system was typical for that time. But over the years Amtrak has added prior-to-checkpoint Afat@ to schedules to a degree unprecedented in the railroad business.

Virtually every European and Japanese railroad schedules trains as expeditiously on final Acheckpoint@ segments of routes as they do on originating legs.

Table C: Schedule AFat@ Permits Misleading Performance Reports

Amtrak Train(s)	**ACheckpoint@ Segment Where Calculation is Made for On-Time Performance**	**Miles**	**Best Time When On-Time Statistics Are *NOT* Calculated (Outbound Schedule) (1997-2000)**	**Time When On-Time Statistics *ARE* Calculated (Inbound Schedule)**	**Amtrak=s Added AFat@ in Schedules**
Sunset Limited	Pomona, Cal.-Los Angeles	32	45"	1' 57"	1' 12"
Sunset Limited	Schriver, La.-New Orleans	55	1' 25"	2' 30"	1' 05"
Southwest Chief	Naperville, Ill.-Chicago	28	36"	1' 36"	1' 00"
Texas Eagle	San Marcos-San Antonio	54	1' 40"	2' 39"	59"
City of New Orleans	Hammond, La..-New Orleans	52	1' 03"	2'	57"
Three Rivers	Hammond, Ind.,-Chicago	16	29"	1' 25"	56"
San Francisco Zephyr	Naperville, Ill.,-Chicago	28	34"	1' 29"	55"
San Francisco Zephyr	Martinez-Emeryville	25	11"	1' 05"	54"
Capitol Limited	Hammond, Ind.-Chicago	16	30"	1' 23"	53"
Pennsylvanian	Hammond, Ind.,-Chicago	16	29"	1' 19"	50"
Southern Crescent	Slidell, La.-New Orleans	37	53"	1' 35"	42"
Empire Builder	Edmonds, Wash.,-Seattle	18	32"	1' 12"	40"
Sunset Limited	Bay St. Louis-New Orleans	57	1' 12"	2' 51"	39"
Ann Rutledge	Alton, Ill.-St. Louis	27	40"	1' 18"	38"
Lake Shore Limited	Hammond, Ind.,-Chicago	16	32"	1' 09"	37"
Cardinal	Dyer, Ind.-Chicago	29	1' 12"	1' 48"	36"
Empire Builder	Red Wing-Minneapolis	46	1' 04"	1' 39"	35"
Southwest Chief	Fullerton-Los Angeles	26	40"	1' 14"	34"
International	Lapeer-Port Huron	45	48"	1' 19"	31"
Coast Starlight	Tacoma-Seattle	40	56"	1' 25"	29"
Coast Starlight	Glendale-Los Angeles	5	18"	45"	27"
Wolverine	Hammond-Chicago	16	27"	54"	27"
Lake Shore Limited	Back Bay-South Station	1	5"	32"	27"
Illini	Homewood-Chicago	24	1' 10"	1' 36"	26"
Illini	Du Quoin-Carbondale	20	14"	40"	26"
Empire Builder	Glenview-Chicago	18	24"	50"	26"
Heartland Flyer	Gainesville-Fort Worth	68	1' 20	1' 46"	26"
Texas Eagle	Alton-St. Louis	27	44"	1' 09"	25"
Cascades	Seattle-Edmonds	18	51"	27"	24"
San Joaquins	Wasco-Bakersfield	26	27"	51"	24"
Pacific Surfliner	Grover Beach-San Luis Obispo	9	21"	45"	24"
Heartland Flyer	Norman-Oklahoma City	20	25"	49"	24"
Cardinal	Manassas-Washington	32	54"	1' 18"	24"
Empire Builder	Vancouver, Wash.,-Portland	10	27"	50"	23"

City of New Orleans	Homewood-Chicago	24	45"	1' 08"	23"
Empire Service - 2 trains	Buffalo-Niagara Falls, NY	23	35"	58"	23"
Ann Rutledge	Joliet-Chicago	37	50"	1' 12"	22"
Illinois Zephyr	Naperville-Chicago	28	35"	57"	22"
Silver Meteor	Hollywood-Miami	13	24"	46"	22"
Ethan Allen Express	Fair Haven-Rutland	14	22"	44"	22"
Northeast Direct	Worcester-Boston	44	59"	1' 20"	21"
Capitol Limited	Rockville-Washington	17	22"	42"	20"
Silver Palm	Hollywood-Miami	13	24"	43"	19"
Illinois Zephyr	Macomb-Quincy	56	48"	1' 06"	18"
State House	Alton-St. Louis	27	45"	1' 03"	18"
Capitols - #729 & 733	Santa Clara-San Jose	7	12"	29	17"
Cascades	Albany, Ore.-Eugene	43	43"	59"	16"
Silver Star	Hollywood-Miami	13	28"	44"	16"
Piedmont	Cary-Raleigh	9	13"	28"	15"
Vermonter	Essex Jct.-St. Albans	24	30"	45"	15"
Maple Leaf	Yonkers-New York	14	24"	38"	14"
Capitols - #727 & 731	Emeryville-Oakland	5	10"	24"	14"
Capitols - 5 trains	Davis-Sacramento	13	19"	33"	14"
Adirondack	St. Lambert-Montreal	4	13"	26"	13"
Pere Marquette	Hammond-Chicago	16	27"	40"	13"
Piedmont	Kannapolis-Charlotte	27	28"	40"	12"
State House	Joliet-Chicago	37	50"	1' 02"	12"
Capitols - #723 & 725	Santa Clara-San Jose	7	12"	24	12"
Ann Rutledge & K.C. Mule	Independence-Kansas City	10	19"	29"	10"
Cascades - 3 trains	Tacoma-Seattle	40	58"	48"	10"
Cascades - 3 trains	Vancouver, Wash.-Portland	10	18"	28"	10"
Pacific Surfliner 11 trains	Solana Beach-San Diego	26	33"	Range 34"-49"	Range 16" - 1"
Hiawatha Service 5 trains	Glenview-Chicago	18	22"	Range 28"-32"	Range 10" - 6"

Calculations made only on trains that run five days or more per week
Schedule comparison shown only when 10 minutes or more have been added to schedules.

ATTACHMENT 5: *ACELA EXPRESS* NOW 3 YEARS BEHIND SCHEDULE

I=m in a difficult position in speaking about the *Acela Express* because I=ve worked for high-speed rail in America since my first report on the subject was published in 1969, I=ve testified in favor of appropriations to Amtrak for the *Acela Express* and the train is a welcome and needed improvement. Yet I am disappointed by this train=s many delays and remain unconvinced by Amtrak's explanations.

Amtrak=s decision to develop the *Acela Express* was a mistake. Amtrak should have purchased off-the-shelf technology, like the Swedish-Swiss X2000, which Amtrak had successfully tested in the early 1990s. The specifications could have been altered to meet U.S. rail safety standards, the trains would have been built in this country, and Americans could have been riding high-speed trains for several years now.

When *The Washington Post* exposed *Acela*'s design flaws last year, Amtrak announced a "six-month delay" in service. In fact, the *Acela Express* has experienced delays that are far more significant. Perhaps the extent of delays are unrecognized because the facts are difficult to locate in information databases B the name of this train has been changed from *Metroliner* to *American Flyer* and now *Acela Express*.

Following are Amtrak=s own words regarding delivery dates for the *Acela Express*.

Chronology of Delivery Delays Since Projected April 1996 Date

May 19, 1993: Amtrak initiates procurement of high-speed trainsets, stating in news release number ATK-93-24, "To pre-qualify, a firm must demonstrate that it . . . possesses the necessary resources to deliver two complete trainsets by April 1996 and the remainder of the trainsets within two years thereafter. . . . With completion of the New York-Boston improvement program in 1997, Amtrak plans to operate 16 high-speed *Metroliners* each business day between Boston, New York and Washington, with trip time between Boston and New York in less than three hours.@

November 3, 1993: New train slips a bit to middle of 1996. Amtrak stated in news release number ATK-93-57 that "Amtrak plans to award a contract by the middle of 1994 with the first trains being delivered two years later.@

March 17, 1994: The program slips to early 1997. Amtrak testifies before a House committee that ATwo advance versions of the trainsets are expected in early 1997 for testing. The remaining 24 trainsets will then go into production, with the final trainset arriving in 1999.@

October 6, 1994: Amtrak reiterates 1997 for first train. Amtrak announced in news release number ATK-94-83 that AThe 26 high-speed trains will attain top speeds of 150 miles per hour and serve become [sic] Amtrak=s Northeast Corridor *Metroliner Service* fleet of the 21st century . . . . The procurement award is expected in early 1995 with delivery of two test trains in 1997 and the remainder during 1998 and 1999. . . . It is expected by the year 2000 that more than three million additional passengers will be attracted to the service.@ This document also reiterates promises made by Amtrak many times that New York-Boston travel time will be reduced to Aunder three hours.@ But the latest *Acela Express* Boston-New York travel time estimates are between three hours and 10 minutes and three hours and 20 minutes, depending on the frequency of stops.

November 21, 1995: Associated Press, reports on *Acela Express* delays: "The race to build America a new generation of fast passenger trains is running late. . . . Two years ago, Amtrak said it hoped to award the contracts in early 1994."

March 15, 1996: Associated Press reports that Amtrak selected the consortium to build the trains, which will Ago into service by 1999.@ The report of the 1999 delivery date fails to reference prior delays and the mistake goes unnoticed. Newspapers across the country run a photo of a model of the *American Flyer*.

March 11, 1998: Amtrak reiterates the 1999 date but refers to 2000 for completion of delivery. Amtrak CEO George Warrington testifies before a House committee that AFive trainsets will be delivered in late 1999, with the remaining 13 by July 2000.@

March 10, 1999: Amtrak Chairman Tommy Thompson, in testimony before a Senate committee, reiterates the 1999 date, saying, AAmtrak will phase in the Northeast Corridor=s high-speed rail program late this year.@

September 2000: Amtrak indicates that the *Acela Express* launch is Alate October@ after a year of announcing Aearly Summer,@ then Amid-August,@ then Asometime in September.@

The Unknown Cost of *Acela Express* Delays

Amtrak has repeatedly said that *Acela Express* revenues will enhance its bottom line but by what amount is unclear. Amtrak gave an estimate of $125 million to the Council as the expected annual revenue. Next, Amtrak CEO George Warrington said before a House committee on March 11, 1998: "This new service will add, at a minimum, $150 million in revenues when fully deployed." Further confusing are reports in a November 1999 *Trains* magazine and subsequent *Washington Post* and Associated Press stories stating that Amtrak expects the trains to contribute another $180 million in income.

Which Amtrak number should we believe B $125 million, $150 million or $180 million? Whatever the figure, when I served on the Council we questioned Amtrak as to how it will make up the revenue shortfall. Amtrak stated that it would implement a combination of cost avoidance and revenue enhancements that will offset the expected loss in *Acela Express* revenue in fiscal year 2000. No details were forthcoming as to how Amtrak will accomplish that.

Prior to the latest delays, the DOT Inspector General=s 1999 and 2000 assessments of Amtrak examined the reasonableness of Amtrak five-year projections for the Northeast Corridor and estimated passenger revenues to be significantly lower than Amtrak=s estimate. The differences are, in part, because the IG calculates the diversion of passengers from air and automobile travel to the *Acela Express* trains at a lower rate than does Amtrak.

For the record, a three hour and 10-to-20 minute Boston-New York *Acela Express* schedule, while good, isn=t the Agrand leap@ needed for high-speed rail to be truly air-competitive. To put Amtrak=s best train in historical perspective:

$ The *Acela Express* can operate at 150 miles per hour between New York-Boston, but will run that fast on only 52 of the route=s 231 miles.

$ Japan=s first Bullet Trains, which are now in museums, offered faster trip times in the 1960s than Amtrak=s *Acela Express* will offer in 2001.

$ In 1950 the New Haven Railroad=s *Merchants Limited* linked New York-Boston in 4 hours without the benefits of full electrification, tilt-train technology and advanced signaling systems. For Amtrak=s *Acela Express* to run only about 45 minutes faster after Amtrak has spent billions of dollars on the project is an example of Amtrak=s inability to bring truly air-competitive high-speed rail service to America.

Terms & Liabilities of *Acela Express* $1 Billion Loan Remain Secret

Questions arise as to the degree to which Amtrak has publicly disclosed *Acela Express* costs to oversight bodies and taxpayers. It appears that Amtrak may have been unduly induced by an agency of the Canadian government to select *Acela Express* equipment manufactured by the Canadian-based Bombardier Corporation in preference to more proven technologies such as the X2000, which Amtrak had tested with great success in the early 1990s. According to an *Ottawa Citizen* story on March 18, 2000, "The federal Export Development Corp. (EDC) secretly loaned $1-billion to the deficit-plagued U.S. railroad agency Amtrak while the Chretien government sharply cut passenger rail funding in Canada. The money allowed the U.S. government-owned Amtrak to side-step a congressional cap on capital grants . . . The loan package has been a closely guarded secret. As of the end of 1998, the $1-billion was still owing. Officials from Bombardier and Amtrak declined to disclose details about the deal. Details of the EDC-Amtrak loans are not disclosed in EDC annual reports or financial statements . . ..@

While there is nothing inherently improper with a Canadian government loan, the secrecy has induced the sense that Amtrak has something to hide. I question whether this transaction has potentially handed U.S. taxpayers a $1 billion liability.

To my knowledge, the ARC was never informed of a loan from the Canadian government, the uses to which it was put, the principal amount owed, the interest rate, the repayment schedule, other terms and conditions, or its effect on Amtrak's financial condition. Are the *Acela Express* trains serving as collateral? We don=t know. There is much we don=t know about this loan.

Congress should insist upon greater transparency regarding this loan and the liabilities it imposes upon the public treasury in a liquidation proceeding. This issue of transferability of Amtrak liabilities to taxpayers is a serious one, especially as Amtrak would become a candidate for a Acomplete liquidation@ should the Council find that Amtrak will fail to meet its goal of operating self-sufficiency by the end of fiscal year 2002 (i.e., after September 30, 2002).

In 1997, prior to the *Acela Express* loan, Amtrak claimed that liquidation costs could range between $10 and $14 billion. A GAO March 1998 study entitled AIssues Associated With a Possible Amtrak Liquidation@ pointed to uncertainties in estimating Amtrak=s potential liquidation costs, saying, AShould Amtrak=s financial condition force it to file for bankruptcy, it must do so under chapter 11 of the Bankruptcy Code.@ The GAO was unable to confidently estimate Amtrak=s likely liquidation costs but did state: AIn our opinion, the United States would not be legally liable for secured or unsecured creditor= claims in the event of an Amtrak liquidation. Therefore, any losses experienced by Amtrak=s secured and unsecured creditors would be borne in full by the creditors themselves or their insurers. Nevertheless, we recognize that creditors could attempt to recover losses from the United States.@

As far back as March 18, 1985, the GAO issued an opinion that Alegitimate differences of opinion exist with respect to questions about the rights and obligations of the United States in the event of an Amtrak bankruptcy.@

ATTACHMENT 6: AHIGH-SPEED@ BOND BILL IS SERIOUSLY DEFICIENT

Acela Express Delays Warrant Bringing Private Sector into High Speed Rail

Amtrak has taken seven years to design, build and test the *Acela Express* while passenger railroads in other countries have completed such projects in only four years. Amtrak has taken seven years to upgrade existing infrastructure, while other nations build all-new high-speed tracks and put them into operation in four years. (Japan, France and Spain have performed such feats in that time.)

The *Acela Express* symbolizes Amtrak=s inability to launch truly modern railroad passenger service in a timely fashion. Amtrak=s management and organizational culture are poorly suited to building and operating truly advanced train systems. This bill reinforces Amtrak=s *de facto* monopoly in intercity rail, which is sure to have a chilling effect on new entrants that would otherwise emerge. Should our country ever build advanced-technology, high-speed trains on other routes, we should give priority to regional agencies, public-private partnerships and joint ventures over Amtrak participation.

Amtrak=s Claim That It Will Ease Aviation Congestion Is Unscrupulous

Amtrak is overselling its high-speed rail program to lead the public to think its future trains will be as speedy as the spectacular high-speed lines found overseas. The German railroad=s objective for high-speed trains is that they provide travel Atwice as fast as the automobile, half as fast as the airplane.@ Amtrak won=t come close.

One of the arguments for high-speed rail is that we can divert passengers from air travel to trains, thereby freeing up slots at congested airports. But that=s doubtful on Amtrak=s best line. While the *Acela Express* will be faster than current train service, and indeed the train will lure air travelers, the number who will shift to rail remains a question. The DOT Inspector General=s 1999 assessment took issue with Amtrak revenue forecasts, stating that $154 million in Northeast Corridor passenger revenues through 2002 is Aat risk of not materializing because of lower-than-forecasted diversion of passengers from air and automobile travel to the new *Acela Express* service.@

Amtrak=s zeal to torture the English language to Are-define@ what constitutes a Ahigh-speed@ train is most pronounced for its trains in the Southeast, Midwest and West. Amtrak "high-speed" trains in many cases will offer travel times that will be no faster than passengers found in the 1950s and earlier. Such trains won=t be able to compete with the speed of air travel. Thus, after billions are spent from the High Speed Rail Investment Act, I believe that the resulting passenger diversion rate from air would be very small. I doubt a single flight would be removed anywhere in our aviation system.
Amtrak may also spend a portion of the funds on routes that are excessively long (e.g., Washington, D.C. to Jacksonville, Florida) where there is no way B not now, not ever B that even the fastest

high-speed trains could compete with air travel. No executive I=ve ever met on a single high-speed rail operation overseas has ever proposed a route that long, at 753 miles, when high-speed rail=s effectiveness falls after a distance of 300 miles. The bill is a major step backward because it seriously misleads the American people, will institutionalize Amtrak's second-rate planning, and will inhibit development of the kind of fast corridor train service America needs on selected high-population-density corridors.

Objectionable Features Regarding Goals, Finances

Passage of the bill is unjustified because the bill is deceptive in its promise to Americans and contains objectionable features. I say this because the funds will not necessarily go to build high-speed rail systems, the costs will be higher than Amtrak claims, taxpayers will be left liable for another Amtrak bailout, and the bill establishes a conflict-of interest regarding the Secretary of Transportation. Addressing these issues:

$ Cost estimates are virtually nonexistent for the projects this bill would fund. Appropriate estimates need to be in place to permit proper consideration of granting Amtrak access to billions of dollars through still one more federal support mechanism. The legislation does not deserve passage on this point alone. Consider what the Amtrak Reform Council, GAO and DOT Inspector General have stated:

GAO, in the report issued in May of this year entitled AAmtrak Will Continue to Have Difficulty Controlling Its Costs and Meeting Capital Needs,@ stated that Amtrak has not prepared a multi-year capital plan since 1997 and Amtrak has not yet developed cost estimates for developing high-speed rail corridors outside the Northeast.

ARC, in its APreliminary Assessment of Amtrak@ issued in January, stated: AAmtrak has not produced a proposed long-term capital expenditure plan for several years . . . A corporation such as Amtrak, however, should have prepared and updated a long-term capital expenditure plan on an annual basis as part of its strategic business planning process and overall corporate management. The GAO and the DOT IG have repeatedly identified in reports and in Congressional testimony the need for Amtrak to prepare a long term capital expenditure plan for management purposes that will allow appropriate federal officials to make informed decisions concerning Amtrak. The Council also needs a long-term capital expenditure plan for Amtrak (updated at least annually as part of Amtrak=s strategic business planning process) to carry out its statutory obligations

DOT IG Office, it its report A2000 Assessment of Amtrak=s Financial Performance and Requirements,@ issued on September 19, 2000, stated: AAmtrak must develop a realistic plan for addressing long-term capital needs. Amtrak has historically prepared a 1-year capital plan that reflects a level of spending commensurate with its expected annual appropriation. Amtrak needs a well-developed long-term plan that identifies all capital needs, their costs, their timing, and priority.@

$ The financial package is premature because Amtrak is under a congressional mandate to prove it can operate without federal subsidies by September 30, 2002, and the Amtrak Reform Council is far from completing its evaluation of Amtrak=s performance. Considering that Amtrak was a candidate for bankruptcy merely three years ago, concerns about Amtrak=s financial stability should not be taken lightly.

$ Proponents claim that the cost of the bill in the form of tax credits in lieu of interest payments will total $2.3 billion. My understanding is that=s misleading because 20-year bonds are permissible. It's likely that as late as 2010 Amtrak will issue bonds that will expire in 2030. The cost of the legislation will probably be more than double what Amtrak claims, or more than $4.6 billion if Amtrak is Asuccessful.@ I note that the Heritage Foundation issued a report on August 28 describing the federal government=s implicit interest payments, concluding that AThe loss of tax revenues to the U.S. Treasury would total $16 billion if interest rates remain unchanged at 8 percent.@

$ By transferring tax-credit costs from Amtrak=s books to Treasury Department ledgers, the bill creates massive subsidies to Amtrak that again will be Aoff-book@ for Amtrak. Such deception frees Amtrak to again claim financial Asuccess@ despite the continuing drain on taxpayers.

$ Amtrak claims that the proposal is sound because funding will be managed by an independent trustee and repayment will be assured by a guaranteed investment contract. But it appears that these measures apply only to the 20 percent state share, not the 80 percent federal share. Thus, the preponderance of the funds would remain at risk. Is that a prudent process considering Amtrak=s dismal fiscal history and flirtations with bankruptcy?

$ The bill grants the Transportation Secretary authority to prescribe regulations about how certain financial transactions are reported to the public even though the Secretary sits on the Amtrak Board of Directors and holds Amtrak fiduciary responsibilities. This is an obvious conflict of interest.

The inescapable conclusion is that the bill is a stage-setter for another multi-billion-dollar federal bailout of Amtrak in future years. With hindsight as a guide, it is virtually impossible that Amtrak will be able to pay off bond principal and interest. The GAO has observed several times that Amtrak has a history of not meeting its financial goals. Bailouts have occurred with Amtrak's government-guaranteed loans, as explained previously. The $2.2 billion TRA-sponsored Aincome tax refund@ is a partial bailout, because a portion of the funds is being used to pay off Amtrak debt incurred before the TRA was passed. No justification exists to pass the High Speed Rail Investment Act in its present form.

ATTACHMENT 7: PROPOSED CONGRESSIONAL ACTIONS

Congress is justified in undertaking the following:

Initiate Investigations

$ Investigate Amtrak=s misleading comments to Congress on labor/management productivity. The best method to accomplish this is probably through a GAO study. This is extremely important considering that employee costs are the largest single element in Amtrak=s operating costs, according to various studies.

$ Investigate Canada's $1 billion *Acela Express* loan by requiring Amtrak to supply the still-secret details of the loan to this Committee. Congress should know the uses to which the funds were put, the amount of principal and interest, the potential liability to the U.S. government in a default, whether the *Acela Express* trains serve as collateral for the loan, and other terms and conditions that may be germane.

$ Determine for public view the true extent of Amtrak=s continuing costs to the public. Accomplish this through a GAO study to quantify all direct and indirect, past and current federal subsidies. The review should include all liabilities buried in U.S. Treasury accounts for past taxpayer-financed bailouts of Amtrak.

Establish Penalties for Failure to Cooperate with Amtrak Reform Council

$ Direct Amtrak to supply timely, accurate and germane responses to inquires from the Amtrak Reform Council and establish penalties for failure to do so.

Amend ARAA to Tighten Reporting Requirements

$ Require Amtrak to annually submit to Congress the source for all new loans, the purpose of the loans, the terms and conditions of such loans, the collateral for such loans, and the interest and principal obligations incurred, repayment schedule, and amount paid during the year. The objective is not to dampen Amtrak loan activity but to increase transparency and knowledge of real and potential liabilities regarding Amtrak-incurred debt.

$ Require Amtrak annual reports to clearly identify current subsidies as subsidies and identify the source of all subsidies. The objective should be issuance of reports that forthrightly explain the true extent of Amtrak's revenues, costs, losses and subsidies.

$ Require Amtrak to publish monthly on-time performance figures on a route-by-route basis. This would restore a statutory Amtrak requirement in place in the 1970s (in the Rail Passenger

Service Act, Amtrak=s enabling legislation) and is commensurate with government practice today regarding the commercial airline industry.

Amend ARAA to Require ATruth in Scheduling@ by Amtrak

$ Require Amtrak to establish consumer-friendly train arrivals and departures by readjusting schedules so that non-checkpoint communities are as likely to be served by punctual trains as official checkpoint communities where on-time performance is calculated.

Decline to Pass High-Speed Rail Investment Act

$ Decline to pass the High Speed Rail Investment Act, a bill that will not bring about high-speed trains in the Southeast, Midwest and West and will open taxpayers to future liabilities totaling billions of dollars. To effectively plan market-sensitive high-speed train systems, a new direction is needed to include participation by regional agencies, private businesses and joint ventures in innovative, imaginative public-private partnerships.