APPENDIX I: COUNCIL MEMBERS' COMMENTS ON THE REPORT (COMMENTS LISTED ALPHABETICALLY)

A. MS. NANCY RUTLEDGE CONNERY'S COMMENTS

☆ ☆ ☆ AMTRAK REFORM COUNCIL ☆ ☆ ☆

March 15, 2001

Gilbert E. Carmichael
Chairman
Amtrak Reform Council
JM-ARC, Room 7105
400 Seventh St. SW

Dear Gil:

I fully concur with the Second Annual Report of the Amtrak Reform Council. I would also like to underscore the importance of establishing a clear and independent locus of responsibility for the Northeast Corridor.

The Northeast Corridor serves as a critical economic lifeline for the nation and especially for the half a million people who must commute by rail to work everyday throughout the Greater New York Region. The Northeast Corridor must have a governing structure that will fairly mediate all of its competing uses and focus solely on resolving its immense capital needs, which well exceed Amtrak's ability to finance.

In particular, immediate attention must be paid to the acute fire and life-safety needs of the Penn Station-New York tunnels.

Respectfully submitted,

Nancy R Connery

Nancy Rutledge Connery

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☆

The ARC is an independent federal commission established under the Amtrak Reform and Accountability Act of 1997 (P. L. 105-134)

B. MR. JAMES COSTON'S COMMENTS

COSTON & LICHTMAN

ATTORNEYS AT LAW
A PARTNERSHIP INCLUDING PROFESSIONAL CORPORATIONS

OFFICES IN:
Chicago
Miami

"If you've done something the same way for two years, look it over carefully; after five years–suspiciously; and after ten years it's time to do it another way."

Alfred E. Perlman (1902-1983)
Chairman and Chief Executive Officer, New York Central Railroad
President, Penn Central Railroad
Chief Executive Officer, Western Pacific Railroad

March 14, 2001

Mr. Gilbert Carmichael
Chairman
Amtrak Reform Council
JM-ARC, Room 7105
400 Seventh Street, SW
Washington, DC 20590

Dear Mr. Chairman:

Let me congratulate you and the members of the Amtrak Reform Council staff on the completion of the Council's Annual Report for 2000. I concur with the report provided the Council will accept and publish the following exceptions, comments and observations:

First, I believe the Council has accurately identified Amtrak's areas of underperformance and correctly attributed them to flaws in Amtrak's institutional framework as created by the Rail Passenger Service Act of 1970. The obsolescence of the 1970 legislation is the primary reason why Amtrak's service levels and financial performance lag the rest of the travel industry (Amtrak's 2000 ridership of 22 million barely exceeds the number of passengers it carried in 1990). In a nutshell, Amtrak has been tasked with multiple responsibilities–running trains, managing infrastructure and developing national transportation policy--within a legislative/ organizational model that inhibits effective effort in all three areas.

I agree as well with the central conclusion of the Council's report: *Amtrak needs to change, and only Congress can impose the needed changes by legislating a set of new institutions to plan, fund and operate intercity rail passenger service in the United States.* Fundamental, institutional change is the only proper response to the obsolete 31-year-old legislation which now hampers rather than promotes the development of a modern U.S. passenger rail service. More funding is required, but enhanced funding is not enough. The organs that spend the money, the tasks on which they spend it, and the systems by which they account for it–all must be updated and adapted to so that passenger-rail technology can start contributing its unique and valuable solutions to the nation's ongoing mobility crisis.

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I am aware, of course, that many of those concerned with passenger-rail service, including Amtrak, take severe exception to the Council's ideas regarding the possible separation of infrastructure, especially the Northeast Corridor, from Amtrak ownership. As an attorney engaged in equipment leasing, however, I am reminded on a daily basis that ownership of an asset is not essential for its effective use or even for its exclusive control, and that in many circumstances ownership may actually be detrimental to a company's ability to optimize its use of such a resource. Amtrak faces this challenge today. For commercial as well as public-policy reasons, Amtrak's need for the NEC to be capitalized and developed to its highest and best use as a high-speed intercity passenger railroad far outweighs its "need" to be the sole owner of this property. *Amtrak must retain its control over the NEC,* and regardless of any change in ownership Amtrak must retain its ability to operate the NEC in conjunction with the various commuter-rail authorities that are its customers. What must be kept in mind, however, is that the legal instrumentalities to accomplish these goals outside of ownership are readily available.

I am aware too that the suggestion to transfer ownership of the NEC to another governmental entity is viewed in some quarters as the first step in a hidden agenda to break Amtrak into discrete segments so as to enhance its appeal to buyers from the private sector. While "privatization" may someday represent an option for improving and expanding some elements of the U.S. intercity passenger rail network, that day, should it ever come, must remain far, far in the future. As British investors are learning to their regret, privatization of a railroad passenger operation is a non-starter unless and until government investment has reached a level where the national rail infrastructure is developed to its full state of the art. Slow trains operating over slow tracks cannot compete in today's travel market against highways, airports and an air-traffic control system that have benefitted from more than 70 years of lavish government investment in the most advanced technologies. In a nation the size of the U.S., where federal investment in rail infrastructure is small, young, hesitant and almost painfully tender; where the scope of the infrastructure in need of investment is dauntingly extensive; and where even the nation's premier rail infrastructure, the Northeast Corridor, is 40 years behind the state of the art as practiced in Japan and Europe, *any talk of privatization is absurdly out of place.* Advocates of privatization might well be advised to listen carefully for the sound of real-world investors clamoring to enter the passenger-rail market. The silence is eerie (and I don't mean the railroad that used to run through the Southern Tier of New York State.).

I wish the Council Report had done more than allude to Amtrak's having been impoverished by its "unfunded mandates." That phrase barely suggests the scale of the burden Congress has fastened to Amtrak's ankle. *Throughout its 31 years of existence, lack of adequate Congressional funding for infrastructure and rolling stock has compelled Amtrak to take on what I do not hesitate to characterize as an obscene amount of debt.* This debt burden is now so great that even if Amtrak were to be relieved of all its infrastructure-improvement responsibilities and government-policy functions, it still would be unable to pay off its debt, and the ongoing bill for debt service would indefinitely prohibit Amtrak from completing its transformation into a commercially viable rail carrier.

The media are replete with reports that Amtrak is broke. I am personally aware that Amtrak currently does not have sufficient rolling stock or motive power in good working order to operate all of the trains in its current timetable, much less undertake the additional services proposed in its Network Growth Strategy. Long-distance equipment that should be undergoing rehabilitation to prepare it for the summer vacation surge has instead been re-assigned to Midwestern corridor day trains where it is pinch-hitting for rolling stock damaged in the December storms. An equipment shortage is in progress and a greater one looms with the summer travel season. One area where the federal government can immediately reverse its long-standing reluctance to provide adequate capital support for a viable national passenger-rail network is to clean up Amtrak's balance sheet. *The government must identify all of Amtrak's debt and assume it or pay it off.* Only when freed of this debt burden, which the government forced upon Amtrak by insisting it make a profit without an adequate capital foundation, can Amtrak re-invent itself as a modern, flexible, market-responsive rail carrier financed by prudent, fiscally responsible investment decisions.

A final area in which I take exception to the Council's Report involves its characterization of the train services to be provided by Amtrak. The Report's language suggests at several points that only two types of passenger trains should be considered as part of Amtrak's non-commuter repertoire: high-speed daytime trains in corridors of less than 500 miles, and long-distance overnight "hotel" or "land cruise" trains operating at conventional speeds over distances between 500 and 3,000 miles. This distinction, misguidedly promoted by Amtrak management as well as Amtrak's critics, represents a false dichotomy that ignores the real complexities of the North American passenger-rail environment.

There is general agreement that high-speed, high-frequency, intermediate-distance day trains traveling in densely populated urban corridors hold the greatest opportunity for Amtrak's growth and success. On the other end of the spectrum is the long-distance overnight passenger train traveling at speeds rarely exceeding 79 miles per hour and averaging 48-55 miles per hour.

What is missing from this sketchy inventory is the large number of trains which do not fit comfortably into either category. High-speed trains? At this time, and for the foreseeable future, true high-speed is achievable only on short, discrete segments of Amtrak's 457-mile Northeast Corridor. No high-speed track exists anywhere else in the U.S., and any buildout of high-speed trackage will perforce be done in small increments over a period of many, many years. Most Amtrak trains will continue to operate at speeds under 79 miles per hour, and any proposal for Amtrak reform must assume the persistence of this low-speed environment for the near future. The best example of the potential for these "pre-high-speed" corridor trains is to be found in California, where a succession of governors and legislatures has invested heavily but prudently in infrastructure, stations, locomotives and rolling stock, the latter operated and maintained by Amtrak crews. Today, California's network of intercity corridor trains is the most successful in the Amtrak system, with double-digit annual ridership increases reported on all four corridors–Los Angeles-San Diego; Bakersfield-Oakland; Oakland-Sacramento; and Los Angeles-Santa Barbara.

High speeds and exotic trains ultimately will make rail the preferred travel mode in each of these corridors, but *the California authorities have demonstrated that well before the track and trains for true high speed are ready, the traveling public will patronize conventional Amtrak trains if they are modern, well maintained, conveniently and frequently scheduled, professionally staffed and supplied with a high level of on-board food and beverage service.* Amtrak's fixation on a its one high-speed route in the East and its desperate anticipation of an illusory $180 million in "profit" from its expensive-to-operate, low-capacity (304 seats versus more than 700 seats for a Eurostar or French TGV trainset) high-speed *Acela Express* trains suggest Amtrak has taken its eye off the ball in seeking promising growth areas. The Golden State has found hidden gold in conventional trains that are whetting the public's appetite for even better trains to come.

As regards what the Report calls Amtrak's "hotel" trains, there is an unfortunate implication that these overnight operations from Chicago to the three coasts and from New York to Florida are essentially private-room luxury trains patronized largely by the wealthy and used more for discretionary leisure cruises than for more purposeful types of travel. In fact, however, the vast majority of the passengers on these trains ride in coach, and large numbers of them travel only between regional intermediate points rather than over the full route. Several hundred small towns, especially in the West, South and rural New England, rely on Amtrak's so-called long-distance trains as their only source of short- and medium-distance regional intercity transportation. These towns have no commercial air or bus service, many are located far from the Interstate highway system, and many of the patrons of these trains, especially students, the elderly and the handicapped, either do not have a private automobile or find it inconvenient to use one. For these classes of travelers, *Amtrak's long-distance trains are not "rolling hotels" but a basic and irreplaceable mobility resource that government should be obliged to maintain even at the expense of an operating subsidy. To do anything less is to use geographic discrimination to deprive a substantial segment of the American public of its mobility.*

An adequately funded Amtrak may well discover that long-distance trains operating as "hotel," "vacation" and "essential transportation" resources may be capable of making the same bottom-line contribution as multiple frequencies in a high-speed corridor, particularly if these long-distance trains carry mail or express and if they are carefully networked with one another and with corridor trains at important junctions. Properly scheduled, operated and marketed, this type of train can provide a wide array of relevant transportation not offered by any other type of train–or commercial carrier. Such trains should not be discriminated against just because they do not have the look (and expense) of the latest high-speed rail technology, nor should they be dismissed as "unprofitable" without a thorough and honest examination of their real costs and, even more important, their potential for revenue enhancement when appropriately managed and marketed. For too long Amtrak has perpetuated the myth that Northeast Corridor trains are profitable while long-distance trains are money-losers. The myth was driven by Amtrak's misguided belief that in an environment where funding is always at risk, the railroad must be ever ready to demonstrate its willingness to cut back services to its so-called "profitable core," which for political reasons had to be the NEC. Once Amtrak relinquishes the myth of the profitable core it will be free to undertake a serious, unbiased financial analysis of each of its operations, not necessarily with a view to eliminating the weaker ones, but to gain a real understanding of passenger-train economics and presenting Congress with a trustworthy set of funding options.

While it is not part of the Council's statutory obligations to create a detailed blueprint for all of the changes needed at Amtrak, I believe the Council has acted properly in sending Congress a strong signal that the need for change at Amtrak is real and urgent. As a former Amtrak employee and a member of one of its largest labor unions, as a former packager of group tours aboard Amtrak trains, and as a passenger-rail advocate of 32 years' standing, I think the Council's report presents Congress with meaningful guideposts suggesting legislative approaches that should lead to a superior intercity rail passenger system.

One of the Report's suggestions that I strongly support is the call for creation of a separate agency within the U.S. government to develop practical intercity passenger-rail policies–including project planning and funding–in a manner similar to what the Federal Aviation Administration, the Federal Highway Administration and the Army Corps of Engineers now perform for the air, highway and waterway modes.

While some of the other Council members and I initially were concerned that the creation of such an agency would represent an expansion of the federal bureaucracy, reflection revealed that it would represent not an expansion but a consolidation of several duplicative and relatively uncoordinated bureaucracies now lodged within Amtrak, the Federal Railroad Administration, the Department of Transportation, the Surface Transportation Board and the General Accounting Office. The creation of this new unit would simplify Amtrak's mission, reduce its administrative overhead, eliminate a potential conflict of interest, and *give passenger rail transportation administrative parity with the other three transportation modes for the first time in U.S. history.* The consolidated agency also would provide Congress and the administration with a "single yardstick" with which to measure Amtrak's performance. It also would end the current practice of "forum shopping" under which Amtrak's critics and defenders alike turn to a variety of governmental units, including the General Accounting Office, the Amtrak Inspector General, the DOT Inspector General, the Federal Railroad Administration and even the Amtrak Reform Council in a search for administrative findings congenial to their respective agendas.

Finally and most important, I believe this simplification of Amtrak's role will greatly increase Congress's willingness to fund the infrastructure that is essential if passenger rail is to become as successful as the air and highway systems. I strongly believe that *once Congress has restructured Amtrak to look more like the rest of the U.S. transportation industry, Congress at last will feel free to fund passenger rail as it does the rest of the U.S. transportation industry.* Only when this parity in planning and funding is achieved will our nation at last be within sight of that elusive goal to which it often pays lip service but has never achieved: an integrated national transportation policy conducive to development of a seamless transportation system in which each mode makes its optimal and appropriate contribution to the national mobility. As former Ambassador George F. Kennan noted in his 1993 memoir, *Around the Cragged Hill*:

"At no time in its entire history does the United States appear to have had anything in the nature of a rational and sustained governmental policy on transportation."

The time now has come to fill that vast policy gap which alarmed Ambassador Kennan and continues to alarm me. The creation of a passenger-rail planning agency will be a giant step in the direction of an integrated national transportation policy. I hope the Amtrak Reform Council will spend much of 2001 sharpening its focus on this emerging issue.

Mr. Chairman, I know that the changes suggested in the Council's 2000 Report will not be welcomed by all observers or all participants in the nation's passenger-rail system. Change is difficult, particularly when it comes suddenly, and on a large scale, and after many years of comfortable routine. It has been said that "the only person who really welcomes change is a baby with a dirty diaper."

But the baby's view of change should not be taken as the last word on this controversial subject. I prefer the view set forth in the 2000 *Annual Report* of what most people acknowledge as America's most successful business corporation, General Electric Company. Here is what Chairman Jack Welch, the most respected business executive in America, had to say to GE's shareholders:

"We've long believed that when the rate of change inside an institution becomes slower than the rate of change outside, the end is in sight. The only question is when...We strive every day to always have everyone in the organization see change as a thrilling, energizing phenomenon, relished by all, because it is the oxygen of our growth."

Mr. Chairman, I want Amtrak to have a good, reliable oxygen supply, and that is why, with the reservations explicated above, I concur in the Council's call for change. I commend you and your staff for the professional manner in which you have discharged your statutory duties and promise you my every effort in ensuring that your report receives a positive reception in Congress and among the American public.

As you know, I have been an attorney for 20 years, but I have been a passenger-rail supporter and advocate for over 30 years. I testified before the Interstate Commerce Commission in 1970, when I was fifteen, to help save rail service between Chicago and the East until Congress could create Amtrak. I worked for Amtrak in the 1970s. In the1980s I established a special-train program that used chartered Amtrak trains to provide thousands of Midwesterners with an exceptional train-riding experience and resulted in substantial revenues as well as positive exposure for Amtrak. In the 1990s I coordinated an effort among Amtrak's lenders to convince Congress that Amtrak was a good investment and worthy of the $2.3 billion in capital funding which Amtrak won under the Tax Reform Act of 1997. I have for 30 years provided Amtrak with unconditional love and support, and I neither regret nor apologize for a moment of either.

Nor do I apologize for anything contained in this letter. The American traveling public and our growing number of visitors from abroad are entitled to more trains--better, faster, safer, more comfortable and more reliable trains--and our economy is entitled to the stimulus that always results from each new enhancement to the nation's mobility. To make these trains a reality, Amtrak employees must enjoy wage parity with their industry peers, a safer workplace, a more capable and professional management, and the tools and resources essential to performing their jobs with excellence. With more consistent leadership and with assurance that their work is appreciated for its essential contribution to the nation's mobility, I have no doubt that those who man the nation's passenger railroad will do their part for the company and that the railroad will in turn thrive and grow and provide them with the job security and professional respect they merit.

Today Amtrak has no guarantee of any future; tomorrow, with thoughtful planning, access to adequate resources, and realistic objectives, Amtrak can be America's intercity transportation leader of the 21st century. To succeed, Amtrak and all of us at the Council must be bold, focused and unafraid. It has been a privilege for me to join with you and my fellow Council members in getting that process started. I look forward to working with you at this common task until it is completed.

Yours very sincerely,

James E. Coston
Member
Amtrak Reform Council

C. Mr. Wendell Cox's Comments

DEMOGRAPHIA

Demographics, Development Impacts, Market Research & Urban Policy

CONCURRING STATEMENT BY WENDELL COX

I generally concur with the substance of the 2d Annual Amtrak Reform Council report as regards the specific issues delegated to the Council for review.

However, I do not agree that Amtrak or other intercity rail should receive additional government subsidies or user fees not directly generated by passengers of such services. It is premature to consider additional funding until each of the following have been determined:

1. That there is a compelling public purpose.

2. That Amtrak or other intercity rail is the most efficient and effective mechanism for accomplishment of the public purpose.

3. That the unit cost structure of Amtrak or other intercity rail is no higher than market.

Respectfully submitted,

[Document provided to Council via Mr. Cox's email account]

Wendell Cox
12 March 2001

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D. MR. CHARLES MONEYPENNY'S COMMENTS (REPRESENTING THE RAILWAY LABOR ORGANIZATIONS)

DISSENTING VIEWS TO THE AMTRAK REFORM COUNCIL'S MARCH 2001 SECOND ANNUAL REPORT

At the outset, I want to note that there are a number of recommendations and observations made by the majority that I support, but there are other positions and solutions offered that are extremely troubling and inconsistent with Amtrak's purpose of providing a safe, efficient and reliable national rail transportation system. Therefore, I find it necessary to dissent from the majority report and its recommendations and to offer a separate expression.

Reliable and Secure Funding For Amtrak

As a general matter, I would note that the entire membership of the ARC shares a number of positions, most notably that Amtrak has not received sufficient federal support and that the carrier must secure an adequate, sufficient and reliable source of funding for its operations. Specifically, the majority report correctly notes that the development of high-speed corridors and the maintenance of existing Amtrak services will require significant federal, state and local funding. The report goes on to find that it is essential that reliable funding sources be provided to develop corridors with significant transportation potential. And finally, the majority finds that a major flaw of Amtrak is that the carrier does not receive reliable funding to satisfy market demands for economic transportation services especially compared to its competitors in the aviation and bus industries.

I could not agree more with these sentiments. In fact, I would only argue that the majority, while conceding that Amtrak has not received the financial support it needs, diverts attention from this problem by proposing complicated, unneeded and burdensome restructuring plans. If we have learned anything from Amtrak's history and from our observation of other nations' rail transportation systems, it is that passenger rail service needs and deserves sufficient government resources to provide the services demanded by all stakeholders.

This is especially true given the fact, as noted by the majority itself, that there is a resurgence in the popularity of passenger train service throughout the United States. As our skies and roads attempt to absorb an inherently mobile society and an economy that depends on the efficient movement of goods and people, consumers are hungry for reliable transportation alternatives. Ridership and revenues on Amtrak continue to increase and reached record levels in fiscal year 2000. Consumer enthusiasm for high-speed rail, especially the introduction of Acela along the Northeast Corridor (NEC), has only increased, and state, local and federal policymakers continue to voice their support for a strong and reliable national passenger rail system.

Finally, I want to voice support for the majority's position that Amtrak management and its employees are not preventing Amtrak from making needed improvements in its service or operation. This recognition is a welcome departure from past reports and "studies" that have attempted to lay the blame for Amtrak's financial problems on the backs of its dedicated workers. Some in Congress have then used these findings to attack the basic rights of these workers and in the process undermine the support for national passenger rail service.

While I am pleased that the majority rejects this approach, I do wish that it made a stronger statement on the positive role that Amtrak workers have played, and will continue to play in the delivery of safe and efficient passenger rail services. The 20,000 workers employed by Amtrak have made sacrifice after sacrifice to ensure the continued viability of the carrier. Between 1981 and 1994, Amtrak workers earned less than the national rate in order to help the carrier through a difficult financial crisis. As a result of these wage and benefit concessions and changes in work rules, Amtrak captures a significant percentage of revenue from the fare box, yet many Amtrak workers remain the lowest paid in the industry. If Amtrak is to truly thrive and prosper as a viable transportation alternative, it is crucial that its employees at every level are treated with respect by not only management, but by policymakers and others involved with passenger rail service. Workers and their unions must be seen as partners in the goal of providing national passenger rail service, and I had hoped that the majority would have specifically recognized this reality.

The Majority's Proposals

In addition to a lack of government funding, the majority identifies several problems with Amtrak's operations and structure, offers a general solution and four possible options to implement this solution. To put it bluntly, I find the majority's reasoning in this area suspect and specifically disagree with the solution offered and the various options proposed. The basic premise of the majority appears to be that Amtrak tries to do too much and that it should be split up into separate units for train operations, infrastructure management and government policy activities. The majority articulates four options to accomplish this objective[1]. In general, I would note that all four plans would appear to create an untenable bureaucracy which would make Amtrak operations more complicated and provide less real accountability. I also do not believe that any of these options would make improvements or address the problems that the majority itself identifies. For example, the majority notes that political pressures on Amtrak cause the carrier to make uneconomical decisions on routes served. While I agree that Amtrak, like any U.S. institution, faces certain political pressures, I do not understand how simply separating Amtrak's functions and creating separate units would address this issue. I doubt that a restructuring, however ingenious it might be, would insulate Amtrak from requests for new or enhanced service.[2] It should be further noted that the interest and involvement of policy makers in providing passenger rail service to their communities is not inherently a negative development. Community need and support for a service and its integration into other transportation services are important factors that Amtrak should consider in making operational decisions, and political officials, whether at the state, local or federal level, are in an excellent position to offer this wider perspective.

[1] The Commission also notes a fifth option -- full privatization -- which it rejects as unworkable and not feasible.

[2] The majority itself notes that regardless of any separation of functions, "Congress will always have the opportunity to influence the route system and service frequencies."

Furthermore, and perhaps more importantly, the majority refuses to accept the possibility that Amtrak will not be able to operate a national system on a for-profit basis. The majority offers no credible support for this position and exposes a flawed perspective. The purpose of providing passenger rail service in the United States cannot be to ensure a profit for the operator of the system at the expense of national service, safety or other public policy considerations. While economic decisions have to be made, Amtrak must continue to provide public transportation that serves the public interest and complements the nation's existing transportation network. Does this approach conform to the market economy model that many would like all government services to follow? Probably not. But the goal of Amtrak is to provide efficient and safe transportation -- not to adhere to a specific economic mantra that could jeopardize its public transportation role.

In regards to the particular options offered by the majority to split Amtrak operations, I would make a number of observations. Option One would have Amtrak continue as the nation's sole provider of intercity passenger rail service and have it operate all trains, including contract commuter operations in high-speed rail corridors, as well as mail and express services. But at the same time it would transfer ownership, maintenance and management of the NEC and other Amtrak-owned stations, terminals and facilities to a for-profit government infrastructure entity. As the majority itself notes in identifying the weaknesses of this option, creating a new infrastructure company would increase total overhead costs and may complicate Amtrak's operations over the NEC. The majority also admits that it may be difficult to obtain a secure, long-term source of funding for the NEC since states and other political interests outside the region may not be willing to help support this operation financially. Because I sincerely believe that adequate government funding is the key to Amtrak's continued survival, I do not understand how an option that admittedly would increase costs and make it more difficult to secure this type of funding would do anything other than hinder Amtrak's ability to operate effectively and efficiently.

Option Two would create a similar situation and specifically envisions creating competition for passenger rail service through competitive bidding for operating franchises. Under this option, both Amtrak and the new infrastructure entity would be a "for-profit" organization. Again, the majority itself admits that this option could increase overhead costs and creates an arrangement that is more complex and may be more difficult to manage than the current system. Furthermore, I question the public policy rationale of instituting a for-profit mandate on passenger rail service.

Option Three would give ownership and maintenance of Amtrak's NEC and other tracks, stations and facilities to the states and local governments. The states (in partnership with the freight railroads) would then become responsible for funding operations and maintenance on all corridors though there would be some federal assistance.[3] The majority states that this option could allow a higher level of federal funding. This statement is not supported by any facts provided by the majority. Instead, and as the Council itself notes, states may not uniformly wish

[3] The majority also explains that states would assume responsibility for purchasing and leasing equipment for corridor operations.

to take on the responsibility of this operation or fund it sufficiently and thus the concept of a national passenger rail system would be jeopardized.

Option Four, titled "Partial" Privatization, creates even more problems. Under this scenario, a government oversight entity would contract out all services to a train operating company and Amtrak's mechanical and equipment acquisition functions would be handled by private corporations. The majority again admits that this option has potential problems and concedes that privatizing operations could well be "politically and economically impractical." While Option Four is the only proposal that specifically calls for out-right privatization, all the options envision, at least to some degree, some form of eventual private and for-profit operations.

Put simply, this model must be rejected as a solution for national passenger rail service. The majority has cited no facts to support its argument and position that passenger rail service can operate on a for-profit standpoint and still maintain the safety, service and reliability that Amtrak currently provides. In fact, attempts to privatize passenger rail operations have generally been met with more problems than solutions. More notably, Britain's attempts to privatize its passenger services have created safety and reliability problems, a point that the majority notes at various places in its report but appears to discount. Instead of viewing national passenger rail service as a commercial entity that is required to produce a profit for its operators, the position must be that passenger rail service is a critical component of our public transportation system and must be sufficiently supported by the federal, state and local governments.

Finally, I have great objection to the majority's recommendation that the ARC undertake additional studies and analysis of Amtrak passenger rail service and related issues. This recommendation and, indeed, many of the recommendations made in this report, go beyond the ARC's mandate as stated by the Amtrak Reform and Accountability Act of 1997. In addition, this type of recommendation appears to be inconsistent with the majority's own position that Amtrak has had to rely too heavily on the General Accounting Office, the Department of Transportation, the Inspector General and even the ARC's own reports to develop new policy proposals. Instead of granting ARC additional resources or mandates to conduct endless studies, it is more appropriate to consolidate these functions within Amtrak and allow the carrier in conjunction with policymakers at the federal, state and local level to set its own course.

Charles Moneypenny
Labor Representative

E. LETTER FROM FEDERAL RAILROAD ADMINISTRATION, ON BEHALF OF THE HON. NORMAN Y. MINETA, SECRETARY OF TRANSPORTATION

U.S. Department of Transportation
Federal Railroad Administration

Office of the Administrator

400 Seventh St., S.W.
Washington, D.C. 20590

MAR 14 2001

The Honorable Gilbert E. Carmichael
Chairman
Amtrak Reform Council
JM-ARC Room 7105
400 Seventh Street, S.W.
Washington, D.C. 20590

Dear Mr. Carmichael:

The Federal Railroad Administration (FRA) appreciates the work of the Amtrak Reform Council staff in preparing the draft of the Council's second report to the Congress. The draft report proposes that the Council take positions on fundamental policy issues potentially affecting the future of Amtrak and intercity rail passenger service. I would note that Amtrak's current authorization expires at the end of September 2002 and that it is none too soon to begin the legislative debate on passenger rail issues that have been the source of controversy ever since Amtrak was created 30 years ago. The report will play an important role if it helps to begin that debate. Given the transition currently underway in the Bush Administration and the Department, however, adequate time is not available to determine the Administration's position on the policies that the draft report recommends the Council adopt. As a consequence, as the Secretary's designee on the Council, I must abstain from voting on the approval of the report for transmittal to Congress.

If the FRA can be of further assistance, please contact me or Mark Yachmetz, FRA's Associate Administrator for Railroad Development.

Sincerely,

S. Mark Lindsey

S. Mark Lindsey
Acting Deputy Administrator

APPENDIX II

A. Biographies of Amtrak Reform Council's Members

<u>Gilbert E. Carmichael</u> (Chairman) **–** is a leading international authority on railroad and intermodal transportation policy. Appointed to the National Transportation Policy Study Commission by President Ford during the Energy Crisis, he chaired its subcommittee on advanced technology and later served as Federal Railroad Administrator under President Bush. Currently, he is the Chairman of the University of Denver's Intermodal Transportation Institute. Majority Leader Trent Lott appointed him to the Amtrak Reform Council, of which he is the Chairman.

<u>Paul M. Weyrich</u> (Vice Chairman) **–** has been a reporter, editor, publisher, staff assistant for the Senate Transportation Appropriations Subcommittee, and has served on various boards regarding rail issues for many years. These include: the Dulles Corridor Transit Citizens Advisory Committee and the Dulles International Airport Light Rail Task Force, which he chaired. He also served as member of the Board of Directors of Amtrak. Currently, he is President and founder of Free Congress Foundation, a public policy think tank. He was appointed to the Amtrak Reform Council by Majority Leader Trent Lott and elected Vice Chairman by the Council.

<u>Bruce Chapman</u> – has had an extensive career specializing in public policy development. He has served as a Seattle City Council member, Washington State Secretary of State, Director of U.S. Census Bureau, Deputy Assistant to President Reagan as Director of White House Planning and Evaluation, and U.S. Ambassador to the U.N. organization in Vienna. In 1990, he founded the Seattle-based Discovery Institute, a public policy center on national and international affairs. He was appointed to the Amtrak Reform Council by House Speaker Newt Gingrich.

<u>Nancy Rutledge Connery</u> – is an independent researcher and policy advisor on infrastructure, transportation, and community development; her clients included, among others, the U.S. Department of Transportation and The World Bank. She was appointed to the Amtrak Advisory Group (the Blue Ribbon Panel) established by the House Transportation and Infrastructure Committee. During her career, she was the Executive Director at the National Council on Public Works Improvement, and Manager of the Public Works Project for the Washington State Department of Community and Economic Development. Senate Majority Leader Trent Lott appointed her to the Amtrak Reform Council.

<u>James E. Coston</u> – is the managing partner of the Chicago and Miami-based law firm Coston & Lichtman where he specializes in equipment financing. He has served on the boards and the legal committees of the National Equipment Finance Trade Associations, and is a frequent lecturer on equipment leasing law and transportation finance. Parallel to his legal profession, he co-founded Chicago's Twentieth Century Railroad Club and for 15 years managed its highly successful program of weekend excursion trains chartered from Amtrak. As a nationally recognized advocate for an improved and expanded U.S. intercity rail network, and a former

Amtrak employee, his guest editorials on rail service have appeared in, among others, the *Chicago Tribune and Sun Times, Trains, Chicago Business, Washington Post, USA Today,* and *The New Republic*. Senate Minority Leader Tom Daschle appointed him to the Amtrak Reform Council.

Wendell Cox – is a consultant on public transport issues both in the U.S. and internationally. He served as member of the Los Angeles County Transportation Commission for both highway and public transport. Afterwards, he established the Wendell Cox Consultancy, a firm specializing in international public policy and demographics. He has advised governments in the United States, Canada, New Zealand, Australia and Europe on the design of competitive public transport service delivery. House Speaker Newt Gingrich appointed him to the Amtrak Reform Council.

Christopher K. Gleason – is a financial analyst who is the president of a family-owned financial services company and also an expert on state and federal transportation issues. He has served on the National Motor Carrier Advisory Committee and on the Commercial Space Transportation Advisory Committee. He was appointed to the Amtrak Advisory Group (the Blue Ribbon Panel) established by the House Transportation and Infrastructure Committee. He was appointed to the Amtrak Reform Council by House Speaker Newt Gingrich.

S. Lee Kling – has held an executive position as Chairman of a commercial banking company and is a senior partner in a merchant banking firm, and has extensive experience serving on government commissions. He has served as Finance Chairman of the Democratic National Committee and also served as National Treasurer of the Carter-Mondale Re-election Committee. President Clinton appointed him as a Commissioner on the Defense Base Closure and Realignment Commission. He chairs the Missouri Highway and Transportation Commission, and Minority Leader Richard Gephardt appointed him to the Amtrak Reform Council.

Norman Y. Mineta – is the Secretary of Transportation under the new Bush Administration. He was a longtime Democratic Congressman from California, who served as the Secretary of Commerce in the Clinton Administration. As a Congressman, he served on the House Public Works and Transportation Committee, eventually becoming its Chairman. He was a key author of the landmark Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA) which shifted decisions on highway and mass transit planning to state and local governments. He is an Ex Officio member of the Amtrak Reform Council who represents the interests of the Administration.

Charles F. Moneypenny – currently serves as an International and Legislative Representative of the Transport Workers Union of America (TWU) with primary responsibility in the union's collective bargaining and government affairs operations. He also serves as a senior staff leader in the union's railroad division where he focuses on collective bargaining and employee contract enforcement issues. With more than two decades of service in labor movement, he was first elected president of the TWU Local 2054 in Boston in 1985 and served in that capacity until 1995 when he was appointed as an international union representative. President Bill Clinton appointed him as the labor representative for the Amtrak Reform Council.

John O. Norquist – is serving his fourth term as the mayor of Milwaukee, Wisconsin, one of the country's growing cities. He is the author of *The Wealth of Cities* a book on urban design, government efficiency and educational issues. He has been an Adjunct Professor at the University of Wisconsin-Milwaukee School of Architecture and Urban Planning. He chaired the National League of Cities Task Force on Federal Policy and Family Poverty. He was appointed by President Bill Clinton to the Amtrak Reform Council.

B. LISTING OF COUNCIL STAFF

Executive Director	Thomas A. Till
Senior Financial Analyst	Michael A. Mates
Legal Counsel	Kenneth P. Kolson
Transportation Analyst	Mary B. Phillips
Public Affairs Specialist	Deirdre O'Sullivan
Administrative Specialist	Dee R. Gray

APPENDIX III: COMMENTS FROM AMTRAK

NATIONAL RAILROAD PASSENGER CORPORATION
60 Massachusetts Avenue, NE, Washington, DC 20002
tel 202 906.3960 fax 202 906.2850

AMTRAK

George D. Warrington
President and Chief Executive Officer

March 16, 2001

Mr. Gilbert E. Carmichael
Chairman
Amtrak Reform Council
JM-ARC, Room 7105
400 Seventh Street, SW
Washington, DC 20590

Dear Gil:

On behalf of the Amtrak Board of Directors, I write to share our views on both the ARC Second Annual Report to Congress and our own brief assessment of business and policy issues surrounding the corporation. As you know, we already have provided our technical comments on the Report to the ARC staff, so I will use this opportunity to address some of the broader issues raised by the Report. I also wish to convey the Board's sentiment that despite our apparently fundamental differences in approach and responsibilities, the ARC members share with us a common goal of success for a passenger rail system.

While we are pleased that the report recognizes the growing national demand for passenger rail services and the urgent need for a stable, adequate source of federal capital funds, we are disappointed by the policy options presented. All of the council's five options would create a new federal bureaucracy to manage the passenger rail system - an idea that runs against the trend of recent history and the will of Congress. These policy options would increase the costs and complexity of managing the system without any gains in commercial viability and without addressing the underlying policy questions.

As we all recognize, the principal purpose of the Amtrak Reform Act of 1997 was to enable Amtrak to operate more like a business. Amtrak has committed all of its resources to meet this and other congressional mandates, and has made great strides in recent years in changing the way it historically has operated. Amtrak business practices now focus on market forces, customer needs, effective cost management, joint ventures and other necessary investments. As you well know, capital investments are the key to success for any railroad. For Amtrak, they also are increasingly essential to the move toward more commercially driven operations.

The ARC Report views Amtrak's business priorities, newly established business practices, and all the opportunities they unleash, as a burden too heavy for the corporation to bear. This notion sets the stage for the series of restructuring options that comprise the ARC's current proposal to Congress. The idea of stripping Amtrak of its ownership and control of the Northeast Corridor and other assets, and placing them under more governmental control raises serious questions. The ARC proposal clearly moves away from the statutory mandate to make Amtrak more business-like and less reliant on the government. As I mentioned, we have no doubt that we share with the ARC a similar goal. However, we appear to have fundamentally opposing views about how to achieve it.

A principal difference is that the ARC is proposing increased governmental involvement while Amtrak is pursuing a corporate strategy to grow a competitive business operation. As we see it, the ARC's current philosophical approach would add layers of governmental bureaucracy and associated taxpayer costs that complicate and delay, rather than resolve, Amtrak's dilemma. The Department of Transportation, the OMB, the GAO, and several committees of Congress already oversee and significantly influence Amtrak, and they will continue to carry forth these responsibilities as long as federal capital funds are made available for a national passenger rail system. The time and resources required to establish a new bureaucracy with obvious commercial limitations, in our view, would direct immediate attention away from the primary task at hand.

Nevertheless, we have considered your five restructuring options very carefully and agree with the pursuit of certain aspects of these proposals. Our consideration of these proposals is obviously hampered by the need to first reconcile vastly differing policy objectives. Senate Commerce Committee Chairman John McCain has proposed a full debate of these very issues and we fully support and are encouraged by his suggestion.

Amtrak's challenge, financially, is in finding ways to meet the dual requirements of operating a fully integrated national passenger rail network and simultaneously achieving the financial goals set forth by the Congress. We need to address these underlying policy issues head on. Are the Congress and the Administration prepared to make the investment required of the national system required by law? To what extent do we as a nation want the national rail system we have encouraged and kept alive for the past thirty years? Do we, as a matter of national transportation policy, commit to a broad based rail capital infrastructure program, and is the federal government willing to support the infrastructure needed to provide relief to the congestion on our airways and highways? At some level a passenger rail business can be self-sustaining, but the real issue is what this country wants it to be. Until that question is answered, a discussion of restructuring alternatives is premature.

The ARC Report proposes five restructuring options. Under those options, a government corporation would either oversee the infrastructure or asset holding company (Option 1); oversee both the operating and infrastructure companies (Option 2); oversee what ARC calls a "hybrid" federal/state system (Option 3); oversee a privatized operating company and a government-controlled infrastructure company (Option 4); or oversee separate infrastructure, operating, maintenance and equipment companies (Option 5).

In three of the five options, a government corporation would own and operate the Northeast Corridor and Amtrak's other physical assets, such as Union Station in Chicago and 30th Street Station in Philadelphia. In Option 3, or what the draft Report calls the "hybrid federal/state system," the states would assume the ownership and control of Amtrak's physical assets, including the Northeast Corridor. Noting the inherent difficulties created by this proposal, the Report observes that "the states may not uniformly wish to take on the responsibilities this scenario envisions." In Option 5, so-called "full privatization," the infrastructure company would be privately held but overseen by yet another "government oversight entity." This concept, as we both know, has given rise to serious operating, safety and financial problems in Great Britain.

We have reviewed the ARC's restructuring options with interest because we have been examining the benefits and drawbacks of various corporate and business unit restructuring options as well. We tend to agree with the ARC that restructuring Amtrak, at some point, may be appropriate, depending of course upon a governmental response to what we believe are the critical policy issues. If we interpret a national system to mean the linking of small, medium and large communities together with an integrated network of passenger rail service, one type of restructuring would be conducted. If we do not, then clearly other more dramatic corporate structures should be pursued. We at Amtrak intend to continue to move forward commercially and at the same time, to preserve the safety and integrity of our operations. Either way, we need a quick resolution to the immediate matter of whether the government will provide adequate and predictable capital investment in necessary upgrades and the expansions demanded by the states, localities, and customers to our passenger rail infrastructure.

Any discussion of an Amtrak restructuring, and especially one which envisions increased governmental involvement in commercial functions, cannot take place in a vacuum. The ARC refers to what it calls the "Big Lie," namely the proposition that Amtrak should be able both to run a national system and to do so profitably. We believe that the ARC's description of the so-called "Big Lie" is somewhat off the mark. In our view, two underlying misconceptions drive the characterization. The first is that each of Amtrak's trains should stand alone on a profitable basis, and the second is that Amtrak should somehow manage to sustain a broad national system without adequate capital investment. On the first point, Amtrak, like every other transportation network business, cross-subsidizes its money losing services with its more profitable services and business ventures. In Amtrak's case it does so strictly in the public interest. On

AMTRAK

the second point, Amtrak will meet the statutory test of operational self-sufficiency, but the test ignores both depreciation and excess RRTA obligations, both of which will require ongoing capital funding if the national passenger rail network is to be preserved.

The ARC contends that a restructured passenger train operator, freed from the shackles of its infrastructure obligations, would be similar to an airline or trucking company. However, as the ARC recognizes, the federal government has enabled the development of interstate highway and airport and airway systems by providing significant funding sources to maintain them. In stark contrast, the government fails to provide any dedicated capital funding source yet expects the traveling public to be broadly and safely served by Amtrak. It is questionable, to say the least, whether any train operator could come close to holding a viable national network of service together under current circumstances.

Since both Amtrak's business plan and the ARC's current proposals are dependent on securing of capital, would it not make sense at least as a first step, to join together in strong support of the High Speed Rail Investment Act? This legislation alone is not the final answer. It is however, certainly a critical one for the very near term. I also hope we will work together in securing its enactment and in framing the overriding policy questions which must be addressed by this Congress.

Thank you for the opportunity to comment on your Report. We look forward to an ongoing dialogue as you conclude your work.

Sincerely,

George D. Warrington
President and Chief Executive Officer

cc: Amtrak Board of Directors
Amtrak Reform Council Members

APPENDIX IV: DISCUSSION OF THE COUNCIL'S STATUTORILY ASSIGNED REPORTING TASKS

The Council is required, under the ARAA and relevant appropriations acts, to make recommendations for improvements to Amtrak and to provide the following reports to the Congress:

- Section 209(b) of the ARAA requires the Council to provide quarterly reports to the Congress on "[T]he use of amounts received by Amtrak under section 977 of the Taxpayer Relief Act of 1997."

- Section 203(h) of the ARAA requires that the Council report annually to the Congress: "[A]n assessment of (1) Amtrak's progress on the resolution of productivity issues; or, (2) the status of those productivity issues; and make recommendations for improvements and for any changes in law it believes to be necessary or appropriate."

- Section 349 of the FY1999 Omnibus Appropriations Act and Section 335 of the FY2000 Transportation Appropriations Act require that the Council, as part of its annual report to Congress, identify those "…Amtrak routes which are candidates for closure or realignment…."

- Section 203(g) of the ARAA requires that "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."

A. TAXPAYER RELIEF ACT

The Council has a statutory responsibility to monitor Amtrak's expenditures funded by special tax refunds authorized by Section 977 of the TRA. Approximately $2.184 billion[4] of TRA funds for defined, qualified expenses were made available with the signing into law of the ARAA in December 1997, which was a precondition for the release of funds to Amtrak under the TRA.

Qualified expenditures under TRA include "the acquisition of equipment, rolling stock, and other capital improvements, the upgrading of maintenance facilities, and the maintenance of existing equipment, in intercity passenger rail service" and "the payment of interest and principal on obligations incurred for such acquisition, upgrading, and maintenance" after September 30, 1997.

Although the ARAA gave the Council responsibility for monitoring Amtrak's expenditure of TRA funds, the lack of a Council staff until the spring of 1999 coupled with the complexity and

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[4] A maximum of $2.324 billion of TRA funds were authorized, $139.38 million of such funds were required by statute to be passed through by Amtrak to states without Amtrak service, leaving $2.18362 billion of TRA funds for Amtrak investment.

the large number of projects for which Amtrak is using TRA funds (more than 81,000 transactions were recorded as TRA funded projects totaling approximately $1.3 billion through June 30, 1999) spurred a Congressional request to the GAO to review Amtrak's TRA expenditures. GAO reviewed selected transactions and reported its findings in a report dated February 29, 2000, entitled, "Intercity Passenger Rail: Increasing Amtrak's Accountability for Its Taxpayer Relief Act Funds."

That GAO report reviewed 23 projects totaling about $10 million that were funded with TRA funds. The GAO report concluded that 18 reviewed projects were consistent with the Taxpayer Relief Act. The GAO could not determine whether two projects totaling approximately $19,000 were eligible under the Act because it was unclear whether portions of the projects to which they were charged were eligible for Taxpayer Relief Act funding. The GAO found that the three remaining projects (approximately $9 million) were not eligible for Taxpayer Relief Act funding because TRA funds were used by Amtrak as reimbursements for expenditures incurred by Amtrak prior to the passage of the Act. Subsequent to the issuance of the GAO report, Amtrak reclassified these three projects as being funded from sources other than TRA funds.

The GAO has not done a follow-up audit for periods subsequent to June 30, 1999, and the Council staff does not have the resources to audit TRA expenditures given the sheer number of such projects and the way that the TRA expenditures are paid out of Amtrak's normal checking accounts and are only distinguished from other expenditures by the accounting codes assigned to the cash disbursements when bills are posted to Amtrak's accounts payable system.

Amtrak has publicly disclosed the following.[5]

> Amtrak's Inspector General has informed Amtrak that it has retained an independent accounting firm to review Amtrak's expenditures of Taxpayer Relief Act funds and to prepare a report (the "Amtrak IG TRA Report"). Under the Taxpayer Relief Act, the Internal Revenue Service ("IRS") is ultimately responsible for determining whether Taxpayer Relief Act funds were properly spent. The Inspector General has informed Amtrak that it intends to provide the Amtrak IG TRA Report to the IRS. Under a March 1998 agreement between Amtrak and the IRS, Amtrak is to provide, and has provided [according to Amtrak's February 16, 2001, bond registration disclosure], the IRS with an annual accounting of its disbursements of Taxpayer Relief Act funds until the funds have been expended. In January 2001, the IRS commenced a due diligence review regarding expenditures by Amtrak of Taxpayer Relief Funds.

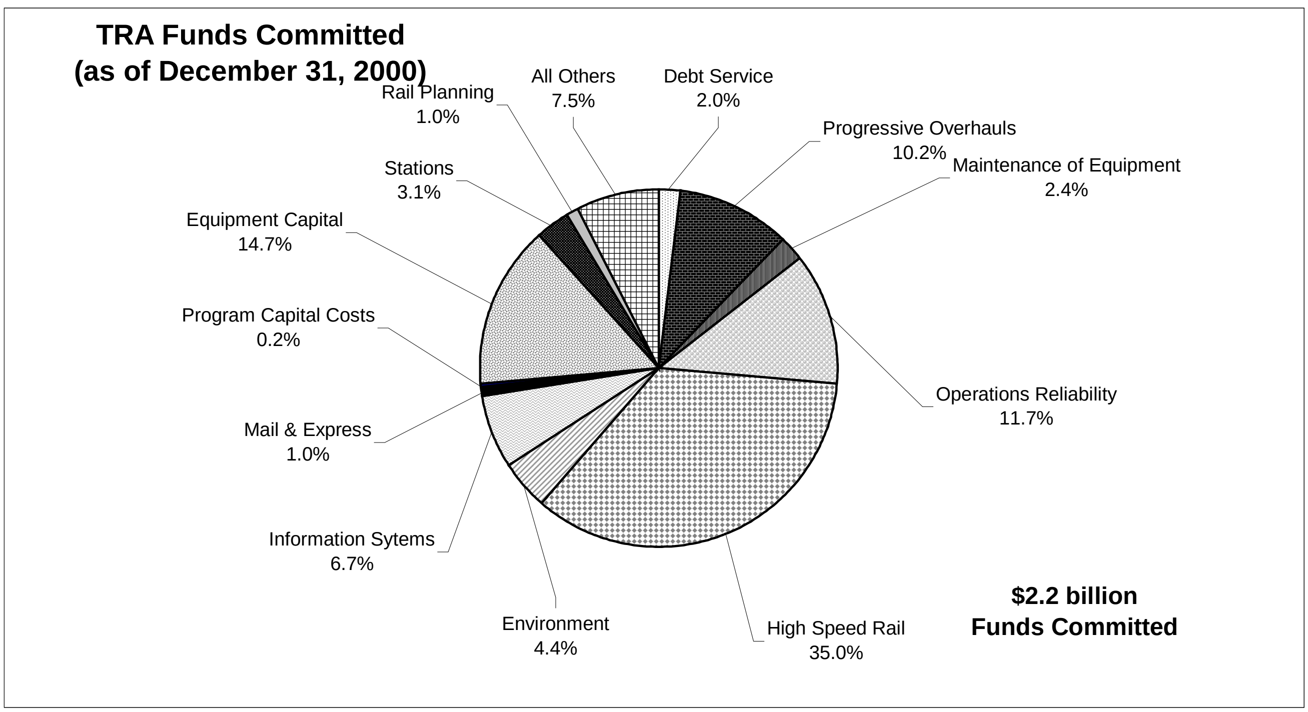
If TRA expenditure reviews or audits by the Council are desired by the Congress for future periods, the Council needs to receive a significant increase in authorized and appropriated funds to engage an independent certified public accounting firm to do such a limited scope audit and review on behalf of the Council. The Council intends to review the work done by Amtrak's Inspector General and to review Amtrak filings and correspondence with the IRS concerning TRA expenditures and Amtrak's compliance with statutory requirements. After the Council has reviewed the Amtrak IG TRA Report, the Council may formally request Amtrak to have

[5] $110,795,000 Pennsylvania Economic Development Financing Authority Exempt Facilities Revenue Bonds *Official Statement,* dated February 16, 2001, page A-6.

Amtrak's independent certified public accounting firm, as part of Amtrak's annual audits, do a special, limited scope review and report specifically addressed to the Council concerning the TRA expenditures until all TRA funds have been expended.

The chart below summarizes TRA expenditures from the inception of the program to December 31, 2000.

	Total Authorized	Percent of Total
Debt Service	$ 44,327,549	2.0%
Progressive Overhauls	$ 228,503,106	10.2%
Maintenance of Equipment	$ 54,307,549	2.4%
Operations Reliability	$ 262,864,898	11.7%
High Speed Rail	$ 785,312,180	35.0%
Environment	$ 99,772,205	4.4%
Information Sytems	$ 149,198,654	6.7%
Mail & Express	$ 23,309,457	1.0%
Program Capital Costs	$ 4,618,909	0.2%
Equipment Capital	$ 330,837,613	14.7%
Stations	$ 69,656,142	3.1%
Rail Planning	$ 22,857,747	1.0%
All Others	$ 168,009,725	7.5%
Grand Total	$ 2,243,575,734	100.0%



- As of September 30, 2000, of the $2.323 billion of TRA funds received by Amtrak, $139,380,000 was paid to states not currently served by Amtrak, $1,892,694,902 was drawn down by Amtrak for approved TRA projects, $69,786,696 was earned in interest, and $312 million was temporarily loaned (with Amtrak Board Approval) to Amtrak, leaving a balance of temporarily invested TRA funds as of September 30, 2000, of

$48,711,794. Amtrak also disclosed that it had drawn down $52.2 million of TRA funds from segregated TRA escrow accounts which were not expended as of September 30, 2000. As of September 30, Amtrak anticipated repaying the $312 million of TRA funds borrowed. Amtrak also noted (presumably as justification for borrowing TRA funds) that it had expended $577.9 million for maintenance of equipment expenses as of September 30, 2000, which had not been reimbursed with TRA funds.

- As of December 31, 2000, Amtrak reduced its Board-approved net temporary borrowing from TRA funds for qualified maintenance of equipment expenses by $90 million, from $312 million to a balance of $222 million. In the quarter ended December 31, 2000, Amtrak did not draw down any additional funds for approved TRA projects, but it earned another $2.3 million of interest income. Because of the $90 million TRA loan repayment made in the first quarter of FY2001, Amtrak was left with a balance of temporarily invested TRA funds of $141 million as of December 31, 2000.

- Although Amtrak represented that TRA funds would be used primarily for high-return capital expenditures, through December 31, 2000, about $590 million – or 26 percent of total TRA commitments – have in effect been used for expenditures that most companies and Generally Accepted Accounting Principles (GAAP) would treat as ordinary operating expenses, or required capital expenditures.

    - $44 million was used for debt service principal payments (which companies other than Amtrak typically fund with cash flow from depreciation charges),

    - $229 million went to progressive overhauls of equipment (an operating expense under GAAP),[6]

    - $54 million was used for equipment maintenance (also generally an operating expense unless the economic lives of the equipment are materially increased), and

    - $263 million was used for operations reliability projects which are necessary to preserve minimum standards of service reliability.

B. AMTRAK'S EFFORTS TO IMPROVE PRODUCTIVITY

1. The Council's Statutory Tasks under the ARAA

The Congress under the ARAA specifically charged the Council with monitoring and evaluating Amtrak's management efficiency and its progress in achieving labor productivity improvements with its labor force. As part of this charge, if, 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 both the savings realized as a result of the agreement and how the savings are allocated. In turn, the Council is required each

[6] This program of changing out major equipment components has been funded by Congress as an appropriate use of federal capital grants.

year to submit to the Congress a report that includes an assessment of Amtrak's progress on the resolution of productivity issues (or the status of those productivity issues), and that makes recommendations for improvements and for any changes in law it believes to be necessary or appropriate.

a) Areas Where Amtrak Has Secured Productivity Improvements

Amtrak has achieved some changes in work rules in its recent agreements that have the potential to result in labor cost savings. Some of the more significant changes include: contracting out Amtrak's entire Commissary operations to an outside contractor, eliminating approximately 244 positions through employee buy-outs (Amtrak has had statutory authority to contract out its food service operations since 1981); extension of the period from 4 hours to 6 hours before a second engineer must be added to an engine consist (no specific savings calculations provided); and providing Amtrak management with additional flexibility to assign work with respect to the implementation of high speed service on the NEC (no specific savings calculations provided).

Amtrak is currently engaged in a new round of collective bargaining negotiations (commenced June 2000) with its agreement-covered employees. The new agreements could likely result in additional work rule changes with the potential to achieve labor cost savings.

Under the ARAA, Amtrak is required to report quarterly to the Council regarding work rules savings resulting from recent agreements, including how the savings are allocated. Under recent agreements, Amtrak's labor costs have grown by approximately 10 percent above the rate of inflation since 1995. (See May 2000 GAO Report "Amtrak Will Continue to Have Difficulty Controlling Its Costs and Meeting Capital Needs" ("GAO Report") at 8.) Amtrak's stated goal is to partially (by 20%) offset recent wage increases through labor productivity improvements.

Amtrak submitted to the Council a set of numbers on a quarter-by-quarter basis stating a "final" total of $21.3 million in "productivity improvements and work rules and cash savings" for FY1999. The report did not show how the savings were allocated and provided no analysis of how the numbers were calculated. For FY2000, Amtrak submitted a comparable report stating a final total of $31.0 million in "productivity improvements, work rule and cash savings from post-January 1, 1997, labor agreements. Similarly, the report did not show how the savings were allocated nor how the numbers were calculated.

As found by both the Council (in its January 2000 report) and the General Accounting Office (in its May 2000 report), there is no way to confirm Amtrak's productivity calculations nor to distinguish how much the stated savings are instead attributable to internal Amtrak departmental budget cuts. Amtrak has no methodology in place by which it can measure work rule savings nor does it maintain an audit trail of the information necessary to measure such changes. (See Council Report at 20; GAO Report at 27, n.14).

Moreover, as further noted by the Council and GAO reports, Amtrak currently "does not have standard measures of labor productivity for its different lines of business (e.g., intercity passenger service, commuter service)." GAO Report at 26; Council report at 20. Both the Council and the GAO believe that the development of standard measures of productivity is critical if Amtrak is to control its labor costs (which constitute over 50 percent of operating costs).[7] Amtrak has stated in response to the GAO Report that it intends to develop such measures (GAO Report at 5).

Under subsection 203(f) of the ARAA, Amtrak is required to make available to the Council all information that the Council needs to carry out its duties. The Council, in turn, must adopt procedures to protect against public disclosure of confidential information. Although the Council staff has negotiated a confidentiality agreement with Amtrak, Amtrak has to-date declined to provide Council staff with information (particularly relating to labor productivity) that it deems confidential. The Council is working with Amtrak to secure additional productivity data and to agree on acceptable methodologies for measuring labor cost savings and monitoring general labor productivity.

b) Two Additional Issues the Statute Requires the Council to Consider

- Contracting Out.
  Under the reforms enacted under the ARAA, Amtrak is free to negotiate for the contracting-out of any and all operations effective November 1, 1999. (See ARAA Section 121.) Indeed, Section 121 requires that "proposals on the subject matter of contracting-out work…which results in the lay-off of an Amtrak employee…shall be included in negotiations under Section 6 of the Railway Labor Act between Amtrak and an organization representing Amtrak employees…which shall be commenced [no later than] November 1, 1999." This provision is intended to improve Amtrak's labor productivity in areas where it can be achieved through contracting out.

  The Council is informed by Amtrak that it served Section 6 notices on June 12, 2000, placing the contracting out issue on the bargaining table. Amtrak, accordingly, considers the contracting out issue to be currently under active negotiation with unions representing Amtrak employees. Amtrak considers the specific contracting out issues it placed on the bargaining table to be confidential. (The Act puts no deadline on the collective bargaining process with respect to the issue of contracting out, nor does it require Amtrak and union representatives to reach agreement on the issue of contracting out.)

- Employee Protection.
  Section 141 of the ARAA removed all statutory employee protection provisions covering Amtrak employees and all Amtrak employee protection provisions from existing collective bargaining agreements. Instead, Section 141 required Amtrak and its employees to either negotiate new provisions in collective bargaining agreements or to submit the issue to binding arbitration.

  Amtrak and its unions chose to address the issue of labor protection as required under the Act through binding arbitration. In a November 1999 decision, the arbitration board modified the pre-existing employee protective provisions in significant respects, including reducing the maximum duration of employee protective benefits from 6 years to 5 years and adopting a sliding scale in terms of service to reach maximum benefits.

[7] Indeed, the Council has not been able to find management or benchmarking systems in place at Amtrak to measure the productivity of any of Amtrak's endeavors, not just the management of its work force.

These modifications are summarized in pages 21-22 of the Council's January 2000 Report.

The issue of whether labor protection would apply to the termination of non-commuter contracts for local or state service was remanded by the arbitration board for further negotiation and re-submission to arbitration if there is no agreement. (The arbitration panel found that Amtrak had no obligation for labor protection with respect to commuter contracts.) According to Amtrak, the issue remanded is still under negotiation and there are open issues that may be resubmitted to the arbitration panel.

The arbitration award provided that it may be further amended by the parties through negotiation after January 1, 2000.

Despite the improvements achieved by Amtrak through the arbitration award, Amtrak's new labor protection obligations to employees, particularly those with many years of service, remain significantly higher than those of non-railroad corporations in the United States.

c) An Additional Matter of Concern Regarding Labor Productivity

In its September 19, 2000 Report, Report on the 2000 Assessment of Amtrak's Financial Performance and Requirements, the Department of Transportation's Office of Inspector General (DOT/IG) noted that "[c]urrently, Amtrak's agreement covered employees are absent an average of 8 to 9 days a year, while the [railroad] industry average is 5 days" and that "Amtrak has estimated a 1-day decrease in the average will equate to an expense saving of $6 million per year." Report at 29. The Report further noted that Amtrak is engaged in a "presenteeism initiative" to improve the attendance of Amtrak's agreement employees, but that at the time of its assessment "Amtrak was unable to provide a way of measuring how the presenteeism initiative will translate into [Amtrak's] projected dollar value of expense savings [$30 million over a five-year period]." Ibid.

The Council notes that the potential savings to be realized should Amtrak's presenteeism initiative simply achieve the industry average attendance is significant (between $18-24 million per year).

C. THE CONGRESS'S REQUEST FOR RECOMMENDATIONS ON ROUTE CLOSURES AND REALIGNMENTS

The Council is charged with making recommendations for changes in Amtrak's route structure. Initially, the Council was waiting for Amtrak to complete the development and implementation of a new analytical tool to study changes in Amtrak's route structure. This new system was developed because Amtrak had identified many technical issues with its Route Profitability System (RPS) of accounting for train and route profitability which rendered the RPS an inappropriate tool for making incremental decisions concerning routes and trains.

To assist Amtrak in identifying economically attractive route closures and realignments, as well as to assist in overall business planning, Amtrak developed a new strategic planning methodology which it calls the Market Based Network Analysis (MBNA). The MBNA has an associated Financial Model that estimates, for alternative packages of rail passenger services, likely ridership, resulting revenues, expected direct costs and the impact of alternative packages of rail services on the profitability of a proposed route or system of routes.

The Market Based Network Analysis of Amtrak was presented in a February 29, 2000, Report to Congress, which explained the MBNA methodology, identified opportunities for growth and increased profitability, developed a series of scenarios, and recommended some changes to existing routes, identified some new or realigned routes, and provided a vision for the future. At the time of that briefing, additional analyses and refinements of the MBNA process needed to be done in preparation for Amtrak's FY2001 to FY2004 Strategic Business Plan.

Using the MBNA to assess its route system, Amtrak developed a plan for realignments and extensions of its route system, which it called the Network Growth Strategy (NGS). Based on its NGS analysis, Amtrak proposed to add additional routes and frequencies to its current service and to realign certain trains. Due to the synergistic nature of passenger rail transportation, Amtrak indicated that one conclusion reached from its MBNA analysis was that cutting selective routes may not offer the profit improvement initially anticipated since cutting certain trains would eliminate connecting passengers.

The Council has not yet had the opportunity to examine the MBNA nor Amtrak's NGS analysis and detailed, underlying marketing and traffic flow data because such information had not been made available to the Council until very recently, and the data recently provided may not be available in sufficient detail to permit the kind of comprehensive analysis that is necessary before route changes are suggested. In the upcoming year, the Council will be addressing this topic. The Council looks forward to working with Amtrak and its RPS and MBNA models so that both organizations may be in a position to make recommendations on potential Amtrak route closures and realignments in the upcoming year.

D. RECOMMENDATIONS TO AMTRAK FOR IMPROVEMENTS

The ARAA requires the Council to evaluate Amtrak's operations and to make recommendations for improvement to the corporation. In keeping with this mandate, the Council approved a number of recommendations and forwarded them, in November 1999, for the Board's consideration, the full text of which is in Appendix G of the Council's January 2000 report.

In Amtrak's initial response to the Council's November 1999 letter, the corporation accepted outright the three Council recommendations dealing with improved business planning. Later in 2000, Amtrak accepted the other two, which dealt with the need to keep financial statements for the infrastructure of the Northeast Corridor separate from the financial statements for its passenger train operations (accepted in August 2000), and to also keep separate financial statements for, and possibly to organize separately, Amtrak's Mail & Express business (accepted in October 2000).

The Council is in the process of preparing further recommendations for Amtrak regarding additional near-term actions that would assist Amtrak in improving its operational and financial performance. The Council staff has been informally discussing these proposed recommendations with the Council and with Amtrak's staff, and will recommend in the near future that the Council formally approve the recommendations and transmit them to Amtrak.

The recommendations under consideration include the following: (1) substantially reducing corporate overhead; (2) acquiring a modern reservations and ticketing system that can keep track of total seat inventories (reserved, occupied, and vacancy) on a real-time basis; (3) undertaking a broad range of marketing initiatives designed to increase load factors and passenger revenues; (4) acquiring modern accounting and management information systems; and (5) considering the restructuring of the crewing arrangements for Amtrak's long-haul intercity trains to provide shorter working lengths of haul, with more crew rest and more time at home base.

APPENDIX V: A SUMMARY OF PASSENGER SERVICE FUNDING NEEDS

Summary of Passenger Service Funding Needs (FY2001 -- FY2020)

Total Need
(millions of 2000 $)

	AMTRAK ESTIMATE			BGL ESTIMATE
Capital Project Category	**Current Service Needs**	**Growth Service Needs**	**Total Need**	**Total Need**
Northeast Corridor Infrastructure	$ 6,949	$ 15,830	$ 22,779	$ 20,000
Other Infrastructure	$ 2,734		$ 2,734	
Other Corridors		$ 34,190	$ 34,190	$ 23,700
Long-Distance Point-to-Point		$ 8,865	$ 8,865	
Equipment	$ 5,985	$ 10,980	$ 16,965	* Assumes 110 mph
Stations/Facilities	$ 2,590	$ 3,160	$ 5,750	
Mail and Express	$ 1,015		$ 1,015	
Information Technology	$ 1,330		$ 1,330	
Debt Service	$ 2,790	$ 155	$ 2,945	
Program Management	$ 200	$ 400	$ 600	
Grand Total	$ 23,593	$ 73,580	$ 97,173	

APPENDIX VI: COMPARISON OF OPTIONS

	Status Quo	Option 1: Train operations separated from infrastructure ownership/manage-ment	Option 2: Major Institutional and Corporate Reform	Option 3: Hybrid Federal/State System	Option 4: Partial Privatization	Option 5: Full Privatization
Overview	No change to current system.	Amtrak is split into two gov't-chartered companies. Amtrak operates the passenger rail network and mail/express service; a new gov't corporation assumes ownership and maintenance of the NEC infrastructure and other Amtrak infrastructure.	Amtrak is restructured into a government-owned parent company with subsidiaries for train operations (a private corporation including mail/express) and infrastructure ownership/maintenance (a gov't corporation). The new parent company (NRPC) deals with Congress on policy and funding matters and oversees the work of the subsidiaries.	State/local authorities assume ownership and maintenance of the NEC and other infrastructure and contract with Amtrak or others to operate trains on the NEC and high-speed corridors. Amtrak is restructured into a parent company with subsidiaries for intercorridor service (including mail/express) and equipment repair facilities. The repair facilities would later be spun off as a private company. The new parent company (NRPC) deals with Congress on policy and funding matters (principally for intercorridor services.) and oversees the work of the subsidiaries.	Amtrak's train operations are privatized through franchising after an initial period (e.g., 5 years). Amtrak competes with other train operating companies to provide service on intercity routes, NEC and high-speed corridors. A new, private company is also set up to own/manage Amtrak's heavy equipment maintenance facilities. Infrastructure company (a subsidiary of NRPC) assumes ownership of NEC and other infrastructure. A new gov't company (NRPC) oversees intercity passenger service and deals with Congress on policy and funding matters.	All Amtrak functions are privatized after an initial period (e.g., 5 years). The government's role is to franchise operations and manage the privatization of infrastructure. The government also oversees funding, safety and public policy matters.

	Status Quo	Option 1: Train operations separated from infrastructure ownership/manage-ment	Option 2: Major Institutional and Corporate Reform	Option 3: Hybrid Federal/State System	Option 4: Partial Privatization	Option 5: Full Privatization
Passenger Service Operator	Amtrak	Amtrak train operations company	NRPC train operations subsidiary. (OPTIONAL - After initial period (5 years), NRPC can contract with parties other than Amtrak for intercorridor train operations using a competitive bidding process.)	NRPC passenger train operations subsidiary provides intercorridor service. State/local authorities contract with Amtrak or other service providers (approved by NRPC) on NEC and high-speed corridors. (OPTIONAL – After initial period (5 years), NRPC can contract with parties other than Amtrak for intercorridor train operations using a competitive bidding process.)	Amtrak's train operations functions are privatized through franchising after an initial period (e.g., 5 years). NRPC chooses Amtrak or (an)other operator(s) using a competitive bidding process.	Amtrak's train operations functions are privatized through franchising after an initial period (e.g., 5 years). The federal government chooses Amtrak or (an)other operator(s) using a competitive bidding process.
	Amtrak retains access to freight railroads' rights-of-way at incremental cost.	Amtrak retains access to freight railroads' rights-of-way at incremental cost.	NRPC retains access to freight railroads' rights-of-way at incremental cost.	NRPC retains access to freight railroads' rights-of-way at incremental cost. Rights can be exercised by Amtrak or other service providers selected by state/local authorities and approved by NRPC.	NRPC retains access to freight railroads' rights-of-way at incremental cost. Rights can be exercised by Amtrak or other selected service providers under contract with NRPC.	The federal government retains access to freight railroads' rights-of-way at incremental cost. Rights can be exercised by Amtrak or other service providers.

	Status Quo	Option 1: Train operations separated from infrastructure ownership/manage-ment	Option 2: Major Institutional and Corporate Reform	Option 3: Hybrid Federal/State System	Option 4: Partial Privatization	Option 5: Full Privatization
Mail and Express Service Operator	Amtrak	Amtrak	NRPC train operations subsidiary.	NRPC train operations subsidiary for intercorridor service. Corridor service by NRPC subsidiary or others operated under contract with state/local authorities.	Amtrak or another service provider selected by the NRPC.	Amtrak or another service provider selected by the government.
Owner and maintainer of NEC and other infrastructure and facilities not owned by freight railroads	Amtrak	Infrastructure company. Infrastructure company authorized to sell property(ies) to state/local authorities and third parties.	NRPC infrastructure subsidiary. Subsidiary authorized to sell property(ies) to state/local authorities and third parties.	Regional, state or local authorities.	New for-profit gov't infrastructure corporation. (Negotiate purchase as full consideration for all Amtrak debt to USG, including preferred stock held by USG) Authorized to sell property(ies) to state/local authorities and third parties.	New private infrastructure corporation. All existing Amtrak debt forgiven.
Ownership/ operation of heavy repair facilities	Amtrak	Amtrak	NRPC train operations subsidiary.	NRPC mechanical subsidiary. After initial period, company to be spun off as a private corporation. Services provided under contractual agreements with train operations companies	New private corporation formed to own/operate heavy maintenance facilities. Services provided under contractual agreements with train operations companies.	New private corporation formed to own/operate heavy maintenance facilities. Services provide under contractual agreements with train operations companies.
Equipment owner/lessor	Amtrak	Amtrak	NRPC train operations subsidiary.	NRPC train operations subsidiary for intercorridor service; states handle equipment on corridors.	Privatized with train operations.	Privatized with train operations.

	Status Quo	Option 1: Train operations separated from infrastructure ownership/manage-ment	Option 2: Major Institutional and Corporate Reform	Option 3: Hybrid Federal/State System	Option 4: Partial Privatization	Option 5: Full Privatization
Network and Infrastructure Planning	Amtrak	Amtrak, with states, commuter authorities and freight railroads, handles functions related to train operations; plans the network, levels of service, schedules, capacity requirements, and infrastructure improvement needs. Infrastructure company handles planning and funding of infrastructure, including NEC and high-speed corridors.	NRPC, with subsidiaries, states, commuter authorities and freight railroads, plans the network, levels of service, schedules, capacity and identifies needed infrastructure improvements, including planning and funding of high-speed corridors. NRPC also secures and distributes federal funds and oversees performance of subsidiaries.	NRPC, with train operating co., states, commuter authorities and freight railroads, plans the network, levels of service, schedules, capacity requirements, and identifies needed infrastructure improvements for intercorridor passenger service. NRPC also secures and distributes federal funds and oversees performance of subsidiaries. State/regional authorities responsible for planning and funding service on NEC and high-speed corridors.	NRPC, with Amtrak and other service providers, the states, commuter authorities and freight railroads, plans the network, levels of service, schedules, capacity, and identifies needed infrastructure improvements for intercity passenger service. NRPC also secures and selects train operators using competitive bidding. NRPC also responsible for overseeing passenger transportation and setting service standards and requirements.	The federal gov't with Amtrak and other service providers, the states, commuter authorities and freight railroads, plans the network, levels of service, schedules, capacity, and identifies needed infrastructure improvements for intercity passenger service. Gov't' also secures and selects train operators using competitive bidding. NRPC also responsible for overseeing, infrastructure maintenance, passenger transportation and setting service standards and requirements.
Organizational Structure	Federally chartered for-profit corporation with 5 business units: NEC, Amtrak West, Intercity, Mail/Express and Corporate.	Amtrak structure continues for non-infrastructure-related functions. Infrastructure company chartered as for-profit gov't corporation.	Amtrak (NRPC) rechartered as small parent corporation with for-profit subsidiaries for passenger/mail and express operations and for infrastructure ownership and maintenance. All stock of subsidiaries held by NRPC.	Amtrak (NRPC) rechartered as small parent company with for-profit subsidiaries: on passenger/mail and express and contract commuter operations, and ownership/operation of heavy maintenance facilities. NRPC initially owns stock of all subsidiaries; equipment and maintenance to be privatized after initial period.	Amtrak (NRPC) rechartered as small gov't corporation with responsibility for policy development, planning, funding, and oversight of intercity passenger service. Four new companies established: 1) a private train operating company, 2) a private mechanical corporation taking over Amtrak's heavy maintenance facilities, 3) an equipment ownership and leasing corp., and 4) a for-profit gov't corp. to own/maintain the NEC and other infrastructure and properties.	A government entity handles policy development, planning, funding and oversight of intercity passenger service. Four new companies established: 1) a private train operating company, 2) a private mechanical corporation taking over Amtrak's heavy maintenance facilities, 3) an equipment ownership and leasing corp., and 4) a private corp. to own/maintain the NEC and other infrastructure and properties.

	Status Quo	Option 1: Train operations separated from infrastructure ownership/manage-ment	Option 2: Major Institutional and Corporate Reform	Option 3: Hybrid Federal/State System	Option 4: Partial Privatization	Option 5: Full Privatization
Corporate Governance	8-member Board of Directors; 7 voting members appointed by the US President, including Sec. of Transportation (at U.S. President's discretion). Amtrak President an ex officio and non-voting member.	No change in Amtrak Board. New 17-member Infrastructure company Board comprised of 8 voting members from NEC states and 7 regional representatives, selected by state governors. Sec. of Transportation and Treasury and Amtrak President serve as non-voting members.	Separate Boards for NRPC and the subsidiaries. NRPC: 14 member Board of Directors; 9 appointed by the states, 2 appointed by the President (1 from rail freights, 1 from rail labor). Secretaries of Treasury and Transportation serve as ex- officers members. Boards of subsidiaries selected by NRPC board and comprised of business professionals.	Same as option 2, until privatization of equipment repair facilities.	Same as option 2, pending privatization of train operations, and the equipment ownership and repair functions.	Same as option 2, pending privatization of train operations, infrastructure and the equipment ownership and maintenance functions.
Revenue/ Funding Sources a) Operations	Federal appropriations to cover operating losses (through December 2002).	Federal appropriations to cover operating losses (through December 2002).		State/local authorities responsible for operating losses on NEC and high-speed corridors		
b) Capital Needs	Federal appropriations or other, to-be-determined revenue source.	Infrastructure capital needs funded by Infrastructure company through bonds; trackage rights fees and commercial real estate activities. Supplemented, if necessary, by appropriations or another yet-to-be-determined revenue source. Amtrak equipment funded through federal appropriations or another funding source.	Infrastructure capital needs funded through bonds; trackage rights fees and commercial real estate activities. Supplemented, if necessary, by appropriations or another yet to-be-determined revenue source. Amtrak equipment funded through federal appropriations or another funding source.	Capital needs on intercorridor network funded through federal appropriations or some other to-be-determined source. NEC and DHSRC's capital needs funded by the states with possible federal matching funds.	Infrastructure capital needs funded through bonds; trackage rights fees assessed by the infrastructure company on train operating companies, freight and commuter railroads; and commercial real estate activities. Supplemented, if necessary, by appropriations or another yet to-be-determined revenue source.	Infrastructure capital needs funded through bonds; trackage rights fees assessed by the infrastructure company on train operating companies, freight and commuter railroads; and commercial real estate activities. Supplemented, if necessary, by appropriations or another yet to-be-determined revenue source.

	Status Quo	**Option 1: Train operations separated from infrastructure ownership/managem ent**	**Option 2: Major Institutional and Corporate Reform**	**Option 3: Hybrid Federal/State System**	**Option 4: Partial Privatization**	**Option 5: Full Privatization**
Principal Strengths of this Approach	Least disruptive option	Relieves Amtrak of concerns about capital funding for NEC and other infrastructure, allowing it to focus on improving train operations. Divestiture of NEC infrastructure would ensure transparency of NEC infrastructure costs.	Same as option 2 plus NRPC facilitates government policymaking and insulates subsidiaries from political pressures, and presents unfunded service mandates. Eliminates cross-subsidization of functions. Board make-up ensures equal treatment of all regions.	State and local authorities take more responsibility for planning and funding service they support. Federal exposure for subsidies is limited to intercorridor service to maintain a national system. Competition among service providers should increase the efficiency and quality of operations.	Shares the strengths of the other options. Competition among service providers should increase the efficiency and quality of operations.	Shares the strengths of the other options. This option would rely to the maximum extent on the private sector for passenger operations and infrastructure maintenance.
Principal Weaknesses of this Approach	Long-standing problems with Amtrak operations and funding are perpetuated.	Creating a new infrastructure company may increase total overhead costs of passenger operations. Requires that a reliable source of funding is available for infrastructure.	Same as option 2 plus more complex than existing arrangements; may not go far enough to improve the efficiency of Amtrak and the quality of passenger service.	More complex than existing arrangements. States may be unable to fund NEC and high-speed corridors and will turn to the federal gov't for renewed financial support.	Privatizing operations could be politically and economically impracticable. Gov't would have to restructure Amtrak's operations, debt and capital structure prior to privatization.	Shares the weaknesses of option4. Federal gov't would have to invest billions to put the NEC in state of good repair prior to privatization. Gov't would also need to set standards for maintenance. Need to earn profits could be a disincentive to adequate investment.