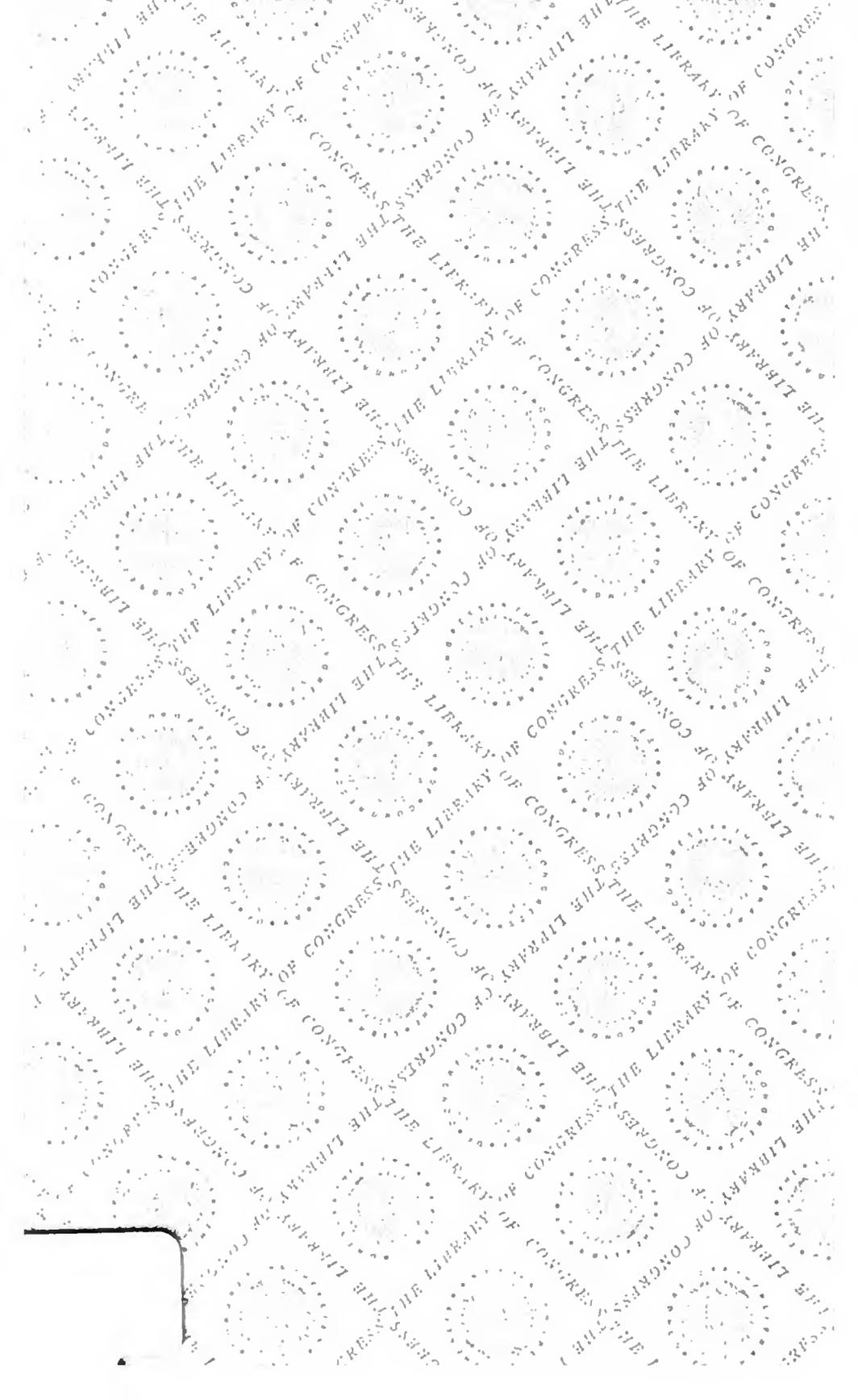
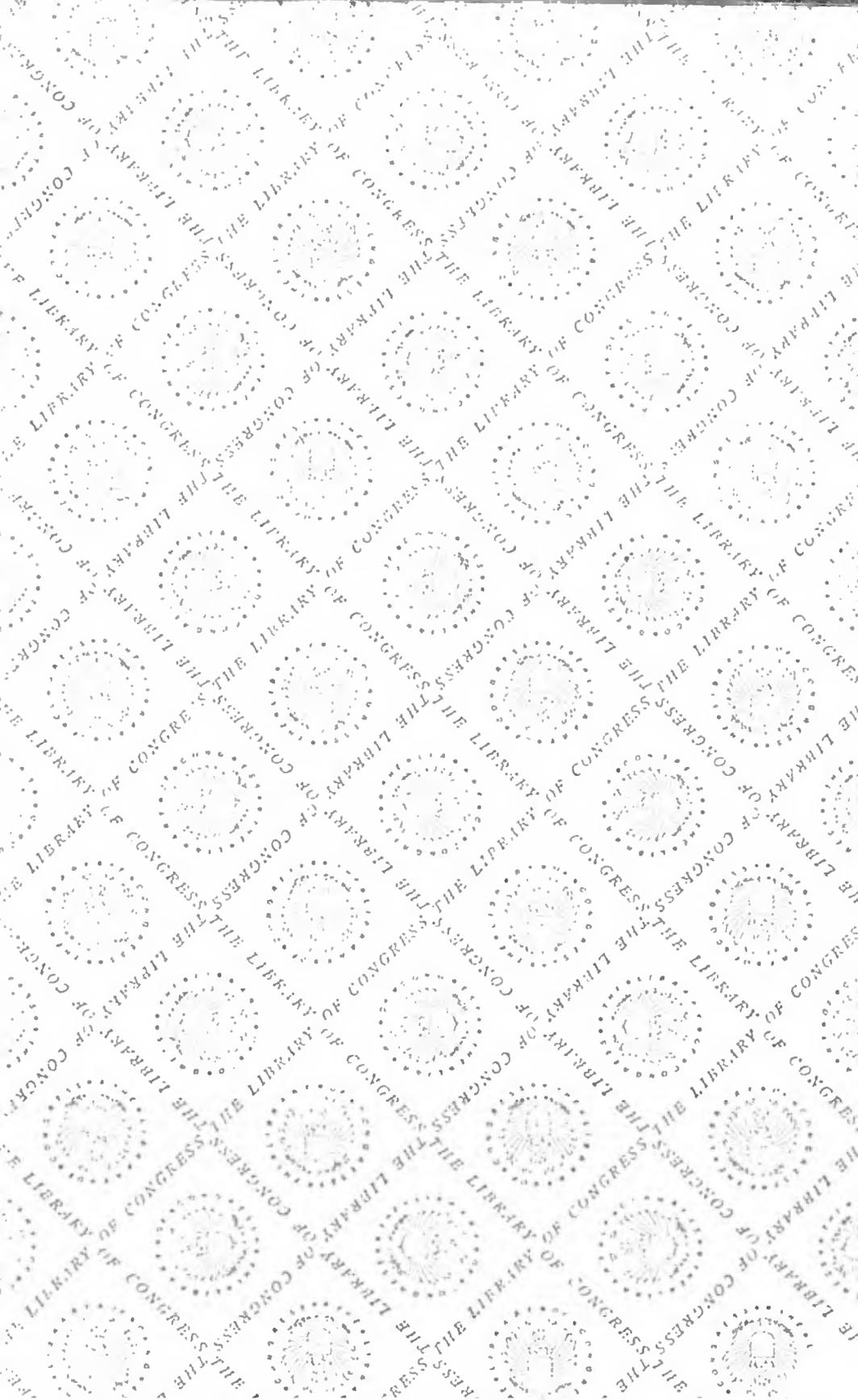


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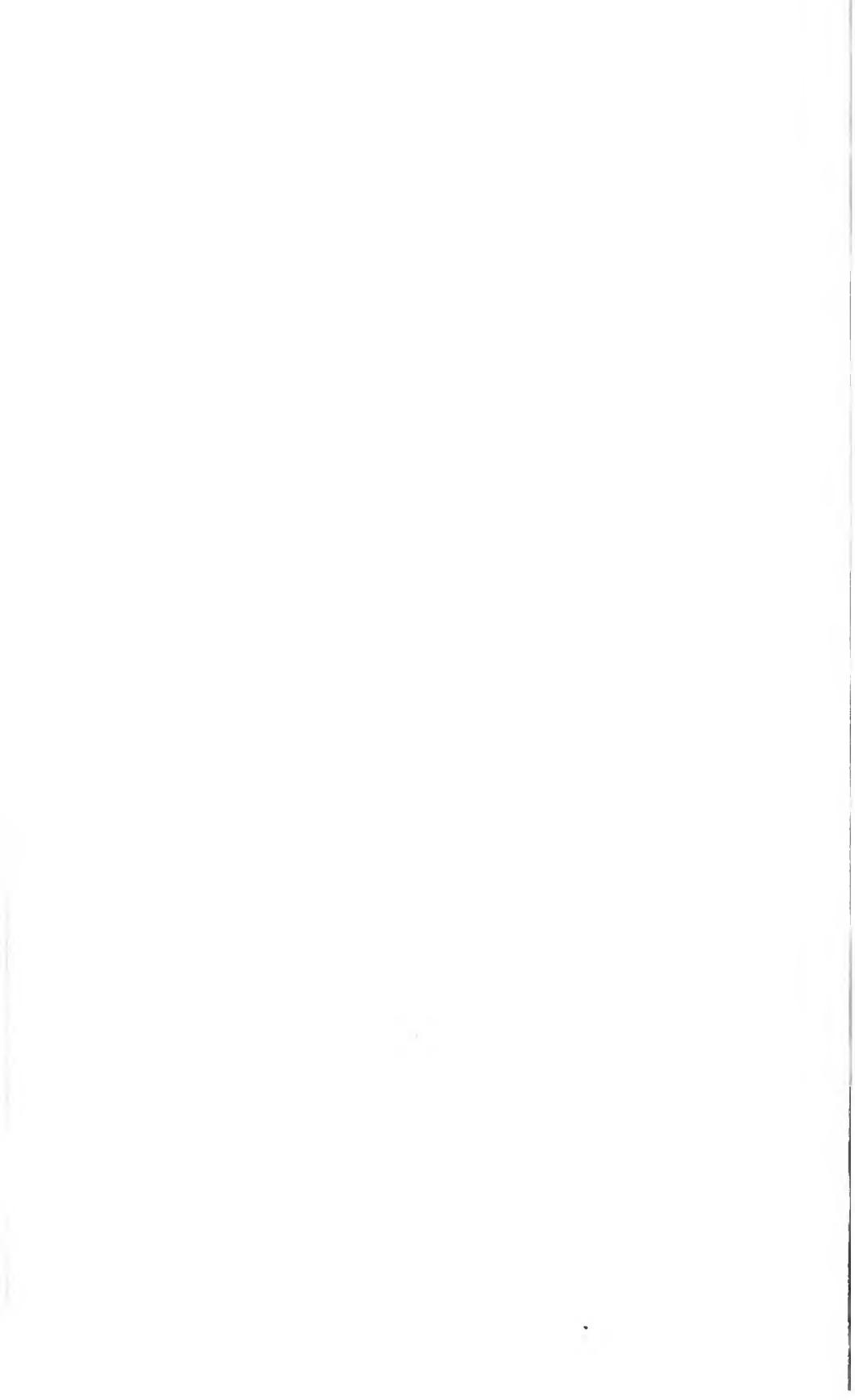
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# AMTRAK AUTHORIZATION—1975

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## HEARINGS

BEFORE THE

### SUBCOMMITTEE ON

TRANSPORTATION AND AERONAUTICS.

*United States Commss.*

OF THE

*House.*

### COMMITTEE ON

INTERSTATE AND FOREIGN COMMERCE.

## HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

SECOND SESSION

ON

### H.R. 15427 and H.R. 15428

BILLS TO AMEND THE RAIL PASSENGER SERVICE ACT  
OF 1970 TO PROVIDE FINANCIAL ASSISTANCE TO THE  
NATIONAL RAILROAD PASSENGER CORPORATION, AND  
FOR OTHER PURPOSES

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JUNE 17 AND 20, 1974

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Serial No. 93-82

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Printed for the use of the  
Committee on Interstate and Foreign Commerce



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WASHINGTON : 1974

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I5587  
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## CONTENTS

	Page
<b>Hearings held on—</b>	
June 17, 1974.....	1
June 20, 1974.....	77
<b>Text of—</b>	
H. R. 15427.....	2
H. R. 15428.....	4
<b>Statement of—</b>	
Barnum, John W., Under Secretary, Department of Transportation...	44
Cohen, Howard A., Special Assistant to the Under Secretary, Department of Transportation.....	44
Graham, Harold L., vice president, marketing, National Railroad Passenger Corporation (Amtrak).....	6
Hall, Asaph, Special Assistant to the Secretary and Head, Northeast Corridor Planning Office, Department of Transportation.....	44
Haswell, Anthony, chairman, National Association of Railroad Passengers.....	81
Lewis, Roger, president, National Railroad Passenger Corporation (Amtrak).....	6
Medvecky, Robert, general counsel, National Railroad Passenger Corporation (Amtrak).....	6
King, F. S., vice president, operations, National Railroad Passenger Corporation (Amtrak).....	6
Moot, Robert C, vice president, finance, National Railroad Passenger Corporation (Amtrak).....	6
<b>Additional material submitted for the record by—</b>	
Interstate and Foreign Commerce Committee, statement of William T. Druhan, staff member, Special Subcommittee on Investigation.....	77
National Association of Railroad Passengers, attachments to Mr. Haswell's prepared statement:	
Comment by Secretary of Transportation Claude S. Brinegar at National Press Club luncheon, Washington, D.C., May 14, 1974.....	90
Statement of Anthony Hasell, chairman, National Association of Railroad Passengers, before the Subcommittee on Surface Transportation, Committee on Commerce, U.S. Senate—June 6, 1974.....	92
<b>National Railroad Passenger Corporation (Amtrak):</b>	
Actions to see contracts are enforced.....	35
Amtrak's negotiations with contracting railroads.....	32
Appropriation of funds by DOT Secretary to Amtrak.....	26
Comments by Amtrak on H. R. 15427 and H. R. 15428.....	34
Comments re maintenance of tracks, roadbeds, signals, and other fixed facilities.....	29
Equipment acquisition program.....	41
Flow of funds.....	25
ICC role of reviewing Amtrak fares adequate and appropriate..	33
Letter dated April 2, 1973, from Frank S. Besson, Amtrak, to Chairman Staggers re comments on separation arrangements, automobiles and any other bonus or incentive practices of Amtrak.....	36

IV

	Page
Additional material submitted for the record by—Continued	
National Railroad Passenger Corporation (Amtrak)—Continued	
No additional legislative authority needed to require railroad companies to improve tracks.....	43
Proposed amendment for section 602.....	43
Questions posed by Congressman Wayne Owens by letter to Chairman Jarman dated June 17, 1974, together with replies from Amtrak.....	16
Request for \$200 million additional grants and \$400 million guaranteed loans.....	43
Transportation Department:	
\$200 million increase in section 601 loan guarantee authority recommended by DOT.....	66
Letter dated June 17, 1974, from Mr. Barnum to Chairman Jarman re proposed immediate improvements to the Northeast Corridor rail system.....	61
United Aircraft turbotrain accident in Dorval, Quebec.....	58

## AMTRAK AUTHORIZATION—1975

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MONDAY, JUNE 17, 1974

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The subcommittee met at 10 a.m., pursuant to notice, in room 2123, Rayburn House Office Building, Hon. John D. Dingell presiding. [Hon. John Jarman, chairman.]

Mr. DINGELL. The subcommittee will come to order.

This hearing marks the opening of our consideration of legislation designed to provide authorization for appropriations for 1975 for Amtrak.

The committee has scheduled these hearings on short notice because one of the witnesses will be leaving the country for 2 weeks starting tomorrow. The bills will be introduced today, and the Chair has been informed by the staff that the witnesses have had draft copies.

Without objection, the text of the bills will be placed in the record at this point.

[The text of H.R. 15427 and H.R. 15428 follow:]

# H. R. 15427

---

## IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1974

Mr. STAGGERS introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

---

## A BILL

To amend the Rail Passenger Service Act of 1970 to provide financial assistance to the National Railroad Passenger Corporation, and for other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       That section 404 (b) of the Rail Passenger Service Act of  
4       1970 (45 U.S.C. 564 (b) ), relating to discontinuance of  
5       service by the Corporation, is amended—

6               (1) by striking out “July 1, 1974” in paragraph  
7               (1) and paragraph (3) and inserting in lieu thereof  
8               in each such paragraph “July 1, 1975”; and

9               (2) by striking out “the expiration of the one-year  
10              period beginning on the date of enactment of this sen-

1       tence" in the second sentence of paragraph (2) and  
2       inserting in lieu thereof "July 1, 1975".

3       SEC. 2. Section 601 of such Act (45 U.S.C. 601),  
4       relating to authorization for appropriations, is amended by  
5       striking out "\$334,300,000" and inserting in lieu thereof  
6       "\$543,300,000".

7       SEC. 3. Section 602 (d) of such Act (45 U.S.C. 602  
8       (d) ), relating to the maximum amount of guaranteed loans  
9       which may be outstanding at any one time, is amended by  
10      striking out "\$500,000,000" and inserting in lieu thereof  
11      "\$900,000,000".

# H. R. 15428

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## IN THE HOUSE OF REPRESENTATIVES

JUNE 17, 1974

Mr. STAGGERS (for himself and Mr. DEVINE) introduced the following bill;  
which was referred to the Committee on Interstate and Foreign Commerce

---

## A BILL

To amend the Rail Passenger Service Act of 1970, and for  
other purposes.

1       *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That the Rail Passenger Service Act of 1970, as amended  
4 (45 U.S.C. 502), is amended by—

5           (1) deleting the word “owned” in section 304 (b)  
6       and substituting the word “voted” in lieu thereof, and  
7       adding the following sentence at the end of section  
8       304 (b): “If any railroad or any person controlling  
9       one or more railroads, as defined in this subsection,  
10       owns, in any manner referred to in this subsection, a

1 number of shares in excess of  $33\frac{1}{3}$  per centum of the  
2 total number of common shares issued and outstanding,  
3 such excess number shall, for voting and quorum pur-  
4 poses, be deemed to be not issued and outstanding.”;

5 (2) deleting section 601 and substituting in lieu  
6 thereof the following: “There is authorized to be appro-  
7 priated to the Secretary in fiscal year 1975 for payment  
8 to the Corporation pursuant to terms and conditions pre-  
9 scribed by the Secretary such amounts as are necessary  
10 to carry out the purposes of this Act.”;

11 (3) deleting “\$500,000,000” in section 602 (d)  
12 and substituting “\$700,000,000” in lieu thereof; and

13 (4) deleting section 801 and substituting in lieu  
14 thereof the following: “The Commission shall recom-  
15 mend to the Secretary, the Corporation, and the Con-  
16 gress in its annual report, such measures as it considers  
17 necessary to provide adequate service, equipment, and  
18 other facilities for quality intercity rail passenger service  
19 and shall report on the effectiveness of its prior  
20 recommendations.”

Mr. DINGELL. Our first witness this morning is Roger Lewis, president of Amtrak. Our second witness will be John Barnum, Under Secretary of Transportation, who will appear at 2 p.m. this afternoon.

Mr. Lewis, it is a pleasure to have you before the subcommittee this morning. We hope you will continue to feel welcome before this body. It is also our hope that our discussions this morning will be fruitful and will assist you and Amtrak in moving toward an effective program in railroad movement of passengers.

Will you introduce those accompanying you.

**STATEMENT OF ROGER LEWIS, PRESIDENT, NATIONAL RAILROAD PASSENGER CORPORATION (AMTRAK), ACCOMPANIED BY ROBERT C. MOOT, VICE PRESIDENT, FINANCE; F. S. KING, VICE PRESIDENT, OPERATIONS; ROBERT MEDVECKY, GENERAL COUNSEL; AND HAROLD L. GRAHAM, VICE PRESIDENT, MARKETING**

Mr. LEWIS. Mr. Chairman, I am accompanied by Robert C. Moot, vice president, finance; F. S. King, vice president, operations; Robert Medvecky, general counsel, and Harold L. Graham, vice president, marketing.

Mr. DINGELL. Mr. Lewis, we are certainly pleased to welcome you back to the committee and feel pleased to accept such statements as you wish to submit to the committee.

Mr. LEWIS. Mr. Chairman, members of the subcommittee:

Since the enactment of the Rail Passenger Service Act of 1970 my yearly report to you on Amtrak's progress has been an occasion I could anticipate with a reasonable measure of pride together with hopes for the future that seemed increasingly realistic.

I am happy to say that my appearance here today is marked by the same sense of accomplishment, but tempered by hopes expressed in an almost entirely new context; a context of challenges that are unique in our relatively brief experience and that have fundamental significance for the future of rail passenger service in the United States.

In the next few minutes I will be discussing some of Amtrak's more important achievements since I last spoke to you. I feel the message those achievements convey is that the American people can begin to feel a considerable amount of encouragement about Amtrak as well as relief that Congress had the foresight to provide the means for preserving this public resource of a rail passenger service, several years before its indispensable nature became as obvious as it is today.

First, however, and without downgrading in any respect the significance of the dedicated and determined work done by everyone connected with Amtrak, I must caution you that Amtrak's accomplishments cannot be the central theme of this year's presentation. You all know that the American public, sensing the necessity for the redevelopment of rail passenger service to proceed at an even quicker pace, has initiated through various media an examination of the successes and failures of our so-called experiment, and that critical commentary—much that is warranted and some that is not—already has been leveled from several quarters.

This burgeoning public concern with Amtrak is symptomatic of the accelerated growth in demand for rail travel that was spawned by the energy crisis and has confronted use with today's challenges. In light

of that, then, my report today will concentrate on our latest estimation of service requirements, obstacles that now exist, and certain additional legislative actions that would serve good purpose.

Taking the overall view, fiscal 1974 must be regarded as the year that the difficult work could really be begun in earnest on solid planning for the future. During fiscal 1974 we have seen congressional and Administration acceptance of the basic Amtrak route structure; a clear demonstration of the need for a substantial system of intercity rail passenger service, growing from a solid base, and acceptance in the marketplace by the public of the services Amtrak can offer.

In the first 10 months of fiscal 1973, Amtrak's revenues were \$145.7 million. The most recent comparable period saw our revenues climb to \$196.4 million, an increase of 35 percent.

Fiscal 1974, together with fiscal 1975, which we are about to enter, must also be regarded as a year of transition, as we make the preparations for building the Amtrak system to come. Some of the pieces of this new Amtrak are already in place, or nearly so. This is a long lead-time business and a number of important initiatives we were able to undertake last year and the year before are now coming into the applications and payoff stages. Among these is our totally new computerized information and reservations system, nationwide in reach and scope, that within a very few weeks will be providing our total national needs. This system will have been completed within an unprecedented 2-year time frame, and while it was being installed it was also being expanded.

We are now in our second round of new locomotive deliveries, and by midsummer we will have received a total of 150 high-horsepower, high-reliability units. Many are already replacing overage units, and where these new engines have been assigned to trains we are already seeing a very encouraging improvement in on-time performance. Some new units are already in service on several of the lines with the worst on-time records, and the difference they are making is remarkable.

During our first 3 years our major problem areas, I would say, have been: first, the deplorable status of all operating equipment and tracks; second, the very difficult contractual relationship with the railroads, which provided almost no practical control over costs and no assurance of performance; and third, the insufficient power of the Amtrak board of directors under existing legislation to set independently the basic policy course to be followed by management.

All these problems tend to be interrelated, so progress in one area can often help with the others. I believe we are now getting a much better grip on the fundamental business of telling our potential customers when and where the trains operate and helping them to make the necessary reservations and buy the tickets. We have also focused on employee problems with a continually accelerating program for employee communications and formal training. This has involved the setting and enforcing of standards as well.

The foremost element in restructuring employee attitudes and achieving better coordination has been our program for the takeover of railroad employees; bringing them directly onto the Amtrak payroll and under Amtrak supervision. I believe this committee was quite correct in amending the Amtrak legislation to permit us to take over

these employees. It is a major reform that is already benefiting the system.

Probably the most difficult area we now face is that of equipment and the condition of the physical plant over which our trains must operate. Today we have in our car fleet more than half again as many cars as it was believed we would need when we started. These cars are today in much better condition, overall, than they have been for years, due to our massive upgrading programs. The supply, however, is already inadequate and the condition of the fleet is still far from optimum. We are putting heavy demands on these cars, and many of them are going to have to face retirement in the fairly near future.

We have still not been able to make much progress in coming to grips with the problems of track, roadbeds, and associated facilities, such as signaling improvements, although it has not been from lack of effort on our part. Railroad physical plants are increasingly a national problem, although if looked at on a railroad-by-railroad basis there are important exceptions. In general, however, it is no secret that large portions of this Nation's physical railroad structure are badly deteriorated and getting worse by the day.

We are hopeful that solutions are in the offing that will not only halt the deterioration on many Amtrak lines but provide for upgrading of the high-density routes. We regret the time it has taken to get our major track programs underway, and the delay has been compounded by shortages of materials, equipment, and trained personnel as well as the formidable legal and contractual problems. Nevertheless, this is important work that must go forward.

Fundamental to all these longer range improvement programs is sound planning. Starting in late summer a high-level planning team was given the assignment of determining capital equipment needs on a long-range basis, based on a firm route structure. The plan that was developed was forwarded to the Congress and the administration on November 15, 1973, as a part of our budget submission.

This November plan contemplated a capital acquisition program of \$480 million for the 2-year period comprising fiscal years 1974 and 1975. It was calculated that this \$480 million program would pay out—which is to say, return its cost—in 10 years with a return on investment of 5 percent. During the preparation of this 2-year program, some work was also done on planning with a 5-year time horizon.

By mid-November it was apparent that the Nation was heading into serious and long-range energy problems, which would significantly alter transportation and travel patterns. Amtrak ridership, even before gasoline shortages began to impact in the fall, was running well ahead of the comparable year earlier periods and trending solidly upward. By late November, advance reservations—a much more reliable planning indicator now that the new computerized reservations system was in partial operation—indicated heavy demands on Amtrak capacity. It was soon apparent that the future we had assumed would not be the future we would have to deal with. The future was going to arrive ahead of schedule.

Accordingly, the planning team, at my personal direction, immediately went to work on a revised plan, including a revised capital acquisition program on a 5-year basis—fiscal year 1974 through fiscal year 1978. This new plan, including a 5-year financial projection of corpora-

tion operations and a revised capital acquisition program, was approved by the Amtrak board of directors in late March subject to the completion of final refinements and transmitted to the Congress and the administration on April 22, 1974. The analysis indicates that, with an expanded capital program, Amtrak deficits can be substantially reduced. As projected under the plan, in terms of constant dollars, Amtrak's deficit would be reduced by fiscal year 1978 to \$45.5 million.

As revised, the new capital acquisition program has been expanded from the 2-year, \$480 million proposal advanced last fall, to a 5-year, \$759 million program. This \$759 million program has a calculated pay-out period of 7.2 years, a return on investment of 11 percent and an annual reduction in deficits of \$68.7 million. This compares very favorably with the previous \$480 million proposal, with its 10-year payout and return on investment of 5 percent. Our revised plan contemplates a substantial order for low-level, high-seating-density coaches for use on corridor service (400 cars); a doubling of the planned increase in turbine-powered cars (from 50 to 100, or 20 five-car trainsets rather than 10); an increase in the number of bi-level coaches for long-haul service (from 150 to 235), and an increase in the number of new diesel locomotives (from 138 to 160).

To permit implementation of the plan, Amtrak has requested an increase of \$400 million in our present guaranteed loan authority; that is, from the present \$500 million to a total of \$900 million. Because of leadtimes on equipment and component deliveries and because of the need to be able to offer vendors firm long-range financial commitments, Amtrak is asking that the guarantee authority be increased to \$900 million in the legislation being considered now by the committee, for the coming fiscal year.

We are also seeking at this time the necessary authorization for appropriations sufficient to cover our operating losses. For fiscal year 1975, an authorization and appropriation of \$143 million has been budgeted by the administration. Since submission of the fiscal year 1975 estimate, new routes under section 403 are certain to be established; operating costs of fuel, equipment maintenance and material are significantly higher due to inflation, and new contracts with the railroads covering improved performance under ICC standards and increased cost compensation are being finalized. Therefore, it would perhaps be prudent for the committee to consider the provision of sufficient authorization to assure continued operation of Amtrak in the probable event that operating deficits accrue at a greater than budgeted rate. I should also point out at this time that Amtrak no longer will be receiving "entry-fee" payments from the railroads as an available source of income, and if there is a shortfall in the amounts necessary to meet expenses our only option would be the curtailment of services.

Inflation has had a particularly difficult impact on our operating ratio. With a cost base, which we inherited, larger than the revenue base, we cannot pass along inflationary cost increases to our customers on a percentage-point-for-percentage-point basis without pricing ourselves out of our markets. Amtrak was structured to be a for-profit corporation, and this has meant a continual management stress on deficit reduction. It is a battle of revenue, and it is also a battle of costs. We have had to absorb cost increases over which we have had no con-

trol. Our actual deficits, therefore, at present do not show the encouraging downward trend that we had hoped. Except for the cost elements beyond our control, however, we have kept good control over costs, and we are getting better by the day, with a tighter and more efficient operation. Meanwhile, inflation presents problems that will unavoidably have to be dealt with through appropriations for the resulting shortfalls, and we hope we will have your understanding on that.

The service standards issued by the ICC, which went into effect April 1, are the source of another major area of cost uncertainty which may result in Amtrak's need for a larger fiscal 1975 authorization. We really are not yet in a position to quantify what the excess costs might be as the programs are in some cases not yet fully underway. We will have to gain some operating history under the new rules, in a developing climate of customer awareness of the rules, before we can be very precise about the costs.

I should add that under these new ICC regulations I can see a potential for revenue increases in the long run, so it is mainly the short-term costs I am worried about now. They have to do with such things as providing around-the-clock food service on some trains, better service at stations, including more baggage service, and for feeding and sheltering passengers delayed because of schedule failures involving late trains or missed connections. Amtrak has concurred in the thrust and intent of these regulations as beneficial to the service we are trying to provide. A better service will attract more passengers, especially more repeat passengers, yielding more revenues. Also, as a general business principle, it is usually more costly to do things wrong than to do them right. So I view the ICC service standards approach as one that can in time yield benefits at the bottom line. For the immediate period, however, they represent a somewhat unquantifiable additional cost element.

Similarly, the increased ridership since the energy problems of last fall, although representing a real opportunity for Amtrak over the longer term, has an immediate impact on costs. We have to handle this traffic, which amounts to tomorrow's ridership that is here at the station today wanting to use yesterday's plant and equipment, and there are things we can do to help relieve the pressure but these things add to costs.

One way is by renting extra cars from commuter railroads for use on weekend trains. Another is to run our own equipment harder, disrupting preventative maintenance schedules with a cascading effect on costs later. We are now gaining a feeling for this sort of added expense, but we did not have much more than an awareness of the problems to come when we made our original budget submission.

Yet another major uncertainty as to costs during the coming fiscal year will result from the addition of new routes to the system. We do not project any new routes at a profit, and there are therefore varying amounts of losses for any of the routes under consideration. Additionally, we must consider the equipment problem and the possible impact on revenues on other routes from which cars may have to be diverted to inaugurate new services.

The final category of costs we could not anticipate when we prepared our budget are those involving new contract provisions with the railroads. I should stress that we do not have today any of the new

provisions in effect. We have agreed on new provisions with the Penn Central, but they have not yet been approved by the reorganization court. We hope and expect that the new Penn Central provisions will be the model for new contractual arrangements with the other railroads.

The new provisions will add to our costs, and the sums added may be considerable. However, under the new provisions, if we can prevail with them, we will have for the first time clear billing categories and ceilings on costs—of major long-range significance in cost control—and we will have also tied the level of payments to the quality of the service provided, as this subcommittee and the Congress legislated in last year's amendments.

We will have incentives for superior performance and penalties for substandard performance. We hope we will not have to collect the penalties and that the railroads will do such a good job of operating the trains that we will have to pay the incentive payments.

On the surface, with Amtrak in a deficit position, this may seem paradoxical, but I know the committee is aware of the importance of these new contract provisions to the eventual success of Amtrak. I have worked very hard to get these negotiations to their present point, and I wish I could report that we had them in effect today. Amtrak's operating deficits make it imperative that a relationship with the railroads be structured that is biased toward success, not one that encourages conflict and noncooperation.

Achieving a more workable relationship with the railroads is fundamental to almost every problem confronting Amtrak. It can mean much better schedule performance and even shorter schedules. It can mean more care and concern about inoperative or substandard equipment, and getting it fixed properly. In this regard, it can even mean railroads putting pressure on Amtrak for better performance, which is salutary.

It can mean satisfying more passengers, thus mitigating any vulnerability under the ICC service standards for added expenses. It can even mean at least a partial answer to problem of inflation, through better productivity, cooperative cost control, and operational efficiencies.

In summary, then, we have essentially two cost-related requests to make of the committee and the Congress at this time. One is an increase in the statutory loan guarantee provisions of \$400 million, to a total of \$900 million, and the other is an authorization for the fiscal year 1975 appropriation.

As I indicated, our actual pending request at this time is the amount budgeted by the administration for appropriation, \$143 million. As I have explained, we do foresee the possible need for additional appropriations for the fiscal year, as we did last year, and the committee may wish to consider an authorization for a larger amount. In view of the various contingencies, we suggest to the committee that the authorization could be set at \$200 million, which I expect would prove adequate to cover the worst combination of the contingencies I have discussed.

We would, in addition, support an amendment removing the present restriction on the amount of Amtrak common stock a single railroad may hold. Because only four railroads elected to take common stock in Amtrak, this restriction is essentially unworkable in its present form.

Mr. Chairman, there is one other legislative proposal I would like to discuss, although it may not be technically before this committee at this time. As you know, we just last week appeared before the Senate Subcommittee on Surface Transportation on authorization legislation for fiscal year 1975.

Pending before that committee is a bill, S. 3569, introduced by the subcommittee chairman, Senator Hartke, containing a provision that would clarify the intent of the Congress concerning the scope of authority to be exercised by the Department of Transportation over decisions of the Amtrak Board of Directors, especially relating to use of congressionally provided Government loan guarantees.

I was asked for Amtrak's position on this proposed amendment, and in order that my testimony be consistent here with our testimony before the Senate subcommittee, I would like to make the following observations:

S. 3569 would add a new subsection (h) to section 602 of the Rail Passenger Service Act, which would read as follows:

(h) Any request made by the Corporation for the guarantee of a loan pursuant to this section, which has been approved by the Board of Directors of the Corporation, shall be approved by the Secretary without substantive review of the objects of such underlying loan. Substantive review of the capital and budgetary plans of the Corporation by the Secretary shall be effected by the Secretary in his capacity as a member of the Board of Directors of the Corporation and through issuance of general guidelines pursuant to section 601 of this Act.

Section 602 of the act as amended currently provides that the Secretary of Transportation is authorized, on such terms and conditions as he may prescribe and with the approval of the Secretary of the Treasury, to guarantee any lender against loss of principal and interest on securities, obligations or loans issued for the purposes authorized under section 602. The proposed new subsection (h) would not affect this authority of the Secretary but rather would clarify the intent of the Congress as to the scope of the authority.

Section 301 of the Rail Passenger Service Act of 1970 states very clearly the purpose and the intended character of the National Railroad Passenger Corporation as well as the relationship of the Corporation to the Government. The pertinent sentences of section 301 are quoted:

The Corporation shall be a for profit corporation, the purpose of which shall be to provide intercity rail passenger service, employing innovative operating and marketing concepts so as to fully develop the potential of modern rail service in meeting the national intercity passenger transportation requirements. The Corporation will not be an agency or an establishment of the United States Government.

There is no question in my mind that the Congress and the President, in establishing the National Railroad Passenger Corporation, wanted to provide the Corporation with the greatest possible independence of action consistent with the public interest and the overall plans and programs of the Government. A corporate structure was employed to assure the greatest freedom in reaching day-to-day operating and management decision; and with the appointment of a knowledgeable, experienced board of directors to assure that the best thinking was applied to the review and approval of capital and operating plans.

The public interest in the Corporation is protected in many adequate ways. In addition to the Secretary of Transportation as a member, the board of directors now has 9 public members out of a current total of 13. These nine public members are appointed by the President, by and with the advice and consent of the Senate. It is the responsibility of the board of directors to govern the operations of the Corporation, and it is clear that it is the intent of the act that the board not subordinate its authority by functioning as an agency or establishment of the U.S. Government.

The Secretary of Transportation and the nine public members of the board provide assurance that executive department programs, plans and guidance are communicated to the management of Amtrak. The review and approval of loan guarantee requests by the Secretary of Transportation and the Secretary of the Treasury provide assurance that prudent financial practice is followed within overall Government policy. The oversight committees of the Congress provide assurance that the purposes and objectives of the legislation are being met by Corporation operations. The General Accounting Office provides assurance that Corporation operations are in accordance with law and approved management practice.

The success of Amtrak is dependent upon the nomination and confirmation of a competent, dedicated board of directors that recognizes and accepts its responsibility and is willing to exercise the authority it has been provided under the legislation. Amtrak cannot be successful if decisions of the board as to operations and capital investments are subject to veto or long delays on questions of program substance by various organizational elements of the Department of Transportation.

I am convinced that the management of Amtrak needs a strong board to provide clear, unequivocal guidance in order to function in accordance with its legislative mandate as a private enterprise corporation. For these reasons, in my testimony before the Senate subcommittee I supported the addition of subsection (h) to section 602 of the Rail Passenger Service Act of 1970, and my purpose in including this discussion in my statement here this morning is to reaffirm this position before this committee.

In concluding my prepared remarks, I would like to emphasize my recognition that, in the final analysis, Amtrak can succeed only if Congress retains an intense interest in its success. The action taken by the Congress in establishing Amtrak reflected its keen awareness that a strong and comprehensive rail passenger service is an invaluable national asset. The creation of Amtrak showed, too, that Congress knew that this asset was a wasting one and that some new and bold action was necessary. The same active and continuing involvement on the Congress part is essential in order for Amtrak to overcome the three basic obstacles to the accomplishment of its mission.

The first stems from the fact that the equipment and facilities necessary for safe and pleasant passenger service had been for the most part allowed to deteriorate because of the railroads' preoccupation with freight business. Our equipment purchases have improved this situation, but there remains a long way to go both in the acquisition of additional locomotives and cars and in the improvement of track. This will require very large expenditures, expenditures that cannot be financed without substantial Federal monetary support. If we are to

attain the level and quality of rail passenger service that America wants and needs, the goal of eventual financial self-sufficiency for Amtrak cannot be reached within the next several years. Congress must decide whether the objective is worth continued Federal subsidization. I believe that the objective is worth this support.

Second, it has been necessary to work out a new type of relationship between Amtrak and the railroads. As I have indicated, I believe that we have begun to work out a relationship under which the railroads will have a stake in the provision of high-quality passenger service.

Finally, Amtrak was, in its very structure, an experiment. It was in form a private company but with close and continuing governmental ties. The exact balance between its private and its governmental attributes is not yet fully clear and we must continue to look to this committee and Congress for guidance.

Mr. Chairman, Amtrak has been in operation for more than 3 years now. That may seem like a long time to those of us who have been involved from the beginning, but in terms of a newborn corporation, starting from zero and confronted with an extremely difficult mission, it is really not a very long time at all. I believe, given the problems, that we have been able to make remarkable progress.

For the past 3 years, Amtrak's whole organization, myself included, has been on a learning curve, and it has been a steep one. You gentlemen have watched our progress on this learning curve and I want to say you have been very, very helpful. To date, as I have said many times, I am not satisfied with our progress. But I am gratified that we are now beginning to see the results—the preliminary payoff—of our first 3 years of development work.

This summer will be difficult but it will be difficult in different ways than last summer. Things will go wrong, but when all the figures are in I predict that we will have had our best summer to date in terms of the total numbers of persons served and served well. We have new engines and better cars. We don't have enough but we have more than we have ever had, in better shape, and we have better stations, better systems, daily routines that are beginning to work smoothly, and, above all, a good staff and employee force that is getting better.

In my view, Amtrak can make greater progress toward the objectives we all seek if it is allowed to operate under the policy control of its board of directors. The full realization of the government interest is assured by the fact that the board consists of governmental appointees with Senate confirmation, by the fact that the Secretary of Transportation serves as a member of that board and by the continuing authority of the Congress both in oversight and in providing the requisite authorizations and appropriations. It is within the authority of Congress, through its legislative processes, to determine whether Amtrak should be, in effect, a subagency of the Department of Transportation or whether it should operate as an independent corporation, affected with a strong public interest and with its activities subject to continuing review by both the executive and legislative branches. It has been my understanding that Congress intends the second policy. I am confident that with the continuing support of the Congress and the active participation of representatives of the Department of Transportation, the new and strong board, which has been nominated, can lead Amtrak to the achievement of its important goals.

Mr. Chairman, before moving to the general discussion, I think I should indicate the impact of the action taken by the House Appro-

priations Committee in cutting the Amtrak operating request for fiscal 1975 by \$18 million.

Mr. DINGELL. I want you to devote considerable attention in detail to that. That bill is coming up this Wednesday and this particular member of this subcommittee has some strong feelings on that. It would be helpful if you give us your comments.

Mr. LEWIS. I have that here. It is a page and a half. I do think it would be very helpful to the committee:

The Amtrak request for an operating grant for fiscal year 1975 was \$143 million; the committee recommendation was \$125 million; and the committee reduction was \$18 million.

#### EFFECT OF REDUCTION ON PROGRAM

The Amtrak deficit, for which funding is required, results from the scope of operations (number of services), and the operating costs thereof, less revenues.

Congress determines the number of routes over which service must be provided:

The basic system of Amtrak routes is currently frozen by law.

Under section 403(b) of the Act, Congress requires Amtrak to meet a share of the deficits of train service initiated by States.

Under section 403(d), Congress has mandated the addition of at least one new experimental route each year. Amtrak has projected substantial deficits for each new route proposal that has been studied.

While revenues are up significantly (up 35 percent in the first 10 months of fiscal year 1974 compared to the year-earlier period), costs are caught up in the inflationary spiral affecting the whole economy.

The problem is compounded by significant unbudgeted costs, actual and projected, including, as stated: inflation at a greater rate than estimated; statutory requirements to add routes; costs which will result from renegotiated contract provisions with the operating railroads; strict service standards imposed by the ICC; and statutory changes in railroad retirement contributions from employers.

Amtrak does not have authority to borrow funds under Government guarantee for operating purposes, and Amtrak no longer has any entry payment receipts from participating railroads. Therefore, all operations are dependent upon operating receipts and Government grants.

Because Amtrak has no way of suddenly reducing its costs on the scale apparently contemplated by the committee without reducing services, a \$125 million appropriation for fiscal year 1975 at today's level of deficits would require Amtrak to undertake a significant curtailment of operations. Amtrak trains and station services would have to be sharply reduced throughout the system.

The reduction would of necessity be throughout the system and the degree of reduction would depend upon the timing of the reduced appropriation. A cut of 12.5 percent on an annual basis increases to almost 18 percent if the final decision is not made until September.

As Amtrak is quite limited in this regard, the main focus would have to be those routes now enjoying service by more than one train daily. This includes the Northeast corridor (where some trains continue to operate at a loss); New York-Florida service; New York-Buffalo; Chicago-Detroit; Chicago-Carbondale; Seattle-Portland; and Los Angeles-San Diego.

In addition, routes with only one train daily would have to be examined for savings achievable by reductions in frequency to tri-weekly or weekly service.

Because of the leadtimes required in negotiating operating schedules with the railroads, timetable publication and distribution, and advance reservation and ticket sales, planning for the necessary service curtailments would have to begin at once to permit decisions to be finalized well in advance of the implementation date.

Amtrak does not believe the proposed reduction is either in the public interest or in accordance with the expressed intent of the Congress as to the scope of intercity rail passenger service. In all testimony before congressional committees this session, as well as in the 5-year financial plan provided to the Congress, Amtrak has made it very clear that sizable deficits can be expected to continue until new equipment is in operation and maintenance costs can be reduced.

Interest costs are a function of outstanding loans and high rates and this cost cannot be reduced unless grants are made for capital equipment acquisition.

That concludes my statement, Mr. Chairman.

Mr. DINGELL. The committee is grateful to you for a most helpful statement. This cut will require a cut from the existing system or a freezing of the existing system for a year?

Mr. LEWIS. It would require a reduction either in the new service or in the level of service provided to the public.

Mr. DINGELL. The probabilities are that we will be compelled to come forward with larger appropriations because Amtrak has not been allowed to move intelligently toward a compensatory profit-making system.

Mr. LEWIS. That is correct.

Mr. DINGELL. Can you tell this committee what the rationale of the Appropriations Committee was as to the cut?

Mr. MOOR. The report said that \$684 million would have been provided for operating purposes to Amtrak with the addition of this \$125 million. The committee notes that Amtrak is no closer to breaking even than when it started. The committee also said it was getting concerned about the debt servicing cost relative to a large outstanding debt of Amtrak incurred for new equipment. The committee further noted that service and route criteria were being requested under the Supplemental Act to be provided to the Congress by December 1974.

Those were the only pertinent comments, Mr. Chairman.

Mr. DINGELL. We have communication from Congressman Wayne Owens of Utah, who has requested certain questions be asked. The Chair will submit the letter to you and ask that you reply. Your response will be included in the record.

[The following material was received for the record:]

CONGRESS OF THE UNITED STATES,  
HOUSE OF REPRESENTATIVES,  
Washington, D.C., June 17, 1974.

HON. JOHN JARMAN,  
*Chairman, Transportation and Aeronautics Subcommittee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.*

DEAR MR. CHAIRMAN: It is my understanding that Mr. Harold Graham, Vice President of Amtrak, will testify this morning before your subcommittee relative to possible new passenger service routes.

I would be grateful if the following questions might be asked of Mr. Graham:

(1) I understand that of the three possible new routes which you are considering that the Los Angeles-Las Vegas-Salt Lake City-Ogden service is shown to be the most economical so far as losses for first-year operation are concerned. Is this true?

(2) Would you explain the basis for this study and the comparative costs of all proposed routes currently under study by Amtrak?

(3) How does the average load factor for this route compare with that projected for the other possible new routes?

(4) Would the trackage require extensive work to make it suitable for this service?

(5) Would there be an economic justification for the Secretary of Transportation to award experiment status to any other route before this one?

Sincerely,

WAYNE OWENS, *Member of Congress.*

QUESTIONS POSED BY CONGRESSMAN WAYNE OWENS BY LETTER TO CHAIRMAN JARMAN DATED JUNE 17, 1974, TOGETHER WITH REPLIES FROM AMTRAK

*Question.* I understand that of the three possible new routes which you are considering that the Los Angeles-Las Vegas-Salt Lake City-Ogden service is shown to be the most economical so far as losses for first-year operation are concerned. Is this true?

*Answer.* Section 403(d) of the Rail Passenger Act provides that each year the Secretary of Transportation shall designate at least one new route for Amtrak to operate on an experimental basis. In order to be of assistance to the Secretary, Amtrak financial planners prepared studies of several possible candidates for this designation. These studies showed that the proposed Los Angeles-Ogden route had the second lowest projected loss of all routes analysed. The table which follows outlines projected losses for the principal routes considered.

Route:	Projected loss
Los Angeles-Ogden -----	\$747,000
Boston-Chicago -----	526,000
Kansas City-Denver -----	1,807,000
New Orleans-Jacksonville -----	1,513,000
Washington-St. Louis -----	3,863,000
Washington-Detroit -----	2,948,000
Norfolk-Cincinnati -----	4,211,000

*Question.* Would you explain the basis for this study and the comparative costs of all proposed routes currently under study by Amtrak?

*Answer.* On the cost side, each study analyzed in detail all items that could be anticipated to operate the specific service. These items included operating and on-board service personnel, equipment maintenance, food, supplies, fuel, watering, servicing costs, terminal fees, trackage fees, station personnel and other station costs, reservation and information personnel and corporate overhead. In the case of labor costs, actual work rules, crew districts and other constraints as well as actual wage rates obtained from the operating railroads were considered. On the revenue side projected passenger fares and dining car revenues, plus revenues from connecting passengers were included. Ridership estimates were determined by examining the various markets along each route and the flow of air, bus and, where available, automobile traffic among them. Fare levels were set at an Amtrak system average. Each route as a whole was compared to existing similar routes and to the history of the route if rail passenger service existed prior to Amtrak. Projected costs for the principal routes considered were as follows:

Route:	Annual cost
Los Angeles-Ogden -----	\$7,121,000
Boston-Chicago -----	7,850,000
Kansas City-Denver -----	3,649,000
New Orleans-Jacksonville -----	3,416,000
Washington-St. Louis -----	5,203,000
Washington-Detroit -----	4,903,000
Norfolk-Cincinnati -----	4,516,000

*Question.* How does the average load factor for this route compare with that projected for the other possible new routes?

*Answer.* Projected load factors for the same routes are as follows:

Route :	Percent
Los Angeles-Ogden-----	64
Boston-Chicago-----	61
Kansas City-Denver-----	36
New Orleans-Jacksonville-----	44
Washington-St. Louis-----	34
Washington-Detroit-----	54
Norfolk-Cincinnati-----	31

*Question.* Would the trackage require extensive work to make it suitable for this service?

*Answer.* Our operating studies indicate that no significant track work would be required to operate passenger service over the Los Angeles-Ogden route.

*Question.* Would there be an economic justification for the Secretary of Transportation to award experimental status to any other route before this one?

*Answer.* The Secretary has now designated the Boston-Chicago route as the official experimental route for 1974. At the same time, the Secretary announced that Amtrak would also begin service between Norfolk, Virginia and Cincinnati through Southern West Virginia. In addition, Amtrak has contracted with Las Vegas Charter Service, Inc. in Las Vegas to operate 2-3 round trips per week between Los Angeles and Las Vegas beginning in the fall. This latter service will utilize equipment that would otherwise lay over in Los Angeles.

The Secretary based his route selection on several criteria, including potential cost and revenue, total population served, new population served, start-up costs, and others.

Amtrak was involved in the decision only to the point of supplying data where requested. Therefore, it would be difficult to determine whether any route other than the one selected would have been more justifiable from an economic point of view.

**Mr. DINGELL.** The Chair recognizes Mr. Adams.

**Mr. ADAMS.** Thank you, Mr. Chairman. It is nice to have you and your associates here this morning.

All of us who have taken part in drafting the original legislation are very concerned with what we consider a major turning point for Amtrak at this time. In view of the fact we do have the problem of the energy crisis, we, in Congress, are in a position of being able to permit you to proceed or collapse. I think you will agree with me that your primary problem at the moment is your relationship with the railroads that provide right-of-way on which you operate and the contractual basis on which you operate with them.

Isn't that a fundamental problem?

**Mr. LEWIS.** I would say that and I would add that of equal importance is the equipment and track condition.

**Mr. ADAMS.** Equipment and track conditions, and that leads me directly to my questions.

Your original equipment was supplied by the railroads and you paid them; correct?

**Mr. LEWIS.** Yes.

**Mr. ADAMS.** The track is supplied by the railroads and you pay them; isn't that correct?

**Mr. LEWIS.** No.

**Mr. ADAMS.** I mean that is part of your contract with them, to pay for being able to move from one place to another on their tracks using their system; correct?

**Mr. LEWIS.** That is correct. The railroads are obligated to make this track available to us and to maintain it at the level of utility which existed on May 1, 1971.

**Mr. ADAMS.** According to your testimony and the intimate knowledge this committee has, they don't do that, do they?

Mr. LEWIS. In some cases, they don't.

Mr. ADAMS. What is your problem right now, for example, with the ICG system and Mopac, when they say you can't use their track?

Mr. LEWIS. This is a matter of reroute from the present service over the presently used track of a participating railroad to a track which is not now being used. The question is one of cost. They feel there should be certain charges for the use of the track and in other cases they have asserted considerable capital charges.

Mr. ADAMS. You have a right under section 402 of the act to require them to let you operate; do you not?

Mr. LEWIS. We do.

Mr. ADAMS. Is your problem that you don't feel you are safe in operating over that track?

Mr. LEWIS. No. The problem is simply it provides if we have any difficulty in operating on that alternate track, we can go to the ICC and the ICC will decide whether it can be done or not. The reason we have not gone to the ICC in the two cases you have mentioned, although we may—

Mr. ADAMS. I am using them only as an example.

Mr. LEWIS [continuing]. We feel it would be better to examine both alternatives in each of these two cases very carefully and decide whether or not it would be possible to operate in the one case on the present track and if we cannot, we will take the proper steps before the ICC.

Mr. DINGELL. Would the gentleman yield?

Would you list for the purposes of the record all of the areas and all the reasons where it is Amtrak's board's belief that the railroads are not meeting their responsibility to maintain track efficiency and adequacy at the levels Amtrak was set up? In each instance, state what you are doing about it.

[See Amtrak's answer to Mr. Dingell's question on p. 29.]

Mr. ADAMS. That is a very important question and it follows right along with where I am going in my line of questioning, because we are trying to determine what position the Congress should take with regard to a deteriorating rail plant.

I want to turn specifically now to the Penn Central because you mentioned in your testimony you are trying to enter into a new contract with the trustees of that line and those from other lines in the Northeast.

It is my understanding from information we have received, both from them during consideration of the Regional Rail Services Act, and you, that you are having a very difficult time arriving at a contractual basis as to how much you pay them to use that system. Is that correct?

Mr. LEWIS. In the case of the Penn Central—

Mr. ADAMS. That is about 40 percent of the total passenger service in the country; is it not?

Mr. LEWIS. That is correct, but Mr. Adams, I would like to report on the condition of our negotiations with Penn Central. We have a contract with Penn Central which is now before the reorganization court for approval.

This contract deals with this question of track maintenance specifically in that we make a special payment for the maintenance of the

track in the Northeast Corridor. This agreement between ourselves and Penn Central is subject only to the approval of the judge.

Mr. ADAMS. What control do you have over their spending the money on the track? You had better have one because my experience with Penn Central is that the money goes in one end and it flows all over; you never are quite sure where it goes. What is your assurance that when you pay them \$1 million you have the money going into rails, tracks and that people are hammering spikes into ties?

Mr. LEWIS. We have a very close working relationship at the operating level with Penn Central. The extra amount of money that would be provided for corridor operations is about \$12 million a year. I think we know what Penn Central should do to keep that track in condition and I think we can assure the committee that the \$12 million would be monitored and spent for improvement, not in Penn Central in general, but in that corridor.

Mr. ADAMS. That brings me to the next question which involves another activity before this committee. This is the proposal that money be loaned to Amtrak and Amtrak acquire title or lease-hold rights to the corridor so that you control your own right-of-way and the flow goes the other way. In other words, they pay you to operate their freight trains.

Can Amtrak carry such a burden with Government guaranteed loans from the U.S. Railroad Association which would give you control over your right-of-way in your most heavily traveled area. In your opinion, is this feasible?

Mr. LEWIS. I believe you are referring to the proposal for the major improvement—

Mr. ADAMS. It is provided that up to \$500 million can be made available to Amtrak to deal with the new Corporation that will come into existence under the Regional Rail Reorganization Act, wherein you would have a different and more complete control over passenger right-of-way than you presently have.

I want to know from you whether or not you think this can be done.

Mr. LEWIS. I think it is practical. I think it can be done. There are, however, a number of very major considerations to be dealt with. One, of course, is the scope and the cost of the actual right-of-way program contemplated.

This has not been priced out yet.

Mr. ADAMS. You have not priced it out or they have not? As far as I know, there have been enough studies up there in pricing, value, and everything else, to keep most accounting and law firms in New England busy for an entire year.

Mr. DINGELL. Will the gentleman yield?

The Chair will request that you submit appropriate information, (a) what you have done; (b) what you propose to do with regard to the Northeast Rail Corridor; and (c) outline what conditions and assumptions you must make, what requirements you must make and what financial costs will be entailed by Amtrak with suggestions toward financing.

You don't have to submit this to the Bureau of the Budget. I don't want their fingerprints on it at all. I want to know what you feel would be appropriate to see this kind of thing done. I feel Amtrak has

not been as vigorous as it should have been in getting its hands on those railroad corridors. I don't discern the vigor in this matter that I think we should see here.

Mr. LEWIS. Mr. Chairman, I should make this comment: I would like to say here, so there is no misunderstanding whatever about it, I believe this Northeast Corridor rail passenger improvement is important to the country. The problem is, how do you get there from here. The legislation directs that when the corridor is acquired, it is to be turned over to Amtrak to operate. This is something that is to take place in the future.

Mr. DINGELL. The Chair is aware of that. One of the problems about which you complain and one of the problems about which this committee is concerned is the unsafe conditions of the tracks, particularly for passenger usage.

Mr. LEWIS. The Northeast Corridor plan was a plan developed and priced out some time ago. There is some question as to whether the improvement agenda or costs derived from those studies would apply today.

The Secretary of Transportation has the responsibility of reviewing the plan and coming up with an implementation plan. Whatever the cost of that improvement program, it would have to be one which Amtrak could certify was economically sound and could be paid off in a reasonable period of time.

Until each item has been priced out, it is very difficult to make that determination. We are working very closely with the committee on this and I feel we will have the information we need as to cost and schedule very shortly.

Mr. DINGELL. When do you anticipate that?

Mr. LEWIS. It is in the hands of the Secretary. I don't know why it wouldn't be within the next 2 months.

Mr. ADAMS. I will shift quickly because I want my colleagues to ask questions of you, also.

To what degree do you now control the employees who provide your motive power? In other words, your engineers and others operating your locomotives which you have indicated you have purchased.

Mr. LEWIS. These employees are all railroad employees and operate under the railroad management in accordance with our contract with the railroad.

Mr. ADAMS. You don't hire the employee?

Mr. LEWIS. That is correct.

Mr. ADAMS. What is your leadtime in receiving locomotives? Are you receiving them on schedule?

Mr. LEWIS. We are a little short but we will have all the 150 locomotives within the next month and a half.

Mr. ADAMS. What type of time schedule are they offering to you?

Mr. LEWIS. There are two good production lines for diesel-powered locomotives and leadtimes are reasonable.

Mr. ADAMS. I want to shift now to ticketing because my colleagues continually descend on me. They assert Amtrak does not have space and that they won't take American Express cards or personal checks.

All other modes of transit accept various modes of payment. What do I say when the man says they won't take anything? I don't know

how the man stayed on the train because they won't take a check, American Express, and his ticket was not valid.

Mr. LEWIS. We will take a check at ticket counters. We have five credit cards which are also honored—BankAmericard, Master Charge, Carte Blanche, American Express, and Diners Club.

Mr. ADAMS. But not for dining service?

Mr. LEWIS. On overnight trains, starting July 1, in the dining room it will be set up so you can charge the dining room services; not in the bar.

Mr. ADAMS. If he leaves after July 1, he can pay by these means?

The next questions are based on the fact that I receive many communications on pass privileges.

I know this has been a difficult matter that you have taken over from the industry in the past. What is your present policy on whether or not railroad employees are entitled to use their passes?

Mr. LEWIS. The Amtrak employees and railroad employees have the privilege of free transportation on their own railroad. In other words, the Penn Central man can travel for free on the Penn Central portion of our system. For the rest of the trip, it is half rate. The retiree and dependents have the same privileges.

We have 425,000 passes outstanding. This makes pass privileges available to about a million people. We don't get paid for that transportation. That transportation is free. It was not a very important problem in our very first days because we had many empty seats, but as our traffic builds up, particularly on holidays and at other peak periods, we are out of seats. So we have a policy which states that in these congested periods and on holiday weekends, the privilege, whatever it might be, reduced rate or free, is subject to space availability.

Mr. ADAMS. I have just one last question or area which I would like to have you explain.

We got into an enormous discussion last time in the full committee on auto ferry or auto train service and Amtrak getting into it. We were trying to protect, in effect, your monopoly situation because we did not want to run up deficits.

It seems to many of us that at a time when you are struggling to get under control the routes where you do operate and you don't want to get out into dangerous routes and you have a problem buying equipment and you are competing with another company, I want to know what is your present policy when you shift—I can't remember the places you go from where to where. Indianapolis to Florida and the other groupings—from Louisville to Florida. What is your policy on that?

I know this is a different kind of service, more expensive type of service, but I would like to know what your sentiment is on that.

Mr. LEWIS. First as to policy, we take the position that our interest in competing or alternate service is limited to the route structure which we are operating. So we have no interest in what arrangements might be made between a railroad and another carrier off our routes.

Now with respect to services on our routes, I think we have to take the position that because we are operating at such a large nationwide deficit, we have to do everything we can to protect the traffic on these routes.

Congress has provided machinery for dealing with that problem. We might say the route operations of another carrier might be harmful; others might take the position it was complementary to our services. The case now is to be settled through the ICC. I think that is a proper forum.

The Indianapolis-Florida service is complicated in that Auto-Train Corp. has a grandfather contract to operate that service. They were in business before Amtrak and the legislation provided they were to be permitted to develop that service.

In expanding their service to the Middle West-to-Florida service, the matter was more complicated.

After discussion we both agreed we would treat that particular service as an exception to that particular rule. For that reason, we withdrew our objection before the ICC, and the ICC gave them permission to run on the Louisville & Nashville Railroad. That is a special case and goes back to the unusual legislative history and the relationship between the Midwest and eastern railroads running into Florida.

In the future, we will see that these problems get to the ICC for relationship between the Midwest and eastern railroads running into by whatever decision is forthcoming.

Mr. ADAMS. Thank you, Mr. Chairman.

Mr. DINGELL. Do you have authority or do you need additional authority to operate an auto-train?

Mr. LEWIS. Mr. Chairman, that is a possibility we did explore in considerable detail. The difficulty arises where entities have to profit in a relationship which is probably marginal to begin with and there is a feeling by both parties that the present separate arrangements were probably better, they are going to operate the service—

Mr. DINGELL. They are going to operate it on their own, whereas I was thinking you might utilize their profitability to upgrade.

Mr. LEWIS. That is a possibility that continues to be open. I might point out we are talking about different kinds of service in this Midwest-to-Florida service. The auto-ferry service we would run would have auto service cars simply carried on the regular passenger train, whereas the other would operate a full train.

Mr. DINGELL. The Chair recognizes Mr. Kuykendall.

Mr. KUYKENDALL. Welcome to the committee.

Have you examined in detail the service contract between auto-train and the railroads? It seems to me to be a satisfactory contract for both parties and I assume the railroads are happy with it, too.

In the auto-train matter, what progress have you made in upgrading auto-ferry cars?

Mr. LEWIS. We are utilizing the only cars available, cars we have been able to lease from a Canadian firm. We have been able to get 20 of them.

Mr. KUYKENDALL. What is the lead time in having such a car built?

Mr. LEWIS. I think if we were to order a new car, we would order a car more carefully tailored to the carriage of automobiles. These cars were taken for their early availability.

Mr. KUYKENDALL. For the sake of the record, it should be pointed out that heavy equipment is necessary to load and unload cars.

Mr. LEWIS. Yes; you have to have special facilities to get cars on and off and usually it would be desirable to have those located at the terminal points.

Mr. KUYKENDALL. You won't be taking cars off or putting them on in the middle of your run, will you?

Mr. LEWIS. No; we pick terminal areas in large geographic areas and people will put the car on the train at the same time they board.

Mr. KUYKENDALL. Since I talked to you last, I have ridden the auto-train. It is a luxury operation. Have you made an in-depth study as to what type person is riding auto-train? Does he normally fly? Does he normally fly first class?

Mr. LEWIS. I wouldn't say that we have that information.

Mr. KUYKENDALL. Let's go back to DOT's position on that board and what we really intended that position to be.

We have oversight from DOT on the subject of approving loan guarantees.

Mr. LEWIS. Yes.

Mr. KUYKENDALL. Does DOT have to approve your application?

Mr. LEWIS. Yes; the funds flow to us through DOT.

Mr. KUYKENDALL. So, you need the approval of OMB and DOT on normal operating revenues and you need Treasury approval on loan guarantees; is that correct?

Mr. LEWIS. That is correct.

Mr. KUYKENDALL. The Secretary is a member of the 12-member board—are you chairman of the board?

Mr. LEWIS. Yes.

Mr. KUYKENDALL. And the Secretary is not even an officer of the board?

Mr. LEWIS. Right.

Mr. KUYKENDALL. He can sit there and vote as a person using his business acumen, or he can exercise his indirect control over the strings.

He represents two extremes, a member of the corporate board or a representative of the people who holds the purse strings. Those are the two roles. Now am I to assume in the board meetings thus far the second of these roles has been DOT's complete role?

Mr. LEWIS. No; I won't go that far. First, Mr. Kuykendall, the Secretary of Transportation is a member of the board and like others, he brings his business background, skill, and inaturity to play on all the important issues which come before the board.

But he is much more important than the other members of the board because he does know how Amtrak fits into the large picture in terms of what the Government and other agencies think about it. So this council is equal. It has been very helpful and constructive in its many discussions.

One thing that has stirred a number of people up has been that in the board meeting, the matter may be decided by a majority of the board but then it goes back to the Department for review.

Now as a profit and a real time corporation where we are under time pressures at all times, if we get a favorable answer we might get it after a period of considerable study which would mean a time lag or if we get a negative answer we simply have to go back and review our plans. It is the review function after a board discussion and board decision which is troublesome to other members of the board.

Mr. KUYKENDALL. Mr. Lewis, how many times during a year do you have to go back to DOT for operating funds?

Mr. LEWIS. I would think at any time they could question the flow of funds.

Mr. KUYKENDALL. Are you not given an overall approval for annual funds?

Mr. LEWIS. Mr. Moot can comment directly on that.

Mr. DINGELL. Would the gentleman yield?

I get the impression from what you said, the final decision reflects DOT's judgment rather than Amtrak's.

Mr. LEWIS. For a very limited basis.

Mr. DINGELL. I want you to give us the specific figures. I complained very loudly about that.

[The following information was received for the record:]

FLOW OF FUNDS

Date of request	Grant funds		Loan funds	
	Amount	Date released	Amount	Date released
June 28, 1973			\$16,000,000	July 12, 1973
July 30, 1973	\$23,250,000	Aug. 14, 1973		
Aug. 29, 1973	30,750,000	Sept. 14, 1973		
Sept. 27, 1973			16,000,000	Oct. 15, 1973
Oct. 4, 1973	900,000	Oct. 5, 1973		
Oct. 26, 1973			18,600,000	Nov. 15, 1973
Nov. 30, 1973	18,000,000	Dec. 14, 1973		
Jan. 7, 1974	8,000,000	Jan. 15, 1974	13,000,000	Jan. 15, 1974
Jan. 30, 1974	7,000,000	Feb. 14, 1974	7,000,000	Feb. 14, 1974
Feb. 27, 1974	14,600,000	Mar. 15, 1974	2,000,000	Mar. 15, 1974
Mar. 26, 1974			18,000,000	Apr. 16, 1974
Apr. 29, 1974			23,300,000	May 14, 1974
June 3, 1974	11,000,000	June 14, 1974	25,000,000	June 14, 1974
June 19, 1974			8,500,000	June 28, 1974
June 28, 1974	21,500,000	July 12, 1974	7,500,000	July 12, 1974
July 19, 1974	500,000	July 29, 1974		
July 31, 1974	12,500,000	Aug. 5, 1974	11,750,000	Aug. 8, 1974
Aug. 14, 1974	10,200,000	Aug. 29, 1974		
Aug. 29, 1974	15,000,000	Sept. 6, 1974	7,200,000	Sept. 6, 1974

As the chart above shows, an average of two weeks time passes from Amtrak's request for funds and the Department of Transportation's release of those funds. As this process must take place on a monthly basis this represents a considerable task for both Amtrak and the Department.

It is Amtrak's belief that the release of funds on a quarterly basis would represent a more rational work flow for both the Department and Amtrak.

Mr. KUYKENDALL. How many times a year do you have to go back to the Appropriations Committee to discuss money which has already been appropriated?

Mr. Moot. Let me see if I can clarify the procedure. First of all, the annual request both for loan authority and operating grants—

Mr. KUYKENDALL. Let's go into operating grants.

Mr. Moot. That goes concurrently to the administration and Congress. When Congress acts on that operating grant, the funds are appropriated in the Department of Transportation appropriation bill. They are controlled within that bill and not given directly to Amtrak.

Each month Amtrak submits a request for funds to the Department of Transportation listing what it expects to collect in revenues, what its outgoing will be in terms of expenses, and what the net deficit for that month is expected to be.

We request that sufficient funds be granted to meet that deficit by the DOT. The Department has not been willing to grant a lump sum amount of funds. That same request for funds also includes the request of capital expenses and additional notes with which Amtrak can go to the banks to meet its expenses.

So both operating grants and authority to borrow funds are in a monthly procedure from Amtrak to the Department.

Mr. KUYKENDALL. Let me use a couple of hypothetical cases. To what extent would it help your efficiency if you could go through this either quarterly or simply annually?

Mr. MOOT. It would significantly improve our financial procedure. As you know, Mr. Kuykendall, there are other operations where a budget goes to appropriations for a once-a-year apportionment.

Mr. DINGELL. Would you submit language to this committee for an amendment to this bill so we can accomplish this end in all reasonable haste?

Mr. MOOT. Yes.

Mr. KUYKENDALL. I can see why in the formative years of Amtrak we would do this more often than once a year. I think the Congress might demand it of us. But once established, it would be intolerable to any business to have monthly financing at the bank.

[The following information was received for the record:]

#### APPROPRIATION OF FUNDS BY DOT SECRETARY TO AMTRAK

The committee amended section 601(a) of the Rail Passenger Service Act of 1970 by adding at the end thereof the following new sentence:

"Payments by the Secretary to the corporation of appropriated funds shall be made no more frequently than every 90 days."

Mr. DINGELL. It is my feeling it would be better to abolish Amtrak and have DOT operate the service.

Mr. KUYKENDALL. They are updating the service, no question about that.

A million people hold free passes. How many people rode Amtrak last year?

Mr. MOOT. We currently have an annual passenger volume of 20-million people. In the last 9 months, there were 433,000 pass riders during that period.

Mr. KUYKENDALL. 433,000 pass riders in what period?

Mr. MOOT. Nine months.

Mr. KUYKENDALL. How many of those were totally unreimbursed?

Mr. MOOT. Free, of those, 387,000 out of 433,000.

Mr. KUYKENDALL. How many dollars would that represent?

Mr. MOOT. Well, it is hard to tell. Our average ticket sale is running about \$14.

Mr. KUYKENDALL. You are talking about right at \$5 million.

Mr. MOOT. That is right.

Mr. KUYKENDALL. That is a third of what they eat out of your bill, isn't it?

Mr. DINGELL. Will the gentleman yield?

Mr. KUYKENDALL. Yes.

Mr. DINGELL. Are those pass riders riding space available, or are they bumping paid passengers?

Mr. MOOT. These pass riders are riding on a space available basis. As Mr. Lewis indicated earlier, Amtrak's concern is that if space availability is eliminated, the number of riders would astronomically increase.

Mr. KUYKENDALL. Would a straight 50 percent on all passengers be a reasonable compromise as far as Amtrak is concerned?

Mr. LEWIS. If we were permitted to continue to control the pass riders on a space available basis, the 50 percent reimbursable feature would be a wonderful thing for Amtrak because it would be 50 percent we are not getting now in most cases. But if we were required to carry those people at any time, we would undoubtedly suffer because we would be displacing 100-percent-paying travelers with 50-percent-paying pass travelers. That would be very unfortunate.

Mr. KUYKENDALL. How much money do you owe right now?

Mr. MOOT. We have an outstanding loan balance of \$135 million.

Mr. KUYKENDALL. Long-term debt \$135 million?

Mr. MOOT. Not necessarily long term.

Mr. DINGELL. The Chair will recognize Mr. Shoup.

Mr. SHOUP. I heard a question and then an answer, and I misunderstood. Now, what is the balance of the \$500 million loan authority that you have at the present time?

Mr. MOOT. That is a different question. We have an outstanding cash balance of \$135 million. We have committed and obligated against the \$500 million loan balance practically all but the \$54 million which has been withheld at the present time for turbine trains. But all but that \$54 million has been obligated.

Mr. KUYKENDALL. What would be the average interest on that?

Mr. MOOT. We have been using a leverage lease approach which means we lease over a period of time with a long-term debt but we get the advantage of a leverage lease and we get the advantage of the investment tax credit also, which we normally wouldn't get. This reduces the cost of money by about four points from whatever the interest rate might be, which means we are currently paying approximately 5 or 6 percent instead of 10 percent on our long-term purchases. Hopefully, the interest rates are going down. So, I would say over a long period of time, we should be experiencing interest rates of about 5 to 6 percent. To answer your question, to the best of my judgment we are talking about \$40 million to \$70 million in interest on a \$900 million capital investment program.

Mr. SHOUP. Mr. Lewis, the Department of Transportation has recommended an increase of \$200 million in loan authority. You have requested \$400 million. You have listed in a letter to the Secretary where you intend spending it.

My question to you would be: If the \$200 million is approved rather than the \$400 million, where would you cut back in your future planning for next year?

Mr. LEWIS. I would remain optimistic that the Congress would give us more loan authority in a subsequent discussion of our problem, therefore this wouldn't be a matter of cutting anything out but deferring certain parts of the program.

I think we would defer certain programs: we would not buy an additional hundred high-density coaches, maybe buy a few less of the bilevel cars, and maybe defer some of the track, right-of-way, and

station improvement programs. I would view this as a deferral rather than a reduction in our program or a change in its balance.

Mr. SHOUP. They are not recommending that you receive it.

Mr. LEWIS. I think—

Mr. SHOUP. Would I be correct—in your transmittal to the Secretary you have a comparative acquisition program, pre-energy and post-energy; can we assume the pre-energy is what you would fall back to?

Mr. LEWIS. No; if we were instructed to operate within the smaller program, we would want to redo the program.

Mr. MOOR. I might add one statement, Mr. Shoup, which might help. In that document to which you refer, in schedule 8 there are columns by fiscal year. The \$200 million recommended by the Secretary would cover column 1974. What Mr. Lewis was saying was if we did not get the \$900 million we requested, those items listed in 1975 would have to be deferred.

Mr. SHOUP. What would happen to 1976?

Mr. MOOR. As Mr. Lewis said in his statement, lead time is necessary. You can't acquire in fiscal year 1975 unless you get busy right now in terms of negotiations.

Mr. SHOUP. One of the things that bothers me is there seems to be some inconsistency concerning right-of-way and the problems we have on right-of-way. In your request here under schedule 6, I refer to that again, in the "pre-energy, post-energy," columns in post-energy you suggest cutting back \$10 million, you request getting more locomotives, more cars, but less to be spent on right-of-way than you are spending on pre-energy. Are you having less of a problem?

Mr. LEWIS. I am glad you raised that because there is no intention to reduce or back off on the funds for right-of-way improvement. It was simply that we did not have enough money in the 1974 program to place orders for new passenger equipment. If we bought it as we did last week, we still wouldn't have it delivered for 2 years.

So what we did, for a period of 2 or 3 months, we borrowed from the right-of-way improvement account; but in our fiscal year 1975 program we have provided for the restoration of that funding for right-of-way improvement. There is no change in commitment toward the improvement program for rights-of-way.

Mr. SHOUP. I am not sure that I do understand. It says: pre-energy, \$110 million; post-energy, \$100 million. For stations you increase by \$5 million, you increase all those in post-energy. Yet for right-of-way your plan is less.

Mr. MOOR. The board of directors, in reviewing the overall program, did reduce the right-of-way improvement account pending a better solution as to how we acquire title, how much improvement money is required, with the indication they were perfectly willing to restore funds and go higher as soon as the legal and financial questions are resolved.

Mr. SHOUP. You are saying that the money you asked for in the last year which was given you for right-of-way, you really don't have a firm position on how you can use it, or there are no plans?

Mr. MOOR. The particular funds we are talking about particularly are loan guarantee funds. Mr. Shoup. We do have plans but we have not yet answered the question of how much the railroads will pay under

our current contracts with them and where do Amtrak funds start to be used for improvement of track and how is the U.S. Government's interest protected. The discussion between Mr. Lewis and the Secretary of Transportation has not resolved the financing of the Northeast corridor for the same reasons.

Mr. SHOUP. Last year we gave you authority for these funds.

Mr. MOOT. The funds for improvement of track have not been used.

Mr. SHOUP. I am somewhat amazed that you come before us to ask for right-of-way loan authority without a plan as to how it is to be utilized. We should insist on a firm commitment as to how you are going to use these funds. We thought you had a firm position and a plan, and I assumed it was approved; you could use that money or you wouldn't have come and asked for that authority.

Mr. MOOT. This was confused by the fact we are in arbitration on two cases to determine where we start to use railroad funds—

Mr. SHOUP. You are in arbitration with whom?

Mr. MOOT. ICC and with the Penn Central.

Mr. SHOUP. Are these the only areas? You say Penn Central. Is this the only rail line you have problems with, Penn Central?

Mr. LEWIS. Mr. Shoup, one important thing has to be said here. The contract between the participating railroads and Amtrak requires that the railroads maintain the right-of-way at the level of utility, that is, in terms of speed and passenger comfort which existed on May 1, 1971. They are obligated to maintain the track at that level. As you know, there has been, a number of cases, deterioration at that level which is in dispute and has gone to arbitration. The important question here is that the money Amtrak is asking for for right-of-way improvements has to go to improvements which will permit operations for—

Mr. SHOUP. I heard that argument last year and you convinced us. I think the biggest problem with Amtrak is because of poor right-of-way which restricts on the service you offer. We thought you were on the right track. Now we find money we authorized you has not been used.

Mr. DINGELL. Mr. Shoup is providing a distinct service to all of us by his questions.

The Chair would ask that you submit a very clear statement as to the quality of the facilities; where the quality of the track is below level, what steps are being taken to upgrade it; what requirements you have for additional legislation to assure this matter be properly and speedily addressed.

You are getting the cooperation of the ICC and the cooperation of the railroads.

[The following information was received for the record:]

#### COMMENTS RE MAINTENANCE OF TRACKS, ROADBEDS, SIGNALS, AND OTHER FIXED FACILITIES

Under the NRPC agreement, the basic contract between Amtrak and the member railroads, the railroads are obligated to maintain the tracks, roadbeds, signals and other fixed facilities at the level of utility extant on May 1, 1971. The degree to which the railroads have lived up to this obligation can be judged by several criteria: on-time performance, safety, passenger comfort and, of course, the FRA track safety standards. In many cases the level of utility definitely has been maintained or even improved, but clearly there are cases where routine maintenance

has been deferred and facilities have been permitted to deteriorate. Amtrak is attempting to attack this problem in two basic ways.

First, in early 1973, Amtrak brought an arbitration case against the Illinois Central Gulf Railroad and The Penn Central Railroad to obtain their compliance with the "level of utility" obligations spelled out in the NRPC agreement. A two-day evidentiary hearing was held in October 1973, and in December 1973 the National Arbitration Panel issued a decision and award holding the railroads had an obligation to maintain their rail lines in such conditions that Amtrak's trains could meet the contractually agreed-upon schedules with reasonable regularity and with a reasonable degree of passenger comfort.

The Panel specifically determined that the Illinois Central Gulf had breached its contractual obligation with respect to lines used by Amtrak between Chicago and New Orleans, and the Panel directed ICG to prepare and submit a plan that would accomplish the restoration of the track to the required level of utility. The ICG refused to comply with the order, and therefore the Panel found it necessary on March 5 of this year to enter a supplemental award requiring Amtrak to undertake a study of the line and to prepare a detailed plan for its restoration. This supplemental award specified that Amtrak was to be given access to the ICG tracks and to all pertinent records.

Amtrak immediately sought U.S. District Court confirmation and enforcement of the original and supplemental awards. In response, the ICG filed a petition with the Interstate Commerce Commission asserting that the Commission had to review the Panel's award to ensure that its enforcement would not interfere with the performance by ICG of its common carrier obligations. ICG argued that the Court should not take any action until the Commission had had an opportunity to review the matter. The District Court rejected the ICG position and confirmed the awards. It directed the ICG permit Amtrak to proceed with the study mandated by the Arbitration Panel.

Amtrak is now undertaking an extensive study and measurement of the ICG rail line from Chicago to New Orleans and will submit its recommended plan to the Panel prior to July 15 for upgrading the track.

With respect to the Penn Central, the Panel has not yet issued a final decision and award but has instead requested the parties to present additional information with respect to past performance of trains on the lines in question as well as the future of the parties for the use of these lines. This portion of the case is particularly complicated as it involves four lines of Penn Central tracks and the Department of Transportation has proposed in its Northeast Rail Reorganization Report that one of these lines be completely abandoned.

By continued prosecution of Amtrak's claims in the proceedings initiated before the National Arbitration Panel, we seek to firmly establish the obligation of all contracting railroads to make the expenditures and take the actions that are required to maintain an appropriate level of utility of their rail lines used in Amtrak service.

The second approach being taken to assure proper maintenance is the negotiation of new contracts with the railroads. Negotiations are going forward with several railroads with the firm goal of tying the level of service provided by the operators to the level of payments they will receive. We are seeking a series of penalties and rewards for equipment maintenance and on-time performance and a further set of rewards for reduction of current running-time schedules. These contracts will, for the first time, give the railroads a very real incentive to maintain their facilities.

To date, Amtrak has agreed to new contracts with the Penn Central and Burlington Northern Railroads with the Penn Central agreement subject to review by the bankruptcy court.

With the right to negotiate penalty/reward contracts with the railroads, the right to seek arbitration judgments to enforce the contracts and the right of appeal to the ICC to obtain accelerated speeds, it would appear that Amtrak has sufficient legislative authority to assure proper maintenance of railroad facilities. However, we will, of course, continue to watch this situation very carefully and should the need for additional legislation appear, we shall definitely make this need known to the committee.

Mr. SHARP. Mr. Lewis, your discussion with Mr. Adams on the acquisition of right-of-way, bothered me. In your posture last year and I thought was your posture in your written statement here, you speak of section 301 and you say it states very clearly the purpose and intended

character of your corporation. Implying innovative and marketing concepts.

This is the first I have heard Amtrak say, "Yes; we are considering the acquisition of right-of-way." Again this bothered me. It comes new. If you are saying that, it means you want to form a railroad itself because you will own rights-of-way. Will that be throughout the United States?

Mr. LEWIS. In that colloquy I was addressing the question that arises from the fact that the legislation of the Regional Rail Reorganization Act provides for the Government acquiring the Northeast corridor right-of-way and turning it over to Amtrak by lease or purchase. That is the only acquisition of right-of-way we are considering.

Mr. SHOUR. Have you any indication at all of doing this?

Mr. LEWIS. The responsible Government agencies are moving in that direction. This is something the U.S. Railway Association will work out. They will find the cost for acquiring that track and when it is taken over it will be transferred to us.

Mr. SHOUR. Finally, Mr. Lewis, I have had the pleasure of riding Amtrak in January and I am sure you received my letter complimenting you on the service. I now must, if the chairman will pardon me, pick out one route and one particular problem. I would like to take the time of the committee to do this, if I may.

On the Seattle-to-Chicago run, the problem we had was that the only manner in which you could purchase a ticket was by reservation. One of the things we pointed out over and over and finally we got through to the corporation was that there were a great number of people who would like to ride the train but did not look to the future by making a reservation. We pointed out there were a great many empty seats because of this.

So you changed your policy and I know for a fact it did change the direction of the ridership on this particular route.

Now that they have gone daily on the southern route from Minneapolis to Seattle, I was just notified by your office that you don't have enough cars to go around. So what are you going to cut out? That one type of service which has shown the profit? I fail to understand. Why not cut one of the reservation cars and leave the space-available car?

May I ask for your reply by mail. I wrote you some time ago about that; I have not had the privilege of an answer from your office.

I am disturbed by a rather pessimistic attitude by Amtrak. What you seem to say is, if the Government does not give us more money we will cut back on service. I would much prefer a more positive attitude.

Thank you, Mr. Dingell. I will get off my soapbox.

Mr. DINGELL. Mr. Lewis, I have here a copy of a memorandum, inter-office memo to Roger Lewis from R. C. Moot. I quote:

The age and condition of the inherited Amtrak rolling stock is such that despite extensive repair, rebuild and rehabilitation, the present mandated route structure and present level of public demand for rail passenger service cannot be continued and satisfied without a capital investment program of significant magnitude.

There is a realistic shortage of sizable proportion just to maintain the present equipment fleet strength with 37 percent of the passenger cars due for retirement over the five-year period.

The Chair would like to have your understanding of what would be a realistic program to rebuild, fix and repair rolling stock. I note in

your statement you have begun to acquire locomotives and I also note you have begun to obtain more cars. I would like to have the number of cars ordered on a 3-year basis.

Mr. LEWIS. We have ordered 257 new high-density coaches. We have a fleet of 2,000 cars. The 257 coaches, because they are designed to carry large numbers of people, will increase our seating capacity 40 percent. These cars are on order.

Mr. DINGELL. I am aware of that, but I would like to see what you real situation is.

Mr. SHOUP. May I respectfully point out the three bells have rung?

Mr. DINGELL. I am aware of that. I am going to stay and pursue this matter.

You state the demand for rail passenger service demands immediate expansion. I would like to know what immediate expansion is.

You say:

On a fully allocated cost basis, the long haul routes continue to incur sizable deficits in fiscal year 1978 while both the corridor and the short haul routes show a profit.

I would like to have some amplification on that.

You say:

The elimination of the deficit by 1978 would require discontinuance of service in entire geographical areas of the country which would allow complete elimination of semifixed costs in the same area.

This is referring to devices for achieving profitable rail service, and since this ties in with the actions of the Appropriations Committee, I would like to know whether long haul routes should be terminated to satisfy the mandate, I guess, of the Appropriations Committee.

Now coming down here, you stated on page 4 of the memorandum:

Amtrak has made determined and continuous efforts to control and minimize operating deficits. Two factors in particular have combined to make this a very difficult undertaking.

The contractual arrangements with the participating railroads have not been conducive to either tight cost control or improved performance. The contracts provide for no ceiling on costs with advances required on the basis of budget estimates made by the railroads.

There are no quality-of-performance standards required under the contracts.

As a measure of the validity of charges by the railroads, Amtrak has reported audit findings which seek to recover over \$57 million of improper charges. Approximately half of these audit findings have already been collected from the railroads.

While financial audit after the fact can lead to recovery of improper payments, financial audit cannot identify or prevent charges which are the result of inefficiency or carelessness. It is not possible to estimate the amount of cost overrun or operating deficit which can be attributed to this latter cause. This is one major reason why the recent breakthrough in contractual negotiations with the Penn Central is so important to the future fiscal health of Amtrak.

I would like a clear statement as to what Amtrak intends to do in relation to the quoted paragraphs and what you need in the way of assistance from Congress.

[The following information was received for the record:]

#### AMTRAK'S NEGOTIATIONS WITH CONTRACTING RAILROADS

The original NRPC agreement between Amtrak and the various operating railroads gave both parties the right to reopen the cost and performance sections of the basic contract on July 1, 1973. Since that date, Amtrak has been involved in serious negotiations with several contracting railroads. To date, agreement

has been reached with the Penn Central and the Burlington Northern Railroads with the Penn Central contract being subject to review by the bankruptcy court in Philadelphia.

The principal aims of these two new contracts and all on-going negotiations are principally two-fold: first, to fix Amtrak costs at set amounts for established levels of service and second, to provide an extensive set of performance standards and incentives for all functions performed by the operating railroads. The original NRPC agreement contained neither of these provisions and therefore made the construction of a fruitful working relationship between Amtrak and the railroads nearly impossible.

As new contracts are signed with the operating railroads Amtrak should, for the first time, be able to maintain a firm fix on costs while obtaining better on-time performance, and track and equipment maintenance. It is impossible to overstate the value of these contracts and, as a result, every effort is being made by Amtrak management to conclude the negotiations as quickly as possible. In the meantime, it does not appear that further assistance from Congress will be required. The Rail Passenger Service Act which established Amtrak provides that where Amtrak and the railroads cannot agree on cost aspects of their contracts, the matter may be referred to the ICC for determination. This provision should be adequate to eliminate any road blocks which cannot be handled through normal negotiations.

Mr. DINGELL. You go on and refer here to the second point raised in Mr. Moot's memo to you, is sharp costs:

In this respect, Amtrak has conducted continuing review of rail, bus, and air fares and has made extensive fare revisions. While the vast majority of changes have been upward and range as high as 55 percent, the overall purpose has been to raise the revenue base so that Amtrak could develop and initiate a compensatory fare structure.

I would like comments as to whether you need additional authority to deal with ICC on that particular point, because I am not satisfied you are being able to charge fair rates at an appropriate level.

I would like a very clear statement on that point from you people, if you please.

[The following information was received for the record:]

#### ICC ROLE OF REVIEWING AMTRAK FARES ADEQUATE AND APPROPRIATE

The Rail Passenger Service Act of 1970, which created Amtrak, specifically removed the Interstate Commerce Commission from the role of reviewing Amtrak fares. It was felt that the corporation should be given wide latitude in adjusting fares to a nation-wide standard and in setting them to best suit the transportation market throughout the country. This freedom has been extremely valuable to Amtrak. It has permitted the elimination of inequitable fares and the establishment of the first nationwide tariff in the history of American rail passenger service. It has allowed the corporation to reduce fares to broaden the market appeal of rail service and to raise fares in an effort to cover at least part of inflationary cost increases.

In short, the freedom given Amtrak to establish fares is nearly total, limited only by the clear necessity to avoid pricing rail service beyond the reach of the traveling public. It is the firm belief of Amtrak management that this freedom is adequate and wholly appropriate.

Mr. DINGELL. I have here a staff review of Amtrak operations, which you have seen, dated June 6, 1974. I refer only to the staff summary of the more extensive document which is here.

I won't insert it in the record.

Before I go into that, I would like for you to observe, I have drafts of two bills.

The Chair will, at this point, insert both of those in the record with instruction to the clerk that these two drafts will be substituted for

the legislation which will be introduced by the chairman of the committee [see text H.R. 15427 and HR 15428 on pp. 2-5].

Mr. DINGELL. The Chair requests at this time that you give us a point-by-point comment on the two bills, as to your preferences and what amendatory language you would suggest in order to make those bills more suitable to the needs of Amtrak. That would be most helpful.

Would you like to give us your comments orally?

Mr. LEWIS. I would like to make them written for the record.

[The following comments on H.R. 15427 and H.R. 15428 were submitted for the record:]

#### COMMENTS BY AMTRAK ON H.R. 15427 AND H.R. 15428

H.R. 15427 would amend section 404(b) of the Rail Passenger Service Act to require the continuation of service undertaken by the corporation on its own initiative on or after January 1, 1973, for an additional year. Amtrak has no objection to the continuation of the service affected, subject only to an expression of concern that funding be provided for such continued operation.

The bill would also increase Amtrak's authorization for appropriations by the amount of \$200,000,000 for fiscal year 1975. Amtrak supports setting the authorization at this level.

The bill would increase the maximum amount of guaranteed loans for capital purposes that may be outstanding at any one time to \$900,000,000. Amtrak testified in support of setting the loan guarantee limit at this level to permit the implementation of its capital plan.

H.R. 15428 would make a technical change in that section pertaining to the amount of stock that may be held by a railroad. The amendment would permit a railroad to own more than one-third of the common shares outstanding but not permit any shares in excess of one-third to be voted. Amtrak supports the amendment.

H.R. 15428 would also, by changing section 601 of the Act, reimpose a grant-agreement mechanism upon Amtrak containing "terms and conditions" to be set by the Secretary of Transportation upon the transmission of appropriated funds to Amtrak. The Rail Service Act of 1970 (P.L. 91-518) as originally enacted contained no such provision. The requirement for "term and conditions" was amended into the Act at the department's request in 1972 and it was subsequently removed by affirmative action by the Congress in the Amtrak Improvement Act of 1973. Amtrak opposes the reinstatement of the "terms and conditions" mechanism. In order to keep a clear line of managerial responsibility between the decisions of Amtrak's board and management staff and the Department of Transportation, Amtrak supports the approach taken by Congress in the Amtrak Improvement Act, which requires the Secretary of Transportation to pay appropriated funds to the corporation for expenditure in accordance with spending plans approved by the Congress at the time of appropriation and general guidelines established annually by the Secretary.

Amtrak additionally, in testimony, has expressed support for an amendment in the Senate bill, S. 3569, that would clarify the lines of managerial responsibility concerning guaranteed loan funds. The Senate bill provision would conform the loan guarantee review procedures with those for releasing appropriated funds, under guidelines to be issued annually by the Secretary.

H.R. 15428 would set an open-ended authorization for Amtrak's fiscal year 1975 appropriation. Amtrak has suggested to the commerce committees of both the Senate and the House that an authorization of \$200,000,000 should provide an adequate ceiling for appropriations.

H.R. 15428 would increase Amtrak's loan-guarantee authority by \$200,000,000. Amtrak has urged an increase in loan-guarantee authority from the present \$500,000,000 to \$900,000,000, an increase of \$400,000,000.

H.R. 15428 would also remove the authority granted by Congress to the Interstate Commerce Commission to set and enforce service standards. Before enactment of the section that H.R. 15428 would amend, Amtrak urged that in the interests of administrative efficiency Amtrak would prefer to have only one agency to deal with concerning regulation of standards. Since that time, however, the ICC has promulgated its service standards, with which we are in accord. Dealing with both the Department of Transportation and the ICC in a regulatory context has to date not presented the problems we anticipated and does not seem contrary to the public interest. There well may be a case for consolida-

tion of authority such as H.R. 15428 contemplates. However, Amtrak can speak only from its own perspective and from that perspective we are not at present prepared to oppose or support the amendment to Section 81 of the Rail Passenger Service Act that is contained in H.R. 15428.

Mr. DINGELL. I would like to refer to on-time performance in the staff-report.

These additional costs include payment of extra wages to train, station, maintenance and service personnel—some of these payments are for periods when the employees are completely idle. Also, Amtrak must furnish meals, shelter and arrange for alternate transportation for passengers whose travel plans are disrupted due to a train arriving late. Track conditions and malfunctioning equipment account for most delays.

What are you people doing down there to see your contracts are enforced? Include language as to how you can go to ICC to obtain specific penalties, either as to liquidative penalties or payment to you of costs.

I hope you will be most vigorous in this particular matter.  
[The following information was received for the record:]

#### ACTIONS TO SEE CONTRACTS ARE ENFORCED

There is no question that on-time performance of Amtrak trains is of vital importance in marketing these trains to the public. Amtrak is very displeased that system-wide on-time performance in 1973 was only 70.4 percent, down by 12 percentage points from the 82.4 percent figure in 1972, and this displeasure has been continually expressed to the Amtrak contract railroads. May of 1974 did show a systemwide improvement to 75.2 percent, but this is still a long way from the Amtrak goal of 90 percent on-time. The tables that follow detail on-time performance by route and the cause of delays by operating railroad.

There are many factors that cause delay to trains, some of which are the inevitable hazard of operating trains. Derailments, unusually bad weather, unusually large crowds entraining or detraining at stations are problems that will continue but their effects certainly must be minimized. Other factors, particularly poor equipment; track and signal maintenance; lengthy routine servicing stops; and freight and passenger train interference can and must be kept to an absolute minimum. There is room for improvement in all of these areas and Amtrak is taking a number of steps toward achieving improvements.

Mechanical failures on locomotives inherited by Amtrak from the railroads have been a major cause of late trains. To correct this, Amtrak has ordered 175 new diesel locomotives, 150 of which will be delivered by midsummer 1974. In addition, 26 electric locomotives have been ordered for delivery in the fall of 1974 for operation in the northeast corridor. With the addition of these units and the complete overhaul of existing locomotives, one important cause of delays will be largely eliminated.

The continuing heavy overhaul of existing cars and delivery of the 792 new cars included in the five year capital improvement program will greatly reduce mechanical failures in cars that lead to delays. In addition, routine maintenance procedures are being tightened to assure that defects are corrected before a car begins its trip, eliminating the need for unscheduled mechanical servicing enroute.

Delays caused by deteriorated track and roadbeds, signal failures and train interference are being attacked in several ways. First, arbitration cases have been brought against two railroads in which Amtrak seeks to have certain rail lines restored to the condition required by its contracts with these railroads.

Second, new Interstate Commerce Commission regulations, establishing firm on-time performance standards, should have a salutary effect in reducing delays. These regulations state that trains must arrive within five minutes of the published schedule for each 100 miles traveled up to a maximum of 30 minutes. Where responsibility for delays beyond these standards is their, the operating railroad are responsible for expenses incurred in providing alternative transportation or lodging for inconvenienced passengers.

Finally, and most importantly, Amtrak is renegotiating the reimbursement portions of its contracts with the railroads, seeking penalty and incentive provisions as a means of improving on-time performance and other service standards. Such contracts have been approved by the Penn Central and Burlington North-

ern Railroads. The Penn Central contract has been submitted to the bankruptcy court for its approval.

Mr. DINGELL. I read now from the section on executive salary limitation.

Executive salary limitation imposed by the act is being circumvented by separation agreements. One payment of \$25,000 was made based on these agreements (to Mr. Morgan, vice president of Government Affairs—who has been nominated to the Board of Directors) contrary to conditions set by the Comptroller General.

The Chair would like your full comments on that. Would you do that right now.

Mr. LEWIS. When the incorporators set up Amtrak they hired an outside firm to set the salary scale. The incorporators also hired employment firms to get a list of prospective officers for Amtrak, which was presented to the management when it took over. This salary structure was competitive for companies of this size in this kind of business.

One year later, Congress in our 1972-73 supplemental bill set a ceiling on salaries, setting a top equal to that of the highest-paid Government job. The effect of this was really to compress the middle management group, and a number of these men had been hired in the expectation they had a career with Amtrak which, if they performed, would bring them greater compensation; and many of them moved their families out here, bought houses, et cetera. This came as a very severe shock to all of them.

In the minds of the Board members there was considerable anxiety as to whether or not we could keep these people under this new arrangement. For that reason, the Board of Directors identified four or five of these individuals and, in an effort to assure their continued employment in Amtrak through this period of transition, they entered into separate agreements for which in exchange for their promising to be available for consultation to the Corporation, they were paid under these separation payments. This applied before the action of the Congress in June 1972.

Mr. DINGELL. The Board is going to submit to us comments of the chairman and also the comments of the Comptroller General, all of which without objection will be inserted in the record at this particular point.

[The following letter was received for the record:]

AMTRAK, NATIONAL RAILROAD PASSENGER CORPORATION,  
Washington, D.C., April 2, 1973.

Hon. HARLEY O. STAGGERS,  
Chairman, Interstate and Foreign Commerce Committee, House of Representatives,  
Washington, D.C.

DEAR MR. CHAIRMAN: This is in reply to your letter of March 21, 1973, to Mr. Lewis regarding certain arrangements between Amtrak and some of its top executives. Your letter requested comments on separation arrangements, automobiles and on any other bonus or incentive practices of Amtrak.

I am replying as Chairman of the Compensation Committee of the Board of Directors. It was this Committee and not any member of Amtrak's staff that originated arrangements related to compensation and benefits and recommended them to the Board of Directors for adoption by the Board. They were all adopted by the Board unanimously.

As background for the organizational structure and salary ranges for Amtrak, there is enclosed a copy of the McKinsey study "Chief Executive Officer Pay Within the Transportation Industry"<sup>1</sup> that was prepared for the Department of Transportation prior to the appointment of Amtrak's Incorporators. Also enclosed is a chart prepared by McKinsey and Company setting forth the recommended initial organization structure and salary ranges for Amtrak. This chart

notes in the lower left-hand corner that the recommended salary ranges contained in the chart representing the Incorporators' views on January 7, 1971. And finally, there is included McKinsey and Company's report containing the results of its study on Amtrak's compensation needs "Developing Amtrak's Compensation Program".<sup>1</sup> All of these demonstrate very clearly that the salaries at Amtrak were not fixed arbitrarily or hastily but that all of them were very solidly based initially. The salary ranges set forth in the chart "Initial Organization Structure and Salary Ranges" were unanimously approved by the Incorporators for distribution to the two executive recruiting firms that were retained by Amtrak to recruit its executives and was communicated by them to all prospective executives. The prospects that came to work for Amtrak in top executive positions had every right to expect that the salary ranges set forth in this chart would be adhered to.

The enactment on June 22, 1972, imposing ex post facto a \$60,000 limitation on executive salaries created very serious problems for Amtrak. The limitation had the effect of bringing about a breach of faith on Amtrak's part by compelling Amtrak to abrogate actual agreements in two cases and to freeze a number of key executives at their entry salaries in direct contradiction to an understanding with them at the time of their employment. The limitation also had the effect of limiting the salaries of lower level executives because of the need to have a reasonable salary spread between various levels of responsibility. These problems led to the creation of a special committee of the Board—the Compensation Committee (consisting of Mr. Kendall, Mr. Quinn, and myself)—to determine adjustments which should be made to accommodate the Congressional limitation. The Compensation Committee originated a "separation" agreement applicable only to those top executives who were hired prior to enactment of the Congressional limitation on salaries and who were either hired, at salaries exceeding the limitation or hired at salaries less than the subsequently imposed limitation but with firm assurance that as they proved their competence they would be compensated according to the programmed salary range discussed with them when they were recruited by executive search agencies. The "separation" arrangements for those executives who fell within these categories served as conservative adjustment for the changed conditions of employment, but more importantly, they were designed to induce the top executives to stay with Amtrak notwithstanding that their salary had been limited and opportunity for promotion was nil. It was also designed to cause an executive who wished to leave to continue on for an additional period of not to exceed six months in order to accomplish an orderly transition of his responsibilities and to complete assignments being performed by him. The separation arrangement applies to Messrs. Robert Lewis, J. Richard Tomlinson, Harold L. Graham, Robert S. Medvecky and Gerald D. Morgan. I am enclosing a copy of this arrangement for your information.

With respect to automobiles, the Committee recommended that the President establish a modest pool of vehicles to facilitate company business. In accordance with normal industry practice, a limited number of key executives have access to these vehicles for travel to and from work and for personal use. When the vehicles are not required for company business, personal use is treated as income for federal income tax purposes but is not considered as part of the basic rate of compensation.

The Compensation Committee also recommended an improvement in Amtrak's group life insurance program for all Amtrak employees by raising the benefits from 1½ to 2 times the annual salary. Moreover, the Committee recommended that Amtrak pay for annual physical examinations for some fifty-five officers of the corporation.

All of these recommendations including those relating to the company automobiles and the "separation" arrangements were adopted unanimously by the Board of Directors. The other fringe benefits applicable to Amtrak administrative personnel that were adopted previously are those programs that are normal practice in industry, to wit:

- (1) Group life insurance, already mentioned;
- (2) Travel accident insurance;
- (3) Long-term disability benefits;
- (4) Hospital, surgical, and major medical coverage;
- (5) Non-contributory retirement benefits;
- (6) Free transportation for employees and their dependents on Amtrak trains.

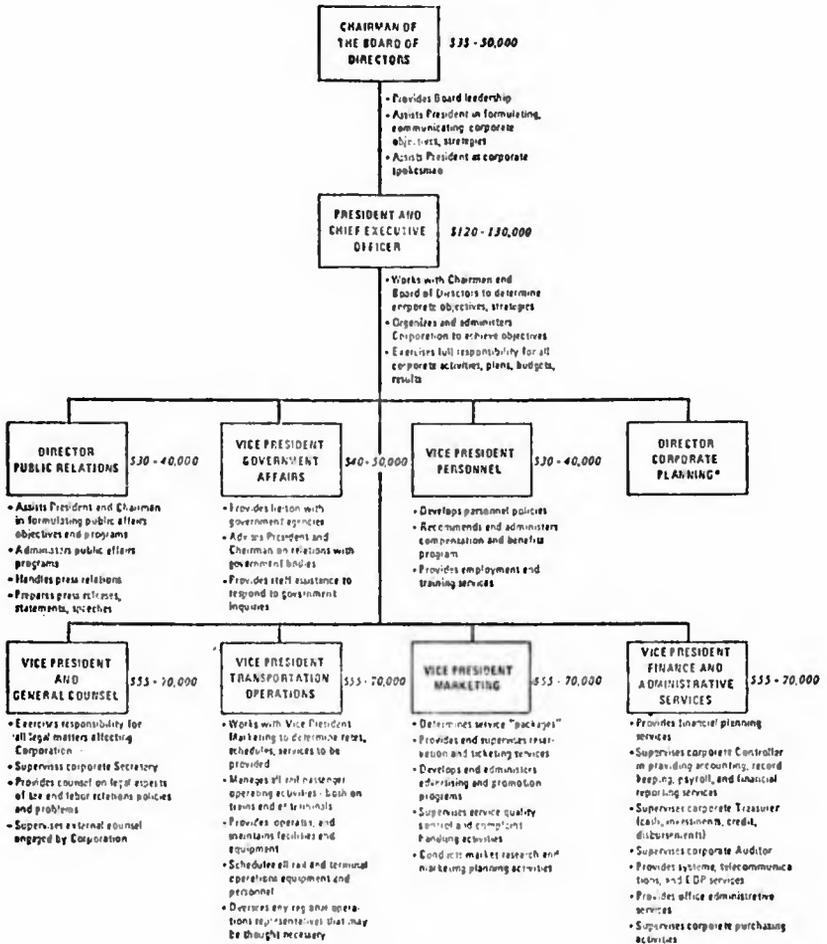
I will be pleased to furnish any additional information you may require.

Respectfully,

FRANK S. BESSON.

<sup>1</sup> The studies referred to may be found in the committee's files.

**NATIONAL RAILROAD PASSENGER CORPORATION**  
**INITIAL ORGANIZATION STRUCTURE AND SALARY RANGES**



\* Will be filled sometime after May 1

*Reflects Incorporated's views  
as of  
1/7/71*

This Agreement made this 18th day of December, 1972 between the National Railroad Passenger Corporation, a corporation organized under the laws of the District of Columbia, (hereinafter called "the Corporation") and Mr. \_\_\_\_\_, an employee of the Corporation, (hereinafter called "Employee").

Whereas, the Employee is currently employed by the Corporation; and,

Whereas, at the time of his employment it was represented to Employee that a certain salary structure developed by the Corporation's Board of Directors existed within the Corporation and that Employee could reasonably expect to progress to a stated salary level; and,

Whereas, in reliance on this representation, Employee accepted employment with the Corporation; and,

Whereas, Congress enacted Public Law 92-316 limiting the basic rates of pay that the Corporation may pay its employees with the result that the previously existing salary structure developed by the Corporation's Board of Directors and described to the Employee at the time of employment for all practical purposes could no longer exist; and,

Whereas, the Corporation desires to induce Employee to remain in the service of the Corporation notwithstanding the changed expectations regarding salary caused by the action of Congress and the inability of the Corporation to compensate the Employee as previously represented to the Employee by the Corporation.

Now therefore, in consideration of the mutual promises of the parties contained herein, the parties agree as follows:

1. Employee agrees to remain in the service of the Corporation and to continue to serve at the pleasure of the Corporation's Board of Directors notwithstanding the fact that the representations made to him concerning salary and upon which Employee relied in accepting employment cannot presently be fulfilled.

2. In the event that Employee at any time subsequent to the date hereof terminates his employment with the Corporation or dies, the Corporation shall make the following payment to the Employee at the time of his separation or death:

Three (3) months' salary for each year in which he was actively employed by the Corporation, not to exceed one (1) year's salary for a total tenure of four (4) or more years as an Employee. Such payment may be made either in one lump sum; or, spread over a period not to exceed one year, at the option of the Employee.

3. In the event Employee terminates his employment with the Corporation and receives the payment described in paragraph 2 above, Employee agrees that for a period not to exceed six (6) months, Employee shall perform such services for the Corporation as are necessary to accomplish an orderly transition of Employee's responsibilities to his successor and to complete assignments being performed by Employee at the time of his termination but not yet completed. Any travel or out-of-pocket expenses incurred by Employee in performing the obligations contained in this paragraph 3 shall be reimbursed by the Corporation.

4. In the event Employee terminates his employment with the Corporation, the Corporation shall reimburse Employee for ordinary and necessary expenses incurred by the Employee in a relocation, to the extent that such relocation expenses are not reimbursed to the Employee by another employer.

In witness whereof, the parties hereto have set their hands and seals on the date first above written.

NATIONAL RAILROAD PASSENGER CORPORATION,

By

\_\_\_\_\_  
Its President

By

\_\_\_\_\_  
Employee

Approved by the Board of Directors of the National Railroad Passenger Corporation on December 14, 1972.

Mr. DINGELL. There are a number of other points:

Dining car losses amount to about \$22 million a year. Amtrak should be innovative, as directed by the act, by experimenting with airplane type meals or set service as used on European trains. Free airplane type meals should reduce the deficit by about 50 percent.

Is that true and has it been explored by Amtrak?

Mr. Lewis. I might point out the airlines give these meals away. But in our Metroliner service and other short-haul services, we also offer the prepared meal but we could not go to that on a large scale because we simply don't have the ovens or other equipment on the train to provide that service, and I am not sure at the moment it is something we would want to offer.

A train is a different kind of travel experience. It is longer, more leisurely. People like to get up and walk around; go to the dining room, the lounge car. We have to be very careful in making a major change in on-board food service. We are considering it but I don't think I would be prepared to say here what the economics of our present service versus what prepared meals would be and we are not in a position to make a firm statement to the Congress on this service.

Mr. DINGELL. "Equipment shortages continue to plague Amtrak as there is insufficient equipment to replace cars and engines out of service

for maintenance and repairs; also some trains cannot be operated on a daily basis due to a lack of equipment."

That is a major problem?

Mr. LEWIS. That is a major problem; except for the Metroliners that were built 7 or 8 years ago, we don't have a single car built within recent years. We are in the position where a piece of machinery, as it gets older, tends to show its age. There is some confusion on this out-of-service rate. We have 2,000 cars and on any given day, about 35 percent of them are not available for service. Of that 35 percent, about 20 percent is what we call bad-order. In other words some mechanical or physical component is defective: the air conditioning does not work or a window is broken—20 percent. We understand from rail passenger systems in other countries that an average of 12 percent is not a bad average. We are working to get our average down and we can reduce it further.

The other component, the 15 percent reflects the impact of the equipment refurbishment program. These cars were built before 1956 but worse than that, while the Amtrak legislation was under discussion and a given railroad did not know whether or not it was going to be in the system, did not know whether or not its equipment was going to be bought by Amtrak, the maintenance which was going down in some railroads went down further or stopped altogether.

So, we had not only old cars but unmaintained cars. The decision had to be made that we were going for a massive program of rehabilitation. You take a car to the shop, tear it completely apart, and put it together again. That takes 2 months under the best conditions, but we were simply faced with the problem of either doing that and taking some of our cars out of service or not doing so and face an escalating rate in the out-of-service category.

The out-of-service or overhaul will be behind us in a couple of months when we have completed our first round of rehabilitation on all our cars, so it should come down this winter.

Mr. DINGELL. I am curious. Weren't you required by statutory legislation to take over your repair facilities?

Mr. LEWIS. We were encouraged to and we intend to. We operate our turbine facilities in Chicago and Providence and we have taken over a facility in Kansas City and other places, but this is a difficult thing.

For one thing, we really couldn't consider taking over maintenance facilities until the route structure was established as it is very important in locating these facilities. We will consolidate the maintenance in a limited number of shops and they ought to be placed in a sensible relation to the route structure.

More importantly and more difficult for us is the fact that maintenance facilities are picked up with the maintenance facilities for freight. To separate the passenger from the freight is something which requires very careful negotiation with the railroads. In cases where we would want to acquire that facility, there are questions of evaluating it and so forth. We now have 8,000 former railroad employees on our payrolls. Mr. King and his associates are examining facilities to effect these changeovers.

Mr. DINGELL. You indicated that you propose to be procuring new locomotives and you anticipate procuring new cars. I would like to have specific statements as to number of locomotives to be added and the number needed; the number to be delivered and the number of new cars needed for a viable system.

[The following information was received for the record:]

### EQUIPMENT ACQUISITION PROGRAM

The attached list outlines the equipment acquisition program of this corporation and is complete with the addition of the purchase of seven turbine-powered trains approved by the Secretary of Transportation in mid-July 1974.

Amtrak's five-year financial projection prepared in March of 1974 calls for the purchase of 200 additional low-level coach cars and 235 bilevel cars in fiscal year 1975. Deliveries will extend into fiscal year 1978 although the bulk of this equipment will be delivered in fiscal 1976.

#### BUILDING THE AMTRAK FLEET

##### A Chronology

<u>Date</u>	<u>Action</u>	<u>Cost</u>
May 1, 1971	Amtrak begins operations with a fleet of cars and locomotives owned or leased by the railroads, including 49 Metroliners.	
June-August, 1971	Negotiations with railroads result in Amtrak purchase of basic fleet of 1,275 cars, including 24 rail diesel cars, from 13 railroads.	\$ 17,500,000
September 8, 1971	12 additional Metroliner cars leased from Budd Company by Amtrak.	\$ 60,000/month
November 1, 1971	Used passenger car heavy overhaul program began. By June 1, 1974, 910 cars completed.	\$ 70,688,000
Winter-Spring, 1971-72	Purchase of 286 used diesel locomotives; 40 used electric locomotives acquired (30 purchased, 10 leased with option to buy).	\$ 6,500,000
Summer, 1972	Ridership increases require continued use of railroad owned equipment. Lease-to-buy agreements made for over 200 cars.	
Fall, 1972	Purchase 137 more cars.	\$ 640,500
November 2, 1972	Purchase 40 new 3,000 hp. diesel locomotives.	\$ 18,000,000
January, 1973	Two five-car turbine trains built for Department of Transportation High Speed Ground Transportation Project bought from United Aircraft.	\$ 2,829,000
March 26, 1973	Purchase 15 new electric 6,000 hp. locomotives.	\$ 10,800,000
Spring, 1973	Acquire 115 surplus army cars from General Services Admin..	no cost
Spring, 1973	Purchase 19 cars.	\$ 95,000
August, 1973	Two 5-car turbine trains, built for French National Railways, leased from ANF-Frangeco.	\$ 85,000/month
October, 1973	Third 4-car turbine train, formerly used in Canadian service, bought from United Aircraft.	\$ 2,450,000
October 12, 1973	Purchase 57 non-powered Metroliner cars to be locomotive-drawn.	\$ 24,000,000
October 12, 1973	Purchase 110 new 3,000 hp. diesel locomotives.	\$ 50,000,000
October 12, 1973	Purchase 11 new 6,000 hp. electric locomotives.	\$ 7,600,000
Fall-Winter 1973-74	112 cars which had been operated under lease transferred to Amtrak ownership.	\$ 3,314,000
Winter, 1973-74	Energy crisis precipitates intensive search for additional cars: following survey 113 cars bought (probably the last available in the U. S.).	\$ 1,100,000
June, 1974	Purchase 200 non-powered Metroliner cars.	\$ 81,000,000
June, 1974	Purchase 6 ANF-Frangeco Turbos (five-car train sets)	\$ 18,000,000
June, 1974	Purchase 25 3,000 hp. diesel locomotives (electric power generators).	(awaiting bids)
	<b>TOTAL*</b>	<b>\$314,516,000</b>

\*Total does not include lease costs.

#### TOTAL FLEET (6/1/74)\*\*

<u>Owned</u>	<u>Leased (or dedicated)</u>	<u>On Order</u>	<u>Totals</u>
1,821 cars (all types)	241 cars	277 cars	2,339
345 diesel locos	23 diesel locos	80 diesel locos	448
30 electric locos	10 electric locos	26 electric locos	66

\*\* Excludes equipment scrapped or used for parts.

Mr. DINGELL. On page 3 of your statement, you complain:

During our first three years our major problem areas, I would say, have been first, the deplorable status of all operating equipment and tracks; second, the very difficult contractual relationship with the railroads which provided almost no practical control over costs and no assurance of performance.

I would like for you to submit amendatory language needed to alleviate this.

[The following statement was received for the record:]

As noted earlier, the new contracts being negotiated with the operating railroads are providing, for the first time, a firm fix on costs while obtaining better on-time performance, and track and equipment maintenance. In the meantime, it does not appear that further assistance from Congress will be required. The Rail Passenger Service Act which established Amtrak provides that where Amtrak and the railroads cannot agree on cost aspects of their contracts, the matter may be referred to the ICC for determination. Thus with the right to negotiate penalty/reward contracts with the railroads, the right to seek arbitration judgments to enforce the contracts and the right of appeal to the ICC to obtain accelerated speeds, it would appear that Amtrak has sufficient legislative authority to assure proper maintenance of railroad facilities. We will, however, continue to watch this situation very carefully and should the need for additional legislation appear, we shall definitely make this need known to the committee.

Mr. DINGELL. Then you say:

And third, the insufficient power of the Amtrak Board of Directors under existing legislation to set independently the basic policy to be followed by management.

I would like for you to amplify that statement.

Mr. LEWIS. I think this goes to the question we discussed here about a half hour or so ago. I think the feeling on our part is that if we are to be a for-profit corporation, if we are to operate on the assumption that railroad passenger service is essential, an innovative method of management and selling is to be employed. This suggests this is to be a business, and its principal policy guidance should be from a Board of Directors—people with wide business experience and wide public interest. I think we have had that kind of Board, and I think the new Board is that kind of Board.

Our observation is drawn from the potential for conflict that now exists and that has shown up more recently in differences of opinion between the Board and the Department with respect to the acquisition of new passenger cars. In my own judgment, I think the Department has taken an interest in equipment that goes far beyond that of a Government agency passing on the financial characteristics of loan or grant funding and gets into the question of whether the car should be bought at all and under what conditions.

Mr. DINGELL. These are day-to-day operating problems?

Mr. LEWIS. Yes. It seems to me we ought to have one place to go for guidance, either to the Board or the Department. It does not seem right to me to have a continuing review by a different agency even if there is complete agreement.

Mr. DINGELL. You indicate on page 14:

Pending before that committee is a bill, S. 3569, introduced by the Subcommittee Chairman, Senator Hartke, containing a provision that would clarify the intent of the Congress concerning the scope of authority to be exercised by the Department of Transportation over decisions of the Amtrak Board of Directors, especially relating to use of congressionally provided government loan guarantees.

We would appreciate amendatory language pertaining to this.  
[The following language was received for the record:]

PROPOSED AMENDMENT FOR SECTION 602

The language agreed upon by the Senate Commerce Committee is the following amendment to Section 602 of the Rail Passenger Service Act of 1970, a new subsection:

(h) Any request made by the Corporation for the guarantee of a loan pursuant to this section, which has been approved by the Board of Directors of the Corporation, shall be approved by the Secretary without substantive review of the capital and budgetary plans of the Corporation. Such review by the Secretary shall be effected by the Secretary in his capacity as a member of the Board of Directors of the Corporation and through issuance of general guidelines pursuant to section 601 of this Act.

Mr. DINGELL. You indicate on page 13:

In view of the various contingencies, we suggest to the committee that the authorization could be set at \$200 million, which I expect would prove adequate to cover the worst combination of the contingencies I have discussed.

Indicate the figures you would like to have in the bill.

[The following information was received for the record:]

REQUEST FOR \$200 MILLION ADDITIONAL GRANTS AND \$400 MILLION  
GUARANTEED LOANS

Amtrak is requesting \$200 million in additional Federal grants under Section 601 of the Rail Passenger Service Act of 1970 and an additional \$400 million in Government-guaranteed loans under section 602.

Mr. DINGELL. On page 18, you indicate:

Our equipment purchases have improved this situation, but there remains a long way to go both in the acquisition of additional locomotives and cars and in the improvement of track.

We would like to know what additional legislative authority you need in order to improve the track.

[The following information was received for the record:]

NO ADDITIONAL LEGISLATIVE AUTHORITY NEEDED TO REQUIRE RAILROAD COMPANIES  
TO IMPROVE TRACKS

Amtrak is continuing to press for track and roadbed improvements that we believe are due the corporation under the contracts that we have with the individual railroad companies and under the legal powers that we have already been provided with.

If experience should indicate that additional legal powers are needed to obtain these improvements we would not hesitate to recommend remedies to the appropriate committees of Congress. However, at this time the corporation does not have any specific recommendations for additional legislative authority in this area.

Mr. DINGELL. The committee thanks you. The chairman notes the committee will recess until 2 p.m. this afternoon, at which time Mr. John Barnum will testify on behalf of the Department of Transportation.

Thank you.

[Whereupon at 12:45 p.m., the subcommittee recessed, to resume at 2 p.m. the same day.]

AFTER RECESS

[The subcommittee reconvened at 2:45 p.m., Hon. John Jarman, Chairman, presiding.]

Mr. JARMAN. The subcommittee will be in order as we continue the hearings on legislation to amend the Rail Passenger Service Act of 1970.

We are glad to welcome Secretary Barnum to this subcommittee again. We will be very much interested in his testimony this afternoon.

**STATEMENT OF JOHN W. BARNUM, UNDER SECRETARY, DEPARTMENT OF TRANSPORTATION, ACCOMPANIED BY ASAPH HALL, SPECIAL ASSISTANT TO THE SECRETARY AND HEAD, NORTHEAST CORRIDOR PLANNING OFFICE, AND HOWARD A. COHEN, SPECIAL ASSISTANT TO THE UNDER SECRETARY**

Mr. BARNUM. Thank you, Mr. Chairman.

May I first introduce the gentlemen who are with me at the witness table. On my right is Mr. Asaph Hall, who is a special assistant to Secretary Brinegar. He is with us today because, in addition to his task for Secretary Brinegar as special assistant, he also heads the Northeast Corridor Planning Office, which Secretary Brinegar established after the Regional Rail Reorganization Act directed that the Secretary take certain actions with respect to the Northeast corridor.

On my left is my special assistant for rail passenger matters, Mr. Howard A. Cohen.

We welcome the opportunity to be here today to discuss with you legislation to amend the Rail Passenger Service Act of 1970, including recommendations of the U.S. Department of Transportation.

Last year was a very significant and active legislative year for rail transportation in the United States, and for the National Rail Passenger Corporation—Amtrak—in particular. Two major efforts by this committee and the full Congress resulted in the Amtrak Improvement Act of 1973, signed into law by President Nixon on November 3, 1973, and the Regional Rail Reorganization Act of 1973, signed by the President on January 2, 1974.

The Regional Rail Reorganization Act, primarily a bill to plan, finance, and restructure the ailing freight railroad system in the Northeast and parts of the Midwest, also will have a substantial impact upon Amtrak. Section 601(d) of that act requires the Secretary to initiate work on the necessary studies and improvements to achieve the goals for improved high speed rail service set forth in the Department's 1971 report, "Recommendations for Northeast Corridor Transportation." That act also specifies as one of the goals of the final system plan the establishment of improved high speed rail passenger service in the Northeast corridor consonant with the recommendations of the 1971 study. As you know, over one-half of Amtrak's trains operate in the Northeast corridor. Consequently these improvements will have a major impact on intercity rail passenger service.

We are hard at work to fill these congressional directives. To organize and oversee the effort, Secretary Brinegar has established a new Northeast Corridor Program Office reporting directly to him. He has also informally established a task force to coordinate the many organizations involved in a project of this magnitude. The regular and ad hoc meetings of this task force are attended by representatives from the Federal Railroad Administration, various offices within the

Office of the Secretary, the United States Railway Association, and Amtrak, all of which have critical roles to play if we are to have improved high-speed rail service in the Northeast corridor.

Within the Federal Railroad Administration, a project team has been established to handle detailed technical and analytical work.

While we have been establishing the institutional structure to plan this large and complex undertaking, concrete program implementation has been moving forward. There are two significant efforts that I can report. The first involves a program—currently in the detailed planning phase—to begin work on corridor tracks and roadbeds to remove existing slow orders and make certain other critical improvements essential for maintaining an acceptable level of service. This should reverse the trend of slow deterioration in the quality of Northeast corridor passenger service which we have witnessed over the past 2 years. The planning for this project, expected to be in the \$20 million range for this year alone, is being done by a cooperative effort among the Department, Amtrak, and Penn Central, and we hope to have improvements underway this summer.

Second, we expect to award contracts this month for the detailed preliminary engineering work which is the initial phase of the long-term corridor improvement program. The planning, engineering, and financial data which these contracts will generate will be included as part of the final system plan to be produced by the United States Railway Association as provided for in the Regional Rail Reorganization Act.

In the context of these developments, let me comment on various points concerning Northeast corridor implementation raised in legislation currently pending in the Congress. The first point is the subject of any desirable or necessary legislative amendments to speed Northeast corridor project implementation. Our view on that matter is that any such changes will become evident in the course of carrying out our extensive preliminary engineering effort and preparing the Northeast corridor input to the preliminary and final system plans as required by the Regional Rail Reorganization Act.

The Senate bill, S. 3569, proposes that the Secretary make a monthly report to the Congress on corridor project implementation. The Department is well aware of the high level of congressional interest in Northeast corridor implementation and the Secretary has accorded it a very high priority among all the important tasks on the Department's agenda. We do not think, however, that the establishment of a formal reporting requirement would either speed implementation or improve communication between the Department and the Congress on this matter. We have already taken steps to keep both Houses of the Congress apprised of our progress on the Northeast corridor and remain available to do so on a continuing basis. In our view, this method of communication has the advantage of being much more effective than a formal report without the disadvantage of the administrative burden imposed by a formal requirement.

In addition to our work on the Northeast corridor implementation, we have also been integrating the significant changes that were included in the Amtrak Improvement Act of 1973.

Besides these legislative changes, 1973 provided other events of great importance to Amtrak. The energy crisis focused the Nation's

attention upon the need for a fast, reliable, frequent and energy-efficient mode of intercity passenger service. Because of the energy crisis and the public's growing acceptance of intercity rail passenger service, there has been an impressive growth in ridership. During the last several months of 1973 and continuing into 1974, Amtrak has been reporting approximately a 25-percent increase in passenger ridership over the comparable period a year earlier. Ridership of the Metroliner increased from 2.2 million passengers in 1972 to 2.4 million passengers in 1973 and service expanded to 15 daily round trips.

There has been a great deal to absorb and analyze. In light of the short time that has elapsed in which to consider all these developments, plus the ICC adequacy of service standards and the potential impact of Amtrak's new contracts with the railroads, the Department has limited its legislative proposal this year to those issues which need immediate attention.

Thus we have proposed extension of the Amtrak authorization through fiscal year 1975 in "such amounts as are necessary to carry out the purposes . . ." of the Amtrak Act. Last year the Department testified that net cash losses for Amtrak were expected to decline in fiscal year 1973 to \$124 million and to \$93.6 million for fiscal year 1974. At the time, although there were several uncertainties, there was a reasonable foundation for such an estimate. However, the actual deficit for fiscal year 1973 is now placed at \$141.8 million, and the deficit for fiscal year 1974 is now estimated to be at least \$155 million. The estimates of a year ago did not take into consideration the following factors:

1. Continuation of the basic system, including those routes originally proposed for discontinuance in fiscal year 1974.
2. The additional costs due to ICC ex parte 277.
3. The renegotiation of the railroads' contracts.
4. Inflation beyond that originally estimated.
5. Increased costs due to the energy crisis.
6. An increase in the railroad retirement tax.
7. Railroad cost as actually experienced over that budgeted in fiscal year 1973.

Amtrak's best estimates in light of these uncertainties required a \$52 million supplemental appropriation in fiscal year 1974 to meet the increased operating deficit caused by the aforementioned costs. Assuming the continuation of the basic system through fiscal year 1975, Amtrak's current estimates indicate the need for an operating grant in fiscal year 1975 of about \$150 million. However, the uncertainty of future costs, including any which may result from the implementation of the Regional Rail Reorganization Act, has resulted in the Department's recommending a general rather than a specific authorization. We believe that this approach will provide the flexibility needed to administer the Amtrak program properly.

We are limiting our proposed authorization to one year because this year we will review the total Amtrak experience since its inception, including the history of the Federal Government's part in the Corporation's financial history, and recommend appropriate legislation to the Congress in 1975.

In calendar year 1975, the Department will submit to the Congress a detailed review of the Amtrak program and appropriate legislative

recommendations. At that time we will have had sufficient experience with the Amtrak program to permit a better perspective with which to review major issues, including the growing debt expense, increasing and currently uncontrollable costs, and the likelihood of potential profitability. The coming year should also provide us sufficient time to develop a long-range recommendation for the role of improved intercity rail passenger service in the context of our national transportation system. Until our study is completed, the Department has no objection to proposals which freeze the existing basic system for another year.

Our 1-year financing proposal would increase available loan guarantees from the present level of \$500 million to \$700 million. At this time, Amtrak's success may well depend upon the planning, development, and implementation of a carefully thought through capital program. We expect that the original limit of \$500 million will have been committed by the end of this calendar year and that the \$200 million increase in the limit is necessary and sufficient to carry forward an aggressive capital program for the coming year.

An other issue which we believe needs your immediate attention is the somewhat more controversial changes in last year's legislation which substantially decreased the stewardship role of the executive branch over the expenditures of funds by Amtrak and over the Amtrak legislative program. We believe this limitation of the role of the executive branch is not desirable given the increased costs of the Amtrak program and the need to coordinate the Amtrak program with other programs to revitalize the American railroad industry. In our legislative recommendations, we are asking you to remove the restrictions upon participation by the executive branch in the Amtrak program that were introduced into section 601 by the Amtrak Improvement Act of 1973.

We would also respectfully urge you not to adopt a provision suggested in a Senate bill which would prohibit the Department from reviewing expensive capital purchases, the financing of which is to be guaranteed by the Federal Government. Without the pressures and disciplines of a competitive environment, or the rigorous planning and justification which would come about if DOT reviews these expenditures, we feel Amtrak's unfettered freedom will be a license for uncontrolled and increasing deficits.

This provision seems particularly untimely in view of the fact that Amtrak will soon have a new board of directors. We do not think it would be wise to remove executive branch review on its spending authority. The Department can provide considerable independent expertise and assistance to the board. At this time, we urge you to allow us to play a constructive role with regard to these long term capital expenditures. We also can contribute a broad national transportation system viewpoint to Amtrak capital expenditure decisions which we believe is an especially necessary consideration when such large amounts of Federal funds are being committed.

We also think it was not in the best interest of Amtrak, its passengers, or the American taxpayers to include section 801, which directed the Interstate Commerce Commission to issue regulations necessary to provide adequate service, equipment, and tracks, and other facilities for quality intercity passenger service. We do not

believe the imposition of mandatory regulations is the proper mechanism for developing and fulfilling this role.

The Department supports improvements in the quality of intercity rail passenger service. The adequacy of intercity rail passenger regulations promulgated by the Commission on December 27, 1973, ex parte 277 (Sub. No. 1), may or may not contribute to the continued improvement and upgrading of intercity rail passenger service due to the constraining effect of some regulations. They also may have an unfortunate impact upon Amtrak operations and finances, as was the case this fiscal year. Certain requirements in the regulations may be beyond Amtrak's present equipment capabilities and could cause Amtrak serious financial problems.

Ordinarily the regulatory process works within the framework of a profit motivated sector of the economy. In this situation, however, the Commission does not have to examine various cost factors which usually are proper issues in its deliberations. The traditional economic model for ICC regulated industries does not fit this situation. Nor is Amtrak operating in a competitive environment with the usual economic incentives to oppose and question, where necessary, the Commission's proposed regulations since historically Amtrak's increased deficits have been underwritten by Federal subsidies.

We are suggesting, therefore, that Congress retain the Commission's role in improving the quality of Amtrak service, but change the existing law to provide that the Commission should recommend, but not order, service changes.

We are proposing one further technical amendment to the act: the deletion of the restriction that no more than one-third of Amtrak's common stock may be owned by any one railroad. The initial issuance of common stock was completed on May 1, 1974, and two of Amtrak's four common shareholder railroads now each have more than one-third of the common stock. This situation has developed principally because most railroads that joined the Amtrak system took the tax deductions available under section 901 of the act, rather than accept common stock in exchange for their payments. The Department believes that no harm will be done by eliminating this ownership restriction. The proposed amendments to section 304(b) would also limit any one railroad or person controlling one or more railroads from voting more than one-third of the Amtrak common stock and thus preserve the existing limitation on the number of directors that can be elected by any one railroad.

Mr. Chairman, this completes my prepared testimony. I will try to answer any of the committee's questions.

Mr. JARMAN. Could you give us any more specifics in your thinking about the deficit? I know the figure for fiscal year 1974 is now estimated to be at least \$155 million, and you take a position in favor of an open-end authorization because of various aspects of the problem and the difficulty of pinpointing what the deficit will be. Can you indicate anything more specific as to your best estimate of what you think will cover what is needed?

Mr. BARNUM. That particular question was addressed to Mr. Lewis in the Senate hearings last week, Mr. Chairman, and he indicated that \$200 million would be sufficient to cover any anticipated operating deficit during the coming year. I concurred in that estimate, indicat-

ing that I thought that would be a safe, topside figure, but I do not have any independent basis for supporting that figure. I am relying on Mr. Lewis' recommendation to the Senate committee.

Mr. JARMAN. Your agreement on the \$200 million figure then is predicated on Mr. Lewis' estimate of what would cover?

Mr. BARNUM. Yes; it is. I think it is reasonable, knowing some of the uncertainty with which we are confronted and the orders of magnitude of those uncertainties. It has been estimated, for example, in the case of the ICC proceeding, that the aggregate cost in the first year could be about \$8 million. In addition it is not clear just how much more the contract which is being negotiated with Penn Central might necessarily impose upon Amtrak in the event Penn Central met all the incentives and Amtrak, therefore, actually had to disburse the incentive payments. But, I think the top figure is about \$17 million. The point is that in the aggregate, the ICC rules or the renegotiated contract with Penn Central, and hopefully the renegotiated incentive contracts with other railroads, make Mr. Lewis' estimate a reasonable one. In the absence of skyrocketing fuel costs or something of that nature, the \$200 million should be sufficient.

Mr. JARMAN. Mr. Dingell.

Mr. DINGELL. I am glad to have you before the committee again. We don't always agree, but we know you are trying down there.

The budgetary request of the Department of Transportation is for \$143 million. Is that right?

Mr. BARNUM. That is correct.

Mr. DINGELL. Now you have said in your testimony \$155 million for the deficit. Secretary Brinegar said here in his speech before the National Association of Motor Bus Owners as follows:

Despite a 30 percent increase in this year's ridership, Amtrak's revenues of about \$240 million would be offset by expenses of nearly \$400 million for an operating loss of \$160 million.

Now we have gotten a horseback estimate out of Amtrak of about \$200 million. Are you folks down there saying any figure, you know, to authorize an appropriation of whatever amount is necessary.

This committee has sought very diligently to watch most closely what moneys are expended in the period of time during which we are going to be able to continue our appropriation. As a continuation of that policy I would like to see a very clearly defined sum. I recognize that this may be unfair to you, but you have \$155 million, \$141 million, \$160 million, and \$200 million.

Mr. BARNUM. I appreciate your dilemma. The different figures reflect the inclusion or exclusion of certain either known or unknown variables.

Mr. DINGELL. Obviously inflation is one that we can't anticipate.

Mr. BARNUM. That is certainly one of the unknowns, but there are others. For example, the Amtrak Improvement Act of 1973 requires the Secretary to designate one or more experimental routes in 1974 and one or more experimental routes in 1975. There have been a large number of possible experimental routes recommended to us, and we have looked at the economics of all of them.

As we understand the figures, we find that they vary from about a \$1 million annual operating loss to as much as a \$3.5 million annual operating loss, plus the need for capital investment for facilities that

would have to be restored if a particular experimental service were to be designated. We will designate an experimental service to be started for 1974 before the end of the monthly and later one or more for 1975, but the choice of one set of experimental routes could increase the deficit from \$2 million at one end to \$8 million at the other end.

That kind of variable, plus the inflation you have mentioned, plus the fuel costs that I have mentioned, plus unforeseeable variables led us reluctantly to recommend to the committee that this year they authorize an open-ended figure. However, I certainly think Mr. Lewis's \$200 million figure is a reasonable one.

With respect to the \$143 million, that of course is a figure that was prepared at the end of last year for inclusion in the President's budget as of January.

Mr. DINGELL. The Appropriations Committee has, to the distress of this committee, suggested a reduction of \$18 million in that figure. I have already talked to the chairman of the committee, and he appears to be responsive to some change in that figure. The better figure would then be on the order of \$155 million to \$160 million, at least at this time, is that right?

Mr. BARNUM. It certainly would be a better figure than the \$125 million that the Appropriations Committee came forward with because it is a more current figure. Either of those would be a more current figure than the \$143 million that was included in the President's budget at the beginning of the year.

Knowing the way in which costs mount, and anticipating further increases in cost, we would urge the committee either to adopt the language we have recommended or take a figure such as \$200 million, which Mr. Lewis has suggested.

Now, it may very well be, and I am sure we could again try to identify with some precision the exact variables and what allowances we should make for them, but those figures will change from day to day, as I have pointed out, depending on whether Amtrak renegotiates its contracts with the railroads, and whether Penn Central and the other railroads earn their incentive premiums.

Mr. DINGELL. Now this subject causes me vast distress. As you know, this committee has always tried to see to it that Amtrak grew as rapidly as possible. Some people engage in the fiction that Amtrak is going to be a profitmaking entity in the foreseeable future. This is not my thesis at all. I have always been distressed by the distinct impression that the executive branch was more concerned about control of funds than it was about having Amtrak grow and provide service, and have the maximum opportunity to become a viable entity.

It was pursuant to this that this committee during the past year adopted the language to the last Amtrak authorization about which you complain at page 8. I would like, if I could please, not to necessarily cavil about your position, but rather to inquire into the amount of control that the executive branch still exerts over Amtrak. It is fair to say that the executive branch still appoints the Board of Directors, am I correct on that?

Mr. BARNUM. The President has nominated the new public members of the Board of Directors, and they are before the Senate Committee on Commerce for confirmation.

Mr. DINGELL. He makes first of all the appointment of the Board?

Mr. BARNUM. There are nine public members of the Board.

Mr. DINGELL. One of whom is the Secretary of Transportation.

Mr. BARNUM. No, the Secretary is in addition to those nine; he is an ex officio member of the Board.

Mr. DINGELL. How many members on the Board?

Mr. BARNUM. There are three additional members of the Board representing the common stockholders, and they are railroad officials. In the event there were preferred stock, there would be, I believe, another four members on the Board who would represent the preferred stockholders.

Mr. DINGELL. The President really does appoint the majority of the members of the Board.

Mr. BARNUM. Under the new statute, he would appoint 9 plus the Secretary of Transportation out of a possible total of 17.

Mr. DINGELL. Now, where does the budget managing process, insofar as the Department of Transportation, in the Office of Management and Budget come in? Amtrak submits what, an annual request for funds to the Department of Transportation, which in turn is submitted to the Office of Management and Budget.

Mr. BARNUM. For purpose of this analysis, I would like to draw the distinction between operating budget and capital budget.

Mr. DINGELL. I think we really should do that. Let us take first the operating and then let us take the capital budget.

Mr. BARNUM. This distinction was, of course, drawn by the Congress in the original Amtrak Act.

Mr. DINGELL. That is right because the capital budget has guaranteed loans as opposed to the operating budget which is appropriations.

Mr. BARNUM. That is correct. Section 601 permitted the Secretary originally to enter into grant agreements with Amtrak on terms and conditions that the Secretary specified to provide to Amtrak the funds necessary to meet its operating deficit. Section 602 provided and still provides loan guarantee authority, now up to \$500 million, with which the Secretary could guarantee loans made by Amtrak for purposes of capital acquisition. It is not quite accurate to say that is the only source of capital funds because the payments received from the railroads were also available for that purpose.

Mr. DINGELL. These are beginning to run out now?

Mr. BARNUM. They have run out. First, they have all been received; and, second, they will all have been accounted for if the most recent capital program that Amtrak has proposed is adopted in its entirety.

But if we put to one side for the moment the receipts by Amtrak from railroads in the way of capital and, of course, putting aside entirely the receipts by Amtrak from operations, we have two sources of funds. One is the section 601 funds that are used for operating deficits, and the other is section 602 funds available for capital. Let us address 601 first.

Mr. DINGELL. OK.

Mr. BARNUM. Section 601 applications, if you will, are prepared by Amtrak on the basis of Amtrak's projections of its profit and loss for the forthcoming year, and under the Amtrak Improvement Act of 1973, they are submitted simultaneously to the Congress and to the executive branch. There has not been any disagreement between Am-

trak and the Department of Transportation concerning the level of deficit at which Amtrak should operate in any of the 3 years in which Amtrak has been operating, and the Department of Transportation has been providing those funds, even prior to the modification last fall of the Amtrak Improvement Act.

Each year we have approved what Amtrak projected to be its losses, and as I am sure you are well aware, their losses have equaled their gross revenues. So, Federal funds provided under section 601 finances approximately one-half of the total cost of operating Amtrak.

Now you ask what is the procedure. Amtrak now gives us what they give to you, their estimate of their operating deficit. In the forthcoming year, we took it and we put it into the President's budget. Hence, the \$143 million figure. You take it, or your Appropriation Committees take it and make their own independent judgments. Hence, the \$125 million figure in the case of the House Appropriations Committee.

Now, let me say one other thing about this because I think this is important if I sense the direction of your question.

When the Secretary of Transportation, under the original section 601 which would be used to fund this operating deficit, had authority to impose terms and conditions on the grant agreements between the Department and Amtrak, there was consideration given within the Department to provide the Secretary, in effect, with a veto power over the recommendations of Amtrak for its level of operating deficits. Secretary Volpe concluded that he did not want that kind of veto power over the operating deficits of the railroad. What he preferred to have was a process whereby Amtrak settled upon an operating statement for the forthcoming year and submitted it to the Secretary of Transportation pursuant to the grant agreement. The Secretary of Transportation then had, I think it was, 30 days in which to review it and submit his comments to the Amtrak Board of Directors. The final decision then, under the terms of the grant agreement, would be with the Amtrak Board of Directors. That was the way the grant agreements were written, and that was the way in which it operated up until the Amtrak Improvement Act of 1973. I was the General Counsel of the Department at the time, and it was my judgment, my recommendation to Secretary Volpe, and he agreed with it, that that was the more appropriate way for the Secretary of Transportation to handle the grant agreement procedure rather than, as he could have under that original statute, give himself a final binding determination that he would not accept the recommendation of the Board. That is section 601.

Of course, it has now been changed, and the Secretary is authorized to provide guidelines. It has not been necessary because we and Amtrak have been in agreement during the last year as to the level at which it should operate and the level of the operating deficit. But, we are, of course, working on guidelines and we will submit them to the new board soon after it takes office.

Now would you like to pursue that or shall I switch over to 602?

Mr. DINGELL. Let us switch over to 602.

Mr. BARNUM. Section 602 has grown incrementally as succeeding Congresses have added to the amount available, and there presently is an available loan guarantee authorization of \$500 million. This is the authority under which Amtrak has submitted to the Department

from time to time proposals for acquisition of rolling stock, engines, and other major capital programs.

There has not been to my knowledge any instance where an application to the Secretary of Transportation to guarantee a loan has been rejected by the Secretary of Transportation. There is on the table now a proposal from Amtrak for a total capital program that would exhaust the \$500 million available under section 602, plus all the capital that is available from the railroads that became members of Amtrak. Included in that package is an item for 20 turbotrain sets.

Now, in the case of that particular proposal, when we reviewed it we agreed that it would be desirable to proceed with the acquisition of 6 of the 20 for use in the Chicago corridors. Two are already operating, as I am sure you know, out of Chicago on a lease basis. We agreed it was desirable to go ahead and purchase those two and purchase four more sets which could be acquired by Amtrak in very short order.

We did, however, raise the question as to whether it was desirable for Amtrak to purchase the remaining 14 train sets out of its proposed 20. Amtrak proposed that those 14 be used between Boston and New York. That is a corridor which is now electrified between New York and New Haven, and which requires traditional conventional diesel electric motive power from New Haven to Boston. The Amtrak proposal was to eliminate in time the equipment that is now being used between New York and Boston and replace it entirely with turbotrain service.

This raised for us a series of questions. First, the turbotrains are more expensive than conventional diesel electric engines pulling even Metroliner shell type cars. To justify or even come close to justifying this additional expense, Amtrak proposed to charge first class fare plus a 50 percent premium charge for all rail passenger service between New York and Boston. By doing this they said they would be able to repay the increased investment cost.

We questioned that recommendation for a number of reasons. One of them I have mentioned already, the increased investment cost. Second, even if you wanted to run a premium fare service exclusively, you might be able to do so more economically by buying diesel electric locomotives and metroliner shell-type cars. Third, we are not convinced that the New York to Boston rail passenger service should be solely a premium fare service. It is now solely a conventional fare, standard fare, service because even the two turbotrains Amtrak already has been operating so sporadically that it could not be represented to be a premium fare service such as the Metroliners are between New York and Washington.

We came to that conclusion in part because, looking at the New York to Washington part of the market, we see the growth in demand for conventional service to be just as great as the growth in demand for Metroliner service, and we do not want to eliminate conventional, relatively inexpensive rail passenger service between New York and Boston. Therefore, we have asked Amtrak to provide us with operational analyses of the various mixes of turbotrains, diesel electric with Metroliner shell-type cars, and conventional equipment for different levels of fare services to see what would in fact be the best mix.

That is the only item of which I am aware that has come to the Sec-

retary of Transportation for a loan guarantee that has been denied, and indeed that one has not yet been denied, it is still on the table.

Now, I have heard a great deal, Mr. Dingell, about how the Department of Transportation has held up the Amtrak capital program. I can assure you that it has been held up by us and by me as a member of that board of directors because time and time again the things that have been submitted to the Amtrak board of directors, and ultimately to the Department of Transportation have not been things which I either as a member of that board of directors or as a member of the Department of Transportation could approve in the form in which they were submitted to me. They have had to go back to Amtrak and their management has had to resubmit that material.

Let me give you a case in point. When we finally got from the Amtrak management a capital program for 5 years pursuant to correspondence, with which I am sure, Mr. Dingell, you are quite familiar—you put it in the Congressional Record—we were able to look down the road and take it more as a comprehensive program than the nickel-dime materials they had been submitting to us previously.

They reiterated a change several times before you had a chance to focus on it. Then they came in with a large capital program. It was a shopping list of trains and stations that they wanted to buy. There was neither any indication of the return on investment, nor was there indeed any indication of the cost of operating that equipment, nor the revenue that would be obtained by operating it. It was simply a Christmas list.

I did not think the board of directors could pass on such a Christmas list without having some indication as to the cost of operating it and the revenues to be obtained by operating it. The Amtrak management would then go back to the drawing boards and resubmit that proposal to the Amtrak Board. Eventually, it was submitted to the Secretary of Transportation. But the suggestion that the Amtrak capital program was being held up by the Secretary of Transportation is simply not true.

I will take your capital appropriation request by capital appropriation request and show you how in fact Amtrak is far behind us in spending the money that we have already approved.

I apologize for giving you such a long answer, but I know this is an issue with which you are concerned, and it is one with which we are very much concerned. So long as the Federal Government is the source of not just half the total cost of running Amtrak on the operating side but the source of all of the capital cost on the other side, the suggestion that the Department of Transportation should not have a continuing monitoring role is one which I find inconsistent with the way in which we should both be handling the budget.

Mr. DINGELL. I have to confess to you that your position that there should be careful supervision is one with which I cannot quarrel. The problem I have is that apparently there are times when we are not fully aware of the nature of the supervision. I have been apprehensive in dealing with this matter in connection with Amtrak in your agency as I have been with other agencies where OMB determines it can't spend money and as a result Federal services are not carried forward.

I am very pleased to get your explanation. Thank you. Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. Would you say that you perform two functions as a member of the Board? As DOT representative you try to guide Amtrak into a better relationship as far as expenditures with DOT and you also sit as a businessman?

Mr. BARNUM. And when the two may come in conflict I sometimes do not participate in the vote of the Board. For example, with respect to the capital program that was voted upon by the Board at its last meeting, I abstained from voting on it because I knew that I, as adviser to the Secretary of Transportation, would participate in his review of the loan guarantee that it would have required.

Now, prior to that particular issue coming before the Board, in my businessman capacity, yes, I did say to the Amtrak Board and management that I did not see how they could pass upon the proposal that management had made, because there was not anything included to indicate the cost of operations, or the revenues, or anything else of that nature. So, it is a situation that I am aware of, but essentially your description is accurate.

Mr. KUYKENDALL. You must perform a third function as adviser. You do have to a degree a conflict of interest.

Mr. BARNUM. I think it is analogous to the situation where an officer of one of the principal or lead banks for a company is a member of the board of directors. I think that for purposes of good government, the role of the Secretary of Transportation as the person who overviews the impact of the Amtrak program on the Federal budget for the executive branch, is a more important role than his participating in board meetings as such.

Mr. KUYKENDALL. Have you had, or do you envision the possibility of a situation where the actual stated position of the will of the Amtrak Board was different from that of the DOT and you happened to agree with the Amtrak Board?

Mr. BARNUM. That particular situation has not come up.

Mr. KUYKENDALL. But it could. As a businessman, I am distressed that the subsidy grant portion of the operating budget, is a monthly proposition. This creates a drain on administrative resources and makes planning doubly complicated which is a detriment to efficiency.

Mr. BARNUM. Well, Mr. Kuykendall, I am sure you have never been associated with a business that loses as much money as it takes in every month.

Mr. KUYKENDALL. No, I would not have lasted long.

Mr. BARNUM. What we have here is a practical point of fact. It is not Amtrak's having to go back to its banker once a month to argue for a monthly installment. It is a line of credit that has in fact been established by the Congress in its appropriations. Amtrak draws it down on a monthly basis, and the reason it is done on a monthly basis is so that the release of Federal funds is not made prematurely. It is just a question of drawing on a letter of credit. In fact, it is done on a letter of credit vehicle; for instance, in a hypothetical month as Amtrak spends \$30 million, but takes in only \$15 million, it needs another \$15 million to meet its payroll. It goes to the bank and draws down on the line of credit at the end of the month to meet the payroll. That is the way it works.

Mr. KUYKENDALL. Why can't this draw be authorized on a quarterly basis, with a minimum variation allowed between months?

Mr. BARNUM. I wouldn't have any problem with that.

Mr. KUYKENDALL. You can allow a little bit of variation on a third of it.

Mr. BARNUM. Certainly.

Mr. KUYKENDALL. We are looking at it as a matter of efficiency.

Mr. BARNUM. I agree with you.

Mr. KUYKENDALL. If House appropriations are approved, the next fiscal year will begin with a line of credit under section 601 of \$125 million. How should the \$125 million be budgeted for the next 12 months?

Mr. BARNUM. If the appropriation adequately covered a budget that we agreed with Amtrak would get them through the year, I would have no problem at all with what you are suggesting about having them draw down on a letter of credit on a quarterly basis within a given parameter of deviations, plus or minus. You can see the problem we are confronted with from a policy point of view, both for Amtrak with its purposes and we in the national transportation policy, when the line of credit upon which we and Amtrak, and I gather this committee, have agreed is not enough to get them through a 12-month year.

Mr. KUYKENDALL. Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Adams.

Mr. ADAMS. Thank you, Mr. Chairman.

In the recent speech that Secretary Brinegar gave to the National Press Club on the 14th of May, he said, among other things, and I think this is a fairly accurate quote. "Amtrak clearly has a valid role in moving passengers in our densely populated corridors, such as the Washington to Boston area, and possibly a few others, but I seriously question Amtrak's role in trying to provide cross-country service in competition with our fine air and intercity bus service."

Now does this indicate a narrowing of Amtrak's role as a DOT policy?

Mr. BARNUM. No, it does not reflect any conclusion to which we have come with respect to Amtrak's role. As I mentioned in my prepared statement, in 1975 we want to submit to the Congress and this committee a full analysis on the basis of what will then be 4 years of experience what we recommend to be Amtrak's role.

I must tell you that, as we have looked at the deficits and the ridership on the long-haul routes, we are increasingly doubtful as to whether they will ever attain economic self-sufficiency. They are attractive to people who are traveling on vacations, and there are significant numbers of people who want to travel long distances who will not fly and who are not content with taking the bus. But I will remind you, Mr. Adams, on those long-haul routes the Federal taxpayer is giving that passenger a very substantial subsidy. In the case of New York to Florida, for example, it is about \$50 a passenger.

Mr. ADAMS. What I am concerned about is that we will have proposals to freeze route structures in this bill, and then we will have a fight with the Appropriations Committee about, if we have frozen the route structure and service, whether they have to appropriate the money.

Now I have the figures here, and I picked these simply because this is one of Amtrak's longer routes, and it is one with which I have some

familiarity. In the first quarter of 1974, the Chicago-Minnesota-Seattle route carried 100,101 people and that this is an increase of 46 percent over last year which is very substantial and that in the month of April alone they carried 36,416, which is a 39-percent increase over the 1973 figure.

Chicago-Wenatchee-Seattle, 54,000, a 43-percent increase.

Now I have the short haul figures here and I could show you, for example, on the one mentioned before, Boston-Worcester-New Haven, you had 18,000 people for a 9-percent increase but in the month of April, you only had 6,125 for a 30-percent decrease.

Now one of the things we were attempting to do with this legislation originally was to maintain some kind of alternative lower cost, fuel-wise, and some environmentally suitable structure that would make available service to people throughout the United States when things become very difficult.

If fuel prices keep going up, why both air traffic and bus traffic have serious difficulties in terms of maintaining their cost. I would like to know, do you believe any of the other corridors should be considered?

I have put in a bill and there is in the Senate bill the west coast corridor. I would like to know whether or not you think we should proceed with that, or do you think that that is not a good proposal. I can give you the figures if you want them for the numbers of people being carried now from Los Angeles to Seattle, but I will just say that since last year there was a 74-percent increase.

Mr. BARNUM. I would like to make a couple of observations on your statement.

We do believe that there are a number of corridors in which rail passenger service is not only desirable, but is sufficiently attractive that we should develop them because there would be such a large demand. There is no question about that. They are not just all between Washington and Boston. There are several such corridors, spokes around Chicago, for instance, and it was to develop those corridors that we agreed that Amtrak should go ahead and acquire six of these turbotrains.

There may very well be discrete corridors on the west coast for which the same kind of service is desirable. But, as I am sure you are also aware, the same energy crisis that drove people from their cars to the trains also drove them to the airplanes. Indeed there was an 8-percent growth in air carrier passengers in the first quarter of this year for the same reason. People traveling a long distance either did not want to be troubled with the difficulties of getting fuel or they felt that they could conserve fuel by using the airplanes that were going to be flying anyway.

Mr. ADAMS. Actually nearly 90 percent of intercity travel is by automobile as opposed to any of the other public services that are offered, isn't that correct?

Mr. BARNUM. It is a very high percentage; that is quite correct.

Mr. ADAMS. Now I would like to ask you about the turbotrains. Are the six turbotrains the ones I think they are, which the French sold to the Canadians and which Amtrak obtained two of and is now about to obtain four more, so that they are available?

Mr. BARNUM. They are French-manufactured trains which Amtrak leased, I thought directly from the French manufacturer.

Mr. ADAMS. Those two maybe, but aren't the other four of the Canadian line?

Mr. BARNUM. The other four are at this time merely places in a delivery schedule. Amtrak was able to get early places in the delivery schedule which of course further enhanced their attractiveness.

Mr. ADAMS. The staff informs me, and I am corrected because I now do remember, we have another type of turbotrain which is the United Aircraft turbotrain.

Mr. BARNUM. They had two.

Mr. ADAMS. And we got some from Canada.

Mr. BARNUM. Amtrak acquired two and I believe the Canadians operated two.

Mr. ADAMS. What happened to those?

Mr. BARNUM. The two that Amtrak acquired to operate between New York and Boston and in certain other places are still owned by Amtrak. There is another example of how the Amtrak capital process has not worked quite as well as it might. There has been a substantial cost overrun on the capital side in that program which has never come back to the Department or Board for review even though it would have to be financed under the loan guarantee program.

The trains in Canada, one of them you may recall had an accident, and I am sure it burned, but I am not sure that it was recoverable. The other two trains are operating in Canada but I will be pleased to supply more information for the record on that.

Mr. ADAMS. I would appreciate it because we are interested in the upgrading of service and what is happening in the equipment line so far as Amtrak is concerned because we get continual complaints, as I am sure you do, too, about the refurbished equipment and so on and we need to know what is coming on line.

[The following information was received for the record:]

#### UNITED AIRCRAFT TURBOTRAIN ACCIDENT IN DORVAL, QUEBEC

Shortly before 10:00 a.m. on July 20, 1973, a United Aircraft Turbotrain on a test run ran a restricted signal just west of Dorval, Quebec, and struck a freight train crossing in front of it. The turbotrain slid a few hundred feet and ruptured a fuel tank. The fuel caught fire and the crossfeed system from the outer fuel tanks caused a steady flow of fuel which fed the fire. The train burned about two to three hours. Because the train was in a 40 foot ravine, local fire units could not reach the blaze.

One of the cars was eventually saved. All others in the train were completely destroyed. There was only one serious injury, not directly related to the blaze.

Mr. ADAMS. I have another question that we went into this morning and that has to do with the degree of control or of ability to obtain improvement which Amtrak, through the ICC, is exercising on the rail trackage over which it operates. It is my understanding they are renegotiating contracts throughout the country now and that these are going to create a great increase in cost to Amtrak. I was not satisfied with Mr. Lewis' testimony this morning, and I now direct the question to you as to what Amtrak is getting in terms of either guarantees or monitoring of track improvement over the lines they operate, where they operate, because I know they do not own track.

Mr. BARNUM. The original operating agreement between Amtrak and the railroads which gave up their passenger service and made their payments to Amtrak and then agreed to run trains for Amtrak

provided that as one of the conditions the railroads must continue to provide service to Amtrak at the level that was in effect on May 1, 1971, the startup date for Amtrak.

In those instances where the railroads have in the judgment of Amtrak fallen down on that obligation and their services have deteriorated, Amtrak has instituted proceedings against those railroads.

Mr. ADAMS. They have done that?

Mr. BARNUM. They have done that and they have done that successfully. They should be applauded for having done that.

Mr. ADAMS. Are they getting any results?

Mr. BARNUM. That is where we are holding our applause.

Mr. ADAMS. That is what I want to get to, Mr. Barnum; what has happened, not what Amtrak has attempted to make happen.

Mr. BARNUM. I would refer you to one proceeding in particular, the proceeding between Amtrak and Illinois-Central-Gulf, where many of these issues have been adjudicated in favor of Amtrak.

You may wish to look at that specific proceeding to get a feel for, first, what Amtrak did and what now is actually being done by the railroad as a result.

Mr. ADAMS. What about the area where at least 40 percent of the business is, which is the Penn Central area, and that of the other reorganized railroads in the Northeast? What is being done in terms of—as I said to Mr. Lewis this morning, seeing to it that on the routes that are being used that somebody is putting down ties and rails and then hammering spikes into them as opposed to having said that money is being spent?

I have taken that Amtrak train out of New York, north. As you do down that track, you start at about 60 and, then, you hit those slow orders and if you are looking over the engineer's shoulder as you are going down the track, it is not a comforting experience.

Mr. BARNUM. The Penn Central has simply not provided to Amtrak the service that it was providing on May 1, 1971, for a variety of reasons, most of which I am sure are quite familiar to you, Mr. Adams.

Mr. ADAMS. Let us put it this way.

They are familiar, but not necessarily understandable to me in that I understand substantial amounts of money have been set aside for track maintenance and I have not had the opportunity in the last year to travel through New England by train.

I hope to soon but I do not see the translation of money into improvement in the physical nature of the track.

Mr. BARNUM. We have urged Amtrak repeatedly to include in its capital budget a substantial amount for right-of-way improvement. We have regularly urged them to include \$50 million in their reserve.

Mr. ADAMS. Can they physically go on the property and spend that money?

Mr. BARNUM. No. They would have to enter with an agreement with Penn Central in the case of Penn Central.

Mr. ADAMS. Who would monitor it, Mr. Barnum?

Mr. BARNUM. That is what I would call a day-to-day operation with which we do not think the Department of Transportation should be meddling in Amtrak's affairs.

Mr. ADAMS. In other words, Amtrak would be sending crews out on the property to be certain that if it were spending this money by contract with the railroad, that something specific was happening?

Mr. BARNUM. I think they would, yes, sir. Their money is being spent, even though it is Penn Central employees that are doing the work.

If I were Amtrak, I would make sure it was being spent properly.

Mr. ADAMS. You wear two hats, on the Board of Amtrak and in the Department of Transportation. We, as you know, have on the backburner, or maybe it has not gotten on the stove yet, this idea of trying to put money into railroads for improvement of trackage.

I want to know if you have had any experience at this point through Amtrak or otherwise, if we put the money in, how do we see that physically something happens to make the tracks out there usable without flaws?

Mr. BARNUM. Let me try to give you an answer to that. It will take a minute, if I may.

As I mentioned, Amtrak has the right to require the railroads to continue to provide May 1, 1971, service. Amtrak is, therefore, reluctant to spend its capital to bring a railroad back up to May 1, 1971, standards.

It has the legal right to require that those standards be provided and we support Amtrak's position that it should not be spending its capital to acquit, in this case, Penn Central's legal obligations.

We have, however, suggested to Amtrak, and Amtrak is essentially in agreement with us, that it would be desirable to spend some of its capital on right-of-way improvements that would improve rights-of-way over and above the condition in which they were on May 1, 1971.

This is not necessarily to be measured solely in terms of slow orders or trip time. It may very well be measured—

Mr. ADAMS. Or standing derailment?

Mr. BARNUM. Or standing derailment. It may be measured in terms of reliability. I can give you one particular example where the bridge over the Connecticut River at Old Seabrook, for example, was in very bad condition in 1971.

The incremental deterioration between 1971 and today is a very small fraction of the total cost of repairing that bridge. This is one of the first items on which we think Amtrak should be spending some of the \$20 million that we recommend be in its capital budget for right-of-way improvement.

If you wish to pursue this, I would like to have Mr. Hall, who is head of the Northeast corridor program office and has been working with this particular issue, give you chapter and verse on how to spend \$20 million in the Northeast corridor out of the Amtrak capital and allocate it between Amtrak and the railroads in terms of who is going to pick up the expense. He can go into depth on the situation, once you leave that train station in New York, which the slow orders can be eliminated, and which dangers that could interrupt rail passenger service permanently can be avoided.

When we start talking about that, this coordinated task force that Mr. Hall is working with, with Amtrak and Penn Central and DOT people, I am sure would participate in making sure that the \$20 million was spent properly.

Mr. ADAMS. Do you have, Mr. Hall or Mr. Barnum, it laid out as to where you put what as of now?

Mr. BARNUM. Yes; we do.

I signed earlier a letter address to the chairman of your subcommittee which lays this out. I will be pleased to have Mr. Hall outline it for the committee at this time.

Mr. ADAMS. He does not have to go into detail. Just tell me, do you know what you are doing there now?

Mr. HALL. We hope so.

We have taken material that the Penn Central has supplied on the Northeast corridor from Washington to Boston, which identifies the critical areas in the track, the tunnels and the bridges on that route which are in need for repair immediately.

We have jointly with Amtrak, the Amtrak engineering people and our own FRA engineering people, gone out and actually looked at that track.

We have adjusted the Penn Central material slightly to add our own input, if you will. We have now laid out what we think is an adequate program for interim improvements on the Northeast corridor over the next 2 years.

It totals about \$50 million, including the ties, and the rails that are required and some machinery and equipment that will be required to perform the work.

We are now in the final stages of jointly agreeing with DOT, Amtrak, and Penn Central on those portions which should be funded by Amtrak, which are not part of the deferred maintenance element, and those portions which will have to be funded by some other means.

We will be sitting down with Penn Central this week to go over it chapter and verse with their engineering people.

Mr. ADAMS. Do you have a copy that you can give us?

Mr. HALL. We will submit it today for the record.

Mr. ADAMS. I would appreciate, Mr. Chairman, if we could have a copy of that when we go on the floor.

[The letter referred to follows:]

DEPARTMENT OF TRANSPORTATION,  
THE UNDER SECRETARY OF TRANSPORTATION,  
Washington, D.C., June 17, 1974.

HON. JOHN JARMAN,  
Chairman, Transportation and Aeronautics Subcommittee, Committee on Interstate and Foreign Commerce, U.S. House of Representatives, Washington, D.C.

DEAR MR. JARMAN: I am pleased to submit for the record information concerning the immediate improvements which the Department believes are necessary in order to prevent the continued deterioration of rail passenger service in the Northeast Corridor. This information is today being forwarded to Senator Hartke in response to his request during recent Senate hearings on Amtrak.

Should you have any further questions about the program, I will be happy to provide you with additional information.

Sincerely,

JOHN W. BARNUM.

Enclosures.

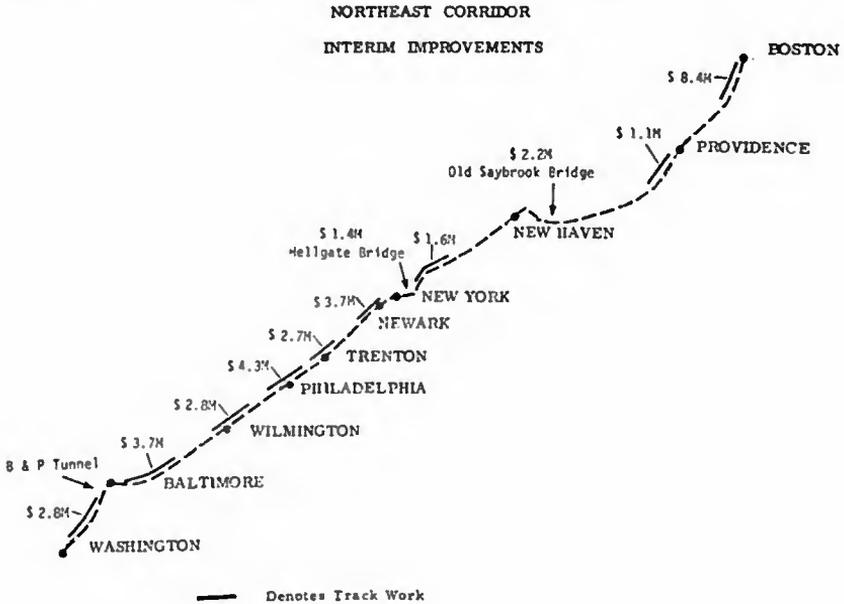
PROPOSED IMMEDIATE IMPROVEMENTS TO THE NORTHEAST CORRIDOR  
RAIL SYSTEM

Under Section 601(d)(3) of the Regional Rail Reorganization Act of 1973, the Secretary of Transportation is responsible for beginning engineering studies and improvements in order to establish improved high-speed rail passenger service

in the Washington, D.C.-Boston Corridor. To carry out this mandate, the Department of Transportation is moving ahead with two parallel efforts. One will provide the detailed preliminary engineering data necessary to prepare Northeast Corridor plans for the preliminary and final system plans as required by the Act; this engineering effort also represents the first phase of the implementation process, providing a basis upon which detailed design and construction plans can be made. The second effort is to begin those immediate improvements to the rail trackage needed both to remedy the physical deterioration which has occurred since the bankruptcy of the Penn Central and to prevent further deterioration until the initiation of the long-term improvements defined by the engineering effort and included in the final system plan.

The immediate improvements will be made during the remainder of 1974 and throughout 1975. The 1974 effort—costing approximately \$20 million—will address improvements regarded as most urgent and will include work on bridges in Connecticut and New York, tunnel maintenance in Baltimore, and track work in the New York City, Trenton, Baltimore, and Philadelphia areas, in addition to the advance purchase of ties and rail for work planned in 1975. The 1975 work—currently estimated at \$35 million—will focus on track work around Boston, Providence, Newark, Wilmington, and Washington. Also included as a contingency in the 1975 program is \$10 million in the event that additional welding capacity is needed to provide welded rail for the track improvements.

The result of these improvements will be the removal of slow orders currently affecting some 80 miles of Northeast Corridor tracks, the prevention of additional slow orders, improved ride comfort and reliability of service, and some improvement in trip time. The details of the work plan, including scheduling, are in the process of being worked out jointly by the Department of Transportation, Amtrak and the Penn Central Railroad. A map depicting areas of improvement is attached, along with a list of the cost of the improvements by project area. The machinery and equipment item includes three sets of track maintenance machinery; one will be purchased in 1974 and the remaining two in 1975.



## NORTHEAST CORRIDOR PROGRAM INTERIM IMPROVEMENTS (1974-1975)

## Area and Cost

	<i>Thousands</i>
Washington .....	\$2,800
Baltimore .....	3,700
Wilmington .....	2,800
Philadelphia .....	4,300
Trenton .....	2,700
Newark .....	3,700
New York-North .....	1,600
Hellgate Bridge .....	1,400
Old Saybrook Bridge .....	2,200
Providence .....	1,100
Boston .....	8,400
Track maintenance equipment .....	9,400
Welding plant .....	10,000
<b>Total .....</b>	<b>54,100</b>

Mr. ADAMS. My final question is, Have you done this elsewhere in the Amtrak system?

Mr. BARNUM. Amtrak has spent its capital from time to time, not so much on right-of-way improvements but more on station improvements and turn-around facilities and the like.

Mr. ADAMS. I mean, do you have a plan or this kind of breakdown for the other operating areas of Amtrak where you have either slow orders or deteriorated track preventing service?

Mr. BARNUM. We in the Department of Transportation do not have a program such as Mr. Hall outlined for the other corridors.

The Northeast corridor is the sickest kid in the ward. In the case of those railroads where the right-of-way is owned by a solvent railroad, Amtrak has proceeded, as it did in the case of the I C Gulf, to seek to enforce its right to have the properties maintained at the May 1, 1971, level.

Mr. ADAMS. Thank you, Mr. Barnum.

Thank you, Mr. Chairman.

Mr. JARMAN. Mr. Shoup.

Mr. SHOUP. Thank you, Mr. Chairman.

Mr. Barnum, I think there is a lack of communication possibly between Mr. Lewis and the Department of Transportation.

In reply to a direct question this morning on the \$500 million authorization for guaranteed loans, his statement was that there was some \$134 million spent, \$212 million which was obligated, which left a balance of some \$50 million that was available.

I understood you to say there were 300-some-plus million dollars that you are now working on with Amtrak, that Amtrak was requesting you to approve for capital expenditures.

Mr. BARNUM. That is correct.

Mr. SHOUP. Is there not a discrepancy there?

Mr. BARNUM. There is.

Amtrak proceeded to make some obligations before it had received the Secretary's approval for loan-guarantee authority.

Mr. SHOUP. Then, some of these obligations that Amtrak has made really are invalid because the Secretary has not approved them?

Mr. BARNUM. It does not invalidate Amtrak's obligations to pay the seller of the locomotive, for example. Amtrak's obligations to make the payment has not matured because the locomotive is not yet available. The point is that Amtrak has not heretofore had to make the payments.

Mr. SHOUP. I understand that. It was my impression and we asked specifically, Mr. Kuykendall and I, how much of the \$500 million had not been obligated.

Mr. BARNUM. In our view, \$347 million of the \$500 million had not been guaranteed by the Secretary. Put it this way—the Secretary had not stated his willingness to guarantee loans for those amounts.

Out of that total package of \$347 million, Amtrak had proceeded, I believe, to place orders for some of that equipment, but we had never received a specific request to guarantee the loans that would be necessary to make the payments for those acquisitions.

Mr. SHOUP. Would you agree, then, that perhaps it would be a good idea if Mr. Lewis and the Secretary sat down so that when they were asked a specific question, they would have the same understanding?

Mr. BARNUM. Yes, sir.

Mr. SHOUP. On page 4, you recommend informal reports. You prefer that to a formal report. I agree with you in most cases, however, recently, and this has caused me to change my opinion of the effectiveness of informal meetings and reports, as you know, the last meeting I attended with you on an informal basis with this subcommittee in direct answer to a question by you, the subcommittee was unanimous in our opinion and in conveying to you what the intent specifically of the committee was in the regional reorganization bill.

It was of some amazement when I read that the Department had taken a 180-degree turn as to the specific statement of intent of Congress as made by the subcommittee in the case now before the court up in Pennsylvania.

I think perhaps we should have formal meetings so that we get these things written down so that there can be no question because I am sure you misunderstood Mr. Adams when he said there was no intent for this to be a taking or no intent that the Tucker Act should apply.

I think we all agreed on that. I am wondering if perhaps we should get these things in writing so that there will not be a misunderstanding which certainly we do not need as we are all trying to work for better transportation.

I do not know whether you will agree there is the possibility of a lack of communication if we just have an informal meeting.

Mr. BARNUM. I regret, Mr. Shoup, that you were not able to be here on Friday when your subcommittee addressed this particular question.

Mr. SHOUP. May I interrupt for just a moment?

You know why I did not attend that?

Mr. BARNUM. No, sir.

Mr. SHOUP. It was at your request that I was unable to. The meeting was originally set for Tuesday. I had planned to be here and I believe you requested to change it to Friday. Unfortunately, I had a previous commitment.

Mr. BARNUM. I am sorry if I inconvenienced you as a result. I had not been aware that you could only have attended the original hearing scheduled for Tuesday of last week, I believe.

Mr. SHOUP. Yes.

Mr. BARNUM. I regret that the change from Tuesday to which you were referring prevented you from attending the hearing. In any event, I believe we had a full and frank discussion on Friday as to what position the Department and the Government had taken. There was never any question in our minds that it was the intention of Congress in the case of the Reorganization Act not to take property and we have not in any proceeding in any court in the land stated that the Reorganization Act constitutes a taking.

So, I do not think there has been any failure of communication on that point.

Mr. SHOUP. Perhaps the interpretation of the record, the transcript, is different in different minds.

Mr. BARNUM. Mr. Dingell was very helpful in pointing out some of the sentences in the brief that was submitted on behalf of the Government that created an ambiguity in his mind as to whether we had or had not conceded that there was a taking.

I was as concerned with the ambiguity that he pointed out as he was but I think it is fair to say that as a result of the hearing on Friday, we are of like minds.

Mr. SHOUP. I am glad to hear that. I based this on a 4-hour meeting with Mr. Cutler the previous Friday.

This morning, we discussed with Mr. Lewis request for an additional \$400 million for loan guarantee funds. It was his assumption that there was basically nothing left to the \$500 million to work on. The Department's recommendation, I believe, is only \$200 million.

Mr. BARNUM. That is correct, sir.

Mr. SHOUP. What bothers me, the transmittal to the Secretary from Mr. Lewis as to a suggested expenditure of these funds.

Where do you disagree? Have you provided that? He recommends so much locomotive power to be purchased, so many cars, so many turbine units, so much for right-of-way and this type of thing.

Is that broken down where you feel only half as much should be spent? Is it going to be taken all out of right-of-way or all out of new care or out of locomotive power?

Mr. BARNUM. The Amtrak Board considered and approved and Amtrak then submitted to the Department a list of specific items for acquisition, the total cost of which exhausted the \$500 million. That is the only specific that has been submitted to us with a request for approval.

Amtrak has been considering a longer range capital program and specifically replacing, I think, some 660 cars of its existing fleet with newer cars, hopefully so that it could cut down its operating expenses. And this is a capital program that will go on over the next 2 fiscal years after 1974.

In answer to your question, we have not said we agree that you should have half as much as you have asked for beyond this particular specific request for the balance of the \$500 million.

Mr. SHOUP. The discussion we had with Mr. Lewis specifically referred to a transmittal of April 22, 1974, to the Secretary and their schedule 6 is very specific on the amount they wish to spend.

Now, using that as a guideline, which is possibly the \$400 million, on where they plan to spend it, it is a clothes line you can look at, some-

how or other, I think we should be able to see where you plan or recommend the \$200 million as compared to where they recommend spending the \$400 million.

Mr. BARNUM. We have not commented on that specifically to Amtrak. I think that that is something that we could properly supply to the committee as to what we think, out of the \$500 million, would be appropriate in the next year.

We were only talking about in the next year, it would be appropriate to extend this line of capital another \$200 million.

Mr. SHOUP. Another \$200 million, rather than \$400 million?

Mr. BARNUM. Yes.

Mr. SHOUP. I would appreciate your supplying to the committee what the recommendations are.

Mr. BARNUM. We will be pleased to submit that to the committee. [The following information was received for the record:]

**\$200 MILLION INCREASE IN SEC. 601 LOAN GUARANTEE AUTHORITY  
RECOMMENDED BY DOT**

The Department of Transportation has recommended to the Congress a \$200 million increase in the § 602 loan guarantee authority. This figure is based upon our expressed intention, as set forth in Mr. Barnum's prepared statement, to furnish a study of the Amtrak financing problems to the Committee next year. We believe this \$200 million is sufficient to support a continuous Amtrak capital program until the Congress can consider the Department's recommendations.

The Amtrak request for \$400 million is based upon their assessment of the amount required to carry out their multiyear capital program.

We believe the one year \$200 million authorization is reasonable, adequate, and appropriate at this time in light of our commitment to review the total Amtrak experience since its inception, including the history of the Federal Government's part in the Corporation's financial history.

Mr. SHOUP. On page 9 in your statement, you speak of "without the pressures and disciplines of a competitive environment or the rigorous planning and justification that would come about if DOT reviews these expenditures \* \* \*"

I believe at the present time they are being reviewed by DOT, are they not?

Mr. BARNUM. I was talking there about the increased cost to Amtrak resulting from—

Mr. SHOUP. The Senate bill which would prohibit the Department from reviewing the expenditures for capital, you do not care for that?

Mr. BARNUM. That is correct. I withdraw my earlier comment. I thought you were talking of the consequences of the ICC Act.

Mr. SHOUP. May I finish on that?

I am correct, though, that at the present time the Department of Transportation reviews these expensive capital purchases?

Mr. BARNUM. That is correct.

Mr. SHOUP. Mr. Barnum, you go on to say—and I am worried about this comment and I would like to have an explanation—" \* \* \* we feel that Amtrak's unfeathered freedom would be a license for uncontrolled and increasing deficits."

Yet earlier you speak of the deficit in 1973 going from \$124 million to \$141.8 million, and in 1974, from \$95 million to \$155 million.

Those are controlled but they certainly are increasing deficits and I wonder what are we going to do better to keep from having these increases? What is the improvement? Maybe that is what we are look-

ing for. We need an improvement over what we are doing at the present time.

Mr. BARNUM. The sentence in my prepared statement referred to the capital side rather than to the operating deficit side.

The suggestion that the Secretary of Transportation no longer have loan-guarantee authority on the capital side would leave Amtrak free, if the Congress appropriated or authorized a loan-guarantee increase, to promptly spend that \$400 million that Mr. Lewis this morning apparently told you he thought was desirable, without any oversight by the executive branch as to whether that would be an appropriate spending of \$400 million. This is why it is important that the Secretary of Transportation be in this loop, because if he isn't, that money would be spent without any view of the impact of that spending on the national transportation system as a whole. We are talking here about subsidizing passenger service in competition with intercity bus businesses which are not subsidized, and in competition with air carriers which are not subsidized.

I will come back to the cost-allocation study, Mr. Shoup, with pleasure in a moment. But I believe that so long as we have private sector air carriers and private sector buses operating in competition with Amtrak, I think that it is quite properly a part of national transportation policy that there be some restraint on the hundreds of millions of taxpayer dollars that are used by Amtrak, be it for capital or for operating deficit.

Mr. SHOUP. I do not disagree whatever with you on that. I think even more overriding is an earlier statement you made; these are tax dollars and some official function of the Federal Government should have an oversight.

I have no problem with that at all.

I think, possibly, we mire ourselves down in procedures and reports but all in all, I think it is very proper that we do have an oversight.

Have you a suggestion? How can we get away from these ever-increasing deficits? It looks like we are going the wrong way. The intent of this bill was to create a for-profit operation and somehow or another the for-profit is going the wrong way.

Mr. BARNUM. I think that is certainly correct.

Mr. SHOUP. Can you foresee that we are going to turn the corner?

Mr. BARNUM. We are mindful, Mr. Shoup, that to a major degree, whether Amtrak could ever be put on a profitable basis is going to depend on a number of factors over which none of us has exclusive control.

One of them obviously is the size of the basic system, plus the number of experimental trains that are required, plus the number of 403(b) trains, being those trains which are subsidized partly by Amtrak and partly by State government.

In other words, none of us really has a final say over the total size of the system.

The second thing over which none of us has a final say is what do we generate in the way of revenue? As I think about the question Mr. Knykendall put to me about the line of credit, if I were the banker with \$125 million available to my client who said he was going to need \$143 million to get through the year, one of the first things I might

suggest to him would be to analyze the elasticity of demand for your services and ask why he doesn't raise prices?

Therefore, one of the things that would have to be taken into account in answering the question whether Amtrak is ever going to be run on a break-even basis would be what kind of fare policy would it be proper for Amtrak to adopt.

Mr. SHOUP. And many other questions, I believe.

Am I correct that we would be able to assess the future of the Amtrak operation after next year's experience? Our experience, you know, has not been too good on receiving reports from the Department on time. Nevertheless, hopefully, next year it will come out.

Can we, then, honestly assess the future of Amtrak and honestly say it is a for-profit operation or it will be a service to the public and it will cost us  $x$  number of million dollars each and every year to provide that service?

Mr. BARNUM. That is what we recommend to you, Mr. Shoup, that we take this fourth year of Amtrak operations and send to the Congress in 1975 an analysis of these very issues. This is necessary because even though, as you have stated, the thought was that in a relatively short time frame, Amtrak could be brought to a break-even stage, there have been a number of other Members of both the House of Representatives and the Senate who have indicated they never had an optimism that would be attained before 1980, and now they have doubts about that.

I think it is clear that the Congress is going to have to decide sometime in the relatively near future just what is its intent for continued Amtrak operations over the succeeding 5 or 10 years.

That will help to determine fare policy, and it will help to determine the size of the basic system. It will determine whether there will be discretionary authority to designate experimental routes or whether any additions to the basic system should be subsidized by the local government and partly by the Federal Government.

Mr. SHOUP. Certainly, if Congress says you will institute those, it is your responsibility to be honest to say yes, and if we do it, and we will have to make up whatever deficits are incurred.

Mr. ADAMS. Will you yield?

One thing that bothers me, Mr. Barnum, and we discussed this before, is the national transportation policy, what we are really dealing with here.

You made a statement to Mr. Shoup a minute ago that sort of jarred on me and that was that we had unsubsidized private sector carriers that were competing with this subsidized system.

I question that and I wonder if that is really the Department's view that we have not subsidized the highway system through a revolving trust fund. Now we are attempting to begin to help the airlines through a revolving trust fund, and one of our basic problems here is that we have a right-of-way that the Government has not subsidized.

I am not saying we should necessarily move to that but I think we can be in agreement that one of the problems the country faces as a national transportation policy is that we cannot have everybody through the rest of this century hopping into their individual car, putting gasoline in it and using our marvelously flexible system because the costs are going up astronomically for fuel.

We have a pollution problem, we have a congestion problem, and I think what Mr. Shoup is asking, and it is really a fundamental question for all of us, is:

Does this Amtrak thing, whatever you want to call it, have a place with businesses which we would like to see continued because of their great flexibility and efficiency and airplanes because of their great speed?

If not, are you going to tell us at the end of next year that we should just say forget it all? If you are going to say it, start saying it to us now, won't you, so that we are ready.

Thank you, Mr. Shoup, for yielding. I gathered that is what you were asking, if you are going to tell us, let us know right away.

Mr. BARNUM. May I respond to a couple of your observations, Mr. Adams, as to the competition question?

We have been concerned that lower and lower rail fares in competition with the bus companies constitutes unfair subsidized competition with the bus companies. Intercity bus transportation provides transportation for 20 times as many people as Amtrak. Last year, it was 400 million as against 20 million on Amtrak. When we look at specific cases to see whether a decrease in the Amtrak fares has attracted people from businesses to ride the trains, we have found, by and large, that the people who have gone to Amtrak during these increments that you described in your earlier comments, by and large, have not come from bus transportation. They have come from the highways.

Mr. ADAMS. That is what we hoped.

Mr. BARNUM. That is what we want. It is not so much a question of measuring where is the competition for the specific passenger. From our point of view, that is important because we do not think it is proper or fair to compete or to provide subsidized competition—

Mr. ADAMS. We are subsidizing all of them, aren't we?

Mr. BARNUM. That is what I would like to come to next. We are aiming at having in all of our modes of transportation as much a cost-based system as we can. It is true that the highway trust fund and the airport airways development fund have provided a vehicle for pay-as-you-go by the people who use the highways and the people who use the air carrier system. By and large, we believe—

Mr. ADAMS. Their basic capital expense?

Mr. BARNUM. And they are able to pay for it as they use it. In the case of air carriers, the cost allocation study has shown that the air carriers pay their fair share of the airway system that the Federal Government pays for annually.

They pay for it out of the taxes that they pay, landing fees and fuel taxes and so on.

Similarly, with respect to the businesses—

Mr. ADAMS. You know, of course, we built that system with Government subsidy?

Mr. BARNUM. That is correct.

Mr. ADAMS. And eventually the airlines went off subsidy.

Mr. SHOUP. I think the share that you are speaking of, though, is the share of the local contribution and the operation. It is what the air carriers are paying and not the capital improvements that has come from the trust fund?

Mr. BARNUM. In the case of the airways system, the Federal share of the total cost is being adequately compensated by payments from the air carriers.

Mr. SHOUP. Then, that is being passed on to the customer in the fare?

Mr. BARNUM. That is correct.

Mr. ADAMS. But the local airline subsidy is direct. It has always been.

Mr. BARNUM. You are talking about the \$68 million that the CAB is authorized to subsidize directly to local service air carriers?

Mr. ADAMS. Yes, ever since 1939, we started with all carriers, with direct Government payments to them. Then, as they managed to become profitable, they went what we called "offsubsidy."

I am not critical of that. I do not mean to be critical of the system for building a highway system because I think we should have, or of having subsidized the necessary feeder air lines and in some cases, major lines.

We used to do it with the postal subsidy before the direct subsidy, to see that we have air service. I think these services are vital to make this one country. All I am trying to get from you as part of Mr. Shoup's question is that I am not impressed by the argument that the United States should not put some money into a rail-type system to make this one whole and efficient system since we are facing fuel pollution problems. I am trying to get from you a statement of what the Department of Transportation's national policy is as to how each of these modes is used.

I think we should do it. If you or the Department feel that we should not, then, we ought to have some warning about this because I do not believe that in our basic capital expenditures, and I throw barges in there too because we have dredged and so on, that the Government has ever had any reluctance about putting capital into making the Nation's transportation system work.

I think the railroads made enormous error in not getting into partnership with the Government. They had been in one earlier. We built a lot of things for them and, then, they wanted to get out of it and they got out of it to, I think, their overall national dismay.

I want to know from you what you want this committee to do about the total system and to warn Mr. Shoup, and I, if this is what is going to happen, that you are going to drop part of it, we want to know about it before you do it.

Mr. BARNUM. I would take you back to your question concerning Secretary Brinegar's comment at the National Press Club. Clearly, there are a number of corridors where we should have intercity rail passenger service as to which there is no doubt whatsoever.

Mr. JARMAN. Those are profit oriented?

Mr. BARNUM. They are also demand and service oriented.

Mr. SHOUP. And you can justify those?

Mr. BARNUM. I will give you one example of the basis on which I think they can be justified.

It is on such a difficult thing to measure as the value of land, land use. Between here and New York, for example, there is going to be an enormous increase in demand for transportation within the next 5 and 10 years. You could not build another eight-lane highway between here and New York. It would take just as much land to build

another Dulles Airport as it would to build another eight-lane highway from New York to Washington.

The same amount of land is involved, but in these highly, densely populated areas, we are running out of land. Of course, we have to put more people on the most efficient type of corridor and until we get to efficient tunneling, it is surface high-speed rail transportation.

Of course, there is going to be a place for that kind of transportation, not just limited between New York and Washington and New York—Boston, but there are a number of corridors of similarly dimension around Chicago, and there may be some further on the west coast. I will be pleased to look at the material you have on that.

We are not in a position to conclude the issue with finality. Secretary Brinegar made a plausible suggestion just to focus your attention and the attention of others on an issue we want to address. We are certainly not now in a position where we are saying, there is no way we are going to start running overnight trains from point A to point B. But we do want people to think about this issue.

As we look to the tough question of what experimental train we should add to the system pursuant to your directive of last year, let me point out to you, a number of the trains that have been suggested are through trains or continuations of existing trains. If we choose some of them, we may be running a train through a major city in the middle of the night. Is that the kind of rail transportation service that we are talking about or are we talking about connecting a city like Cleveland with Chicago with a daily service that is convenient to people who live in Chicago?

Is it important that the train go through Cleveland or is it important that it go through Cleveland at a time when people in Cleveland want to get on the train to go to Buffalo or Chicago?

It may well be that we will piece together over the long run a network of short-haul, intercity rail passenger services that will meet the demands of the various markets that we seek to serve. The result will be that there may be less long-haul passenger service, which is expansive because sleepers are terribly expensive and the ICC is making long-haul service even more expensive with its new standards. But, long-haul service might not provide what the market wants.

Look, for instance, at the train to Columbus, Ohio, which goes through there in the middle of the night, and 30 people get on. Is that what Columbus, Ohio, really wants for rail passenger service? I suppose it is better than no train at all.

Mr. SHOUP. Is that not why the name experimental was put there?

Mr. BARNUM. The name experimental was put there and a new category of trains created so that they would not necessarily become a part of the basic system.

Mr. SHOUP. Not being cast in concrete.

Mr. BARNUM. They were told to try them for 2 years. If they did not make it, the Secretary could take them off.

Mr. SHOUP. Somewhere, you were speaking of the ability to make changes.

Mr. BARNUM. The basic system merely dictates points at which service should be provided. It does not dictate level of service, saying at what particular time of the day the train must go through that point.

Mr. SHOUP. Along that line, has there been an experimental route established and identified for this particular year?

Mr. BARNUM. No. It has not yet been.

Mr. SHOUP. When will it be?

Mr. BARNUM. This month.

Mr. SHOUP. Does not which experimental route you designate have some effect on the requested, authorized expenditure?

Mr. BARNUM. Yes.

Mr. SHOUP. Is this why you are requesting open end?

Mr. BARNUM. Yes, in part.

Mr. SHOUP. You know the reluctance of this Congress for open end authorizations?

Mr. BARNUM. I do.

Mr. SHOUP. May I know why at the time it has not been identified?

Mr. BARNUM. May you know why it has not been identified?

Mr. SHOUP. Yes.

Mr. BARNUM. Because Secretary Brinegar has not yet thought out the pros and cons of the various routes that have been proposed and he, himself, personally, has not completely analyzed the economics, how the new services would fit together with existing routes, and what kind of equipment would be required to provide the particular service or to answer the question whether it should be continuation of existing service, a new service or whether it should substitute some days a month for other service that is now provided on substantially the same corridor.

Mr. SHOUP. This information, though, would be included in your appropriation request?

Mr. BARNUM. Not that particular information, no.

Mr. SHOUP. The amount? My point is that it seems to me that perhaps that experimental route should be chosen prior to coming for authorization or justification for request for funds since you would be more specific.

I think you have stated it can be a wide range. Is this going to be the practice?

Mr. BARNUM. It is a range, Mr. Shoup. But, relatively speaking, it is a less important and predictable range. If we were to pick for 1974 and 1975 the less expensive routes the aggregate cost of which would be a deficit of \$2 million as distinguished from two of the most expensive routes, the aggregate deficit of which would be in the neighborhood of \$7 or \$8 million, we could have a swing of \$6 million.

Amtrak's possible deficits if the Penn Central were to meet its incentive premium in 1 year is more than \$5 million.

It is absolutely, completely conditions as to whether Penn Central will meet those incentive payments or warrant incentive payments. Also, we are not in a position to buy diesel fuel No. 2 in the forward market. We cannot tell you what it will cost 6 months from now.

Mr. SHOUP. Because there are so many uncertainties, it would seem that in those areas that we can reduce the uncertainty, it would be wise for us to do that.

Mr. BARNUM. Yes, it would. Then, we get into two difficult positions.

First, the one we had last year where the anticipated deficit was less than the realized deficit. We had to come back to the Appropria-

tions Committee for a supplemental, and we were not given all of that.

The second part of that problem is the line of credit problem that Mr. Kuykendall focused on.

How do we spend \$125 million that has been appropriated over the first 10 months?

Mr. SHOUP. I think you missed my entire point. Would it not be better, and we speak of being businessmen, to do everything we can to be more definitive on what our upcoming budget is going to be, profit or a deficit, try to project as well as we can, and it is my point that by not designating which experimental route, we are deliberately increasing the chance of error in our estimate.

Mr. BARNUM. That is a fair comment. You are urging us to be as specific as we can with respect to our projection for an operating deficit in 1975.

Mr. SHOUP. Most definitely, yes.

Mr. BARNUM. To the extent that we can be more explicit in our designation of the minimum amount we now anticipate being necessary, we will be pleased to do so. But it is against the possibility of our having to come not just to the line of credit at the end of 10 months, the \$125 million expended, and not have to go just to an Appropriations Committee to get a supplemental line of credit, but also going to the authorizing committee 10 months hence to seek a further authorization.

Mr. SHOUP. If you think that is tough, you should go talk to your constituents, and when they say, "How much will it cost?" I say, "I do not know, they have not told us yet, but we are going to spend your money."

Mr. BARNUM. Yes, I will take my position over yours any day.

Mr. SHOUP. Two brief things: One of the problems we seem to have, at least Amtrak tells us, that creates problems on ridership, and this is not only in rail but also in air travel, are the no-shows.

It has not been too many years ago that when you made a reservation, you were required to make a deposit. If you did not show, you, of course, forfeited that. I believe that was allowed to drop, not because it was not a good idea but because of competition.

Has the Department of Transportation considered that all forms of transportation could be treated the same on reservations with a required deposit and a forfeiture for a no-show, in order to help those modes of transportation meet their costs?

Mr. BARNUM. No, we have not. We have opposed the proposal that was before the Civil Aeronautics Board, actually, before the administrative law judge of the Civil Aeronautics Board, for a rule that would go back to no-show penalties.

The administrative law judge, I believe, last week rejected the proposal.

In the case of railroads, you are aware, I am sure, that the ICC has required Amtrak to accept cancellations up until the last 30 minutes; indeed, to hold reservations until the last 30 minutes. They are requirements that in our view are very onerous on Amtrak.

We as a Department objected to them before the ICC, and even after the ICC issued its initial decision, we urged the ICC to continue to monitor what is actually happening.

That is a perfect example of the ICC, by having authority under 801 to dictate the way in which Amtrak will or will not provide service, potentially increasing greatly the cost of Amtrak providing the service.

There is no way the rule which the ICC has promulgated on Amtrak is not going to cost Amtrak a lot of money.

Mr. SHOUP. Perhaps we should change that.

Let us go to the air travel. If the air traveler has a reservation and he shows up 10 minutes before the flight and there is no room on that plane, the carrier is penalized by law.

Yet, you oppose any change in that. That would assist the carrier in meeting those costs.

Mr. BARNUM. The fare is usually required to be ticketed or having purchased his ticket  $x$  minutes prior to departure. Amtrak is held to even tougher standards.

Mr. SHOUP. Up to 30 minutes?

Mr. BARNUM. Yes, sir.

Mr. SHOUP. It seems to me we have a double standard there. It seems to me we should have one standard for all so that we can get away from the problem of no-shows. Every time you have a no-show, it may have cost you money because you might have turned somebody down and that seat would have been available.

Mr. BARNUM. I would like to think about that. I am not sure that I would agree that we should have the same policy for all modes of passenger transportation.

Mr. SHOUP. On no-shows. The problem is quite different with the railroads than with the airlines. The load factors on railroads are to me discouragingly low, but this is because, for example, between New York and Washington you have people getting on and getting off at Baltimore, Philadelphia, Wilmington, and there is not always somebody waiting on the platform to jump into the seat.

Mr. SHOUP. I could be very specific on this and say that you need a little better computer system or somebody to set the thing up. Right at the present time as to the problem between Seattle and Chicago, over and over again, if here is a reservation which would be only a 100-mile segment in there, that seat is empty from one end to the other and it cannot be sold.

Mr. BARNUM. You have your finger on exactly the problem that Amtrak has. It is slightly different from the problem that the airlines have.

Mr. SHOUP. They do not have a sophisticated enough system in reservations.

Mr. BARNUM. Although I am not completely familiar with it in detail, I think Amtrak's system is much better than it was.

Mr. SHOUP. Did I read correctly in this, and I guess I went by the tone of your voice or maybe the look on some of your faces there, when you were referring to the French turbotrains, and I think you made some comments why you could not go to the first-class service because of a service that was not dependable between New York and New Haven?

Mr. BARNUM. No.

Mr. SHOUP. Didn't you refer to the fact that you could not because it was not on time?

Mr. BARNUM. My comment there was to the fact that Amtrak is again offering a single-fare service between New York and Boston even though it has two turbo-trains operating between New York and Boston. The two are not the French turbo-trains, but the original United Aircraft Turbo-trains, and though Amtrak had originally charged a premium for these turbo-trains, for a variety of reasons Amtrak has eliminated the premium fare and now charges the same fare on the turbo-train that it does on the conventional train.

That was due in part to unreliability because the turbo-train might be running today and might not be running tomorrow. It would be too much administrative confusion if you charged one fare for the turbo-train today and another fare for the conventional train tomorrow.

That situation had nothing to do with the French turbo-trains. The contemplation of Amtrak is that if the French turbo-trains or any other turbo-trains were acquired for the New York-to-Boston segment, they would be merchandised at a 50-percent fare premium.

Mr. SHOUP. I guess it gets to one thing, that we have not mentioned and you speak of there, there is not enough room to build another highway. To me, that is secondary.

The first thing is service and I think it all comes down to that. I would hope, and may I recommend, that maybe the Department of Transportation should look at that and maybe Amtrak is and if they are, my congratulations that people will pay for service and what they object to paying for is when they do not get the service that they are being charged for.

I think that is probably the greatest reason why we have had difficulties with Amtrak because the service has not been that good, not specifically because of Amtrak's fault all the time but because of right-of-way problems that you are familiar with.

Mr. BARNUM. I quite agree with you.

Mr. SHOUP. It seems to me that if Amtrak could offer service, guaranteed service, the public would be willing to pay a premium.

Case in point: Autotrain:

I do not think we have to explore that any more. They do charge a premium but they do give you service.

Thank you, Mr. Chairman.

Mr. ADAMS [presiding]. Thank you, Mr. Shoup.

Thank you Mr. Barnum and the members of your staff for being here today. Your presentation was excellent. We appreciate your being before the committee today.

The subcommittee will stand adjourned subject to the call of the Chair.

[Whereupon at 4:40 p.m., the subcommittee adjourned subject to call of the Chair.]



# AMTRAK AUTHORIZATION—1975

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THURSDAY, JUNE 20, 1974

HOUSE OF REPRESENTATIVES,  
SUBCOMMITTEE ON TRANSPORTATION AND AERONAUTICS,  
COMMITTEE ON INTERSTATE AND FOREIGN COMMERCE,  
*Washington, D.C.*

The subcommittee met at 2 p.m., pursuant to notice, in room 2123, Rayburn House Office Building, Hon. Brock Adams presiding. [Hon. John Jarman, chairman.]

Mr. ADAMS. The subcommittee will come to order.

This is a continuation of hearings on the Amtrak authorization for fiscal year 1975.

Before calling our first witness today, I would like to ask unanimous consent that the statement of staff member William T. Druhan of the Special Subcommittee on Investigations be included in the record at this point.

The Chair hears no objection. So ordered.

[The statement referred to follows:]

## STATEMENT OF WILLIAM T. DRUHAN, STAFF MEMBER, SPECIAL SUBCOMMITTEE ON INVESTIGATION, INTERSTATE AND FOREIGN COMMERCE

The purpose of my appearing before you today is to present the highlights of the review of selected Amtrak operations conducted by the Special Subcommittee on Investigations. Although the reports on this review were issued by the Subcommittee, it should be understood that the remarks I make represent my own opinions and not necessarily those of the subcommittee.

The Amtrak Improvement Act of 1973 specifically requires the continuation of all trains until June 30, 1974. This subcommittee included this provision because it questioned the propriety of Amtrak's intention to discontinue "The National Limited," "The Floridian" and "The Blue Ridge." Consequently, the Investigations Subcommittee was requested to review the matter and ascertain whether it was feasible for these trains to continue operating after June 30, 1974. In addition, the subcommittee desired to know whether Amtrak had improved the condition of its passenger trains and its maintenance and repair activities in the intervening 18 months since the General Accounting Office conducted its review of these matters.

An examination was made of selected supporting records maintained by Amtrak, the Baltimore and Ohio Railroad Company, the Missouri Pacific Railroad, the Washington Terminal Company, the St. Louis Terminal Company, the Penn Central and Burlington Northern maintenance facilities in Chicago, and the Santa Fe maintenance facilities in Los Angeles. In addition, trips were made on most of the long distance trains; a total of over 18,000 miles was traveled. Also, about 5,000 questionnaires were distributed to passengers at 10 major stations. The volume of records examined, trips made, and questionnaires distributed were not comparable to that of the GAO because of time and manpower limitations. Nevertheless, it is believed that the examination was sufficient to support the conclusions of the review.

The Investigations Subcommittee issued four reports on its review this week entitled "The Blue Ridge," "The National Limited," "Maintenance and Repair

Activities," and "Condition of Amtrak Trains." It is contemplated that a fifth report on the results of the questionnaires will be issued in the near future.

The primary conclusion of this review is that "The National Limited," "The Floridian" and "The Blue Ridge" should continue to operate. It was disclosed that DOT and Amtrak based their recommendations for discontinuance of these trains upon information that was outdated, unaudited and inaccurate. In addition, ridership has increased considerably during the past year and, if it continues, the trains should become profitable in the near future. For example, with regard to the National, Amtrak used statistics for the first 7 months of operations rather than the statistics for the first 2 years of operation. As a result Amtrak whereas the actual ridership averaged 54 passengers a day in calendar year 1972 and an even larger number for the period in 1973 prior to requesting discontinuance. Similarly, in March 1973, DOT predicted losses of 18.9¢ per passenger mile in fiscal year 1972 whereas Amtrak informed the ICC in July 1973 that actually losses were only 10¢ in 1972. At the present time losses are less than 2¢ per passenger mile—the amount used as the criterion by DOT in determining whether trains should be operated within the system.

The highlights of the "Condition of Amtrak Trains" report are:

1. On-time performance for long-distance trains is getting progressively worse. Long distance trains were late 70 percent of the time in 1973 whereas they were late 46 percent of the time in 1972. Poor on-time performance is reducing ridership and resulting in considerable additional operating costs. These additional costs include payment of extra wages to train, station, maintenance and service personnel—some of these payments are for periods when the employees are completely idle. Also, Amtrak must furnish meals, shelter and arrange for alternate transportation for passengers whose travel plans are disrupted due to a train arriving late. Track conditions and malfunctioning equipment account for most delays.

2. The executive salary limitation of \$60,000 a year imposed by the Act is being circumvented by Amtrak by entering into separation agreements with six executives providing for deferred compensation. One payment of \$25,000 was made based on these agreements (to Mr. Morgan, Vice President of Government Affairs—who has been nominated to the Board of Directors.) This payment is contrary to conditions set by the Comptroller General. Also, the ICC reported that it is opposed to these agreements and believes they should be prohibited by Congress.

3. It is estimated that dining car crew and material costs amount to about \$22 million a year in excess of revenue. This deficit would be increased further when costs for depreciation of equipment, maintenance and repairs, supplies, etc. are included. It is difficult to make on-board food and beverage service profitable because of the necessity to pay large crews for extended periods when meals are not being served. It is therefore suggested that Amtrak be innovative, as directed by the Act, by experimenting with "airplane type" meals or "set service" as used on European trains. Free airplane type meals should reduce the deficit by about 50 percent primarily because of reduced crew costs.

4. Although there has been considerable improvement in the past 18 months, unsatisfactory conditions were noted on all trains included in the review (most long-distance trains). These included a very rough ride due to poor road beds and rundown equipment; uncontrollable heating and air-conditioning systems; dirty, fogged, and broken windows; and roaches and other unsanitary conditions. These conditions were particularly disturbing to the passengers. Moreover, the "San Francisco Zephyr" derailed during a trip being made for this review; 21 passengers were hospitalized as a result of this accident. A complete review of this accident was precluded because to date Amtrak and Burlington Northern have not permitted access to pertinent records.

5. Equipment shortages continue to plague Amtrak as there is insufficient equipment to replace cars and engines out of service for maintenance and repairs; also some trains cannot be operated on a daily basis due to a lack of equipment. As you are aware, Amtrak has ordered additional equipment. It is questioned, however, whether adequate consideration is being given to the necessity for additional conventional passenger cars used on long-distance trains.

6. The station improvement program is lagging. Most stations and terminals need replacement or major renovation and yet have not even received cosmetic treatment. In addition to being rundown, many of the stations and terminals are impracticable for Amtrak's needs and are the source of a considerable financial drain on Amtrak's limited finances. For example, heating and air conditioning costs are enormous due to the large size and extremely high ceilings.

The highlights of the "Maintenance and Repairs" report are:

1. Despite the provision in the Rail Passenger Service Act that, insofar as practicable, Amtrak should directly operate and control all aspects of its rail passenger service, Amtrak has not assumed direct control of maintenance and repair facilities. A number of small facilities and those used for TurboTrains are operated by Amtrak but most facilities are still operated by the railroads.

2. Unsatisfactory conditions were observed on many cars. For example, 83 unsatisfactory conditions were observed in 49 of the 81 cars inspected in Chicago. Also, 39 defects were observed in the 27 sleeping cars inspected in Los Angeles. Moreover, it is not always possible to correct these unsatisfactory conditions in a timely manner because the train was due to depart soon, material was not available or maintenance personnel were not aware of the defects.

3. The spare parts inventory control system is not completely satisfactory in that a number of cars are kept out of service for unreasonably long periods and/or are operated with defective conditions. For example, on December 10, 1973, 65 cars were out of service for repair in the Chicago area; 22 of these cars were out of service due to a lack of spare parts. Similarly, the primary reason for large numbers of cars being out of service in the Los Angeles area was the unavailability of spare parts. It is suggested that Amtrak should take over the parts inventories from the railroads.

4. Amtrak's passenger car refurbishment program is not completely satisfactory in that some cars need repairs shortly after refurbishment, cheap materials are being used, and scheduling of cars needs improvement. For example, despite a very limited review, 21 cars were noted as having been removed from service in the Los Angeles area within the one year warranty period after refurbishment. Also, of the 65 cars mentioned as being out of service in Chicago on December 10, 1973, 41 were newly refurbished cars. Moreover, Amtrak has no procedures for identifying defects which could be warranty related. Refurbishment defects are usually repaired by the railroads at Amtrak's expense rather than by the contractor at its expense.

5. Many passenger cars operate for extended periods with defects because train crews do not report unsatisfactory conditions observed en route as required by Amtrak procedures. For example, 54 cars on the "San Francisco Zephyr" were inspected and 45 unsatisfactory conditions were found on 35 cars which were not reported. Most of these unsatisfactory conditions were not corrected because the maintenance and servicing personnel were not aware of the conditions.

6. Amtrak's car maintenance record system is ineffective resulting in some cars probably not receiving prescribed periodic maintenance and some cars receiving duplicate maintenance. Amtrak procedures require that maintenance performed be recorded on records kept on the cars. It was found, for example, for 20 cars inspected in Chicago required maintenance was recorded in only 26 of 139 instances. As cars are serviced and receive maintenance at different locations if the information is not recorded personnel are not aware of the work performed at other locations.

The highlights of "The Blue Ridge" report are:

1. The route of "The Blue Ridge" should be extended from Cumberland, Maryland, to Pitsburgh, Pennsylvania in order that it can connect two major metropolitan areas and service a large population area which is not presently being serviced. In recent months ridership on this train has increased substantially. The additional passengers, however, are primarily short distance commuters who have turned to the train because of the gasoline shortage. Amtrak is not chartered to cater to commuter traffic and therefore efforts should be made to increase ridership of longer distance passengers. The recommended routing for this train should attract additional passengers as the population in the area supported six trains on this route in 1960. Also the recommended routing to Pitsburgh is considerably shorter than the present route via Harrisburg.

2. Labor costs for "The Blue Ridge" for conductors and brakemen are greater than those incurred by the B&O prior to Amtrak. These costs could be reduced. The unions have indicated a willingness to renegotiate the contract on more favorable terms for Amtrak but the B&O Railroad refuses to renegotiate the contract. Although denied by the unions, the railroad contends that renegotiation would result in increased costs for other railroad and Amtrak operations. It is suggested that the matter be reviewed by Amtrak.

3. Audits of B&O billings have not been made by Amtrak. A number of instances were noted where Amtrak is being erroneously charged by substantial amounts. A number of fuel charges were made to the "Blue Ridge" that were clearly erroneous and some were made that should have been made for the

account of other Amtrak trains. For example, substantial amounts of fuel were charged to "The Blue Ridge" for engines used by B&O commuter trains and for engines used on Amtrak's "George Washington." Labor charges for cleaning the Blue Ridge were made (1) when the cars were not in the station when the work was supposedly performed and (2) for cars not used on this train. It was found that labor charges for engine repairs were made to "The Blue Ridge" for engines not used on the train or not used in proportion to the charges. The costs for servicing engines could not be verified because the various charges for labor and material do not identify the engines which were serviced. It is therefore not known whether the engines were actually used on this train.

A number of instances were found when this train was erroneously charged for administrative expenses. For example, Amtrak is charged for pensions for persons not included in the pension plan. Also, Amtrak is charged for portions of salaries of employees not engaged full time in Amtrak-related duties contrary to the provisions of the agreement with the railroad.

Although many, if not all, of these erroneous charges will be detected and corrected as a result of an Amtrak audit, it should be noted that in the interim the deficits reported for "The Blue Ridge" are overstated.

4. A number of instances were noted whereby Amtrak could effect savings in the operation of "The Blue Ridge." For example, if the train is to continue to operate on its present route, the buffet car should be removed from the train. This car is the source of a considerable deficit and is not essential to passengers as it is used by commuters for libations. Also, the station at Cumberland, Maryland, should be closed as the volume of traffic and services required do not warrant the expense of continuing its operation.

As a consequence of these type findings which would not be disclosed by Amtrak audits, and disclosures discussed above with regard to the other reports, it is suggested that Amtrak operations be comprehensively audited by the General Accounting Office on a regular basis.

The highlights of "The National Limited" report are:

1. The Washington/Harrisburg section of the National operated by Penn Central should be discontinued and a new section activated between Washington and St. Louis via Cincinnati operated by B&O. The present section has very poor ridership. The proposed section has the potential of good ridership as evidenced by the fact that the population in the area of the recommended routing supported three trains in 1960 and presently supports considerable amounts of alternative public transportation. The recommended routing would serve a large population area not presently being served, and the area served by the present route would continue to be served by other trains. In addition, the recommended routing is considerably shorter than the present routing and should reduce the present traveling time between Washington and St. Louis by over four hours.

2. On-time performance for the National is the worst of any long-distance train. This record reduces ridership and is creating considerable additional operating expenses. For example, it was determined that a four hour late departure from St. Louis—which is a rather common occurrence for this train—resulted in additional crew wages amounting to 40 percent of the total base wages. Poor on-time performance also increases costs for dining car employees and for servicing crews.

3. Audits of Missouri Pacific billings have been performed by Amtrak for only a limited period. A number of instances were noted where Amtrak is being erroneously charged by substantial amounts. These instances are similar to those discussed previously with regard to "the Blue Ridge" report.

4. Also as discussed previously, it is again suggested in this report at GAO audit Amtrak operations on a regularly scheduled basis. This review disclosed a number of cost savings that probably would be detected by such audits.

5. Audits of terminal billings have not been made by Amtrak. A number of instances were noted where Amtrak is being erroneously charged by substantial amounts. For example, ownership costs and portions of salaries of employees not engaged in full time duties related to Amtrak are being charged to Amtrak contrary to the provisions of the agreement with the railroads. These agreements are supposed to also be applicable to terminals.

As I previously stated, the report on the results of the questionnaires distributed to passengers has not been completed. Nevertheless, it has been determined that although most passengers were generally satisfied with their trips on Amtrak trains, substantial numbers of unsatisfactory conditions were indicated. These conditions pertained primarily to poor on-time performance, malfunctioning heating and air-conditioning systems, discourteous employees, poor sched-

uling, rough rides, difficulties in obtaining reservations, reliability of reservations, enforcement of "no-smoking" and pet policies, baggage handling, and cleanliness. Obviously if these deficiencies are not corrected Amtrak will be unable to attract the additional passengers necessary to become profitable and also will be unable to retain the passengers presently patronizing the trains.

Mr. ADAMS. Our first witness today is Mr. Anthony Haswell, chairman, National Association of Railroad Passengers.

Mr. Haswell, we welcome you to the committee today. We know of your long and very deep interest in passenger train operations in the United States, and the subcommittee looks forward to hearing your testimony.

### STATEMENT OF ANTHONY HASWELL, CHAIRMAN, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

Mr. HASWELL. Thank you, Mr. Chairman.

I appear here today in support of the additional grant and loan funding for Amtrak contained in H.R. 15427. Also, I have some proposed amendments of our own to the Amtrak statute. Before getting into them, however, I would like to call the committee's attention to the apparent antirail passenger service position that has been adopted by Secretary of Transportation Claude S. Brinegar.

At the National Press Club on May 14, the Secretary was asked several questions about Amtrak. These questions, and the Secretary's answers thereto, are reproduced in full at the end of my prepared statement [see p. 85]. Before discussing the main thrust of the Secretary's comments, I must point out two serious factual errors.

First, the Secretary alleges that Amtrak "has to rely on the railroads to both operate its trains and to maintain and repair its equipment." The fact is that Amtrak has both a statutory and a contractual right to do these things itself, and indeed is under a strong admonition by the Congress to do so. While it may be uneconomic for Amtrak to do so in instances where employees performing Amtrak-related functions are also engaged in freight service functions, a great majority of present railroad employees engaged in the repair and maintenance of Amtrak equipment, and a substantial portion of present railroad employees engaged in the operation of Amtrak trains, especially in the Northeast Corridor, are working full-time on Amtrak activities.

Second, the Secretary says he knows of no program for airline subsidies other than the \$60 million local service subsidy program. In fiscal 1974 and 1975, the Federal Government will spend over \$1 billion each year for operation and maintenance of the air traffic control system, without which no airliner would fly. While legislation will be proposed by the administration to impose user charges to cover the civil aviation share of these expenditures, such legislation to our knowledge has yet to be enacted.

I have reviewed the testimony of Under Secretary Barnum in which he asserted the airlines are paying their fair share of those expenses. I have also reviewed the 1974 and 1975 budgets, which indicate that over \$1.2 billion was scheduled to be spent on air traffic control operations, administrative flight services, and so on, which was not to be collected from user charges. There is an Airport Airways Trust Fund which funds airport construction and other necessary facilities. However, that would appear to be a shortfall, so to speak, between receipts and the amounts now being laid out for the airway control system.

Mr. KUYKENDALL. The airway control system is completely paid for by user taxes.

Mr. ADAMS. I might state, Mr. Haswell, since you are moving from your statement and we won't be able to really make notes and pick it up, that is what Mr. Kuykendall is referring to. We went through a lengthy and detailed procedure of balancing off the amount which was to be allocated for military flights as opposed to civilian flights and created a trust fund out of user charges to add to the Government expenditures for airports and airways.

The only thing we are trying to say to you is that you may have a sympathetic ear here toward a trust fund of some kind for the railroad or an overall trust fund, but we have not so far found a user in the railroad passenger field upon whom we can place this user charge. That is why we have broken into your testimony.

All of the members sitting here went through a difficult fight with the then head of FAA, as to whether he was spending money from the trust fund that should have come out of general funds.

Mr. KUYKENDALL. The general revenue contribution to the FAA budget is 27 percent; the rest of it comes from the trust fund.

Mr. JARMAN. Mr. Haswell.

Mr. HASWELL. In a nutshell, the Secretary's view of Amtrak is that it is losing too much money; that losses are likely to increase in the future; that some of the long-haul routes have very little ridership; that Amtrak should not try to compete over long distances with buses and airplanes; and that if given a free hand, the Secretary would cut Amtrak's route structure in half.

While we do not believe that Amtrak should be judged on whether or not it eventually earns a profit, it does seem that its deficit is rather large in comparison to the benefits it is currently providing the public. Its operating deficit per passenger carried should be substantially reduced. Ideally, Amtrak should shoot for the same improvement rate in this respect that has been achieved by the airlines over the years with relation to the airline direct operating subsidies.

The Secretary would, if given a free hand, attempt to turn things around for Amtrak by discontinuing half its routes. This view undoubtedly reflects the Secretary's conviction that just about all passenger trains will lose money and therefore the more trains, the larger the deficit. While we cannot promise that Amtrak as a whole will ever break even or earn a profit, it seems to us that the following steps—largely untried by Amtrak—should result in a much better train-by-train financial performance.

New and properly rebuilt passenger car equipment, to lower maintenance costs and provide more capacity per car;

New locomotives, to save fuel and cut maintenance costs;

New and modernized repair and maintenance facilities, to save expenses;

Better control over reserved accommodations, to improve load factors;

—Direct Amtrak employment of personnel, to allow more effective supervision and to facilitate revision of obsolete labor work rules;

—More mail, express, and other small package traffic, to increase revenues.

We are confident that proper implementation of such a program would achieve the desired results. Therefore, we must reject the Sec-

retary's call for a cutback of Amtrak service; rather, we insist that Amtrak move to close the major gaps that exist in its current route structure.

Amtrak's record to date indicates that it is quite capable of attracting significant numbers of passengers on long-distance runs. To a large extent, long-distance trains are not really competitors of the airplane. The major share of travel over distances of 500 miles or more—especially business travel—will always be by air. The market for long-distance train service is and will be limited and specialized. Nevertheless, long-distance trains offer unique advantages for tourists and vacationers, both domestic and foreign, who wish to see our country in relaxation and comfort.

Also, the trains provide a meaningful travel option for those who refuse to fly, and offer a useful transportation service to and from many intermediate points. In the end, this dispute comes down to economics. While long-distance trains generally are unprofitable, their continued operation will not require the major investment in upgraded track and roadbed, signaling, et cetera, that high-speed corridor service will.

Use of high-capacity "high-level" equipment and carriage of additional mail and express may significantly improve the operating economics of long-distance trains. Hence we believe that on a cost-benefit basis, a limited network of long-distance trains is a desirable and justifiable part of a balanced transportation system.

Intercity bus service is not an acceptable substitute for train service, either over long distances or in short- to medium-distance corridors. Compared to trains, buses are cramped and uncomfortable and are lacking in such amenities as domes, dining and lounge car service. Very few people will ride a bus over 300 miles unless compelled to do so out of economic necessity or because there is no alternate way of getting to the desired destination.

The continuing public clamor for revival of train service to and from places where it has been discontinued is in effect an indication that the bus has been tried and found wanting. A poll conducted for Amtrak in 1972 by Louis Harris & Associates found that while trains evoked a positive image from 48 percent of respondents compared to a negative image from 40 percent, buses were rated negatively by 53 percent and positively by only 38 percent.

This response is all the more significant in view of the long decline and deterioration of train travel in the preceding years, and in view of the fact that Amtrak had been in business only 1 year and only 31 percent of the respondents were familiar with it.

Relieving pressure on highways and airports is a major reason why the Government has undertaken a passenger train program. If buses are to become attractive competitors of autos and airplanes, either there must be considerably more width and leg room added to the seating or the Government must provide sufficient subsidy so that bus fares could be set low enough to cancel out bus comfort deficiencies. The first approach would undoubtedly force substantial increases in bus fares on account of reduced seating capacity, thus becoming self-defeating. A reduction in bus fares sufficiently low enough to attract large numbers of motorists and air travelers might well cost the Government more over the long run than providing modern train service.

We believe that adequate intercity bus service is just as important a part of a balanced transportation system as is train service, if for no other reason than to accommodate those who cannot afford train fares. The bus would seem to have a bright future, especially for transportation to and from rural areas; as a feeder to train and air services; and for urban and suburban transit in the many areas where rail facilities cannot be economically justified. But buses can never be a substitute for trains for commuter service in large cities; in short-to-medium corridors of significant population density; and over long distances in major travel markets.

Perhaps what the Secretary had in mind when he said that Amtrak should not try to compete with buses is that Amtrak is unfair subsidized competition which is causing economic injury to the unsubsidized bus operators. To this there are several answers:

First, the coming of Amtrak was a large windfall to bus operators. On May 1, 1971, half the intercity trains in the country were discontinued overnight, leaving many communities with bus service as the only available surface transportation.

Second, there is evidence that only a small portion of Amtrak's increased ridership is being diverted from buses. A survey of Amtrak long-distance passengers indicated that only 5 percent normally used buses for long trips.

Third, studies in years past have indicated that heavy vehicles—trucks and buses—do not pay their full share of highway user charges in relation to the highway wear and tear they cause.

Finally, it has been estimated that since World War I, at least \$100 billion has been spent on highways by all levels of government which was not recovered by user charges of any kind. The bus industry along with other highway users was a direct beneficiary of this largesse.

It is in the context of the Secretary's Press Club remarks that I turn to specific proposals for amendment of the Rail Passenger Service Act.

The Congress must act on the assumption that a major objective of the proposals contained in Under Secretary Barnum's testimony of June 17 is to facilitate Secretary Brinegar's professed objective of substantially dismembering Amtrak.

To be sure, Amtrak is currently being supported by public funds. Therefore, a meaningful oversight role on the part of the Department of Transportation is appropriate. However, in view of the Secretary's attitude, DOT oversight powers must be carefully delineated lest they be used to reduce Amtrak's scope rather than to increase its effectiveness and efficiency.

DOT requests carte blanche authority to attach reasonable terms and conditions to Federal grants to Amtrak. Under present circumstances, that would be like handing the fox the key to the chicken coop. Therefore, we oppose the DOT request.

While we don't believe the ICC will do much for passengers, I would hate to do away with its regulatory authority at this juncture in view of the attitude of the Secretary.

From the viewpoint of the traveling public, the railroad presidents on the Amtrak Board of Directors are guilty of a serious conflict of interest in continuing to it as Amtrak directors. Mr. Meuk, of

the Burlington Northern, told this committee in December 1971 that Burlington Northern had written down the value of its Amtrak stock to \$1. Hence, Congress should be able to buy back all the common stock for \$1 and abolish the seats.

We urge Congress to do so, and refer the committee to our recommendation for amendment of sections 304 and 401 which are contained in our June 1973 testimony. The Secretary could not logically object to such a move, for he told the Press Club that Amtrak is essentially nationalized and probably will never earn a profit.

We support the 1-year extension of the basic system contained in H.R. 15427. However, we would prefer a 3-year extension, with some flexibility to change routes between the end points. I think such decisions should be left up to the Amtrak Board.

We believe the provision for two-thirds subsidy of trains by the States should be clarified and made more definite so that Amtrak is absolutely obligated to run the service and provide the necessary equipment if the State commits itself to pay two-thirds of all the cost elements.

We are informed in at least one instance, the State has come up with an adequate offer, but Amtrak is balking on the grounds it doesn't have the equipment, so the State is being asked to pay 100 percent of the costs.

Finally, we think consumer associations in States should be allowed to sue Amtrak and the railroads for violations of the act. The Supreme Court of the United States ruled that present law limits that right to the Attorney General or labor organizations.

I would like to call the committee's attention to the fact I testified on June 6 on the Senate side at hearings on Amtrak Board nominees. It is our strong feeling the top management of Amtrak must be changed, and that a lot of Amtrak's problems stem from management shortcomings.

I respectfully request that a copy of my June 6 Senate testimony be included in the record.

Mr. ADAMS [presiding]. Without objection, that statement will be included in the record [see p. 92].

Mr. HASWELL. Thank you.

Mr. ADAMS. Does that complete your statement?

Mr. HASWELL. Yes.

[Mr. Haswell's prepared statement and attachments follow:]

STATEMENT OF ANTHONY HASWELL, CHAIRMAN, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

My name is Anthony Haswell. I am chairman of the National Association of Railroad Passengers (NARP) which maintains offices at 417 New Jersey Avenue SE., Washington, D.C.

NARP is an Illinois not-for-profit corporation which operates as a membership consumer organization on behalf of present and would be railroad passengers. NARP has over 5200 members in all parts of the country. NARP's specific objective is to obtain modern train service wherever it is needed and useful, whether for commuters, for intercity travellers in "Corridors", or for cross-country vacationers. Activities in furtherance of this goal include working for the passage of constructive legislation; participating in selected cases before regulatory authorities and the courts; and conducting a continuing educational campaign to acquaint the public with the advantages and benefits of good passenger service, and the underlying economic and political issues involved.

I appear here today in support of the additional grant and loan funding for

Amtrak contained in HR 15427. Also, I have some proposed amendments of our own to the Amtrak statute. Before getting into them, however, I would like to call the committee's attention to the apparent anti-rail passenger service position that has been adopted by Secretary of Transportation Claude S. Brinegar.

At the National Press Club on May 14, the Secretary was asked several questions about Amtrak. These questions, and the Secretary's answers thereto, are reproduced in full at the end of my statement. Before discussing the main thrust of the Secretary's comments, I must point out two serious factual errors.

First, the Secretary alleges that Amtrak "has to rely on the railroads to both operate its trains and to maintain and repair its equipment." The fact is that Amtrak has both a statutory and a contractual right to do these things itself, and indeed is under a strong admonition by the Congress to do so. While it may be uneconomic for Amtrak to do so in instances where employees performing Amtrak-related functions are also engaged in freight service functions, a great majority of present railroad employees engaged in the repair and maintenance of Amtrak equipment, and a substantial portion of present railroad employees engaged in the operation of Amtrak trains, especially in the Northeast Corridor, are working full-time on Amtrak activities.

Second, the Secretary says he knows of no program for airline subsidies other than the \$60 million local service subsidy program. In fiscal 1974 and 1975, the federal government will spend over \$1 billion each year for operation and maintenance of the air traffic control system, without which no airliner would fly. While legislation will be proposed by the administration to impose user charges to cover the civil aviation share of these expenditures, such legislation to our knowledge has yet to be enacted.

In a nutshell, the Secretary's view of Amtrak is that it is losing too much money; that losses are likely to increase in the future; that some of the long-haul routes have very little ridership; that Amtrak should not try to compete over long distances with buses and airplanes; and that if given a free hand, the Secretary would cut Amtrak's route structure in half.

While we do not believe that Amtrak should be judged on whether or not it eventually earns a profit, it does seem that its deficit is rather large in comparison to the benefits it is currently providing the public. Its operating deficit per passenger carried should be substantially reduced. Ideally, Amtrak should shoot for the same improvement rate in this respect that has been achieved by the airlines over the years vis-a-vis the airline direct operating subsidies.

The Secretary would, if given a free hand, attempt to turn things around for Amtrak by discontinuing half its routes. This view undoubtedly reflects the Secretary's conviction that just about all passenger trains will lose money and therefore the more trains, the larger the deficit. While we cannot promise that Amtrak as a whole will ever break even or earn a profit, it seems to us that the following steps—largely untried by Amtrak—should result in a much better train-by-train financial performance:

New and properly rebuilt passenger car equipment, to lower maintenance costs and provide more capacity per car.

New locomotives, to save fuel and cut maintenance costs

New and modernized repair and maintenance facilities, to save expenses

Better control over reserved accommodations, to improve load factors

Direct Amtrak employment of personnel, to allow more effective supervision and to facilitate revision of obsolete labor work rules

More mail, express, and other small package traffic, to increase revenues

We are confident that proper implementation of such a program would achieve the desired results. Therefore, we must reject the Secretary's call for a cutback of Amtrak service; rather, we insist that Amtrak move to close the major gaps that exist in its current route structure.

The Secretary asserted that some long-haul routes have very few riders. In view of the following ridership Amtrak statistics for the first four months of 1974, it is difficult to determine just what routes he had in mind:

Route	Passengers carried, 1st quarter 1974	Percent change from 1973	Passengers carried, April 1974	Percent change from 1973
<b>LONG HAUL</b>				
New York City-Florida.....	268,567	+80	95,208	+67
New York-Washington-Chicago.....	72,197	+46	28,055	+41
New York-Washington-Kansas City.....	56,296	+26	22,166	+14
Chicago-Florida.....	39,749	+52	13,257	+44
Chicago-New Orleans.....	53,400	+58	20,372	+94
Chicago-Los Angeles.....	71,543	+29	26,878	+29
Chicago-Oakland.....	78,084	+78	25,764	+45
Chicago-Minot-Seattle.....	100,101	+46	36,416	+39
Chicago-Wenatchee-Seattle.....	59,301	+43	22,648	+35
Chicago-Houston.....	67,874	+34	29,191	+42
New Orleans-Los Angeles.....	28,015	+52	10,678	+46
Washington-Newport News-Chicago.....	28,110	+27	11,824	+8
Washington-Montreal.....	47,827	+74	14,261	+43
Los Angeles-Seattle.....	89,831	+74	29,396	+39
St. Louis-Laredo.....	3,550	-----	6,518	-----
<b>SHDRT HAUL</b>				
New York City-Washington.....	2,057,053	+24	691,147	+13
New York-Springfield.....	37,871	+121	13,613	+51
Boston-New York.....	472,510	+61	155,121	+50
Boston-Worcester-New Haven.....	18,551	+9	6,125	-30
Philadelphia-Harrisburg.....	226,840	+52	73,778	+35
Springfield-New Haven.....	60,658	+70	18,444	+34
Washington-Cumberland.....	30,821	+120	10,712	+51
New York-Buffalo.....	196,014	+97	66,651	+61
Chicago-St. Louis.....	69,938	+48	25,269	+22
Chicago-Milwaukee.....	63,586	+23	23,336	+3
Chicago-Detroit.....	55,965	+88	22,888	+61
Chicago-Carbondale.....	39,050	+48	14,645	+36
Chicago-Quincy.....	28,150	+26	8,478	+9
Los Angeles-San Diego.....	98,585	+57	39,154	+17
Seattle-Portland.....	46,534	+53	14,482	-2
Seattle-Vancouver.....	13,977	+50	4,748	-6
Fort Worth-Laredo.....	2,034	-41	-----	-----
Chicago-Dubuque.....	3,972	-----	3,633	-----
Oakland-Bakersfield.....	9,013	-----	14,355	-----
Amtrak system total.....	4,595,567	+41	1,599,211	+28

Source: Amtrak monthly ridership reports.

The St. Louis-Laredo route just got started, operates only three days a week and has a very slow schedule. The New Orleans-Los Angeles route operates only three days a week. The Chicago-Florida and Newport News-Chicago routes have been plagued by incredibly slow and undependable operation between Chicago, Louisville, and Cincinnati. Despite my enthusiasm for rail travel, I personally will not use either of these trains; it is amazing that they have generated as much as they have.

Amtrak's record to date indicates that it is quite capable of attracting significant numbers of passengers on long distance runs. To a large extent, long distance trains are not really competitors of the airplane. The major share of travel over distances of 500 miles or more—especially business travel—will always be by air. The market for long distance train service, is and will be limited and specialized. Nevertheless, long distance trains offer unique advantages for tourists and vacationers, both domestic and foreign, who wish to see our country in relaxation and comfort. Also, the trains provide a meaningful travel option for those who refuse to fly, and offer a useful transportation service to and from many intermediate points. In the end, this dispute comes down to economics. While long-distance trains generally are unprofitable, their continued operation will not require the major investment in upgraded track and roadbed, signaling, etc. that high-speed corridor service will. Use of high capacity "hi-level" equip-

ment and carriage of additional mail and express may significantly improve the operating economics of long distance trains. Hence we believe that on a cost-benefit basis, a limited network of long distance trains is a desirable and justifiable part of a balanced transportation system.

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The continuing public clamor for revival of train service to and from places where it has been discontinued is in effect an indication that the bus has been tried and found wanting. A poll conducted for Amtrak in 1972 by Louis Harris & Associates found that while trains evoked a positive image from 48% of respondents compared to a negative image from 40%, buses were rated negatively by 53% and positively by only 38%. This response is all the more significant in view of the long decline and deterioration of train travel in the preceding years, and in view of the fact that Amtrak had been in business only one year and only 31% of the respondents were familiar with it. The realities of public preference for trains have been recognized, at least for urban and suburban transportation, by Urban Mass Transit Administrator Frank C. Herringer. Speaking at a conference on energy conservation sponsored by *Scientific America Magazine* in Washington, D.C. on March 17, 1974, Mr. Herringer expressed concern about the escalating cost of new rail transit facilities, but admitted that such transportation "attracts more passengers than bus".

Relieving pressure on highways and airports is a major reason why the government has undertaken a passenger train program. If buses are to become attractive competitors of autos and airplanes, either there must be considerably more width and leg room added to the seating, or the government must provide sufficient subsidy so that bus fares could be set low enough to cancel out bus comfort deficiencies. The first approach would undoubtedly force substantial increases in bus fares on account of reduced seating capacity, thus becoming self-defeating. A reduction in bus fares sufficiently low enough to attract large numbers of motorists and air travelers might well cost the government more over the long run than providing modern train service.

We believe that adequate intercity bus service is just as important a part of a balanced transportation system as is train service, if for no other reason than to accommodate those who cannot afford train fares. The bus would seem to have a bright future, especially for transportation to and from rural areas; as a feeder to train and air services; and for urban and suburban transit in the many areas where rail facilities cannot be economically justified. But buses can never be a substitute for trains for commuter service in large cities; in short-to-medium corridors of significant population density; and over long distances in major travel markets.

Perhaps what the Secretary had in mind when he said that Amtrak should not try to compete with buses is that Amtrak is unfair subsidized competition which is causing economic injury to the unsubsidized bus operators. To this there are several answers. First, the coming of Amtrak was a large windfall to bus operators. On May 1, 1971, half the intercity trains in the country were discontinued overnight, leaving many communities with bus service as the only available surface transportation. Second, there is evidence that only a small portion of Amtrak's increased ridership is being diverted from buses. A survey of Amtrak long distance passengers indicated that only 5% normally used buses for long trips. Third, studies in years past have indicated that heavy vehicles—trucks and buses—do not pay their full share of highway user charges in relation to the highway wear and tear they cause. Finally, it has been estimated that since World War I, at least \$100 billion has been spent on highways by all levels of government which was not recovered by user charges of any kind. The bus industry along with other highway users was a direct beneficiary of this largess.

While the Secretary is admittedly negative on long distance trains, he says that Amtrak has a "valid role" in the Northeast corridor and "possibly a few others." We wonder whether the Secretary is seriously interested in high speed corridor passenger service, or whether he simply concentrates his fire on long distance trains in the belief that they are more vulnerable. The Northeast Corridor funding contained in the Regional Rail Reorganization Act, together with what Amtrak can contribute in view of its other responsibilities, is ridiculously low in view of what is needed to complete the program recommended by

DOT in its 1971 and 1973 reports. The Secretary has made no proposal that we are aware of to provide the necessary increased funding for this project, nor has he ever expressed any enthusiasm for the initiative of Congress in requiring implementation of the project and providing partial funding therefor. Furthermore, as the Secretary is presumably aware, having come from California, our country does not begin and end with the east coast. However, he has yet to present any proposals for upgrading track and facilities for high speed passenger service in any high density corridor west of the Allegheny Mountains. I believe that the Secretary's dislike for rail passenger service extends to corridors as well as long distances, and that he will try to discourage any proposals calling for substantial federal funding for high speed corridor operations.

It is in the context of the Secretary's Press Club remarks that I turn to specific proposals for amendment of the Rail Passenger Service Act.

The Congress must act on the assumption that a major objective of the proposals contained in Undersecretary Barnum's testimony of June 17, is to facilitate the Secretary's professed objective of substantially dismembering Amtrak. To be sure, Amtrak is currently being supported by public funds. Therefore, a meaningful oversight role on the part of the Department of Transportation is appropriate. However, in view of the Secretary's attitude, DOT oversight powers must be carefully delineated lest they be used to reduce Amtrak's scope rather than to increase its effectiveness and efficiency.

DOT requests *carte blanche* authority to attach reasonable terms and conditions to Federal grants to Amtrak. Under present circumstances, that would be like handing the fox the key to the chicken coop. Therefore we oppose the DOT request.

The record of the Interstate Commerce Commission since 1966 leaves little room for optimism that it will take prompt and effective action on behalf of railroad passengers pursuant to the regulatory powers contained in the Amtrak Act. Moreover, no matter how aggressive a regulatory agency is, it cannot run the trains and market the service. That can only be done—for better or worse—by Amtrak management. Be that as it may, we cannot at this time support DOT's request that the ICC be deprived of regulatory power over the adequacy of rail passenger service. We do not want to be a party towards denying the ICC a chance to uphold the public interest in some future confrontation with the Secretary.

DOT recommends that the Act be amended to allow a given railroad to own more than 33% of Amtrak common stock. While such a move would not seem to have much potential for harm to railroad passengers, we urge the Congress to take this opportunity to review the property of railroad ownership of Amtrak stock and of railroad representation on the Amtrak board. As we told this committee in June 1973:

What Amtrak lacks at the top management level in railroad expertise, it has in great plenty on its board of directors, three of the members of which are the presidents of the Penn Central, the Burlington Northern, and the Milwaukee Road. The only trouble is that these gentlemen are drawing their pay checks from their respective railroad companies rather than from Amtrak. They have publicly stated—in one instance, to a network television audience—that they believe there is no need and place for rail passenger service outside the Northeast Corridor. Such talk is not exactly helpful to Amtrak. Moreover, these men believe that the Amtrak stock which their railroads own is virtually worthless. Under all the circumstances, we must assume that the railroad presidents view their Amtrak board positions as a means of protecting the interests of their own freight operations rather than promoting the interests of Amtrak. While Amtrak board meetings are not open to the public, we are told that the railroad presidents have repeatedly taken a negative position on matters that have come before the board, especially on proposals for expansion of Amtrak services.

From the Secretary's point of view, continued railroad representation on the board presumably would be just fine. From the viewpoint of the travelling public, the railroad presidents are guilty of a serious conflict of interest in continuing to sit as Amtrak directors. Mr. Menk of the Burlington Northern told this committee in December 1971 that BN had written down the value of its Amtrak stock to \$1. Hence Congress should be able to buy back all the common stock for \$4 and abolish the seats. We urge it to do so, and refer the Committee to our recommendations for amendment of Sections 304 and 401 which are contained in our June 1973 testimony. The Secretary could not logically object to

such a move, for he told the Press Club that Amtrak is essentially nationalized and probably will never earn a profit.

We would like to suggest four additional amendments to the Amtrak Act which we think would be helpful.

1. Extension of time for mandatory operation of the basic system. We support the one year extension of the basic system contained in H.R. 15427. However, we would prefer a three year extension, with some flexibility to change routes between the end points. We offer the following language: "404(b)(1) The Corporation must provide service between the end points included within the basic system over any reasonably expeditious route or combination of routes until July 1, 1977, unless such service is being provided on a basis acceptable to the Corporation by a railroad with which it has not entered into a contract under Section 401(a) of this Act. Through-car service needs not be provided between the end points included within the basic system if connections are made between the hours of 6 antemeridian and 12 midnight. (2) Service beyond that prescribed for the basic system undertaken by the Corporation upon its own initiative may be discontinued at any time. (3) If at any time after July 1, 1977 \* \* \*"

Mandatory operation of the basic system thru June 1977 would assure service thru the Bicentennial year, and most importantly, assure a real test of Amtrak under conditions of meaningful improvement in reservations, equipment, etc.

2. Power to designate "experimental" routes.

The Secretary has made plain his displeasure with the requirement that he designate at least one new "experimental" Amtrak route each year. He has yet to designate a route for 1974. We suggest that the language in Section 403(d) "such route to be designated by the Secretary" be stricken and that the last sentence be reworded as follows: "Unless such route is terminated by the Corporation within thirty days after such two-year period upon a finding that it attracted insufficient patronage to serve the public convenience and necessity, such route shall become part of the basic system."

3. Clarification of state-assisted route financial requirements.

When the Congress enacted Section 403, we believe that it intended that wherever a state committed itself to pay 2/3 of the losses, including associated capital costs, Amtrak should commence the service. We are now informed that Amtrak wants states to pay 100% of the cost of necessary equipment, and refuses to allow states to provide their own equipment. We suggest that Section 403(b) be amended as follows:

The Corporation shall initiate such service if the state, regional, or local agency agrees to reimburse the Corporation for 66 2/3 per centum of the solely related costs and associated capital costs, including interest on pass-passenger equipment, less revenues, attributable to such service. A state, regional, or local agency may at its option supply its own equipment for use in such service."

Section 403(c) should be deleted; Section 404(b)(3) should be amended similarly to Section 403(b); and Section 404(b)(4) should be deleted.

4. Right of public to sue.

The Supreme Court of the United States has ruled that only the Attorney General and labor organizations have the right to sue Amtrak for violations of the Act. We urge that this gross inequity be eliminated by striking from Section 307 the language "the Attorney General of the United States or, in a case involving a labor agreement, upon petition of any employer affected thereby, including duly authorized employer representatives" and inserting "any person."

I hope that our suggestions will be helpful to the committee.

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COMMENTS BY SECRETARY OF TRANSPORTATION CLAUDE S. BRINEGAR AT NATIONAL PRESS CLUB LUNCHEON, WASHINGTON, D.C., MAY 14, 1974

*Q. While we're on railroad issues, do you have any comments about AMTRAK? It—and its management—seem to be coming under increasing criticism. Do you think this is warranted?*

A. This is a complicated subject, and I won't attempt a detailed answer today. But let me make a few points: AMTRAK was devised in 1970 as a way to salvage intercity rail passenger service after it had been battered by ICC regulations and out-competed by the automobile and air service. Since AMTRAK was conceived of as a for-profit operation—in fact, its common stock is owned by three railroads—this implies to me that it was intended that it provide this service in markets where it makes reasonable economic sense. But Congress has—and is—pushing AMTRAK in other directions, mostly political. We are now prohibited from changing the present route structure—even though some of the long-haul routes

have very little ridership—and we are even required to add a new “experimental” route this year and next. AMTRAK’s executive salaries are limited by statute to levels significantly below industry standards, thus limiting our abilities to recruit, and the Board of Directors now has to have a specified political balance.

When it started up a little over 3 years ago, AMTRAK inherited some 2,000 largely worn-out passenger cars and, even today, it has to rely on the railroads to both operate its trains and to repair and maintain its equipment. And, of course, last winter’s gasoline shortage suddenly threw AMTRAK a great surge of business it was ill-prepared to handle.

Needless to say, these various events have not been conducive to peace and harmony. They are also producing a very serious cash loss—a loss that is being financed, I suspect unknowingly, by the general taxpayer. Despite a 30% increase in this year’s ridership, AMTRAK’s revenues of about \$240 million will be offset by expenses of nearly \$400 million, for an operating loss of about \$160 million. In addition, the Federal government has guaranteed \$300 million in AMTRAK loans to purchase new equipment, and will likely soon guarantee another \$200 or so million. I find it extremely difficult to foresee the conditions under which AMTRAK can repay these loans.

AMTRAK’s management can reasonably be criticized on a number of grounds, and I have my own list, but to me most of the gripes that I hear are the result of events largely beyond their control. In particular, I think various recent efforts to place the blame upon AMTRAK’s President, Roger Lewis, are off-base. He’s working very hard to make the most of a difficult situation.

AMTRAK clearly has a valid role in moving passengers in our densely populated corridors—such as the Washington to New York to Boston area, and possibly a few others. I would encourage the development of good, high-speed equipment and good roadbeds to provide this service. Such steps will enable us to unload some of our over-burdened airways and highways, to the advantage of all. But I seriously question AMTRAK’s role in trying to provide cross-country service in competition with our fine air and intercity bus service. The economics are simply wrong. AMTRAK should specialize in what it’s good at, and stop trying to do too much. I’m not saying it should be forced to operate at a profit, which may well be hopeless, at least in a traditional business sense. But certainly we ought to be able to agree on the tolerable level of taxpayer support, and then work to maximize service within that limit. I very much hope we will be able to re-focus AMTRAK’s direction along these lines before the whole thing becomes hopelessly politicized.

**Q.** In your remarks you say that Amtrak should concentrate on corridors. With hundreds of thousands of people wanting to ride long distance trains, do you actually want them discontinued? What chance do you think you would have with such a program, which is so manifestly unpopular with the public and the Congress, which insists on adding new Amtrak routes every year?

**A.** I believe Amtrak, if we get at the facts, will be found to be doing well in providing needed service on some routes, and on other routes to be losing a great deal of the taxpayers money. What I would like to have happen, and I ask this group to consider it, is enough public discussion of what in fact is being done to (?) Amtrak. Certainly I could not go up to Congress and say, I have a great idea, let’s cut Amtrak in half, and succeed very much. But I am quite worried about the direction. You look at the dollar numbers on some of the long routes—(they) are not being ridden very much, they are tying up equipment, and they are losing a lot of money. I think it is a matter of what is right, and what is an appropriate role of Amtrak in our national transportation system. So that’s my message. Whether it happens or not, I don’t know.

**Q.** Concerning Amtrak subsidies, aren’t these relatively small when compared to what taxpayers pay to subsidize airline passengers at about \$20 per airline passenger?

**A.** If we are subsidizing airline passengers that much, it’s in somebody else’s budget. I know of no such program of that magnitude. There is a regional subsidy program of some \$60 million, but the rest of it is pretty self-supporting. Now it may come to that with Pan Am and TWA. I hope to God not. But Amtrak’s losses this year of over \$160 million, I’m concerned, are on the way up. So this could be the start of something big. I think the time to address it is now.

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**Q. What are the evils of rail nationalization?**

A. The evils are that our rail system in this country of some 200,000 miles is a freight system basically. Amtrak is essentially nationalized, the passenger side, and can be run over the railroads without affecting the freight very much. The rail freight system hauls about 30% of the ton-miles of this country. To attempt to run that rail freight system thru a federal corporation or what have you, in competition with the trucks, the barges, the pipelines, the other competitors is to me a terrifying thought. I've visited Japan, I've visited European countries and others where they are mostly nationalized. The Japanese railway, which has total trackage of about the size or a little more than Penn Central, has 450,000 employees. That's more than twice, I think, what the whole American rail system has—you know better, I forget the numbers. Nationalization, as is happening at Amtrak, drives us away from economic efficiency. Our country, its standard of living, its role in world trade, all hinges on American competitiveness. If we nationalize rail freight, I think we will have done ourselves needless great damage to our private enterprise system.

NOTE.—In 1973, American railroads employed 520,153 persons, about 70,000 more than the Japanese National Railways. In 1968, JNR employed 1,130 persons per million train miles; US roads employed 1,071. In view of the much shorter average freight haul and much smaller freight cars in Japan, together with the enormous volume of labor-intensive short haul passenger traffic, it is difficult to avoid the conclusion that the Japanese railroads are more labor-efficient than American railroads.

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STATEMENT OF ANTHONY HASWELL, CHAIRMAN, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS, BEFORE THE SUBCOMMITTEE ON SURFACE TRANSPORTATION, COMMITTEE ON COMMERCE, UNITED STATES SENATE—JUNE 6, 1974

My name is Anthony Haswell. I am chairman of the National Association of Railroad Passengers (NARP) which maintains offices at 417 New Jersey Avenue, S.E., Washington, D.C.

NARP is an Illinois not-for-profit corporation which operates as a membership consumer organization on behalf of present and would be railroad passengers. NARP has over 5200 members in all parts of the country. NARP's specific objective is to obtain modern train service wherever it is needed and useful, whether for commuters, for intercity travellers in "corridors", or for cross-country vacationers. Activities in furtherance of this goal include working for the passage of constructive legislation; participating in selected cases before regulatory authorities and the courts; and conducting a continuing educational campaign to acquaint the public with the advantages and benefits of good passenger service, and the underlying economic and political issues involved.

I appear here today in opposition to the nomination of Roger Lewis for re-appointment to the Amtrak board of directors.

I.

Ridership on Amtrak trains, spurred in part of the energy crisis, is running well ahead of last year. Nevertheless, we are alarmed by the volume of complaints coming into our office from all parts of the country about deficiencies in Amtrak service. The substance of these complaints is confirmed by my own experience on frequent trips via Amtrak, including the Chicago-Washington *Broadway Limited* and the New York-Miami *Silver Meteor*. Just recently the Santa Fe railroad withdrew permission for Amtrak to continue using the name *Super Chief* on its Chicago-Los Angeles train. Santa Fe feared Amtrak would downgrade the standard of service the Santa Fe had long maintained on this famous train.

When Amtrak began operations on May 1, 1971, its train schedules were in most cases slower than those in effect in 1941 or 1953, and in some cases considerably slower. Since its inception, Amtrak trains have slowed down even more. Of 30 major Amtrak schedules, 16 are slower, 12 are faster, and 2 are the same. The best improvement was a reduction of 16 minutes (from 5 hours, 15 minutes to 4 hours, 59 minutes) between Chicago and St. Louis as a result of the initiation of French Turbo train service. By contrast, schedules between New York and Buffalo; New York and St. Louis; Cincinnati and Chicago; Chicago and Miami; and Chicago and Denver have been lengthened an hour or more.

Amtrak's on-time performance of these slow schedules is terrible:

[In percent]

	1971	1972	1973	January 1974	February 1974	March 1974	April 1974
All trains.....	75	75	60	63	62	72	71
Corridors.....	82	82	70	70	70	78	78
Long distance.....	56	53	30	48	41	56	58

The modest improvement in early 1974 was due in part to a change in record keeping. A train is now considered as being on time if it is no more than 15 minutes late for each 500 miles it travels. Prior to this year, the allowable lateness was five minutes regardless of distance.

Various equipment failures—heating, air conditioning, electrical, rough riding running gear—are a routine occurrence on many Amtrak trains. Car exteriors are not adequately cleaned, and car windows are not washed en route. In recent months, equipment shortages have crippled Amtrak's efforts to meet the increased demand for its services.

Despite considerable publicity by Amtrak regarding improvements, shortcomings persist in information, reservation, and onboard services. We get repeated reports of busy signals and unanswered telephones in response to efforts of would-be travelers to obtain information or reservations.

Serious gaps remain in the Amtrak route structure. Amtrak does not serve Cleveland, Toledo, Des Moines, Tulsa, Akron, Atlanta, Salt Lake City, or Las Vegas. It has no service between Detroit and the east coast, nor between the midwest and the populous cities of southern Arizona.

Amtrak's operating deficit continues to run around \$150 million annually, which is excessive in relation to the benefits it is currently providing the public.

## II.

We believe that Amtrak top management must bear primary responsibility for its poor performance.

Amtrak has not taken over direct control of, with its own employees and supervisors, the following essential functions:

On-train ticket and revenue collection.

Train operating employees who are engaged full-time in operation of Amtrak trains.

Equipment rebuilding and repair.

Equipment maintenance and servicing.

By failing to act, Amtrak management appears to be in continuing violation of the 1972 amendment to the Amtrak Act which requires that "Insofar as practicable, the Corporation shall directly operate and control all aspects of its rail passenger service." Furthermore, indications are that Amtrak has not established effective supervision of the performance of on-train service personnel which it has already taken over.

Amtrak has not rebuilt its used passenger cars to modern standards. Most cars are still equipped with obsolete steam heating (and in some instances steam air conditioning) systems, and with obsolete and non-standard electrical systems. In 1973, Amtrak trains were delayed 12,248 times on account of equipment malfunctions. On January 18, 1974, 33% of all Amtrak passenger cars were either in the shops or awaiting repairs.

The only new passenger-carrying equipment that Amtrak has placed in operation are the two French Turbo Trains running between Chicago and St. Louis. Until March of this year—almost three years since Amtrak commenced operations—the only other new passenger cars that Amtrak had ordered were 57 "Metroliner" cars. While Amtrak now is about to order 200 new conventional coaches and six more Turbo Trains, it will be many months before any of this equipment is on the tracks in revenue service.

Amtrak has not established a reliable and timely information flow regarding the progress of its train movements. It must depend upon reports furnished by the railroads. Hence it does not have the capability of taking direct, prompt, and effective action to identify and eliminate underlying causes of train delay.

In 1973, there were 36,515 instances of delay to Amtrak trains (23% of total delays) on account of "servicing in stations" and "passenger related delays". These problem areas seem within the power of Amtrak management to correct by direct action.

Since November 3, 1973, Amtrak passenger trains must by law be given priority over freight trains. Yet during November and December 1973, there were 2,398 instances of delay to Amtrak trains on account of freight train interference. To our knowledge, Amtrak has taken no effective action—legal or otherwise—to correct this blatant downgrading of Amtrak service.

Congress amended the Amtrak Act in 1973 to enable Amtrak to appeal to the Secretary of Transportation to order a railroad to allow Amtrak trains to operate at faster speeds. However, upon initiation of the new train between St. Louis and Dallas, the Missouri Pacific required operation at slower speeds than those allowed just prior to the inception of Amtrak. Similar restrictions have been imposed by MP on the St. Louis-Kansas City line. As of now, Amtrak has taken no action to remedy the situation.

Bad track is the major culprit behind Amtrak's slow schedules, rough rides, and undependable service, causing 33% of all delays in 1973. In parts of the Northeast Corridor and in a limited number of other places, Amtrak trains are the dominant users of the tracks they operate over. Up to now, Amtrak has not spent any significant amount of its own resources to upgrade these lines. As for tracks which are used primarily by freight trains, Amtrak has not worked for enactment by the Congress of a program of track and road improvements for the benefit of both freight and passenger service, nor has it attempted to generate public support for such a program.

In recent months, Amtrak has caved in to the Southern Pacific railroad on three separate occasions when SP opposed Amtrak operation over its tracks—Dallas-Houston, Dallas-Texarkana, and Stockton-Bakersfield. In each instance, use of SP tracks would have enabled Amtrak to operate faster schedules and/or serve more people.

Amtrak has allowed Penn Central to remove 10 miles of track near Albany, New York despite the essentiality of this track for revival of passenger service between Boston and Albany.

Except for a few limited arrangements that had been in effect prior to Amtrak take-over of service on May 1, 1971, Amtrak has done virtually nothing to establish connecting bus service between smaller communities and the points served by its trains.

While modest progress has been made in attracting mail and express traffic, we believe that Amtrak has barely scratched the surface compared to the potential inherent in the total volume of small package transportation.

It was recently revealed that in 1973, Amtrak employees spent over \$600,000 on air transportation. This amount seems high, especially for a company in the business of rail passenger service. Quite likely it reflects the fact that Amtrak top management is not sufficiently concerned about the day-to-day operations and service of its trains. Management should take advantage of every opportunity to ride the trains and see what is actually happening to the service.

### III.

Amtrak's record to date indicates that its chief executive officer, Roger Lewis, has neither the experience, nor the knowledge, nor the commitment to effectively fulfill this job.

Before coming to Amtrak, Lewis had never been in the railroad business. While a case can be made for the proposition that railroad management lacks the necessary imagination and desire to make a go of passenger service, and that adoption by Amtrak of airline type service and marketing concepts is essential to its success, the fact remains that Amtrak is responsible for running trains rather than flying airplanes. We believe that a good part of Amtrak's problems in dealing with the railroads could be averted if the professional railroading expertise of Amtrak management could command the respect of the railroad managements. Accordingly, a background of solid experience in railroading should be a basic qualification for Amtrak's chief executive officer.

Mr. Lewis has not attempted to defend Amtrak against public attacks by railroad officials who are determined to rid their tracks of Amtrak trains. B. F. Blaggioli, president of Southern Pacific, has stated at least twice that Amtrak's major objective should be an orderly shrinkage of intercity passenger service. Louis W. Menk, chairman of Burlington Northern and a director of Amtrak, has stated on several occasions that the long distance passenger train is obsolete and should go the way of the stage coach. Mr. Lewis has not publicly rebutted the view of these two railroad executives who control essential Amtrak routes

and who are extremely influential in the industry. When Menk in November 1971 offered to resign his Amtrak board seat, Mr. Lewis insisted that Menk's presence on the board was "constructive."

Further doubt about the degree of Mr. Lewis's commitment to modern rail passenger service is cast by the actions of Amtrak in going all the way to the United States Supreme Court to successfully block consumer groups from bringing court actions to enforce the Amtrak statute; in going to the Interstate Commerce Commission in an unsuccessful effort to block the Auto Train Corporation from instituting a new auto-ferry service between the midwest and Florida; and in opposing promulgation by the ICC of rules governing the adequacy of rail passenger service.

In defense of Mr. Lewis, it has been argued that the railroads have been less than cooperative and that the Amtrak-railroad contracts, signed prior to Mr. Lewis' time at Amtrak, are unduly favorable toward the railroads. The answer to these problems is for Amtrak to take over its own train operations and its own equipment repair, maintenance, and servicing with its own employees and supervisors, to the extent that such persons are employed full-time in positions solely related to Amtrak functions. While Amtrak has had the legal right to do this, both by statute and under the contracts, ever since May 1971, Mr. Lewis has refused to act.

Another contention on behalf of Mr. Lewis is that until passage of the Amtrak Improvement Act on November 3, 1973, Amtrak was inadequately funded. The record indicate that on December 31, 1971, \$75,000,000 in guaranteed loans were available but unused; on December 31, 1972, \$150,000,000; and just prior to passage of the AIA, over \$100,000,000. Moreover, the Senate offered in May 1972 to provide Amtrak with substantially increased funding, but Mr. Lewis turned it down, asserting that the increase was more than Amtrak could "sensibly" spend.

An argument more consistent with Mr. Lewis' May 1972 position on funding is that until passage of the AIA, the possibility existed that Amtrak's route structure would be drastically slashed, and accordingly it would have been unwise to have made major expenditures on equipment and facilities which may not have been used. Unless Mr. Lewis himself was determined to cut back Amtrak's service, this argument is rather weak. The overwhelming sentiment in the Congress and among the public since the inception of Amtrak was consistently in favor of expansion rather than contraction of Amtrak routes and services.

We believe that the first step in curing Amtrak's malaise should be the replacement of Roger Lewis as Amtrak chief executive officer with a person who is committed to the goal of modern rail passenger service and has a background of solid achievement and experience in railroading. While the selection of the Amtrak chief executive officer is technically the job of the Amtrak board rather than of Congress, the Congress has the oversight responsibility of seeing that Amtrak functions efficiently and responsibly in return for the substantial sums of public money appropriated. Hence it is imperative that Congress do what it can to see that Amtrak is competently managed.

We strongly doubt that the Amtrak board would hire Mr. Lewis as chief executive officer in the face of Senate rejection of his board nomination. Furthermore, Mr. Lewis told me three years ago that he would not have taken the job unless he was given a seat on the board. Accordingly, we ask that the Senate send a message to the new Amtrak board that Mr. Lewis is not acceptable as chief executive officer—by refusing to confirm him as director.

Mr. ADAMS. I have one question here.

On page 10 where you indicate, "DOT requests carte blanche authority to attach reasonable terms and conditions to Federal grants to Amtrak," are you referring to the drawing account which Amtrak uses to obtain money from the Federal Government to continue operations, or are you including within that the position of the Department, of the Secretary of Transportation, with regard to capital grants; I mean capital loan fund programs, which come out of guaranteed loans and Government credit, as opposed to grants for deficit operations?

Mr. HASWELL. I am referring specifically to the provision in H.R. 15427 which would delete the present section. That is what I am referring to as carte blanche authority.

Mr. ADAMS. On page 11, you refer to the fact that the common stock of Amtrak, you suggest the Government should buy it up for \$4, then control the seats on the Board of Directors, which would make it completely a Government corporation.

We had always anticipated at the time Amtrak was started that it should have a common stock, and if it should hurdle its problems, would have a stock which would be of some value and could be used for equity purposes.

Are you suggesting that the Government take over the stock and simply hold it so that it is, in effect, nationalized, or that it be held as Treasury stock, or that it be sold in the market? What exactly is your recommendation on page 11?

Mr. HASWELL. It would be tempting for consumers to buy up some of that stock and get seats on the Board, but the main thrust of my statement is that there is substantial evidence that the railroad presidents now on the Amtrak Board are not working for Amtrak but for their own railroads. The three railroad presidents have made public statements that they don't really believe in passenger service. They have also said their stock is worthless.

It would seem to me, under the circumstances, their presence on the Board represents a conflict of interest.

I would not foreclose the possibility of Amtrak making a profit after 7 to 10 years, provided that it is given adequate capital assistance in order to modernize the facilities, to both control costs and to raise revenues in areas where there is potential for large number of passengers.

Mr. ADAMS. Thank you, Mr. Haswell. I have no further questions at this time.

Mr. JARMAN. Mr. Skubitz.

Mr. SKUBITZ. I agree with your statement on pages 3 and 4. If you would buy more passenger cars and have a better reservation system, more passengers would ride.

I gather from your testimony that the railroads are not interested in seeing the passenger operations succeed. The management of Amtrak today is thinking more in terms of a few lines in the East, rather than broadly thinking in terms of overall passenger service throughout the country.

If that is the attitude, then one of two things results; either get rid of Amtrak completely or get new management.

Mr. HASWELL. I very firmly believe Amtrak must have new management. I will be honest with you, Congressman: I am going to speak personally now and not on behalf of our associates. I am on these trains quite a bit, particularly between here and Chicago. And course, I read all the complaint letters which come in from our members. As of today, Amtrak is not returning benefits to the U.S. taxpayers in relation to the cost.

My friends at home know what I am doing. They are all taxpayers, and some of them are business travelers. They think our concept is good. They think we should have a good program for modern rail passenger service. But I am scared to death that one of them, by accident, is going to get on one of these trains as they are today and he will come back to me and say: What are you doing to me? We have got to shape this thing up.

These comments, as I said, are personal and do not reflect the position of our association.

Mr. SKUBITZ. Are you suggesting that Amtrak take over the roadbeds in order to make them safe to travel?

Mr. HASWELL. We need good track. Not just for passengers but freight trains as well. In a few cases like the Northeast corridor, there is logic in having Amtrak maintain its own track. If you have a passenger train every hour, there is not much room for running a freight train in between.

Mr. SKUBITZ. You can't expect a railroad to go to the expense to build a roadbed in order to provide fast passenger service.

Mr. HASWELL. No; I don't expect them to do so.

Mr. SKUBITZ. I don't think so either.

How can we ever get around to a fast rail system across country unless somebody else does the job? Isn't it the job of Amtrak and Congress to provide the money to update these roadbeds so we can travel faster?

Mr. HASWELL. It certainly is.

Mr. SKUBITZ. Unless we do, we may just as well do away with this cross-country run because nobody is going to use the train.

Mr. HASWELL. When trains are crawling across Indiana at 15 to 30 miles an hour and no one is going to do anything about fixing up that track, then I would reluctantly have to say, shut down the trains.

However, over longer distances you can't match the speed of the airlines even if you go up to 150. If we could get the trains up to 80, at least we would have speeds comparable to bus and car, and this would attract customers.

It is on the shorter runs where we can justify large expenditures for fixing up roadbeds to allow speeds of 120 to 130.

Mr. SKUBITZ. In order to develop a reasonable transportation system by rail, we have got to upgrade the roadbed. There is only one source that I know to do that, and that is Uncle Sam.

Mr. HASWELL. I am afraid that is right, particularly in the context of all the expenditures in years gone by for other modes of transportation.

Mr. SKUBITZ. That is all I have.

Mr. JARMAN. Mr. Shoup.

Mr. SHOUP. Mr. Haswell, I am not sure whether I heard your answer to Mr. Adams' question with respect to the reference on page 11 of your testimony to the purchase of stock. My question is, how did you arrive at the \$4 per share?

In your testimony you refer to the presidents of Penn Central, the Burlington Northern and the Milwaukee Road. You state they believe Amtrak's stock is virtually worthless, and that Mr. Menk said he had written the value down to \$1.

Mr. HASWELL. It was not \$4 or \$1 a share. Mr. Menk wrote down all the shares they had to a total of \$1. So the stock of all four railroads could be had for \$4.

Mr. SHOUP. It might be a good investment, possibly.

Mr. Haswell, one of the things which you speak of here, and I think the words used were "a for-profit operation"—is that it would take 8 to 10 years, you thought, before they showed a profit. I am

worried about further statements you made, "if they were given sufficient funds to," then you listed other things.

By "given" do you mean outright grants by the Federal Government? If that is it, I would question your definition of what a "for profit corporation" is.

Mr. HASWELL. I do believe Amtrak must be given substantial outright assistance from the Federal Government and, if that is done, then there is at least a reasonable possibility that 8 to 10 years down the line Amtrak operations could show a profit. But that would not necessarily be a profit in the traditional business sense.

Mr. SHOUP. Do you think Amtrak can show a profit not only in the day-by-day operations but overall?

Mr. HASWELL. In some areas, maybe in the Northeast corridor. Remember, the faster you want to go, the more capital outlay it is going to take.

Mr. SHOUP. I understand this and I am attempting to get your impression. The question is, can there ever be a truly "for profit" operation? Apparently you don't feel it can be. Am I correct in assuming the basic justification for continuing Amtrak is to provide passenger service to the people?

Mr. HASWELL. Yes. We have a transportation system now which is rather badly imbalance because of the large amounts of Government expenditure on other modes of transportation which has never been reimbursed.

Since World War I approximately \$400 billion have been spent, of which \$100 billion or more has come out of general funds.

At some point down the line, I would hope the total operating expenses of Amtrak could be covered by operating receipts.

To get this thing set up so it runs right will be pretty expensive. The expenses, however, will be justified because of the advantages the rail passenger service has as distinct from the alternatives of expanding airports and highways.

Mr. SHOUP. Thank you very much.

I have no further questions, Mr. Chairman.

Mr. JARMAN. Mr. Kuykendall.

Mr. KUYKENDALL. It is good to see you.

I would like to ask for your expertise in the future, when Amtrak is before the Appropriations Committee.

You speak of that track across Indiana. How much of that is Penn Central track?

Mr. HASWELL. Practically all of it.

Mr. KUYKENDALL. Is it your considered judgment that over the long haul a passenger service can ever be carried over the same track as successful heavy freight service?

Mr. HASWELL. I would say so, at speeds up to 80 miles an hour and on the assumption that not more than two or three passenger trains a day will use the track.

While these heavy freight trains beat up the track pretty bad, if the track is not kept in shape, the freight trains go off the track. The track should be maintained to a high standard for good freight service.

The problem comes down to the proportion of passenger trains to freight trains on a given track. If Amtrak runs over four or five trains

a day, then a significant portion of the maintenance of that track has to be attributed to passenger service.

Mr. KUYKENDALL. I have been told that a perfect track would be ruined for passenger comfort by 1 week of heavy Big John traffic.

Mr. HASWELL. The Union Pacific runs the heaviest freight traffic in the world, yet their track is beautiful. You can ride a passenger train on UP track at speeds up to 80 and it is comfortable. Union Pacific is a company which makes damn sure their track is well maintained in the best interest of its freight business.

One of the best things you can do for us is to help us sell this Congress on Amtrak. I think Secretary Brinegar's statement is wise in separating transcontinental from local service. The long haul is somewhat of a luxury for this country.

I think it is a luxury we should keep, but it is going to take an awful lot of selling. Economy is in style in this Congress.

Mr. JARMAN. Any other questions?

Thank you, Mr. Haswell, for being with us.

This concludes the subcommittee's hearing on this bill. The committee is adjourned.

[Whereupon, at 3 p.m. the subcommittee adjourned.]

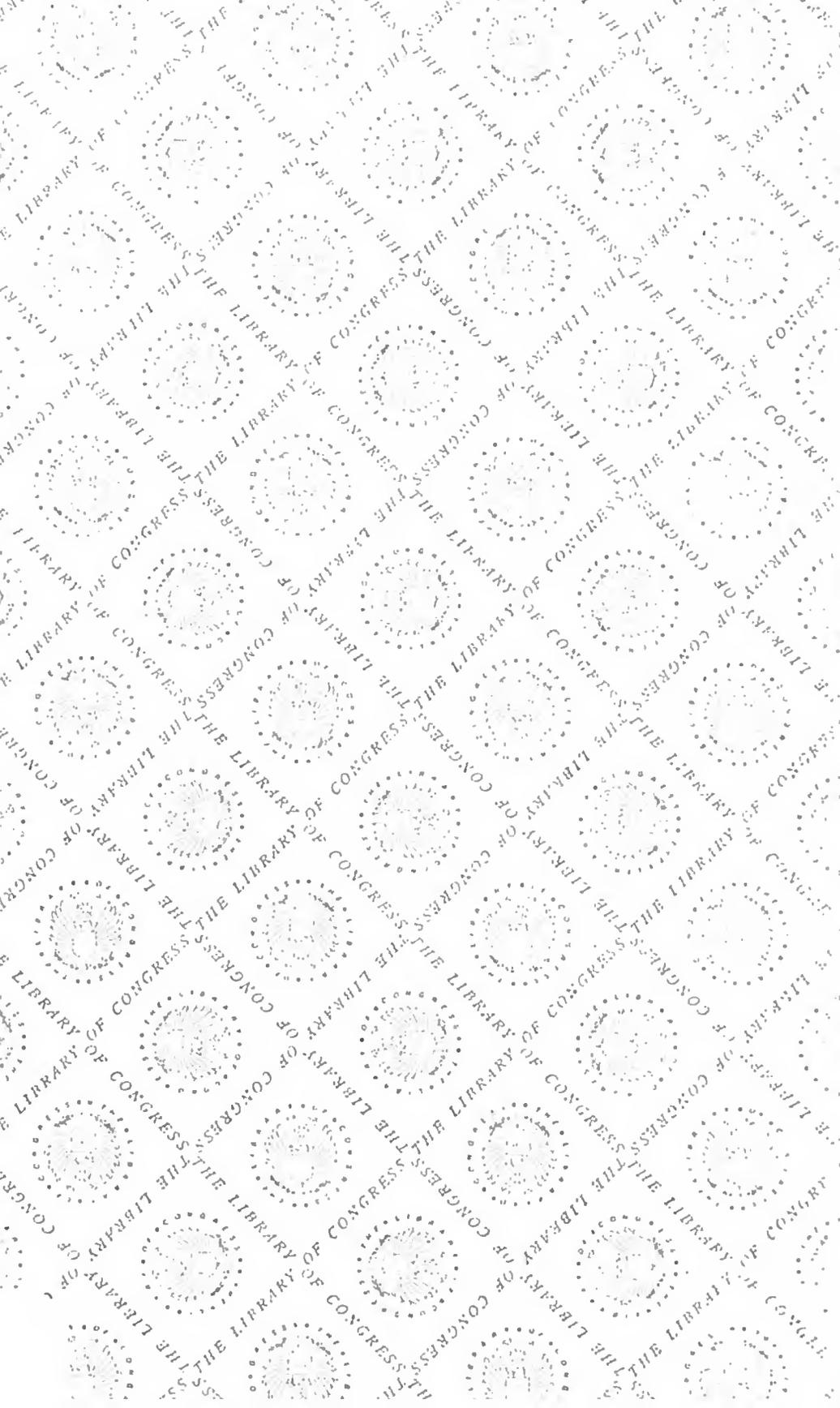


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