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1972

ANNUAL REPORT
NATIONAL RAILROAD
PASSENGER CORPORATION

1972

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Washington, D.C.
February 1, 1973





February 1, 1973

The President of the United States
The President of the Senate
The Speaker of the House of Representatives

Dear Mr. President:

There is submitted herewith the Annual Report of the National Railroad Passenger Corporation for the calendar year 1972.

At the end of 1972 the Corporation was operating better cars and cleaner cars and was giving the public better service than it was in December a year ago, although we still have a long way to go to achieve what we consider an excellent service.

Our system-wide on-time performance averaging 75 percent was not satisfactory to us. Ways must be found to get our passengers to their destinations on time. We hope for improvement in 1973.

During the course of the year, the Corporation employed Louis Harris and Associates, Inc., to conduct a survey of public attitudes regarding passenger travel and the potential market for intercity rail passenger travel in the United States. The detailed results of this survey are too voluminous to include in this report, but the summary conclusions and the tabulations of responses to the various questions posed are included in the appendix.

As an essential element in the planning for its 1974 programs, as well as planning for the future generally, Amtrak had an in-depth study made of the cost of the various passenger travel modes, including social costs to the extent they could be determined, as well as economic costs, such as elapsed time of travel. Amtrak also had an in-depth study made of the total ridership by train, plane, bus, and private car, on more than 250 individual segments of the routes

Amtrak serves, and by various analytical techniques caused a computer model to be constructed incorporating three variables, namely speed, frequency and price, to help Amtrak in assessing the probable number of passengers that would be diverted to it as a result of changes in any given variable or variables. These two studies are being used extensively in preparing Amtrak's legislative program for fiscal year 1974.

This past month the Corporation entered into contracts for the acquisition of four turbine-powered trains to be operated in the Chicago-Milwaukee and Chicago-St. Louis corridors. Two of these were constructed by United Aircraft for the Canadian National Railroad, and the other two are French-built Turbos. With the acquisition of these Turbos, a small beginning has been made in the modernization of intercity rail passenger equipment outside the Northeast Corridor. Their operation will give us valuable marketing and operational information.

As of December 31, 1972, the Corporation's rolling stock inventory, leased or purchased from, or supplied under the operating contract by, the railroads, consisted of 1,765 passenger cars, including self-propelled equipment, and 407 locomotives. All of the equipment that the Corporation purchased from the railroads is being overhauled to put it in first-class working condition, and the cars are being redecorated and their exteriors are being painted in the Amtrak colors. As of December 31, 1972, work on 483 cars has been completed with approved Amtrak refurbishment, and an additional 410 are scheduled for intermediate or heavy overhaul by June 30, 1973. As of December 31, 1972, 30 locomotives have been overhauled and an additional 40 are scheduled for completion prior to June 30, 1973.

Revenues for the last six months of 1972 were up 12.6 percent compared with the revenues for the same period of last year indicating that the historical decline in railroad passenger ridership has been reversed.

Inasmuch as we did not commence operations until May 1, 1971, comparisons with the previous twelve months or prior years are not possible.

Until Congress enacted the appropriation for Amtrak in June 1972, Amtrak financed its operations with the railroad capital payments and the proceeds of guaranteed loans.

Amtrak was able to negotiate an interest rate on the guaranteed loans $7/8$ percent above the "Federal funds" rate. One-half percent of this $7/8$ percent over-ride represented interest over and above the "Federal funds" rate, and the remaining $3/8$ percent represented the loan guarantee fee.

Because of varying interpretations by the railroads of the operating contract, as well as mathematical errors in the railroads' bills and differing railroad practices, Amtrak, in September of 1971 embarked upon a complete audit of the railroads' monthly bills. The degree of completion of this audit to date varies from railroad to railroad, but up to the present time the railroads have already agreed to substantial adjustments and further adjustments are in prospect.

The Government's fiscal year has dictated the periods for which Amtrak plans its programs, and makes its financial reports and financial projections. This Annual Report, however, being for the calendar year 1972, includes the last six months of fiscal year 1972 and the first six months of fiscal year 1973. The revenues and the expenses for the full calendar year 1972 are shown as follows: 1971/12

Calendar Year 1972

<u>Revenues</u>	<u>Expenses</u>	<u>Net Loss</u>
\$162,575,996	\$310,087,212	\$147,511,216

The revenues and expenses for the first six months of fiscal year 1973 are shown as follows:

Fiscal Year 1973 - First Six Months

<u>Revenues</u>	<u>Expenses</u>	<u>Net Loss</u>
\$88,145,888	\$151,109,758	\$62,963,870

The revenue increases for the first six months of fiscal year 1973 are running slightly less than the increases projected prior to the beginning of the fiscal year, and expenses for the six months are running slightly higher than

estimated. This could adversely affect our estimates of operating results for the full fiscal year. These estimates are shown on page 4 of this Report.

Effective June 1, 1972, the 4 percent payments to the railroads for liability under the contracts were terminated. A new contract provision became effective which more accurately reflects the cost of casualty liability and should result in savings to the Corporation.

Respectfully,

A handwritten signature in black ink, appearing to read "Roger Lewis", with a stylized flourish at the end.

Roger Lewis
President

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FINANCIAL

At the start of Amtrak operations on May 1, 1971, Amtrak's cash resources consisted of a \$40 million Federal grant (less the amounts expended therefrom for organization and start-up purposes); the monthly capital payments from the railroads of approximately \$5.5 million per month, these payments to aggregate \$197 million over a three-year period, and \$100 million in borrowing authority, the loans made pursuant to such authority to be guaranteed as to both principal and interest by the Secretary of Transportation. Of these resources, Amtrak initially treated the railroad capital payments and the guaranteed loans as being available only for capital purposes, and the \$40 million Federal grant as being available for operating purposes.

On the basis of the budgets submitted by the railroads in May, 1971, it appeared that Amtrak's operating deficit for fiscal years 1972 and 1973 would be some \$260 million, and that the Federal grant would be exhausted by August, 1971. Accordingly, Amtrak requested the Administration to transmit to Congress a budget estimate in the amount of \$260 million to finance Amtrak's operations through June 30, 1973. Amtrak's capital program was to be financed with the proceeds of guaranteed loans and the railroad capital payments.

In considering Amtrak's request, the Administration took the view that Amtrak's total resources through June 30, 1973, should be considered as being available for meeting Amtrak's total needs through that date, and that because Amtrak had \$100 million in unused guaranteed loan authority, Amtrak actually required an appropriation \$100 million less than the \$260 million asked for, except for an additional \$10 million for interest on its guaranteed loans.

Accordingly, the Administration reduced Amtrak's request by the \$100 million that was available to Amtrak in the form of guaranteed loans, added \$10 million for interest on such loans, and gave the Secretary of Transportation clearance to ask for an appropriation for Amtrak in the amount of \$170 million to enable it, with Amtrak's other cash resources, to carry out both its operating and its capital programs through June 30, 1973.

On October 18, 1971, the Secretary of Transportation made such a recommendation to Congress. At this time Amtrak

had already exhausted the \$40 million originally appropriated to it and its total resources consisted of the \$100 million in guaranteed loan authority and the monthly capital payments from the railroads that had accumulated since May 1, 1971. Accordingly, until the recommended legislation was enacted by Congress, resources that Amtrak had planned to use to finance its capital program had to be used instead to finance its operations.

The legislation ultimately was enacted on June 22, 1972, authorizing an appropriation of \$227 million. An appropriation bill appropriating \$170 million became law on May 27, 1972. Looking forward, Amtrak hopes that Congress will be able to enact appropriations for its use before the beginning of the fiscal year for which they are made. The proceeds of guaranteed loans are no longer available for operating purposes, the railroad capital payments will have been made in full by April of 1974, and hence timely appropriations are essential if Amtrak is to pay its bills on a current basis.*

The source and application of funds for operating and capital purposes through June 30, 1973, are shown in Table I on the following page.

In the authorization legislation enacted on June 22, 1972, \$2 million was authorized to be appropriated for three international services -- one to Vancouver, British Columbia; one to Montreal, Quebec, and the third to Nuevo Laredo, Mexico.

These three international services were made a part of the basic route system, but in the regular appropriation bill Congress failed to include any amounts to finance the operation of these three services. During the course of the year, however, although these services had not been funded, Amtrak did initiate the service to Vancouver on July 17 and the service to Montreal on October 29. On October 31, 1972, Congress enacted a supplemental appropriation in the amount of \$9.1 million to finance for an additional year the two existing experimental services (Washington-Parkersburg and Chicago-Spokane

* The railroad capital payments amount to approximately \$5.5 million per month and the monthly payments Amtrak is requested to make to the railroads vary between about \$7.5 million and \$12 million.

Table I
Source and application of funds
for fiscal years 1972 and 1973

[In millions of dollars]

	Fiscal year 1972 estimated activity	Fiscal year 1973 plan	Total
Cash at beginning of period	12.2	3.0	12.2
Source of funds:			
Railroad capital payments	65.0	65.1	130.1
Government guaranteed loan (net)	17.0	83.0	100.0
Balance of 1971 Federal grant ...	15.4	--	15.4
→ 1972 Federal grant	62.2	107.8	170.0
T o t a l	159.6	255.9	415.5
Application of funds:			
Net loss from railroad operations	136.2	95.3	231.5
NRPC operating costs*	16.5	28.7	45.2
Capital expenditures	21.4	126.1	147.5
Accrued liabilities	(5.3)	5.3	--
T o t a l	168.8	255.4	424.2**
Cash at end of fiscal year 1972 ...	3.0	--	--
Unused borrowing authority	--	3.5	3.5

* Excludes depreciation charges

** Includes cash committed for accrued expenses and capital charges

via Butte), to finance for one year the three international services, as well as finance for one year two additional experimental services. One of these -- the St. Louis, Little Rock, Texarkana, Austin, San Antonio service continuing on to Nuevo Laredo -- can be scheduled to provide good connections with the Mexican train between Nuevo Laredo and Mexico City. The other experimental service for which the supplemental appropriation was made is to be between Oakland and Bakersfield, California, through the San Joaquin Valley.

This supplemental appropriation has not been made available to Amtrak. Without it Amtrak cannot

start either of these two new services. Until the appropriation becomes available for expenditure by Amtrak for these two services, Amtrak will operate a temporary Mexican service between Fort Worth and Laredo three times a week in each direction, as a minimum-cost service.

Financial Results of Operation

As stated in the letter of transmittal, our actual deficit for calendar year 1972 was \$147.5 million and our estimate of the deficit for the fiscal year ending June 30, 1973, \$128.4 million. The following table shows the breakdown of the deficit for calendar year 1972 by route.

Table II
Summary Table -- Present Route Structure
Profit/(Loss) Statistics
Calendar Year 1972

[In Millions of Dollars]

Estimated
Actual
Calendar Year
1972

Solely Related to Routes

Corridors

Northeast Corridor	\$ (7.0)
New York-Buffalo	(3.0)
Chicago-Carbondale	(0.6)
Chicago-Cincinnati	(1.9)
Chicago-Detroit	(1.2)
Chicago-Milwaukee	(1.9)
Chicago-Quincy	0.2
Chicago-St. Louis	(0.3)
Los Angeles-San Diego	(0.5)
Seattle-Portland	(0.9)
Subtotal	<u>\$ (17.1)</u>

Long-Haul

New York-Florida	(7.9)
New York/Washington-Chicago	(3.8)
New York/Washington-Kansas City	(5.3)
Chicago-Florida	(3.4)
Chicago-Houston	(4.1)
Chicago-Los Angeles	(7.9)
Chicago-New Orleans	(1.2)
Chicago-San Francisco	(4.3)
Chicago-Seattle	(7.0)
Cincinnati-Washington/Newport News	(2.1)
Los Angeles-New Orleans	(2.3)
Seattle-San Diego	(1.7)
Subtotal	<u>\$ (51.0)</u>

Summary Table -- Present Route Structure
Profit/(Loss) Statistics
Calendar Year 1972
 [In Millions of Dollars]
 (Cont'd.)

<u>Solely Related to Routes</u>	<u>Estimated Actual Calendar Year 1972</u>
<u>Experimental</u>	
Washington-Parkersburg	\$ (1.0)
Southern Montana	(2.6)
Subtotal	<u>\$ (3.6)</u>
<u>International</u>	
Vancouver	(0.1)
Montreal	(0.5)
Subtotal	<u>\$ (0.6)</u>
<u>Special Trains</u>	\$ (1.8)
<u>Common to Two or More Routes</u>	
Terminals and other facility costs	(32.3)
Railroad and Amtrak G&A	(41.1)
Subtotal	<u>\$ (73.4)</u>
<u>Total</u>	<u><u>\$ (147.5)</u></u>

Operating and Capital Expenditures and Commitments

During 1972, Amtrak --

● Paid for railroad operations and administration --
 \$139.9 million

● Paid for railroad functions performed by Amtrak --
 \$17.1 million

● Paid for the general and administrative expenses
 of Amtrak -- \$7.2 million

● Paid for the interest expense of Amtrak --
 \$1.7 million

● Paid or incurred on equipment program -- \$64.2
 million

LEGISLATIVE RECOMMENDATIONS

Amtrak has not as yet concluded consideration of its legislative recommendations, and accordingly will present those recommendations to the Congress separately.

OPERATIONS

At the end of the year Amtrak was regularly operating 1,326 trains per week. The on-time performance of Amtrak trains for each month during the year is shown in the tables on the following three pages. For the year as a whole, it averaged 75 percent.

The overall poor on-time performance is due to a number of factors, among which are reduced track speed limits (slow orders), delays related to handling or waiting for passengers, equipment malfunctions, servicing equipment in stations, and freight interferences. Amtrak is presently analyzing, in the case of every late train, the causes for such lateness and calling these causes to the attention of the particular railroad where they can be corrected. Amtrak is seeking to minimize equipment malfunctions through its locomotive and passenger car overhaul programs. For example, 22 locomotives have been overhauled and released for service during the year and an additional 33 are currently scheduled for overhaul. Moreover, Amtrak's fleet of self-propelled rail-diesel cars is being increased to 24 and provisions have been made for a heavy overhaul program for this equipment.

Reduced track speed limits, or "slow orders", which are a prevalent cause of delay, reflect deteriorated track conditions and are necessary for safe operation. But unless the conditions that give rise to slow orders are corrected promptly they represent a serious problem to high-speed passenger train operation. Amtrak has been devising a number of approaches to the slow-order problem, involving means to bring about the restoration of track to the standards prevailing at the time of Amtrak's start of operations. An arbitration proceeding involving this issue between Amtrak and the Penn Central is discussed on page 45 of this Report.

TABLE III: AMTRAK ON-TIME PERFORMANCE (SIX-MINUTE STANDARD) BY RAILROAD AND TYPE OF ROUTE

	May Through December 1971	JAN 1972	FEB 1972	MAR 1972	APR 1972	MAY 1972	JUNE 1972	JULY 1972	AUG 1972	SEP 1972	OCT 1972	NOV 1972	DEC 1972	All of 1972
ATSF	80.7	86.1	95.0	96.3	92.7	88.1	79.9	79.9	79.0	83.0	84.8	83.0	71.6	84.8
BN	68.5	59.8	71.1	66.4	79.9	79.4	73.5	73.5	67.9	79.9	82.3	80.6	53.9	71.8
C&O/B&O	89.2	78.6	69.0	87.6	84.5	81.6	69.9	69.9	48.4	89.9	75.3	81.6	66.1	73.8
Ill. C. Gulf	54.9	55.2	61.0	64.9	68.4	66.1	57.6	64.5	63.7	61.7	60.5	33.8	10.9	57.7
L&N	57.6	41.1	60.7	52.9	41.1	48.4	53.3	53.3	45.2	50.0	46.8	16.7	12.9	45.2
MILW.	88.4	88.9	88.0	90.6	91.1	87.6	85.7	85.7	84.3	89.6	89.0	90.5	80.8	87.6
MO. PAC.	85.0	60.7	85.7	72.9	66.1	46.8	56.7	56.7	50.0	51.7	69.4	43.3	41.9	58.4
PENN CEN.	60.4	83.9	80.6	88.7	83.1	85.7	72.6	68.1	77.8	75.6	80.9	74.2	69.2	78.7
RF&P	81.1	74.1	83.5	76.4	69.4	81.7	56.8	56.8	65.6	78.5	66.1	70.8	62.4	70.7
SCL	68.9	71.2	82.3	78.1	66.2	78.6	67.3	67.3	77.1	84.5	79.8	72.2	59.2	73.7
SP	60.2	70.4	87.0	83.1	79.8	73.7	60.3	60.3	60.9	56.9	55.5	71.4	41.0	67.0
UP	92.1	96.0	96.4	93.3	100.0	100.0	83.3	83.3	87.1	94.7	81.5	56.0	55.6	87.6
METROLINERS	72.0	84.0	81.6	89.3	76.0	81.5	63.1	55.9	83.2	72.6	85.6	69.3	69.3	75.6
CORRIDOR ^{1/}	82.4	86.6	86.3	87.6	85.6	86.7	80.2	79.4	80.7	83.1	85.3	80.8	71.8	82.4
LONG DISTANCE ^{2/}	56.3	49.5	63.6	74.0	62.5	73.3	51.4	44.5	40.2	50.4	55.6	50.4	32.5	53.3
ALL AMTRAK TRAINS	75.3	77.4	80.3	84.6	79.4	82.7	72.3	67.9	72.4	74.6	79.0	72.8	62.8	75.0
NUMBER OF TRAINS OPERATED	24,346	5,474	5,047	5,651	5,263	6,019	5,329	5,563	5,747	5,450	5,816	5,651	5,830	66,840

^{1/} See TABLE IV^{2/} See TABLE V

TABLE IV: AMTRAK ON-TIME PERFORMANCE FOR METROLINERS (WASHINGTON-NEW YORK-NEW HAVEN) AND CORRIDOR ROUTES

	May Through December 1971	JAN 1972	FEB 1972	MAR 1972	APR 1972	MAY 1972	JUNE 1972	JULY 1972	AUG 1972	SEP 1972	OCT 1972	NOV 1972	DEC 1972	All of 1972
METROLINERS	72.0	84.0	81.6	89.3	76.0	81.5	63.1	55.9	83.2	72.6	85.6	69.3	69.3	75.6
New York/Wash. ^{1/}	80.2	91.8	93.2	96.8	94.4	91.8	93.4	95.1	97.4	96.1	97.2	93.9	93.6	94.9
Boston/Wash. ^{2/}	81.5	71.3	96.5	73.3	52.0	60.5	52.8	42.4	59.2	65.8	77.5	67.5	59.3	63.1
New York/Boston ^{2/}	86.8	86.8	81.3	87.9	88.0	70.9	75.2	83.1	70.8	59.5	75.3	54.0	47.9	72.3
New York/Boston ^{3/}	83.3	91.7	88.3	84.6	85.5	87.4	83.3	87.2	93.1	89.5	81.4	69.8	64.3	82.7
New York/Buffalo	81.7	82.0	68.5	82.6	79.8	89.7	76.0	77.1	82.5	78.3	88.4	80.8	55.8	78.0
Phil/Harrisburg	96.0	96.0	86.4	98.0	93.7	93.4	74.6	63.1	44.9	80.9	81.3	81.7	76.2	80.7
Wash/Parkersburg	94.4	91.9	55.2	75.0	73.3	71.1	60.7	62.9	77.4	88.3	80.6	76.7	64.5	73.9
Chic/Carbondale	78.8	79.0	82.9	84.4	83.6	85.2	81.7	90.3	82.3	76.7	71.0	45.0	8.1	71.7
Chic/Detroit	82.0	87.9	94.0	93.8	97.5	92.8	92.5	92.7	89.5	90.0	91.0	89.2	84.7	91.1
Chic/Quincy ^{4/}	99.0	77.4	78.6	89.1	83.3	73.7	60.0	88.7	67.7	73.3	53.2	63.3	51.6	69.7
Milw/St. Louis	72.6	67.8	69.8	75.8	75.0	81.6	69.2	75.8	84.7	80.8	77.4	62.5	29.8	70.4
Chic/Milw	98.6	93.4	95.4	96.1	96.1	92.6	92.2	94.6	95.7	87.8	89.3	90.0	87.8	92.4
Seattle/Portland ^{5/}	78.6	71.3	84.5	50.0	79.2	89.5	85.3	75.0	89.2	88.3	88.7	92.8	87.1	82.8
Oakland/Los Ang	88.2	96.4	93.1	80.0	100.0	97.5	85.3	80.0	97.2	73.5	57.1	80.0	85.7	83.3
Los Ang /San Diego	81.1	94.4	98.3	96.9	95.8	96.7	95.0	88.7	90.6	92.2	96.2	98.1	94.7	94.8
CORRIDOR	82.4	86.6	86.3	87.6	85.6	86.7	80.2	79.4	80.7	83.1	85.3	80.8	71.8	82.4

^{1/} Conventional Trains

^{2/} Shore Route (via Providence)

^{3/} Valley Route (via Springfield and Worcester)

^{4/} Service began in November, 1971

^{5/} Percentages include performance of Seattle-Vancouver, B.C., trains, which began operations in July

TABLE V: AMTRAK ON-TIME PERFORMANCE FOR LONG-DISTANCE ROUTES

	May Through December 1971	JAN 1972	FEB 1972	MAR 1972	APR 1972	MAY 1972	JUNE 1972	JULY 1972	AUG 1972	SEP 1972	OCT 1972	NOV 1972	DEC 1972	All of 1972
New York/Chic	66.7	71.4	65.5	89.5	74.2	71.1	27.6	--	19.4	3.3	16.1	31.7	16.1	48.5
New York/Florida	59.4	59.2	51.7	65.8	39.2	75.6	49.7	38.4	36.7	53.7	66.1	59.2	47.9	54.6
New York/Kansas City	56.3	33.9	34.9	51.6	37.7	30.3	31.0	64.6	--	11.7	17.7	8.3	6.5	22.5
Wash/St. Louis	61.0	48.5	37.9	74.6	54.0	61.8	70.5	48.3	27.4	41.7	58.1	58.3	40.3	50.5
Chic/Boston	26.5	30.5	46.6	71.0	71.7	--	--	--	--	--	--	--	--	--
Wash/Chic	--	--	--	--	--	71.1	37.2	36.7	16.1	--	19.4	31.7	24.2	39.7
Cincinnati/Wash	69.7	24.2	36.2	75.8	80.0	85.5	55.0	24.2	40.3	75.0	45.2	70.0	48.4	54.8
Chic/Newport News	65.3	30.5	20.7	71.0	71.7	76.3	52.0	22.2	29.0	50.0	40.3	53.3	30.7	48.2
Chic/Florida	34.4	16.9	49.5	68.5	50.8	78.3	68.3	66.9	69.4	67.5	66.9	35.8	33.1	56.8
Chic/New Orleans	44.2	22.9	41.4	30.6	45.0	46.1	8.3	17.7	9.7	15.0	16.1	6.7	4.8	20.8
Chic/Houston	88.4	79.0	93.1	93.5	81.7	85.5	70.0	61.3	71.0	80.0	91.9	80.0	40.3	78.0
Chic/Los Angeles	61.1	67.7	93.1	93.5	80.0	72.4	56.1	66.9	51.6	56.1	58.1	43.3	25.8	61.5
Chic/Denver	67.4	76.5	91.2	93.9	94.4	95.0	--	--	--	83.3	83.3	64.7	62.9	83.1
Chic/Oakland	58.2	74.1	87.5	88.9	96.3	77.8	59.2	62.9	51.6	50.0	34.6	30.8	18.5	59.1
Chic/Seattle	64.1	25.8	41.4	62.9	75.0	78.9	60.0	58.1	54.8	78.3	80.6	85.0	9.7	58.8
Chic/Minneapolis	98.6	90.9	82.4	77.1	94.4	90.0	81.1	86.1	77.8	97.1	97.2	91.2	68.6	86.3
Chic/Spokane	97.0	26.9	65.2	75.0	82.1	83.3	43.5	73.1	38.5	76.9	76.9	88.5	25.9	63.0
New Orleans/Los Ang	60.3	61.5	79.2	77.8	61.5	72.2	38.5	76.0	34.6	42.3	59.3	64.0	55.6	59.2
Seattle/San Diego	45.0	42.9	91.7	66.7	84.6	88.9	38.5	37.0	34.6	46.2	65.4	80.8	18.6	56.0
Wash/Montreal	--	--	--	--	--	--	--	--	--	--	56.5	21.7	9.7	28.9
LONG DISTANCE	56.3	49.5	63.6	74.0	62.5	73.3	51.4	44.5	40.2	50.4	55.6	50.4	32.5	53.3

1/ Through service via Washington was cut back to Washington-Chicago at the end of April; 1971 percentage is for fourth quarter

2/ Percentages for Chicago-Denver trains appear as Chicago-Oakland percentages during summer months when daily service was provided over entire route

3/ October was first full month of operation between Washington and Montreal

Moreover, Amtrak has proposed several track-upgrading projects in conjunction with high-speed corridor operations, and preliminary studies and discussions with the railroads are now underway.

Station and Terminal Improvements

During the year a start was made on a station and terminal improvement program. At Cincinnati a new station was opened on October 29, 1972. Amtrak, which runs one train in each direction through Cincinnati, had been using the costly Cincinnati Union Station. The size of the new facility is more appropriate to Amtrak's needs and is modern in appearance. It has reduced annual expenses by about \$400,000 and has permitted a speed-up in Amtrak's schedules through Cincinnati.

New terminals are under construction at Jacksonville and are being designed for Richmond, Virginia, and Miami, Florida. Significant operating changes have been made at St. Louis and preliminary designs for a new passenger facility there are under way. Studies and negotiations are being conducted concerning new or improved facilities in a number of other cities.

In addition to new terminal stations, a number of stations have had improvements made to platform surfaces, lighting and air-conditioning. A program for repainting of interiors and exteriors is also underway.

Standby facilities for steam and electric power have been installed at stations as well as at coach yards in Boston and Los Angeles.

A beginning was made in right-of-way improvements. The track structure was improved and signals installed at Cincinnati to serve the new station site there. Other projects included an electrification improvement in New York City and widening of track spacings in the southwest to accommodate high-level cars.

Improvements in Terminal Operations

On March 6, 1972, Amtrak transferred the four trains using the Illinois Central Station in Chicago into Chicago Union Station, which is used by all other Amtrak trains. This change consolidated all of Amtrak's activities in Chicago into a single station, thereby eliminating the need for passengers to transfer from one station to another. By closing down the costly and under-utilized facilities of the Illinois Central Station, annual cost reductions of approximately \$1 million were realized.

All-Refurbished Trains

While Amtrak has experienced considerable difficulty operating trains consisting of all refurbished equipment, the number of cars coming out of the shops has now made it possible to operate some of our trains with completely refurbished consists. As of the end of the year these trains were the Broadway Limited and the Silver Meteor.*

MARKETING

Improvements in Service

Improvements in service were also made during the year. Amtrak now offers fourteen Metroliners northbound and fourteen southbound daily on week-days between New York and Washington, and in addition seven through trains are operated in each direction between Washington and Boston with conventional equipment.

During the summer the TurboTrain service between New York and Boston was expanded by the addition of another train, and both trains were expanded from three to five cars.

Reference has already been made to the three international services. During last summer additional services were operated between Chicago and Los Angeles and between Chicago and San Francisco.

At year end, Amtrak was operating three train services under Section 403(b), which requires that two-thirds of the losses be reimbursed by states or local governments:

- (1) Boston-Worcester-Springfield
(Massachusetts)
- (2) Chicago-Galesburg-Quincy (Illinois)
- (3) Philadelphia-Harrisburg (Pennsylvania)

* As of December 29, 1972, a total of 603 cars had received refurbishing or repair work ranging from exterior painting to heavy interior and mechanical overhaul. Of these 603 cars, 194 were categorized as having received the most heavy overhaul at an average cost of \$56,449 per car. The average expenditure for all 603 cars was \$31,245.

The Massachusetts and Illinois trains ran throughout the year; the Pennsylvania service began October 29, 1972.

Advertising and Promotion

Heavy advertising on a national scale, with emphasis on local and regional service advantages, began in August 1971, after a limited series of preliminary announcements during the formative months of the Corporation's existence.

Frequent placements ran across the nation in fifty-eight communities, making use of eighty-nine different newspapers to feature the extensive changes which were made in Amtrak's timetable, effective June 10, and the new fare reductions that became effective on the same date.

Between June and September a total of 274 insertions were run in these newspapers to give a total combined circulation of 93,742,000.

An advertising campaign designed to support the government and military market potential has been initiated. Advertising has been presented in Army, Navy and Air Force Times.

Timetable distribution totaled more than one million copies in 1971, and has increased to over three million in 1972. None of the predecessor railroad companies had in recent years produced any new graphic materials describing on-board passenger services or train diagrams of representative car interior arrangements or consists. By early December, 1971, Amtrak had distributed more than 75,000 copies of a four-color booklet on the Florida trains to travel and ticket agents as well as potential customers who responded to our Florida advertising campaign and requested it.

This was followed by a comprehensive color brochure called "Traveling by Train", which described in detail the interior and exterior configurations of every major type of car presently in service, with heavy emphasis on coach equipment and especially the long-distance leg-rest coaches. They were distributed at the Department of Transportation "TRANSPO" exposition to travel agents, key commercial accounts, editors, publishers, credit card holders, and known frequent users of Amtrak services. The brochure also had widespread distribution as a result of coupon requests. This program of presenting Amtrak as an important factor in a balanced transportation system is continuing.

Credit Cards

When Amtrak started operations, the Rail Travel Credit Card, with few exceptions on certain trains, was the only credit card in general use for rail transportation. This credit plan was administered for the cooperating carriers by the Western Railroad Passenger Association. There were approximately 150,000 subscriber accounts representing approximately 500,000 individual cardholders. The traffic generated from this list of subscribers presently averages slightly over \$300,000 per month, or something less than \$4 million a year. One of Amtrak's Marketing Department's first major activities during the early months was to negotiate contracts with major credit companies. The American Express and Master Charge cards were made effective at major stations in the fall of 1971. These first two agreements made Amtrak rail services available to approximately 14,000,000 cardholders. Contracts have now been signed with three additional companies: Carte Blanche, BankAmericard and Diners Club. The three additional companies have added approximately 25,000,000 cardmembers to the system. The list of stations where the cards may be used has been expanded to all those where Amtrak tickets may be purchased. Preliminary figures indicate that credit card sales in 1972 amounted to approximately \$9 million.

Amtrak Travel Agents

The program for utilizing the services of travel agents for selling Amtrak services made substantial progress in 1972, and as of December 31, 1972, over 5,300 travel agents had been appointed as Amtrak representatives. Included in this total were 750 travel agents overseas. Amtrak travel agents are being issued ticket stock in selected locations.

Amtrak Tours

On May 1, 1971, only two of the predecessor railroads still had on-going programs for the development of railroad tours. An Amtrak tour sales bureau was established in Chicago to carry on the Santa Fe tradition in this field and the first Amtrak-operated tours featured a program of "Springtime in the Rockies", which attracted more than 240 passengers. Summer tour programs were constructed featuring Glacier Park and the Pacific Northwest over the Burlington Northern route; Indian country and Grand Canyon tours were organized through Arizona and New Mexico, and the city destination tours were promoted featuring San Francisco, Los Angeles and New Orleans. The total number of passengers

handled on Amtrak-operated tours in 1972 was more than 3,000, with a gross rail revenue of over \$250,000. Amtrak anticipates considerable expansion of such business as equipment availabilities are improved.

In addition, Amtrak continued its support of major tour wholesalers who have traditionally packaged railroad tours and is aggressively developing the cooperation of new operators and wholesalers who will package prepaid tours to Florida using a variety of destinations and objectives in combination, such as to Disney World, the Miami Beach strip of hotels and rail travel in conjunction with cruise travel to the Bahamas and the Caribbean. Tours on Amtrak by such wholesalers and operators added approximately \$750,000 more to Amtrak rail revenues.

Free Wheels

In April, 1972, Amtrak inaugurated a new service for Florida vacationers combining rail travel with use of a rental automobile on a rent-free basis for one week. To qualify, travelers need only to purchase three roundtrip fares via Amtrak between New York or Chicago and Miami (or several other combinations of fares if children's travel is included). Cars can be picked up or returned to seven Florida points. Mileage is unlimited, with the customer paying only for gas, local taxes and extra insurance if desired. Use of Amtrak's "Free Wheels" program has gradually increased and more than 200 roundtrip passengers a week are currently taking advantage of this program.

Ticketing Simplification

A new Amtrak ticket form, designed for nationwide use, was introduced in Chicago late in 1971, and its use was gradually expanded to other areas throughout the past year. It is now available for use at all Amtrak-operated ticket office locations, as well as for use by Amtrak-appointed travel agents who have been issued the ticket stock. The new tickets are easier and faster to prepare and read, and the system provides the necessary standardization for national use and system-wide training programs.

Ticket Office Consolidation

Early in November, 1971, Amtrak took over the Santa Fe downtown city ticket office location at 80 East Jackson Boulevard, Chicago, and closed the other various individual ticketing facilities of the local railroad companies who were members of the Amtrak system, consolidating the services at Jackson Boulevard.

Subsequently, Amtrak opened its own facility in the newly constructed area of the Union Station in Chicago and relieved Union Station from ticket-issuing responsibility.

New ticket offices were opened in Washington on December 18, 1972. Plans are being developed for remodeled offices at Los Angeles, Miami and Philadelphia.

Information, Reservation and Ticketing System of the Future

Information, reservations and ticketing operations provide the vital links by which Amtrak's services are made available to the public.

During the past eighteen months, Amtrak has had two parallel programs in this area. First, it was necessary to attempt to provide the best possible service within the framework of the existing system capabilities and the technology that was already in place. Second, it was equally necessary to plan a system for tomorrow that would satisfy the immediate public need, serve the public anywhere in the United States, and provide the capacity to fulfill tomorrow's projected requirements.

The initial introduction of a wholly new Amtrak reservation, information, communication, and ticketing system is less than six months away as we begin 1973. This nationwide system will start in the northeast corridor between Washington and Boston. By the end of 1974 it will serve Amtrak passengers on a system-wide basis.

This service facility is a complex mix of telephone lines providing for customer access to Amtrak information and reservation centers, data lines connecting these centers and Amtrak terminals with a new centralized information/reservation file and computer complex, and the necessary computer processing, storage, and terminal equipment to make Amtrak schedules, fares, and reservations inventory readily and rapidly available to our customers anywhere in the United States on a single-call basis.

Passenger Services

Beginning with the Florida Special in December of 1971, a program of on-board service was initiated. The Silver Meteor and the Broadway Limited now have aboard such items as motion-picture feature films, games, taped music, magazines, newspapers, route brochures and additional

passenger entertainment. Programs of this nature are scheduled for expansion to the Panama Limited, Merchants Limited and the Coast Daylight/Starlight trains. For skiers traveling to ski resorts in New England aboard the new trains to Montreal, newly refurbished cabaret cars have been added, along with baggage cars equipped with ski racks.

A uniform system of policies and procedures was put into effect to provide passengers with assistance during emergencies such as derailments, or curtailed service due to floods, and to help solve individual problems such as missed connections caused by schedule delays or other reasons.

Food and Beverage Service

A uniform system of menus on a national basis and a uniform pricing policy has been installed, which is receiving excellent public acceptance. Standard recipes and specifications for quality and quantity of food were supplied to commissaries and other vendors for the nationwide implementation of this service.

Beginning with the Western Region in December, 1972, a menu reflecting regional food preferences was initiated. During 1972, standard designs and specifications for the system-wide use of service materials bearing Amtrak identification such as napkins, stir-sticks, cups and glasses were established. Also established were designs and specifications for flatware, hollow ware and china. The purchase and distribution of these services has been accomplished for the Broadway Limited and is currently in process for the Super Chief, Silver Meteor, Panama Limited, Merchants Limited and Coast Daylight/Starlight trains.

Six commissaries in the Chicago area have been consolidated and are now being operated directly by Amtrak. Similarly, the Los Angeles commissaries have been consolidated into a single Amtrak-operated facility. A new Seattle commissary is currently being constructed to replace the one operated by Burlington Northern.

Mail, Baggage, and Express Service

A campaign to increase Amtrak's mail revenue has been actively and successfully initiated with the United States Postal Service. The annual revenue has been increased from the 1971 level of \$1,000,000 to \$2,200,000 for 1972, with an annual revenue of \$4,000,000 projected

for 1973, based on new contract routes awarded to Amtrak by the United States Postal Service.

These new mail routes center at Chicago for Seattle, Jacksonville, Miami, St. Petersburg, and New Orleans. A transcontinental through baggage car for both baggage and preferential mail is also operated round trip between New York and Los Angeles, daily, via Kansas City. A gain in 24 to 48 hours for delivery is obtained by the Postal Service with this system.

The purchase of a minimum basic unit of space is required, with any excess used providing additional revenue.

Transportation of containerized first-class letter mail is provided in the Northeast Corridor on overnight service between Washington, Baltimore, New Haven, and Boston. Roll-on, roll-off techniques are used to keep station handling time at a minimum. Containers are furnished by the Postal Service. This service has attracted the interest of other Postal Regions served by Amtrak routes.

Amtrak has also created a publications-express business and introduced small-package services on the Metroliners and conventional trains in the Eastern Corridor preliminary to expansion to nationwide package service between major points on the Amtrak system. Amtrak is presently negotiating with Emery Air Freight and the Railway Express Agency on cooperative ventures in the movement of containerized express.

Amtrak has produced a simplified and uniform set of baggage regulations to replace those in use by the thirteen railroads and made this information more generally available to the riding public through the medium of public timetables. It has established self-service baggage claim areas adjacent to local transportation at major points, accelerating the movement of baggage in and out of major stations.

Training

In 1972 Amtrak completed the training of 1,200 service employees on railroad payrolls who are performing services for Amtrak in customer-contact and customer-relations positions. This program is scheduled for all service personnel, whether they are railroad or Amtrak employees.

A program of skill development has been instituted for reservation/information/ticketing employees. By year's end more than 300 persons had been educated in tariffs, fares, and other basic skills and procedures.

Newly hired Passenger Service Representatives undergo two weeks of intensive classroom instruction keyed to their particular job requirements. This is then followed by a period of on-the-job training. In addition, a recurrent training class has been recently initiated to provide updating on procedures and to refresh basic service attitudes and goals.

Simplification of Tariffs

On January 16, 1972, a consolidated tariff book was published containing all basic fares data and information in a single 310-page Amtrak volume. During the last years of individual railroad operation and during the first months of Amtrak's management, it was necessary to compute and quote fares from approximately 100 separate tariff handbooks, which had been published by the individual railroads. There were also numerous regional tariffs and inter-regional tariffs published by the regional rate associations, bringing the total of tariffs, including rules tariffs, up to approximately 300. In the course of the year, as various local and special tariffs were compiled, the first edition of the Amtrak tariff was amplified by supplements.

To consolidate major fare revisions effective in the summer of 1972, it was necessary to completely revise and update "All-America Train Fares", and an Edition No. 2, dated August 16, 1972, was published.

Fare Revisions

Amtrak introduced several experimental fares beginning with the \$9.90 fare (reduced from \$12.75) on conventional trains between New York and Boston. This proved to be an immediate success, with the number of passengers between Boston and New York (not including intermediate traffic) increasing by 72 percent for the first eleven months of 1972, compared to the same period in 1971.

Major fare improvements on Amtrak became effective June 11, 1972. These improvements involved substantial reductions in coach fares primarily in the northeast quadrant of the United States over the Penn Central and C&O/B&O systems, along with selected coach fare increases of 10 percent

on western routes to bring them more in line with the fares in the east. In addition, the fare revisions extended uniform family-fare rates throughout the United States. The various disparate levels of family-plan fares on some of the railroads, along with an absence of any family-fare plan on other railroads, was changed to a unified Amtrak Family Fare policy at an intermediate level of a one-third reduction for the second party in the family-fare group.

The effect has been that the public appears to have accepted our fare increases with a minimal erosion of traffic. On the other hand, the public has been most responsive to the reductions in fares, which through 1972 appear to have generated more than enough new business to offset the reduction in yield.

Ridership

The ridership from May through September of 1972 (the period for which latest detailed figures are available), compared with that for the same period in 1971 shows an overall 10.4 percent increase, as indicated in the table on the following page.

Amtrak Assumption of Functions

Even before the Rail Passenger Service Act was amended to read:

"Insofar as practicable, the Corporation shall directly operate and control all aspects of its rail passenger service"

the Corporation took over complete responsibility for soliciting, selling, and handling travel agent transactions, special accounts, and the group travel business of schools, clubs, churches, conventions, and other potential sources. This was followed by the assumption of the reservations, information, and ticket selling functions in Chicago. Chicago was the ideal place for the first assumption by Amtrak because several railroads were involved in duplicate functions at this location and it was believed that a full appreciation of the problems could be gained by this consolidation and assumption.

It was clear from the outset that Amtrak could benefit by hiring experienced railroad personnel for its operation. However, hiring the desired complement of employees was complicated by the fact that railroad employees had built up, through

TABLE VI: SUMMARY OF TOTAL PASSENGERS
For the five months ended September 30, 1971 and 1972

	1971			1972			Percent Increase/(Decrease)	
	Coach	Sleeper and Parlor	Total	Coach	Sleeper and Parlor	Total	Coach	Sleeper and Parlor Total
Santa Fe	330,545	40,132	370,677	368,505	41,645	410,150	11.4%	3.7% 10.6%
Baltimore & Ohio*	1,150*	--	1,150*	44,126*	--	44,126*		
Burlington Northern	249,886	47,929	297,815	303,921	51,655	355,576	21.6	7.7 19.3
Chesapeake & Ohio	25,110	1,500	26,610	29,625	2,538	32,163	17.9	69.2 20.8
Milwaukee Road	155,112	14,105	169,217	220,063	18,397	238,460	41.8	30.4 40.9
Gulf, Mobile & Ohio	60,188	5,547	65,735	84,944	4,711	89,655	41.1	(15.0) 36.3
Illinois Central	160,299	792	161,091	135,425	3,325	138,750	(15.5)	319.8 (13.8)
Louisville & Nashville	18,007	3,978	21,985	20,193	4,859	25,052	12.1	22.1 13.9
Missouri Pacific	10,785	540	11,325	23,639	3,901	27,540	119.1	622.4 143.1
Penn Central	4,490,646	191,737	4,682,383	4,871,079	199,572	5,070,651	8.4	4.0 8.2
Richmond, Fredericksburg and Potomac	176,320	14,306	190,626	150,925	17,530	168,455	(14.4)	22.5 (11.6)
Seaboard Coast Line	294,023	28,680	322,703	288,365	36,788	325,153	(1.9)	28.2 .7
Southern Pacific	93,802	17,105	110,907	137,225	22,543	159,768	46.2	31.7 44.0
Union Pacific	13,426	5,804	19,230	23,913	9,014	32,927	78.1	55.3 71.2
T o t a l	6,078,149	372,155	6,450,304	6,657,822	416,478	7,074,300	9.5	11.9 10.4

* Not included in totals because service did not begin on this route until September 7, 1971

December 28, 1972

various agreements, employment security which they might have to relinquish by electing to join Amtrak.

After some initial difficulty, Amtrak and the railroads have worked out an agreement which encourages experienced railroad employees to work for Amtrak. The railroad employer grants a six-year leave of absence to its employee who then may come to work for Amtrak. This allows the employee to retain his protection if later either he or Amtrak terminates the relationship.

As a result of this agreement, the assumption of the reservations, information and ticket selling functions in Chicago was followed by a similar assumption of functions, as well as commissary functions at particular locations, in Seattle, Portland, Denver, Ogden, Wichita, Cincinnati, Jacksonville, Washington, D.C. (including the Beltway Station), and Minneapolis, and at the Santa Fe and Southern Pacific stations set forth below. The number of employees at each station appears opposite the name of the station. As of December 31, 1972, Amtrak was the direct employer at these locations.

Table VII: Stations and terminals
with Amtrak-employed service personnel
as of December 31, 1972

Miscellaneous facilities

Chicago commissary	32
Chicago reservations	124
Chicago city ticket office	12
Chicago (other)	67
Portland	21
St. Louis	17
Wichita	7
Denver union terminal	24
Ogden union terminal	5
Jacksonville	66
New York City ticket office	7
Washington, D.C., city ticket office	14
Washington, D.C., red caps	15
Beltway station, Washington, D.C.	5
Cincinnati station forces	12
Los Angeles city ticket office	10
Los Angeles reservations	38
San Francisco transbay terminal	9
San Francisco reservations	14
Seattle	59
Minneapolis	23

Table VII: Stations and terminals
with Amtrak-employed service personnel
as of December 31, 1972
(Cont'd.)

Santa Fe stations

Galesburg, Illinois	3
Ft. Madison, Iowa	5
Topeka, Kansas	6
Emporia, Kansas	6
Newton, Kansas	7
Hutchinson, Kansas	2
Dodge City, Kansas	3
La Junta, Colorado	3
Albuquerque, New Mexico	14
Winslow, Arizona	3
Flagstaff, Arizona	4
Needles, California	1
Barstow, California	3
San Francisco, California	23
San Bernardino, California	7
Pomona, California	3
Pasadena, California	5
Los Angeles, California	48
Fullerton, California	4
Santa Anna, California	6
Oceanside, California	3
Del Mar, California	1
San Diego, California	22
Oklahoma City, Oklahoma	7
Fort Worth, Texas	7
Temple, Texas	4

Southern Pacific stations

Oakland, California	25
Santa Barbara, California	2
Oxnard, California	1
Glendale, California	1
Alhambra, California	3
Reno, Nevada	6
Sacramento, California	6
Houston, Texas	7
Tucson, Arizona	3
Salem, Oregon	1
Eugene, Oregon	2
San Antonio, Texas	4

The total number of employees in station services taken over by Amtrak by the end of 1972 was 842.

After Amtrak assumed the reservations, information and ticket selling functions in Chicago, Amtrak granted recognition for the purposes of representation of these employees to the Brotherhood of Railway and Air Line Clerks, the labor organization that represents most of the clerks in the railroad industry. Subsequent to this recognition, a collective bargaining contract was negotiated and signed on July 21, 1972.

This program for the assumption of station and terminal functions is continuing.

Assumption of Other Functions

Concurrently with the assumption of station and terminal functions, Amtrak has developed a program for assuming certain onboard functions. Such functions include the work done by stewards, chefs and cooks, dining car waiters and sleeping car attendants. Amtrak has proceeded carefully in the assumption of onboard functions because this seems to be an area in which the old functions need to be carefully studied with an eye toward how to best improve service and efficiency.

The other onboard operating functions, the engineers, firemen, conductors and trainmen present larger problems in both efficiency and operation. Amtrak is analyzing the economics of such takeovers, but because of problems not present in other onboard functions (deadheading to and from jobs, interchange with freight, etc.) this action necessitates a more detailed study of efficiency.

Amtrak is responding to the Congressional and its own mandate to become the efficient operator of all its functions. Constant efforts are being made to employ personnel who are dedicated to the success of rail passenger service. When such personnel are currently in the railroad employ, efforts have been made to find methods by which such employees will be encouraged to join the Amtrak effort. When efficiencies and operational difficulties permit, Amtrak will continue to assume passenger service functions for itself with all deliberate speed.

PUBLIC INFORMATION PROGRAM

Recognizing the need to keep the general public informed of Amtrak activities a broad program of public information was implemented during 1972. Fifty-four public statements were issued detailing schedule changes, fare information, equipment programs, special tour packages, station improvements and performance results. Special programs were carried out during the spring, summer and fall to inform the press of Amtrak's actions. Media in over 100 cities on Amtrak routes were visited by special Amtrak representatives during the year. A special effort was also made to have representatives of all major publications personally survey Amtrak operations and services. As reported by the Harris Survey, 31 percent or 65 million people were familiar with Amtrak by mid-1972.

CONSUMER SERVICE

Amtrak's Consumer Service is the direct line between Amtrak and the traveling public. Its responsibility to the passenger includes: the handling of requests for information, the investigation of reported service deficiencies, policy-adjustment refunds or reimbursements where warranted, and serving as a conduit for passenger commendations, complaints, and suggestions to the appropriate areas of responsibility within Amtrak. All mail that bears a return address is answered.

From February 7, when Amtrak's mail-handling procedures were restructured, through December 29, 1972, Consumer Service processed 8,506 written communications from the public, in addition to handling numerous phone calls. Of the written requests, 42.9 percent were requests for information and 5.9 percent were suggestions without other comment or criticism. The remaining mail expressed varying opinions of Amtrak services. Of the opinions expressed, 25.7 percent were favorable, 15.4 percent neutral (or balanced pro and con), and 58.9 percent critical.

Table VIII: Mail received

February 7 - December 29

Total mail received - 8,506

Content of mail received ^{1/}

	<u>From Public</u>	<u>Opinion Mail Percent</u>	<u>Total Percent</u>
Wholly or mostly favorable in tone	627	15.1	7.7
More favorable than critical	441	10.6	5.5
Fairly balanced in terms of criticism and praise	640	15.4	7.9
More critical than favorable	1,109	26.6	13.7
Wholly or mostly critical in tone	1,347	32.3	16.7
Requests for information	3,437	--	42.9
Other -- i.e., suggestions	483	--	5.9

^{1/} Statistical Base - 8,084

Although complaints and suggestions continue to be handled on a case-by-case individual basis, since August 7, Consumer Service has also kept generalized tabulations of specific areas of complaint. In order, the most-mentioned problems have involved reservations difficulties (11.9%), rude personnel (11.1%), air conditioning or heating inadequacies (10.6%), and late trains (10.0%). Recent trends have shown an increase in late trains noted, and complaints about schedules and routes have shown a moderate uptrend.

Table IX: Percentages of consumer complaints
for August 7 through December 29

	<u>Totals</u>	<u>Percentages</u>
Reservations	311	11.9
Rude personnel	290	11.1
Air conditioning/heating	277	10.6
Late trains	262	10.0
Cleanliness	248	9.5
Mechanical condition of the cars	246	9.4
Schedules and routes	227	8.7
Dining	188	7.2
Consists	82	3.1
Accommodations availability	79	3.0
Standees	76	2.9
Station inadequacies	73	2.8
Duplicate reservations	68	2.5
Baggage	63	2.4
Smoking regulations	43	1.6
Ticketing	41	1.6
Roadbeds	32	1.2
Credit card acceptance	2	0.08

UNIFORM PROGRAM

Amtrak has embarked on a program to redesign the uniforms of all employees engaged in passenger service who deal directly with the traveling public. This was felt desirable for two main reasons:

1. Amtrak represented the establishment for the first time in the nation's history of a single national rail service. Prior to Amtrak, each of the thirteen railroads had its own style of uniform. By redesigning uniforms, Amtrak expects to achieve a nationwide identification.

2. Most uniforms in existence prior to Amtrak had not been redesigned for many years and generally reflected a "behind the times" image. The redesign was aimed at indicating Amtrak's desire to provide the American public with an updated, modern, efficient rail service.

More than 4,900 employees are participating in the new uniform program, and the new uniforms in increasing numbers are appearing in terminals and on trains.

PASS PROGRAM

Public Law 92-316 required Amtrak to grant certain free and reduced-rate transportation privileges to railroad employees, dependents and retirees who enjoyed such privileges on April 30, 1971. The establishment of a single national program that embodied terms enjoyed by the majority of employees on April 30, 1971, was specifically permitted by P.L. 92-316, and this is the course that was followed. The key provisions of the pass program were sent to all interested parties in July, 1972.

Under the revised terms and conditions, three classes of transportation are made available:

(1) free and unlimited frequency over the railroad of employment (the "home" railroad);

(2) free but limited frequency over the home railroad; and

(3) reduced-rate transportation on other than the home line.

Those eligible for free and unlimited transportation over the home railroad are: (a) employees of that railroad employed on April 30, 1971, and continuously thereafter and employed by that railroad for nine or more years prior to April 30, 1971; (b) retirees of that railroad as of April 30, 1971; (c) employees of a participating terminal company as of April 30, 1971, who had been continuously employed by that terminal company for at least nine years; (d) retirees of a participating terminal company or retired on April 30, 1971; (e) spouses or widows of retirees of a participating railroad or terminal company;

and (f) spouses of employees of railroads or terminal companies continuously employed by such companies for more than 19 years on April 30, 1971.

Those eligible for free but limited travel (twelve trips a year) over the home railroad are: (a) employees of railroads or terminal companies employed on April 30, 1971, but employed for less than nine years prior to that date; (b) dependents of employees of a participating railroad who were employed by that railroad on April 30, 1971, and thereafter and had been continuously employed for at least nine years before that date; (c) dependents of retirees of a participating railroad employed or retired from that railroad on April 30, 1971; (d) dependents of employees of a participating terminal company employed by that company on April 30, 1971, and thereafter and had been continuously employed by that company for at least nine years prior to April 30, 1971; and (e) dependents of retirees of a participating terminal company employed or retired from that company on April 30, 1971.

Reduced-rate transportation (one-half of the regular coach fare based upon the one-way fare excluding all discount and promotion fares except children's fares) is made available over the Amtrak system for: (a) employees and retirees of participating railroads and terminal companies and their dependents; and (b) employees and retirees of railroads and terminal companies other than participating who were eligible on April 30, 1971, for free or reduced-rate transportation on any intercity rail passenger service now operated by Amtrak under a policy or agreement of any participating railroad in effect on such date and their dependents.

Amtrak also designed the administrative machinery necessary to implement and carry on the pass program. The key elements of the administrative procedures are:

1. All eligible employees will submit applications to their home roads. After the home road has certified the application, it will be forwarded to Amtrak's Pass Bureau.

2. Amtrak will issue to each applicant a Rail Travel Privilege Card. This card will identify the privileges granted the employee and his dependents.

3. The holder will utilize the card to obtain tickets at any ticket office in the United States.

This simplified procedure should not only result in pass holders being able to more conveniently obtain passage, but in addition should enable the various railroads to reduce or eliminate their present pass bureau staffs.

It is estimated that 900,000 railroad personnel are eligible for free or reduced-rate transportation, as well as an additional 1,900,000 dependents.

Under the law, Amtrak is to be reimbursed by the employing railroads for the costs incurred in providing the free or reduced-rate transportation. The question of costs went to the Interstate Commerce Commission for decision, and a discussion of this adjudication appears in the section of this Report on legal proceedings.

PURCHASING, CONTRACT ADMINISTRATION,
AND MATERIAL CONTROL

Late in 1971, as purchasing, material control and contract administration became more complex, a separate Amtrak section was established to ensure the efficient performance of such functions.

Major contract administration activities have been involved with the acquisition of used passenger cars, used locomotives and other equipment.

While most contracts for the initial purchase of passenger cars had been completed by November 1, 1971, negotiations continued during the next few months for the acquisition of additional cars from Penn Central, Union Pacific and other railroads.

Because prospective travel demand increases during the summer of 1972 could not be met while Amtrak simultaneously carried out a major repair and refurbishment program, Amtrak negotiated and completed agreements for the lease of 289 additional cars. The lease included options to purchase 184 cars with lease payments to apply against the purchase price. Options have already been exercised on 166 of these cars.

Beginning in December, 1971, Amtrak began negotiations for the purchase or lease of 246 used diesel locomotives.

In November of 1972 Amtrak ordered 40 new diesel electric locomotives for a total purchase price in excess of \$17 million. A sealed competitive bidding procedure was used for this award.

Acquisition of Advanced Equipment

Amtrak has also acquired the option held by the Department of Transportation for the purchase of two TurboTrains owned by United Aircraft Corporation, and has executed a contract with United Aircraft for the purchase of two TurboTrains previously built by United for use in Canada. Approximately \$1.5 million worth of spare parts for these trains were also ordered.

Amtrak is also leasing two new French turbine-powered trains with option to purchase. The two Canadian Turbos and the two French Turbos will go into service in the summer of 1973 in the Chicago-Milwaukee and the Chicago-St. Louis corridors.

Car Repair Program

To restore the passenger cars Amtrak purchased to a more reliable operating condition as well as to present a new modern appearance, agreements were entered into with five railroads and six contract shops covering the repair and refurbishment of passenger cars. Working with Amtrak specifications and under the jurisdiction of Amtrak inspectors, by the end of 1972 a total of 603 cars had been turned out by these shops.

Material Control

Effective May 1, 1972, Amtrak developed and installed a nationwide inventory control system to account for all Amtrak-owned repair parts at all railroad locations.

The Inventory Control System was designed primarily to account for the spare parts purchased as an integral part of the car-acquisition program including subsequent usage. The system is currently based on a manual collection of data for mechanized processing on a computer. Resultant reports of items on hand at railroad locations are used extensively to assist in reducing material shortages at overhaul shops.

Procurement Savings

The introduction of Blanket Purchase Orders has accomplished substantial savings in product and administrative

costs and has greatly improved deliveries. Car batteries are a notable example. Amtrak is buying batteries at savings of from 5 percent to 10 percent below the prices the railroads paid for batteries. These purchase orders provide for the stocking of batteries at no cost to Amtrak at many strategic locations throughout the country. Since July of 1972, Amtrak has purchased more than \$600,000 worth of batteries.

Amounts incurred for equipment in 1972 are shown in the following table.

Table X: 1972 equipment program

	<u>Number</u>	<u>Amount</u>
<u>Purchased or on order</u>		
New diesel locomotives	40	\$17,219,560
Used diesel locomotives	316	7,768,185
TurboTrains	4	6,479,367
Cars	362	3,235,997
<u>Lease</u>		
TurboTrains	2	1,584,000
Cars	150	576,115
Locomotives	23	811,800
Metroliners	12	817,548
<u>Ordered refurbished or repaired</u>		
Cars	676	24,000,000*
Locomotives	30	1,700,000*
		<u>\$64,192,572</u>

* Estimated Cost

LEGAL PROCEEDINGS

Amtrak's Legal Department has been involved in numerous proceedings in the courts, at the Interstate Commerce Commission, and in railroad contract arbitrations. Some of the more significant actions during the period covered in this Report are discussed in the following sections:

Court Proceedings

During the period November 1, 1971, through November 1, 1972, Amtrak has been a party in more than thirty actions brought in federal and state courts across the nation. These actions include:

Quincy College and Seminary Corporation, et al.

v.

Burlington Northern, Inc., and National Railroad Passenger Corporation

Various municipal and charitable corporations sought a declaratory judgment and an injunction to restrain the discontinuance, or to compel the restoration, of daily passenger train service between Chicago, Illinois, and West Quincy, Missouri. The groups seeking the judgment claimed that the Rail Passenger Service Act of 1970, which authorized the Burlington Northern to discontinue the passenger train service in question, was unconstitutional. A three-judge district court dismissed the action, holding that the Rail Passenger Service Act of 1970 was a proper exercise by Congress of its constitutional authority to regulate interstate commerce. On review, the Supreme Court of the United States affirmed the district court's decision.

People of the State of Illinois

v.

Norfolk and Western Railway Company and National Railroad Passenger Corporation,

and,

People of the State of Illinois

v.

Illinois Central Railway Company and National Railroad Passenger Corporation

Separate actions were brought by the Attorney General of the State of Illinois for injunctions to restrain the defendant railroad companies from discontinuing certain passenger train services in Illinois. The State of Illinois claimed that the passenger train services in question, which operated wholly within the State of Illinois, were not subject to the Congressional power to regulate

interstate commerce, and that the Rail Passenger Service Act of 1970, which purportedly authorized the railroads to discontinue those services, was unconstitutional. On June 25, 1971, the District Court dismissed the complaint in the Norfolk and Western action. That decision was affirmed by the United States Court of Appeals for the Seventh Circuit on May 26, 1972. The state's complaint in the Illinois Central action was dismissed on June 30, 1972. No appeal was taken.

National Association of Railroad Passengers

v.

Central of Georgia Railway Company, Southern
Railway Company, and National Railroad Passenger
Corporation

The action was brought by the railroad passenger association in the United States District Court for the District of Columbia to block the discontinuance of a passenger train operated by the Central of Georgia, and to invalidate a contract between Amtrak and the Central of Georgia Railroad. The association contended that an Amtrak contract with the Central of Georgia taking over its common-carrier responsibility for passenger service would violate the terms of the Rail Passenger Service Act of 1970 since the Central of Georgia is only a subsidiary of the Southern Railway Company, which had rejected an Amtrak contract. The district court dismissed the action holding that Section 307 of the Rail Passenger Service Act precluded suit for alleged violations of the Act unless such suit was brought by the Attorney General of the United States. On January 5, 1973, the United States Court of Appeals for the District of Columbia reversed the action of the District Court.

City of Philadelphia, Commonwealth of
Pennsylvania, Pennsylvania Public Utility
Commission, and United Transportation Union

v.

Trustees of Penn Central Transportation
Company and National Railroad Passenger
Corporation

The action was brought in the United States District Court for the Eastern District of Pennsylvania for an injunction to restrain Penn Central from discontinuing

passenger train service between Philadelphia and Harrisburg (the "600 series" trains) and between Philadelphia and New York City (the "200 series" trains). Starting on May 1, 1971, this passenger train service became an Amtrak service. The groups bringing the action contend that the above trains were not intercity trains within Amtrak's responsibility under the Rail Passenger Service Act, but rather were commuter trains, which Penn Central is required to continue operating under prescription of state law. Penn Central and Amtrak both moved to dismiss the action. The court has not yet acted on those motions.

Wood, Commissioner of Transportation of
the State of Connecticut

v.

National Railroad Passenger Corporation

The action was brought in the United States District Court of Connecticut for an injunction to restrain Amtrak from discontinuing passenger train service between New Haven and New London, Connecticut. The Commissioner alleged that the train service in question constituted "service included within the basic system", which Amtrak is required to operate until July 1, 1973. The court decided in favor of Amtrak, holding that Amtrak is required to provide service within its basic system only to those cities specifically identified by the United States Secretary of Transportation as end points.

Parker, Commissioner of Transportation of
the State of New York and the People of
the State of New York

v.

National Railroad Passenger Corporation and
Penn Central Transportation Company

The action was brought in the United States District Court for the Northern District of New York for an injunction to restrain any reduction in passenger train service between Albany and New York City. The state contended that such service is included within the basic system that Amtrak is required to operate. The court denied the state's motion for a preliminary injunction on September 1, 1972. The court has under advisement a motion by Amtrak to dismiss the complaint or, in the alternative, for a summary judgment.

The City of New York

v.

National Railroad Passenger Corporation and
Penn Central Transportation Company

The action was brought by the City of New York in the United States District Court for the Southern District of New York, also seeking an injunction to restrain reduction in Albany/New York City passenger train service. This action has been stayed pending the outcome in Parker v. NRPC.

Congress of Railway Unions, et al.

v.

Hodgson, Secretary of Labor; National
Railroad Passenger Corporation et al.

The action was brought in the United States District Court for the District of Columbia for a declaratory judgment that the arrangements for the protection of employees affected by a discontinuance of intercity passenger service contained in Amtrak's contracts with the railroads and certified by the Secretary of Labor are invalid, and for an injunction restraining the railroads from discontinuing intercity passenger service. On April 30, 1971, the court denied the union's motion asking for a preliminary injunction, holding that the determination of arrangements providing affected employees with "fair and equitable" protection was committed by Congress to the discretion of the Secretary of Labor and was not subject to judicial review. The complaint in this action is still pending.

International Brotherhood of Electrical
Workers System Council No. 7, et al.

v.

National Railroad Passenger Corporation
and Penn Central Transportation Company

The brotherhood asked the United States District Court for the Eastern District of Pennsylvania for an injunction to compel Amtrak and Penn Central to continue honoring employee passes providing for free rail transportation. On June 18, 1971, the court granted Amtrak's motion to dismiss the complaint as to Amtrak. The brotherhood's appeal from that decision is pending before the United States Court of Appeals for the Third Circuit.

National Railroad Passenger Corporation

v.

Curtis P. Harris, et al.

and

National Railroad Passenger Corporation

v.

Vern Miller, et al.

On July 18, 1972, officials of the states of Oklahoma and Kansas boarded Amtrak trains, arrested on-board employees of the Atchison, Topeka & Santa Fe and seized on-board liquor supplies for alleged violation of the "open saloon" laws of the two states.

Amtrak filed suit against the Oklahoma officials in the United States District Court for the Western District of Oklahoma, asking that the State officers be enjoined from interfering with Amtrak's alcoholic beverage service, and for the return of liquor seized from the train. The Court, on September 13, 1972, issued a preliminary injunction prohibiting officials of the State from interfering with Amtrak's alcoholic beverage service and blocking the prosecution of State criminal charges against the Atchison, Topeka & Santa Fe bartender who was arrested. A trial was held and on December 30, 1972, the Court issued its decision granting the permanent injunction sought by Amtrak and ordering the return of the seized property.

Amtrak also filed a similar suit against Kansas officials in the United States District Court for the District of Kansas. By stipulation, the State prosecutions of Atchison, Topeka & Santa Fe employees and Amtrak have been stayed pending outcome of the Kansas federal court case. A three-judge district court has been convened to hear the case, and the parties have entered into a stipulation-of-facts procedure to avoid the necessity of a trial. Briefs to the three-judge court on the issues of law involved are due shortly.

Gulf Coast Historical Society

v.

National Railroad Passenger Corporation
and the Atchison, Topeka & Santa Fe
Railway Company

The historical society brought action in the United States District Court for the Southern District of Texas to compel Amtrak and the Santa Fe to accept and transport the society's private railway car. On May 18, 1972, the court denied the society's motion for a temporary order. The society's action, although still pending, has not been prosecuted further.

National Railroad Passenger Corporation

v.

The Southern Pacific Transportation Company

Amtrak on October 26, 1972, in the United States District Court for the Northern District of California, asked for an injunction compelling Southern Pacific to provide intercity passenger train service with special passenger coach cars converted to provide space for passengers' automobiles placed at the rear of the trains, and for a declaratory judgment that a California statute which purportedly prohibits the operation of such Auto-on-Train service is inapplicable. The Southern Pacific has filed a motion to dismiss the action, and a decision on that motion is pending.

Burlington Northern, Inc.

v.

National Railroad Passenger Corporation

Action brought by the railroad before the United States District Court for the District of Minnesota, seeking a judgment declaring that the Burlington Northern is not required by the Rail Passenger Service Act of 1970, or by its Agreement with Amtrak, or otherwise, to operate trains for Amtrak over Burlington Northern rail lines outside of the United States. Amtrak has filed a motion to stay the action on the ground that Burlington Northern's claim, which involves a dispute as to the meaning and application of Burlington Northern's basic agreement with Amtrak, must, in accordance with that Agreement, be resolved through arbitration.

National Railroad Passenger Corporation

v.

State of Wisconsin and State of Wisconsin
Department of Revenue

Two actions have been brought, on July 14, 1971, and July 14, 1972, in the Circuit Court of Dane County, Wisconsin, claiming that Wisconsin's gross receipts tax is inapplicable to Amtrak, and contesting the amount assessed Amtrak for such tax as having been arbitrarily determined. The cases have been consolidated and the cross-presentation of evidence is proceeding.

Administrative Proceedings

During the period November 1, 1971, through December 31, 1972, Amtrak has been involved in the following administrative proceedings:

Before the Interstate Commerce Commission (ICC):

ExParte No. 268

Determination of avoidable losses under the Rail Passenger Service Act of 1970

This proceeding was instituted by the ICC on March 23, 1971, to establish rules and procedures to govern disputes between Amtrak and the railroads over the amount to be paid by a railroad in consideration of being relieved of its common carrier responsibility for intercity passenger service pursuant to the Rail Passenger Service Act of 1970. On February 10, 1972, Amtrak requested that the proceeding be postponed indefinitely. On May 26, 1972, in response to an ICC order to show cause why the proceeding should not be promptly determined, Amtrak pointed out that no unresolved disputes with the railroads over the amount of payment existed or were contemplated in the future, and, therefore, a proceeding to establish rules governing such disputes was, at the very least, premature. To date no further action has been taken in this proceeding.

ExParte No. 277

Adequacy of intercity rail passenger service

On December 6, 1971, the ICC issued a series of proposed rules designed to regulate service on all intercity passenger trains. In its initial statement filed March 20, 1972, and again in its reply statement filed April 17, 1972, Amtrak opposed adoption of the ICC's proposed rules on the ground that those rules were arbitrary,

restrictive, expensive to comply with, and unnecessary. To date those rules have not been adopted.

Finance Docket No. 26902
National Railroad Passenger Corporation guaranteed
notes -- use of proceeds

On November 16, 1971, the Commonwealth of Pennsylvania petitioned the ICC to restrict the approval which the ICC had already granted Amtrak to issue guaranteed notes so that the proceeds from those notes could not be used to operate certain trains between Philadelphia and Harrisburg and between Philadelphia and New York City, which were alleged by Pennsylvania to be commuter trains rather than intercity passenger service within the meaning of the Rail Passenger Service Act of 1970. In its response filed December 27, 1971, Amtrak pointed out that Pennsylvania's petition raised an issue already in litigation before the United States District Court for the Eastern District of Pennsylvania, and, in any case, that issue was not the type to which Section 20(a) of the Interstate Commerce Act was intended to apply. On March 13, 1972, the petition of the Commonwealth of Pennsylvania was denied.

Finance Docket No. 27194
Determination of cost reimbursement under Section 405(f)
of the Rail Passenger Service Act of 1970, as amended

Section 8 of Public Law 92-316, June 22, 1972, (Section 405(f) of the Rail Passenger Service Act) required Amtrak to restore to railroad and terminal company employees, retirees and dependents of each substantially the same free or reduced-rate transportation privileges they held prior to the creation of the Corporation. Since these privileges were created by the railroads in relation to services rendered prior to the Corporation's existence, the statute directs that the railroads shall reimburse the Corporation for "such costs as may be incurred" in providing such transportation, including the costs of implementing and administering the requirements of the statute. The statute provided that if the Corporation and the railroads were unable to agree as to the amount of reimbursement within 90 days after enactment, the matter would be referred to the Interstate Commerce Commission (ICC) for decision within 90 days.

The Corporation adopted a pass policy implementing the requirements of the statute, effective July 24, 1972, and has been providing pass transportation thereunder continuously since that date.

Following unsuccessful negotiations with the railroads regarding the amount of reimbursement, the Corporation on September 21, 1972, referred the matter to the ICC for decision by petition in Finance Docket No. 27194. During the pendency of this proceeding the Corporation reached agreement with the larger railroads, through the Association of American Railroads, concerning reimbursement for administration of the pass policy for a period of three years, leaving the question of the amount of reimbursement for providing pass transportation as the only issue before the ICC.

By order of December 20, 1972, amended by a corrected order of December 21, 1972, the ICC issued its decision. The ICC found Amtrak's pass policy to be in substantial compliance with the "space available" proviso of the statute. The ICC determined the "cost incurred" in transporting pass riders to be seventy-nine one thousandths of a cent (0.79 of a mill) per passenger mile, subject to reevaluation and possible retroactive adjustment to the date of the decision after one year. (Examples of the rate found by the ICC are: New York-Washington, 7 cents; New York-Chicago, 72 cents; Washington-Miami, 91 cents.) The ICC further ordered that revenues received from railway employees traveling under reduced rates shall be credited against the railroads' obligation to reimburse Amtrak for these costs. This credit is expected to reduce the railroads' reimbursement obligation to zero. Amtrak will appeal this decision.

Before the Federal Railroad Administration (FRA):

Docket No. RST-1

Track safety standards for passenger trains

On October 15, 1971, the FRA adopted Track Safety Standards, including train speed restrictions, which made no distinction between passenger and freight trains. On June 6, 1972, Amtrak applied for further rulemaking that would recognize the distinct speed and safety capability of passenger equipment as distinguished from freight equipment. On September 5, 1972, the FRA proposed amendments to its previously filed standards that would grant substantially

all the relief requested by Amtrak in its June 6 petition. A hearing on the proposed amendments was held on September 22, 1972. Decision is expected shortly.

Contract Arbitrations

The Contract between Amtrak and the railroads entered into pursuant to Section 401 of the Rail Passenger Service Act of 1970 provides for binding arbitration when any controversy arises between the parties concerning an interpretation, application, or implementation of that agreement. A National Arbitration Panel has been established to adjudicate these disputes, and thus far the following ten cases between Amtrak and the railroads have been submitted for resolution:

National Railroad Passenger Corporation

v.

The Southern Pacific Transportation Company,
The Atchison Topeka & Santa Fe Railroad Company
and The Penn Central Transportation Company

Shortly after the Procedural Rules for Arbitration were adopted by the National Arbitration Panel on April 20, 1972, Amtrak served an arbitration demand on the Penn Central Transportation Company, The Atchison, Topeka and Santa Fe and The Southern Pacific Transportation Company, thereby initiating the first arbitration proceeding under the new rules. In early 1972, the three railroads had advised that they were unwilling to comply with Amtrak policy directives relating to the movement of privately owned railway cars. Two railroads believed regulations for hauling such cars were exclusively within their own domain and one railroad claimed that the providing of this kind of service was not required under the terms of the basic contract.

A preliminary hearing on the merits of the railroad claims was held by the Chairman of the National Arbitration Panel in response to a request for such a hearing by Amtrak. Mediation by the chairman at this hearing was a success. As a result of further conferences between the parties, Amtrak was advised that the Penn Central and the Santa Fe would agree thereafter to handle privately owned cars in accordance with the pre-existing Amtrak policy directives on this subject if the Arbitration proceedings were dismissed as to these companies. Since this resolved the controversy as to these parties, Amtrak asked for a dismissal of the arbitration proceedings as to them.

On July 20, another mediation hearing was held by the chairman of the National Arbitration Panel and, during these proceedings, the Southern Pacific agreed to recognize it did have an obligation to haul private cars under the terms of the basic agreement. With this change in position, no further controversy existed on the matter and Amtrak agreed to dismiss this case. All railroads have since then been complying with Amtrak's private car policies.

Penn Central Transportation Company;
Burlington Northern, Inc.; Chicago,
Milwaukee, St. Paul & Pacific Railroad
Company

v.

National Railroad Passenger Corporation

The second arbitration case was brought against Amtrak by the proprietary railroad companies of the Chicago Union Station. Prior to starting its intercity service, Amtrak had decided to consolidate all its Chicago train services into one station in order to simplify passenger interchange procedures and to save large operating expenses, which Amtrak otherwise would have to pay for maintaining three stations in Chicago when only one station was required. While consolidation arrangements were in progress, the owners of the Chicago Union Station claimed that Amtrak did not have a right to consolidate its services into that station without paying for access and use of the station as if Amtrak were an original owner.

Amtrak had denied it should be treated as an owner and contended that the proprietary companies had an obligation to use their best efforts to support the consolidation under the terms of the basic agreement signed by the railroads, which did not include Amtrak's paying for ownership costs. Amtrak claimed, in support of its position, that the only intercity passenger trains being operated in Chicago Union Station were Amtrak trains. The railroads did not agree. Their case was filed on July 7, 1972, and Amtrak's counter-case was filed on September 12. Oral arguments were made before the National Arbitration Panel on November 30, 1972. A decision by the Panel has not been rendered to date.

National Railroad Passenger Corporation

v.

Seaboard Coast Line Railroad

Under the terms of the basic contract with the railroads it was agreed that the railroads would assume all the risk of liability in connection with the operation of passenger service if Amtrak would pay each railroad 4 percent of all the monthly costs paid to it by Amtrak for services rendered. When this 4 percent figure was being negotiated, there was not sufficient information available to either party to determine how much Amtrak ought to pay for having the railroads assume this risk. Although the standard reports by the railroads to the Interstate Commerce Commission indicated that a rate of not more than 2 percent of the costs of service to Amtrak would be a fair figure, in order to reach agreement Amtrak conceded to the 4 percent-of-costs figure, but only on the condition that all parties would continue to negotiate in good faith to reach a new liability agreement, and on the condition that, if agreement could not be reached, the parties would submit the question to the National Arbitration Panel.

All contracting railroads except the Seaboard Coast Line reached agreement with Amtrak on a satisfactory long-term method of dealing with liability to replace the 4 percent override agreement. Amtrak believed that the Seaboard Coast Line was receiving an excessive amount of funding for the amount of risks of liability it took. Amtrak believed that the out-of-pocket liability costs had remained an important incentive for the Seaboard to improve rail passenger safety practices and controls and that excessive payments could be counterproductive to this end.

Amtrak, therefore, submitted the entire question to arbitration. Amtrak alleged in its filings that the great economic advantage derived by the Seaboard Coast Line from the 4 percent-of-cost payments amounted to a gross out-of-pocket loss to Amtrak and was of such a size that the railroad was, in fact, assuming no financial risk. The Seaboard received notice of the arbitration proceeding and shortly thereafter Amtrak was informed that that railroad was willing to accept the same liability provisions the other railroads had agreed to. As a result of this change in position by the Seaboard, Amtrak withdrew its arbitration demand and the case was dismissed.

National Railroad Passenger Corporation

v.

Atchison, Topeka & Santa Fe and
Southern Pacific Transportation Company

The third Amtrak arbitration demand was filed on June 19, 1972, to determine whether or not the Atchison, Topeka and Santa Fe Railroad Company was required under the terms of the basic agreement to provide consolidated commissary services for all Amtrak trains arriving and departing from Los Angeles by use of its commissary facility at the Los Angeles Union Passenger Terminal. After filings had been received from both parties and oral argument had been heard, the National Arbitration Panel determined that the basic agreement did not require the Santa Fe to provide consolidated commissary services for Amtrak trains at Los Angeles.

National Railroad Passenger Corporation

v.

Seaboard Coast Line Railroad Company

On December 23, 1971, Amtrak train #85, the south-bound Champion, ran into an open switch on the rail lines of the Seaboard Coast Line at a point approximately five miles north of St. Petersburg, Florida, and the train was derailed. Four Amtrak-owned cars were damaged in amounts that exceeded their value and eight other cars sustained damage estimated between \$2,000 and \$4,000 each. Amtrak claimed that the Seaboard was responsible for the damage to these cars under the terms of the basic agreement and that railroad denied that it had assumed such a liability.

The total cost of repairing these cars was \$36,859.60. A case and counter-case on the question was submitted to the National Arbitration Panel in July and September, 1972, and an oral proceeding was held in November. After a careful evaluation of the evidence and the arguments presented, the National Arbitration Panel unanimously held in favor of Amtrak and the Seaboard was ordered to pay the entire costs of the damaged cars.

Penn Central Transportation Company

v.

National Railroad Passenger Corporation

In September, 1971, Amtrak decided to consolidate the six separate railroad reservation offices that were operating in Chicago on behalf of Amtrak into one reservation center. As a result, a number of railroad employees became "displaced" when eight positions were abolished at the sales office and reservation bureau of the Penn Central Transportation Company. In June, 1972, the Penn Central filed an arbitration against Amtrak, which asked the National Arbitration Panel to find that Amtrak was responsible for any wage and protection payments which were owed by the Penn Central to its employees because their positions had been abolished. Amtrak denied that it was responsible for paying job protection to these railroad employees and alleged that such protection payments were the responsibility of the Penn Central.

It was claimed by Amtrak that the Rail Passenger Service Act of 1970 had clearly placed the responsibility of the labor protection costs of these displaced Penn Central employees on the railroad, and that Amtrak was not obligated to assume Penn Central's protection costs when it consolidated the reservation and ticketing functions. The railroad claimed that Amtrak was obliged to employ the Penn Central employees, and that, if it failed to do so, Amtrak was required to pay the protection payments owed the employees by reason of their "displacement".

Oral arguments on these issues were given to the Arbitration Panel on December 27, 1972, and the matter is awaiting decision.

National Railroad Passenger Corporation

v.

Penn Central Transportation Company

An arbitration was filed on August 18, 1972, by Amtrak alleging that the Penn Central Transportation Company had violated its basic agreement by failing to maintain its rail lines between Indianapolis, Indiana, and Kankakee, Illinois, at a proper level of utility. On May 1, 1971, passenger trains took two hours and forty-one minutes to go from Kankakee, Illinois, to Indianapolis, Indiana, over the Penn Central tracks. Today the same trip requires three hours and fifty minutes. This one hour and ten minute additional travel time over a distance of 139 miles was caused by deteriorating conditions of the track. As a part of their contract obligations that were a prerequisite for their authority to discontinue their passenger service,

the Penn Central, along with each of the other contracting railroads, had agreed to maintain the rail lines being used by Amtrak "at not less than the level of utility existing on" May 1, 1971. This obligation runs until 1996.

In the fall of 1971 the Amtrak train called the Floridian began to experience severe delays on the Penn Central rail lines between Chicago and Louisville, Kentucky, because of an excessive number of speed restrictions ("slow orders"). As a result of these delays, the Floridian consistently failed to reach Jacksonville, Florida, for its scheduled consolidation with the east coast Florida trains. Subsequent reroutings of the Floridian over other tracks has not relieved the situation.

On numerous occasions Amtrak requested the railroad to restore the level of utility of track that existed on May 1, 1971, but this has not been done. Instead, the Penn Central has asked for Amtrak to pay \$2,695,400 to bring the track between Kankakee and Indianapolis back up to the necessary passenger service utility.

Although both the case and the counter-case had been filed and an oral hearing was scheduled for late December, 1972, Amtrak requested a dismissal of this case in order that the case could be consolidated with like cases against another railroad, which also has failed to maintain the level of utility of track as required in the basic agreement. This consolidated case will be filed joining Penn Central with the other railroad during early January.

National Railroad Passenger Corporation

v.

Penn Central Transportation Company

During August, 1972, despite repeated requests by Amtrak that the Penn Central Transportation Company operate a full on-time intercity service between Philadelphia and Harrisburg, Pennsylvania, in accordance with Amtrak's published schedules, this was not done. Therefore, on August 24 Amtrak brought a case against Penn Central before the National Arbitration Panel alleging that the Penn Central had violated the basic agreement by failing to operate this service as requested by Amtrak. In Amtrak's view the damage from the Hurricane Agnes flood in the Harrisburg area had been sufficiently abated by the middle of August so that the existing conditions did not justify the continuing cancellation of the Amtrak train schedules or the delays and

the inconvenience to the public on this route long after hurricane emergency conditions had been resolved.

Subsequent to the filing of its notice of arbitration the Penn Central advised Amtrak that the Philadelphia-Harrisburg trains would be restored to full service if Amtrak as the common carrier responsible to the public wished Penn Central to do so. Restoration of full operation of the Amtrak train schedules was, therefore, requested by Amtrak to begin on September 7 and train service was restored by September 11. For this reason Amtrak requested a dismissal of this arbitration case by the National Arbitration Panel and the case was dismissed:

National Railroad Passenger Corporation

v.

Atchison, Topeka & Santa Fe Railway Company;
Burlington Northern, Inc.; Chicago & Northwestern
Railway Company; Chicago, Milwaukee, St. Paul &
Pacific Railroad Company; Gulf, Mobile & Ohio
Railroad Company; Illinois Central Gulf Railroad
Company; Missouri Pacific Railroad Company;
Norfolk & Western Railway Company, and Union
Pacific Railroad Company

As a result of an audit of the Kansas City Railway Company (a terminal company) it was disclosed that Amtrak was being charged 70 percent of the cost that the terminal company was charging for the handling of mail and communication services that were unrelated to intercity rail passenger service. Mail handling is by far the largest activity at the Kansas City Terminal and approximately half of the mail handled there is unrelated to Amtrak train operations. The Post Office pays railroads directly for hauling United States Mail and the Kansas City Terminal Company had been charging Amtrak a portion of the costs of handling these railroad mail shipments. Amtrak has asked the National Arbitration Panel to grant an award which declares that Amtrak is not responsible for these costs, which are unrelated to the operation of intercity rail passenger service. Filings are due to be made in late January and early February with oral hearings scheduled for early March.

Penn Central Transportation Company

v.

National Railroad Passenger Corporation

An arbitration was filed by Penn Central September 14, 1972, to compel Amtrak to pay for the use of Metroliner cars under a lease arrangement, separate from the reimbursement provisions of the Agreement, the price and terms of which are sought to be prescribed by the Arbitration Panel. Penn Central has submitted its case, and Amtrak is preparing its reply.

MANAGEMENT

Amtrak's top management at the end of 1972 consisted of a Board of Directors of eleven individuals;* a President, an Executive Vice President and nine other Vice Presidents, each of whom is in charge of a separate department. As of December 31, the public members of the Board of Directors and the expiration dates of their terms are:

The Secretary of Transportation (serves ex-officio)	
Roger Lewis (chairman)	April 28, 1975
David W. Kendall	April 28, 1973
Frank S. Besson	April 28, 1974
David E. Bradshaw	April 28, 1974
Charles Luna	April 28, 1974
John J. Gilhooley	April 28, 1975

The Board members representing the railroad stock interests are:

Louis W. Menk (Burlington Northern)
William H. Moore (Penn Central)
William J. Quinn (Chicago, Milwaukee, St. Paul & Pacific)

* There exists a vacancy in the office of consumer director. A nomination to fill this vacancy was sent to the Senate in January, 1972, but the Senate has not as yet advised and consented to the appointment.

The Amtrak departments and the Vice Presidents at their heads are as follows:

- (1) Procurement and Material Control --
J. Cowell, Jr.
- (2) Personnel and Administration --
K. A. Housman
- (3) Legal --
R. S. Medvecky
- (4) Operations --
F. S. King
- (5) Controller --
S. S. Sterns
- (6) Marketing --
H. L. Graham
- (7) Public Relations --
E. E. Edel
- (8) Public Affairs --
G. D. Morgan
- (9) Planning, State and Local Relations --
D. A. Watts, Jr.

Amtrak's President is R. Lewis, and its Executive Vice President is J. R. Tomlinson.

Advisory to Amtrak is the Financial Advisory Panel, whose members are appointed by the President with the advice and consent of the Senate. The Panel consists of the following individuals: Mr. Daniel W. Hofgren, Chairman, Miss Isabel H. Benham, Messrs. Howard P. Allen, Marshall L. Burman, Donald B. Herterich, Mrs. Claire Giannini Hoffman, Messrs. Winthrop C. Lenz, Carl H. Lindner, Jack Bennett, James H. McGlothlin, Richard Pistell, John S. R. Shad, Lloyd Waring, Richard Adams, and Charles R. Yates.

The Panel has held two meetings with Amtrak's management, and has been kept up to date on Amtrak's activities. It was the Panel that discovered the technical defects in the loan guarantee provisions of the basic Act, and recommended to Amtrak necessary corrections. Amtrak in turn recommended such corrections to Congress last year, and they were adopted as part of the amendments that became law on June 22, 1972.

On December 31, 1972, Amtrak had a total employment of 1,522 people located throughout the United States. Of this number, 376 were administrative positions, including clerical personnel located at headquarters, and 1,146 were employed performing functions previously performed by railroad personnel. When Amtrak performs a railroad function, a directive is sent to the respective railroads advising them that Amtrak will no longer reimburse them for performing such work for Amtrak. In essence, then, the great bulk of present employees of Amtrak and the considerably larger number of employees who will be joining Amtrak in the near future will not result in added costs to inter-city passenger operations; such payroll costs will be offset by reduction of railroad charges.

Amtrak has employed 280 key personnel (excluding clerical) at its headquarters. Of this number, 111 or approximately 40 percent, had prior employment history with either a railroad, airline, or travel agency.

ARTHUR ANDERSEN & Co.

815 CONNECTICUT AVENUE, N.W.
WASHINGTON, D. C. 20006

To the Board of Directors of

National Railroad Passenger Corporation:

We have examined the balance sheet of NATIONAL RAILROAD PASSENGER CORPORATION (incorporated pursuant to the Rail Passenger Service Act of 1970, as amended, and the laws of the District of Columbia) as of December 31, 1972 and 1971, and the related statements of operations and sources and applications of funds for the year ended December 31, 1972. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to the effect of such adjustments, if any, as may be required as a result of the matters referred to in Notes 2, 4, and 5 to the financial statements, the accompanying balance sheet and statements of operations and sources and applications of funds present fairly the financial position of National Railroad Passenger Corporation as of December 31, 1972 and 1971, and the results of its operations and sources and applications of funds for the year ended December 31, 1972, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding period.

Arthur Andersen & Co.

January 25, 1973.

NATIONAL RAILROAD PASSENGER CORPORATION

BALANCE SHEET

ASSETS

	<u>December 31, -----</u>	
	<u>1972</u>	<u>1971</u>
	(Dollars in Thousands)	
CURRENT ASSETS:		
Cash	\$ 1,450	\$ 1,302
Temporary cash investments, at cost	5,300	1,800
Accounts receivable -		
Federal grants	9,600	-
Railroad capital payments, due		
within one year (Note 2)	64,731	64,560
Other	1,712	688
Advances for railroad operations, net	4,467	-
Materials and supplies, at cost	2,018	1,510
Prepayments and deposits	422	-
	-----	-----
Total current assets	89,700	69,860
	-----	-----
PROPERTY AND EQUIPMENT, at cost:		
Passenger cars and locomotives (Note 3)	42,088	14,982
Furniture, fixtures and leasehold		
improvements	1,307	104
	-----	-----
	43,395	15,086
Less- Accumulated straight-line		
depreciation and amortization	1,532	105
	-----	-----
Net property and equipment	41,863	14,981
	-----	-----
RAILROAD CAPITAL PAYMENTS, due January		
through April, 1974 (Note 2)	21,898	87,598
	-----	-----
Total assets	\$153,461	\$172,439
	=====	=====

The accompanying notes are an integral part
of this balance sheet.

NATIONAL RAILROAD PASSENGER CORPORATION

BALANCE SHEET

LIABILITIES AND CAPITALIZATION

	December 31,	
	1972	1971
	(Dollars in Thousands)	
CURRENT LIABILITIES:		
Accounts payable -		
Passenger service provided by		
railroads	\$ -	\$ 2,868
Corporate operations	3,513	994
Amounts due on purchases of property	7,129	695
Accrued expenses	1,669	653
Deferred ticket revenue	7,532	-
	-----	-----
Total current liabilities	19,843	5,210
	-----	-----
NOTES PAYABLE (Note 3)	-	25,000
	-----	-----
CAPITALIZATION (Notes 1 and 2):		
Preferred stock, par value \$100 per		
share, 1,000,000 shares authorized	-	-
Common stock, par value \$10 per share,		
40,000,000 shares authorized -		
Issued and outstanding	52,143	18,250
Fully paid, in process of being		
issued	-	2,607
Subscribed and unpaid	41,714	73,000
	-----	-----
	93,857	93,857
	-----	-----
Capital surplus -		
Railroad capital payments	103,238	103,238
Federal grants	175,612	36,712
	-----	-----
	278,850	139,950
	-----	-----
Accumulated deficit	(239,089)	(91,578)
	-----	-----
Total capitalization	133,618	142,229
	-----	-----
Total liabilities and capitali-		
zation	\$ 153,461	\$172,439
	=====	=====

The accompanying notes are an integral part
of this balance sheet.

NATIONAL RAILROAD PASSENGER CORPORATION

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED DECEMBER 31, 1972
(Dollars in Thousands)

Railway Operating Revenues (Note 5)	\$162,576

Operating Expenses:	
Services provided by railroads (Note 5)-	
Maintenance of way and structures	4,958
Maintenance of equipment	58,572
Traffic	6,821
Transportation	127,728
Dining and buffet service	28,030
General	36,896
Taxes on payroll and property	15,169
Equipment rents	5,798

	283,972
Services provided by the Corporation	17,125

Total operating expenses	301,097

Deficit from operations	138,521

Corporate Expenses:	
General and administrative	7,462
Interest	1,528

	8,990

Net deficit	147,511
Accumulated deficit, beginning of year	
(represents net deficit since commencement	
of operations on May 1, 1971, to December 31,	
1971)	91,578

Accumulated deficit, end of year	\$239,089
	=====

The accompanying notes are an integral part
of this statement.

NATIONAL RAILROAD PASSENGER CORPORATION

STATEMENT OF SOURCES AND APPLICATIONS OF FUNDS

FOR THE YEAR ENDED DECEMBER 31, 1972
(Dollars in Thousands)

SOURCES OF FUNDS (Note 1):

Federal grants received or receivable	\$138,900
Railroad capital payments becoming due within one year	65,700

Total sources of funds	204,600

APPLICATIONS OF FUNDS:

Operations -	
Net deficit	147,511
Depreciation and amortization	(1,427)

Funds used for operations	146,084
Repayment of notes payable	25,000
Investment in passenger cars and locomotives	27,106
Investment in other property	1,203

Total applications of funds	199,393

INCREASE IN WORKING CAPITAL \$ 5,207
=====

SUMMARY OF CHANGES IN WORKING CAPITAL:

Increase in current assets -	
Cash	\$ 148
Temporary cash investments	3,500
Accounts receivable	10,795
Advances for railroad operations	4,467
Materials and supplies	508
Prepayments and deposits	422
(Increase) decrease in current liabilities -	
Accounts payable	349
Amounts due on purchases of property	(6,434)
Accrued expenses	(1,016)
Deferred revenue	(7,532)

Increase in working capital	\$ 5,207
	=====

The accompanying notes are an integral part
of this statement.

NATIONAL RAILROAD PASSENGER CORPORATION

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 1972

(1) CAPITAL AND FEDERAL FUNDING

National Railroad Passenger Corporation (the Corporation) is incorporated as a for profit corporation pursuant to the Rail Passenger Service Act of 1970, as amended (the Act), and the laws of the District of Columbia.

The Corporation is required by the Act to provide intercity rail passenger service within a basic system until July 1, 1973, after which service may be revised. This service is being provided by the Corporation primarily through contracts with certain railroads for train and other operations, and provides the basis for compensation to the railroads through June 30, 1973, with provision for negotiation of the compensation terms thereafter.

Funds have been provided, as specified by the Act, through capital payments and capital stock purchases by railroads, and by Federal grants. Federal grants are reflected in the financial statements as they are made available. As of December 31, 1972, Federal grant funds appropriated but not requisitioned are \$40,200,000 of which \$9,100,000 has not been released by the Federal Administration.

The continuation of service and the extent of operations is dependent upon the future availability and amount of funds to provide such service and operations.

(2) RAILROAD CAPITAL PAYMENTS

Railroad capital payments totaling \$197,095,000 (\$93,857,000 common stock and \$103,238,000 capital surplus) are subject to possible reductions based on elections by the railroads as provided by the Act, and the reductions, if any, are not presently determinable.

(3) CAPITAL EXPENDITURE PROGRAM AND GUARANTY OF DEBT

The Board of Directors has authorized capital equipment projects for the years 1973 through 1975 of approximately \$95,000,000 under which substantial commitments have been made.

The Corporation is authorized by the Act to borrow for equipment and other capital purposes up to \$150,000,000 through June 30, 1973, and up to \$200,000,000 thereafter, with such debt to be guaranteed in whole or in part by the Federal Railroad Administrator. The Corporation's interest in rolling stock has been assigned under a security agreement with the Administrator in connection with the guaranty of debt. As of December 31, 1972, the Corporation has no such debt outstanding.

(4) TAXES

There has been no income from operations, and therefore, no provision has been made for income taxes. Management is of the opinion that the Federal grant and railroad capital payments are not taxable income and has requested a tax ruling to support this position. If some portion were considered taxable income, it is anticipated that future operating deficits would substantially offset such amounts.

(5) ADJUSTMENTS OF RAILROAD REIMBURSEMENTS

Payments to the railroads for services provided are based on reported and estimated revenues and expenses which are subject to audit and adjustments. The Corporation has a continuing program for auditing the monthly reports which has resulted in numerous adjustments proposed and settled or under current negotiation. Such adjustments are reflected in the financial statements at the time of settlement.

APPENDIX