

385.22

N21

~~1974~~

1977

this is an  
open shelf book

Pring 7

~~COMMENCE~~ LIBRARY

~~COMMENCE~~ LIBRARY



THE LIBRARY OF THE

SEP 11 1978

UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN

hbd

1977 Annual Report



~~COMMENCE~~ LIBRARY

National  
Passenger Corp.

# 1977 AMTRAK ANNUAL REPORT

Submitted on February 15, 1978,  
to the President of the United States,  
the President of the Senate,  
and the Speaker of the House of Representatives,  
pursuant to Sections 308 and 805  
of the Rail Passenger Service Act,  
Public Law 91-518,  
as amended.

President's Report	2
Finance	4
Marketing	6
Operations	9
Northeast Corridor	16
Labor Relations/Personnel	17
State and Local Services	20
Legal	21
Forward Planning	23
Operating Statistics	24
Financial Statements	25



## PRESIDENT'S REPORT

This has been a year of contrasts and great challenges. But more significantly, it has been a year in which the right questions about Amtrak began surfacing.

Should there be an Amtrak? Does it serve the right areas? How large should it be? How much is the nation willing to spend providing intercity train service each year? Where do trains "fit" in the transportation mix? What about energy and trains and transportation priorities?

These are some of the questions now being asked me when I travel around the country.

They are timely for many reasons, not the least of which is the national need for a clear policy decision by the federal government and the Congress on the proper role for Amtrak over the next 5 to 10 years.

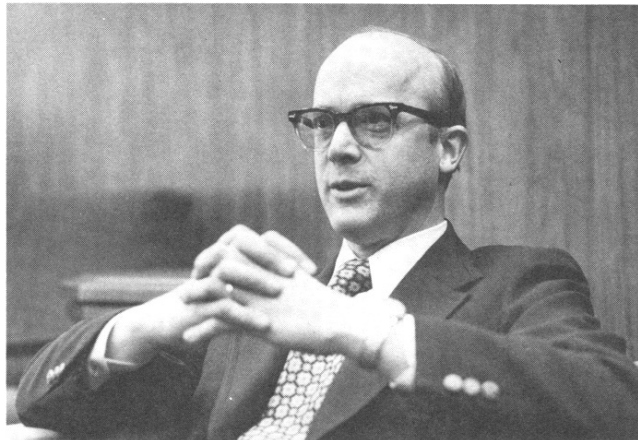
In its brief 6½ year history, Amtrak has attempted to comply fully with Congressional directions. Our principal drive has been on modernization, with emphasis on capital investment to improve service reliability, routes and markets. With each succeeding year, however, Amtrak has been placed in a tighter and tighter financial squeeze. Capital funds have fallen far short of that necessary to maintain our present level of operation.

Meanwhile, demands from the states and public groups for more routes, more service and more trains are on the upswing. On the other hand, federal budgeteers have been forcing a reduced operating budget as well as measures to bring the corporation's net costs below a fixed amount.

For our part, every possible saving in administrative and overhead costs has been examined, and tight budgetary constraints have been applied internally. This effort will continue. However, the amount of the savings required under the reduced budgets has been so large that we have also been forced to cut back in the quality, as well as the quantity, of services offered to the public. This is counterproductive as it impacts revenues.

Among the policymakers in government, polarization continues between those who want more transportation services and those who promote other federal programs. And an unevenness exists in fiscal policy standards and their application in dealing with inflation, wages and costs of service between the private and public sector.

Somewhere in between these opposing forces, a national policy will emerge.



**Paul H. Reistrup**

On this point, we feel that, as managers of the national network, our role is to focus attention on what tools Amtrak needs to provide proper train service. And as the fiscal year ended, the corporation issued its new five-year improvement plan, calling for purchase of new passenger cars and locomotives, modernization of additional stations and maintenance facilities, and track upgrading in five states and the Northeast Corridor. The plan also proposed a complete restudy of Amtrak's route system—the first major review since the corporation was formed.

This annual report details the operating results for fiscal year 1977. It was a year we could look upon as showing some significant successes—new cars and locomotives, faster schedules, new stations being built, and both ridership and revenues higher than last year.

On the equipment side, a program of conversion of the SDP40Fs to much shorter and lighter, four-axle locomotives got underway with a total of 72 conversions approved in 1977. The conversions occurred when the locomotives returned to the builder for their 500,000-mile overhaul and included installation of electric generators to power Amtrak's new electric cars. Additionally, Amtrak's board voted to buy 10 more new F40PHs, adding to an original fleet of 30 of these reliable units.

Although the last of 492 cars in the Amfleet series arrived during the summer, the stainless steel cars already were a fixture of Amtrak service over many parts of the nation. Amfleet trains now operate from Boston to Savannah; Washington to Chicago; Chicago to New Orleans (as well as to many other cities in the Midwest); Chicago to Laredo; Los Angeles to San Diego; and Seattle to Portland, Salt Lake City and Vancouver, British Columbia. Three-fourths of Amtrak passengers, who travel in day service, now

travel in new passenger cars—either Amfleet or the equally-modern Turboliners.

Another major introduction of new passenger equipment had been planned for 1977, this time on the long-distance, overnight routes. Amtrak's new double-decker Superliner cars originally had been scheduled to go into service during the summer on routes between Chicago and Seattle, but a strike at the Pullman Standard plant delayed deliveries.

Also on the equipment side, Amtrak's directors voted to lease two advanced LRC trains from Canada. The trains, which have a unique cradle suspension system, will be used in speedy corridor-type service between Vancouver, British Columbia, Seattle and Portland sometime in late 1978 or early 1979. They will also be tested on the Northeast Corridor.

Additional progress was made on the station side of our business in 1977. Amtrak opened a new station in Cleveland and started work on new stations in Miami, Rochester, Minneapolis-St. Paul and Canton, Ohio. Major improvements were approved for stations at Detroit, Omaha and Charleston, West Virginia, and 13 stations were upgraded on the new Pioneer route between Seattle and Salt Lake City.

On the maintenance side of operations, Amtrak initiated a \$38 million modernization program of the 12th Street car maintenance yards and 16th Street locomotive shops in Chicago. Work to modernize and expand Amtrak's major car overhaul and repair plant at Beech Grove, Indiana, also continued.

New Amfleet-equipped services were inaugurated on two routes: the Pioneer, from Salt Lake City to Seattle, and the Hilltopper, which operates between Washington and Tri-State Station at Catlettsburg, Kentucky, via Richmond and Roanoke, Virginia.

Another round trip was added to the San Diego-Los Angeles schedule, bringing the total to five. The increased frequency, coupled with all new Amfleet trains, triggered ridership surges that were 70 per cent higher for many months of 1977 compared to the previous year.

Train schedules, which had improved in 1976, worsened in spring 1977, mostly because of track conditions and speed restrictions on locomotives. By fall, however, track improvements from summer work programs enabled Amtrak to shorten travel time for 26 trains, including reductions of as much as six hours on trains between Chicago and Seattle.

Equally important, work finally began in the Northeast Corridor. On March 31, Secretary of

Transportation Brock Adams and I officially kicked off the \$1.75 billion Northeast Corridor Improvement Program (NECIP), which is designed to provide regularly scheduled rail travel between Washington and New York in 2 hours and 40 minutes, and between New York and Boston in 3 hours and 40 minutes.

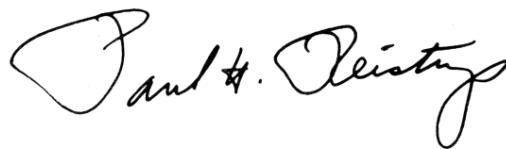
Results by year's end showed substantial progress despite the need for a gradual learning period for new workers. And the work was completed safely, a number one consideration for Amtrak managers. Improvements completed were: 40 track miles of continuous welded rail laid; 245 track miles surfaced; 171,000 ties laid; 20 track miles cleaned by undercutting 60 track miles of shoulder ballast cleaned; 2,868 joints eliminated or renewed; and 4 turnouts, 5,800 switch timbers and 9,000 ties renewed at 24 interlockings. A year-long \$5.5 million right-of-way clean-up program also was begun in September with over 350 acres cleared.

The Northeast Corridor project is a major milestone for Amtrak because we think it signals the start of a corridor-type program which, if ridership responds as predicted, will spread across the country wherever population centers demand reliable, frequent and more energy-efficient transportation.

In the meantime, Amtrak is hopeful that in fiscal 1978 government policy makers will sharply focus on the hard and complex national transportation policy questions.

While there are many questions about Amtrak, I don't want to leave any doubt about our answers. We are committed to improving the Amtrak system. That means, whenever we have a choice to make, we will use our funds to purchase new cars and locomotives; improve track conditions in key areas; modernize our maintenance facilities; build more new stations; and restructure our weakest routes to make them stronger. At the same time, we are keeping a tight lid on administrative and management costs.

We have proven that we can attract growing numbers of riders whenever we have implemented just one improvement on one route. We are convinced that if we can ever apply a combination of improvements to a route—such as new equipment, increased frequency and better track—we will erase all doubts about the sizable contribution that railroad passenger service can make to the nation.





## FINANCE

Operating results for fiscal 1977 reflect the effects of ownership and operation of the Northeast Corridor for a full year, while fiscal 1976 included such effects for only six months. Fiscal 1977 also reflects the results of new services added in 1976 and 1977 and the effect of the extremely severe 1977 winter.

During the year, Amtrak continued its aggressive cost reduction program to minimize its requirements for federal financial assistance.

### Revenues

The annual revenue level has increased from \$163 million in 1972 to \$311 million in 1977 for an average annual increase of 14 per cent. For the first time, Amtrak's ridership exceeded the twelve-month period that included the 1973-74 fuel crisis. This is a dramatic reversal of the continuing downward trend in rail ridership during the decades that preceded Amtrak's inception.

### Expenses

In 1977, total expenses amounted to \$848 million. Approximately 64 per cent of this amount was required for salaries and fringe benefits to Amtrak and railroad personnel, with the remaining 36 per cent

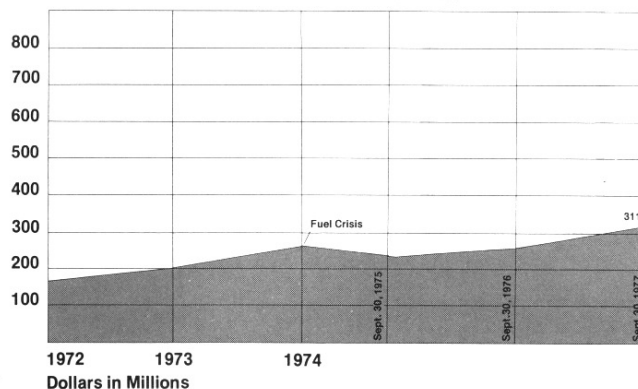
attributable to fuel, materials, interest, depreciation and other expenses.

Establishment of a Northeast Corridor organization, along with costs related to ownership of the properties, has increased Amtrak's operating expenses by an estimated \$75 million annually.

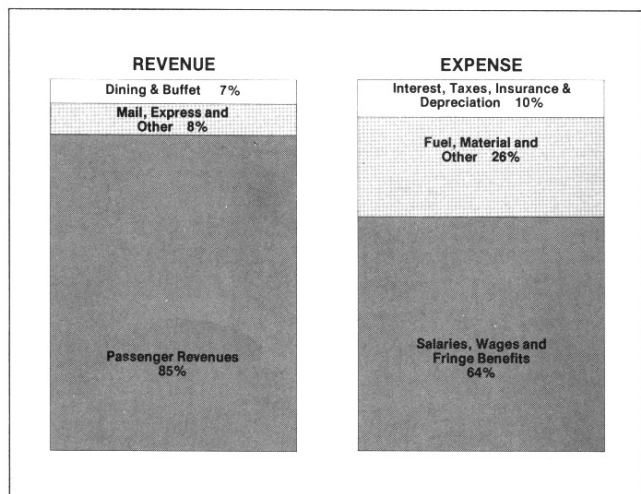
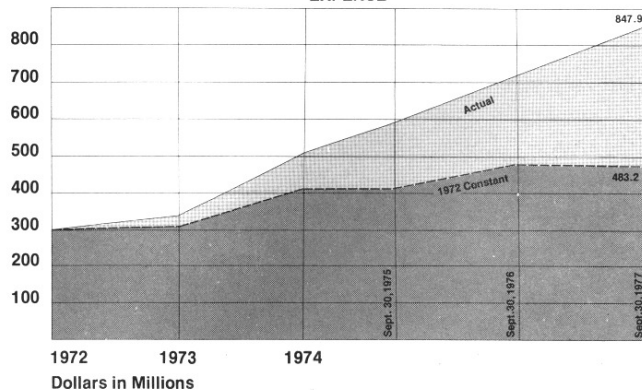
### Operating Deficit

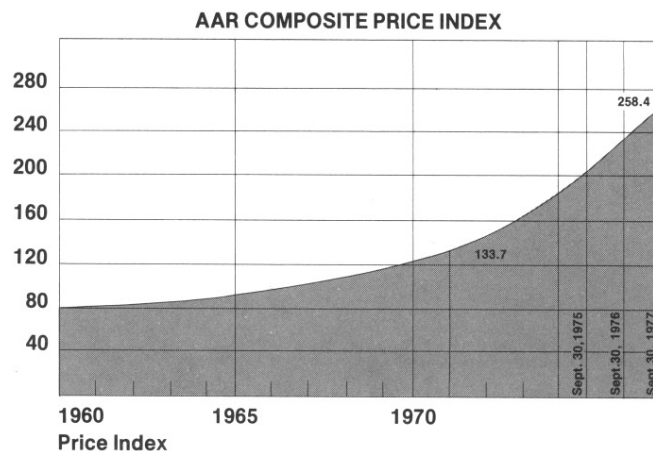
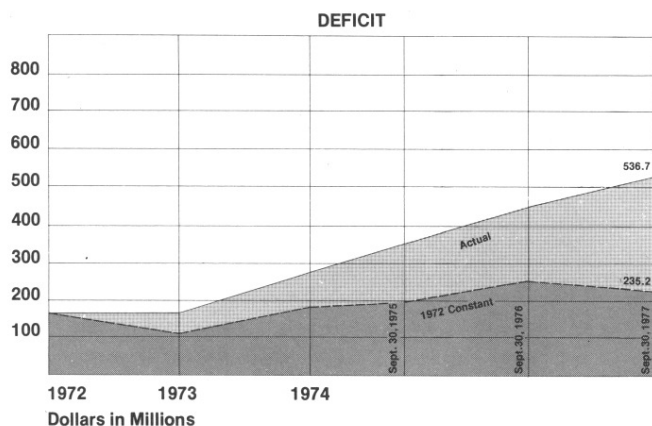
In spite of a 12 per cent increase in revenue over 1976, an increase in expenses of 18 per cent resulted in a rise in the deficit from \$441 million in 1976 to \$537 million in 1977. Besides inflation and the ownership and operation of the Northeast Corridor, the increase in expenses, which led to the higher deficit, resulted from addition of new routes and services, and

ACTUAL REVENUE DOLLARS



EXPENSE





continuing increases in direct labor costs and the cost of equipment maintenance and overhaul.

## Inflation

While inflation was less severe in 1977 than in some recent years, these first years of the corporation's existence have been heavily burdened by wage and price increases. Over 70 per cent of the inflation since 1960 has taken place in just the last six years, at a time when Amtrak's formation and growth required heavy financial investment to overcome the decades of neglect. Revenue, through fare increases, could not reasonably be expected to offset the rate of cost growth.

## Capital Funding

The Railroad Revitalization and Regulatory Reform Act of 1976 authorized federal assistance for the acquisition and improvement of the Northeast Corridor, and certain other properties conveyed from Conrail, in the amount of \$1.89 billion, with established goals to be met within five years. This program is administered by the Secretary of Transportation. As of September 30, 1977, approximately \$64 million had been expended for fixed property improvements.

This authorization is independent of some \$1.2 billion of financing authority provided Amtrak to date for equipment acquisitions and other capital improvements.

Three out of every four Amtrak passengers, who travel in day service, ride in new equipment, either Amfleet or Turboliners.

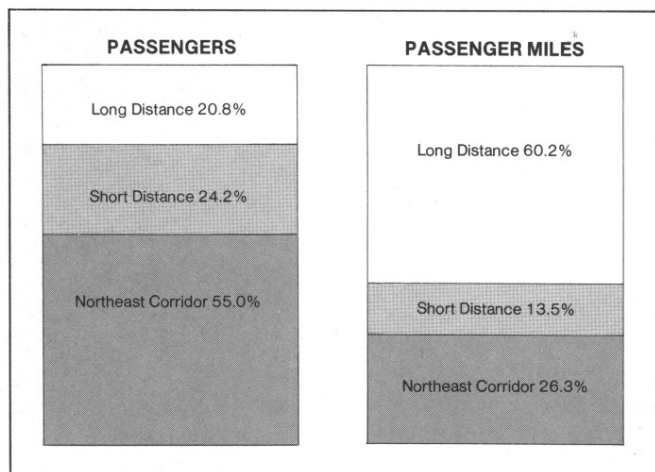


## MARKETING

For fiscal year 1977, the Amtrak system carried 19,207,000 passengers, an increase of 1,055,000 riders, for a gain of 5.8 per cent over 1976. The average trip length of those travelers was 226 miles, totaling 4,333,200,000 miles of passenger travel.

Greatest passenger growth during the year was experienced on short-distance service, reflecting the drawing power of new Amfleet equipment supported by strong, coordinated advertising and fare programs.

The Northeast Corridor experienced a relatively small growth in total. However, this is actually a mixed result. The highly successful Amfleet promotion program offset the decline in the Metroliner market.



In late fiscal 1977, Amtrak's board approved a program to begin overhauling and modifying the existing fleet of Metroliner cars. First approval was for \$20 million to overhaul 16 of the high-speed cars. The first upgraded cars should begin entering service in early fiscal 1979.

Gains in long-distance service also reflect a mixed effect. The U. S. A. Rail Pass program has the greatest attraction for long-distance recreational travelers, and the success of the program is reflected in ridership on the long-distance trains.

A shortage of equipment for peak travel periods, however, has restricted capacity and induced some ridership declines.

These results continue the trend of steady market growth over the system and are the results of the

combined efforts of all Amtrak departments supporting the marketing programs. However, the year's results were depressed by drastic service interruptions caused by extremely severe weather conditions during January and February.

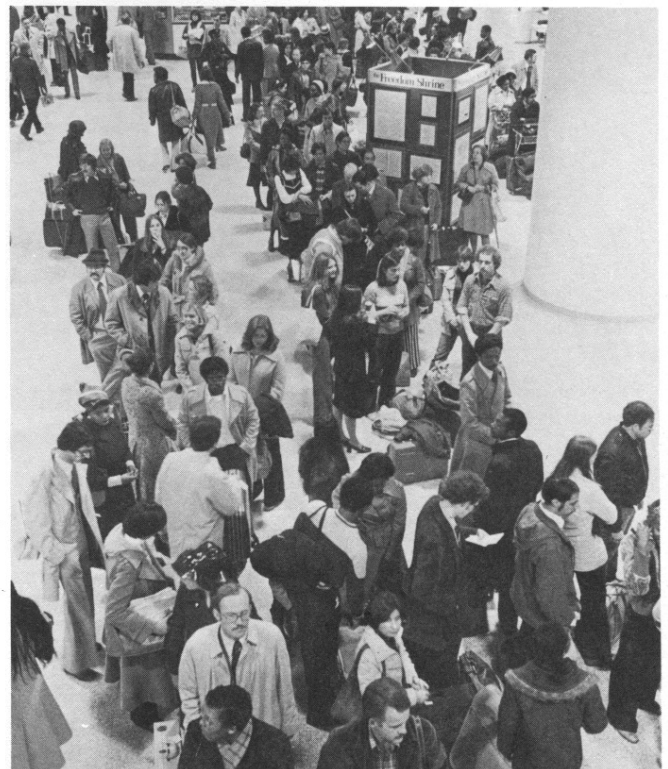
Key efforts of the Marketing department during fiscal 1977 centered on advertising, product pricing, development of other revenue sources, reservations and other administrative and support activities.

## Advertising / Promotion

Amtrak advertising is a multi-media effort. Local and national network television was used extensively with commercials appearing on programs such as the Super Bowl football game, *Roots* and the Academy Awards show. Two new television commercials were produced promoting the U. S. A. Rail Pass and Amfleet equipment. And, for the introduction of Turboliners in New York State, a special commercial was produced featuring the new equipment.

Amtrak ads also appeared in national magazines such as *Reader's Digest*, *TV Guide*, *Sunset*, *Holiday* and *Ebony*. Regional editions of *Time*, *Newsweek*,

Amtrak carried 1,055,000 more riders in fiscal 1977 than it did the previous year, an increase of 5.8 per cent.





U. S. News and World Report, Sports Illustrated, New York, Washingtonian and Philadelphia carried Metroliner advertising. This national advertising overlay reached all Amtrak markets during the year for maximum impact.

Local advertising, promoting special discount fare plans and features of unique interest to specific routes, was run primarily in newspapers and radio.

Several joint programs were developed during the year in association with promotion of retail products. One promotion was associated with the introduction of a Lever Brothers' personal care product. Another program was implemented with Busch Gardens. Also, nine markets were tested to prepare for a 1978 promotion offering free Amtrak transportation for children when accompanied by an adult. This particular promotion will appear during 1978 on approximately 64 million boxes of Kellogg's cereals.

## Pricing

Amtrak's pricing philosophy consists of two main thrusts: (1) overall price increases generally linked to the transportation inflation rate, and (2) a package of discount fares for specific promotional purposes. Underlying this philosophy is the clear recognition of the need to maximize revenues where the market permits. This strategy is based on research which indicates that Amtrak's market is relatively price sensitive.

The result of this fare management policy is reflected by the growth in both revenue and ridership.

General increases were implemented system-wide during December and June. Future planning calls for increases to coincide with the October and April timetable changes.

Amtrak's package of promotional fares was greatly expanded during the year. Experiments with dramatic discounts for low-ridership routes proved successful and the method will be expanded in the future. Other established programs were modified for peak/off-peak situations.

The U. S. A. Rail Pass program entered its second year and continued to expand. Greater emphasis on international promotion of the Pass included expansion of selling arrangements with other passenger carriers. The U. S. A. Rail Pass is now sold overseas by the French National Railways, the German



Tour desk serves Penn Station clientele in New York City. A good walk-in business, promoting and selling tour packages, has been developed from the thousands who use the station daily.



Metroliner leans into a curve on its way to Washington from New York. A program to upgrade the Metroliner cars was approved during the year.

Federal Railways, BritRail International, Pan American World Airways and Braniff International. The Pass is designed to be most attractive to long-distance travelers, as reflected by distribution of passengers and passenger miles.

DISTRIBUTION		
U.S.A. Rail Pass Market		
	Passengers	Passenger Miles
Long Distance	77.2%	95.9%
Short Distance	16.6%	2.9%
Northeast Corridor	6.2%	1.2%

## Sales

The year marked a continued effort to increase tour and travel agency sales. Amtrak's national tour program sales increased by \$2.8 million in 1977, a 121 per cent increase over 1976. Travel agency sales increased by \$9 million in 1977, a 26.5 per cent increase over 1976. Also completed in 1977 was the publication and distribution of the "Re-Discovery of America" tour book.

### SPECIALIZED AREA SALES GAINS

	1976	1977	
	(In Thousands)		
Tour Sales	\$2,314	\$5,114	+121 %
Travel Agencies	33,960	42,960	+ 26.5%
Foreign Travel	2,045	2,945	+ 44 %
Mail	7,765	10,566	+ 36.1%
Express	1,752	2,219	+ 26.7%

The U. S. A. Rail Pass was the focal point of the international sales effort. International retail outlets increased from 110 to over 7,000. Revenue from foreign travelers increased \$900,000, a gain of 44 per cent over 1976.

## Reservations and Ticketing

Use of Amtrak's Reservation and Information System continued to grow during the year. Incoming

Happy Georgians board Amtrak's "Peanut Special" at Plains to attend President Carter's inauguration in Washington in January.



A coast-to-coast revenue-generating excursion was operated to return the ex-Southern Pacific steam locomotive to Portland, Oregon, from Miami, when the locomotive was finished hauling the Bicentennial Freedom Train.

calls averaged approximately 51,000 per day. This volume produced 12,000 booked passengers a day representing over \$700,000 in daily revenue. This activity is 9.5 per cent higher than 1976.

Several service enhancements were implemented during the year, including:

- Installation of toll-free Canadian service. All Canadian points now have access to the Reservation and Information System.
- Implementation of the automated Ticket-by-Mail System. This allows the reservation and information agent to make the reservation, arrange for payment via credit card or check, and then direct the mailing of the customer's ticket. This is all done in one automated operation.

## Mail and Express Services

In fiscal 1977, Amtrak sought to expand its non-passenger-related revenue sources, most important of which are mail and package express services.

Revenue from package express service increased by \$467,000 making it 26.7 per cent higher than last year, while mail revenue rose \$2.8 million for a 36.1 per cent increase.

The revenue from carrying U.S. mail showed a significant increase accompanied by successful experimentation with containerization of mail bags to reduce Amtrak's handling costs.

## OPERATIONS

National Operations department has responsibility for all day-to-day operations, outside the Northeast Corridor, as well as total responsibility for on-board services throughout the Amtrak system.

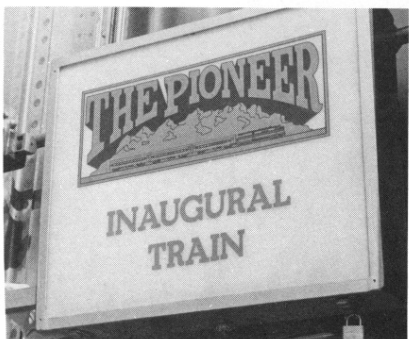
Operations Support department includes responsibility for procurement, material control, real estate, equipment design and engineering, heavy overhaul of cars, facility design and construction, and quality assurance.

The Pioneer, Amtrak's new train between Seattle and Salt Lake City, via Boise, Idaho, was inaugurated with a three-day trip over the route June 4-6. Crowds jammed the station to view the equipment. Speakers at Shoshone, Idaho, included, left to right, Governor John Evans, Mrs. Church, Amtrak President Paul Reistrup, Senator Frank Church, Amtrak Board Member Joseph MacDonald, and Board Vice Chairman Mary Head.

## New Services/Changes in Service

In June 1977, two new routes were inaugurated, each with Amfleet equipment; the *Pioneer*, between Seattle and Salt Lake City; and the *Hilltopper*, between Washington and Tri-State Station, at Catlettsburg, Kentucky. The *Hilltopper* replaced the *Mountaineer* which had operated between Cincinnati and Norfolk.

In April 1977, an additional daily train was added to the *San Diegan* service, between Los Angeles and







A fifth San Diegan was added to the Los Angeles-San Diego service. The scenic route skirts the Pacific ocean for many miles.

San Diego, bringing the route total to five round trips per day.

Most of the short-haul Empire Service trains, including the *Adirondack*, between New York and Montreal, were equipped with Turboliners. Service there was also increased by one additional daily train each way between New York and Albany, plus one additional round-trip on Fridays and Sundays.

## Amfleet Expansion

During 1977, three overnight trains were equipped with Amfleet equipment; the *Panama Limited*, between Chicago and New Orleans; the *James Whitcomb Riley*, between Washington and Chicago; and the *Inter-American*, between Chicago and Laredo. The *Riley* was renamed the *Cardinal* on October 31, 1977.

Twenty-five sleeping cars, formerly heated by steam, are currently being converted to electric power to be compatible with the Amfleet equipment.

The refurbished and upgraded sleeping cars were put in service on the *Cardinal* and the *Panama Limited* early in fiscal year 1978. They had previously been put in service on the *Night Owl*.

## Superliner Program Development

During the past year, National Operations developed a systematic training and development plan for on-board service employees and maintenance personnel assigned to the new Superliner cars. As this new equipment becomes available, it will be placed in service on the long-distance western routes.

## Running Maintenance

In 1977, Amtrak took control of the running maintenance, or day-to-day servicing and light repair

work, which was formerly performed at Los Angeles' 8th Street yard by the Santa Fe. Amtrak also assumed responsibility for the repair facility at New Orleans from the New Orleans Union Terminal. An intermediate shop was also established at New Orleans to perform work beyond the scope of running maintenance but not severe enough to warrant heavy shopping.

Takeover of facilities at Los Angeles and New Orleans resulted in Amtrak performing maintenance on 53 per cent of its locomotive fleet and 67 per cent of its car fleet. Amtrak also performs 53 per cent of all heavy overhauls on its passenger cars.

Yard facility improvements included installation of permanent electric standby power equipment at Chicago's 21st Street yard; Bakersfield, California; Milwaukee, Wisconsin; Salt Lake City, Utah; Portland, Oregon; Syracuse and Buffalo, New York and Grand Central Terminal in New York City. Construction of facilities to support the Superliners are progressing at specific midwest and western locations and are scheduled to be completed early next year.

Work has been performed at Chicago's 12th and 21st Street yards to eliminate some of the severe problems encountered during the past winter.

Phase II of the modernization program at the Chicago locomotive and car yards was also authorized during the year. To date, \$22 million has been authorized to rebuild the facilities.



Severe winter weather played havoc with Amtrak schedules delaying trains, causing some annulments and creating unpleasant working conditions for train personnel. Chicago's yards were frozen solid for several weeks.

With the help of Mayor Ralph Perk, Amtrak Board Vice Chairman Mary Head officially opens the new Cleveland, Ohio, station.

A joint study by the Federal Railroad Administration and Amtrak began this year to review current car maintenance and utilization practices, analyze their effectiveness and investigate ways to improve passenger car utilization.

### Station Services

During fiscal 1977, Amtrak served 524 stations as compared to 495 stations at the end of 1976. At the close of the year, ticketing was available at 376 stations with full baggage and express service at 285 locations.

### New Station Construction

Amtrak has approved plans and capital funding, at a total cost of \$6.9 million, for construction of new stations in Miami, Florida; Rochester, New York; and Canton, Ohio. Construction is well underway and is expected to be completed at each location before the end of this year. Amtrak is working closely with state and local agencies at all three locations.

Construction began on a new station in St. Paul, Minnesota, to serve the Twin Cities. The new station at Cleveland, Ohio, was officially dedicated on July 12.

Plans for a new station at St. Louis, Missouri, which is proposed to be part of a redeveloped Union Station Complex, were approved for construction at an estimated cost of \$4.7 million.

Construction plans and funding have also been approved for Dearborn, Michigan, and Schenectady, New York, two locations not served directly by Amtrak previously.

### Major Station Improvements

Plans were approved for rehabilitation of the west wing of the former Union Pacific station in Omaha, Nebraska, and for track connections to avoid back-up movements by trains. This \$1,058,000 project will enable Amtrak to relocate from its present temporary station there.

Phase II rehabilitation of the Detroit, Michigan, terminal began this past year with the State of Mich-



Crowds mill through the new station during a post-ceremony open house.

igan providing funding assistance in the \$600,000 project.

Plans for rehabilitation of the Charleston, West Virginia, station were approved at an estimated cost of \$200,000.

### Future Plans for New Stations and Major Station Improvements

Amtrak is planning construction of new stations, subject to availability of funds, in Memphis, Tennessee; Buffalo, New York; Altoona, Pennsylvania; Tampa, Florida; and Auburn, Washington.

Major station rehabilitation projects are also planned for Chicago; El Paso, Texas; Jackson, Mississippi; Alexandria, Virginia; Fayetteville, North Carolina; Pittsburgh, Pennsylvania; Portland, Oregon; and Grand Central Terminal in New York City.

Design, engineering and construction of the station projects is done by Amtrak's engineering department.

## Baggage

Amtrak introduced a new baggage tag coding system to reduce check-in time for passengers and enable station personnel and train baggagemen to handle and identify baggage more efficiently.

## On-Board Services

Emphasis on improving service to passengers while still reducing operating expenses resulted in numerous changes in the on-board service area.

For example, introduction of new train equipment brought a change in on-board service support procedures. Pre-portioned servings, frozen-food meal items, automatic beverage dispensing and other modern preparation methods are now employed. By utilizing the latest equipment and service concepts, Amtrak now offers more variety to the passenger, reduces waste and loss, and increases efficiency. Containerization and pre-packaging have saved valuable space and manpower on trains and assured better inventory control.

An evaluation of Metroliner service resulted in extensive upgrading of Metroclub service and development of a new MetroSnack service which provides hot meals to coach passengers.

A program of personalized supervision of on-board service employees was implemented starting with the *Montrealer*. Two trained supervisors are assigned to

specific trains and given full responsibility for the service standards and management of on-board service employees on those trains. This has resulted in improved on-board service to the traveling public, resulting in a 50 per cent reduction in customer complaints based on an analysis of passenger correspondence.

Programs have also been instituted to provide employee lounge facilities at crew base locations and to design a new employee uniform.

## Contracts

During 1977, revised operating agreements were negotiated with six railroads; the Grand Trunk Western; Richmond, Fredericksburg and Potomac; Seaboard Coast Line; Boston and Maine; Louisville and Nashville; and Southern Pacific. A total of eight carriers are now under these Second Amendment-type agreements.

The negotiated agreements are anticipated to result in savings to Amtrak of between five and six million dollars annually because of a combination of operating cost reductions and incentive savings over the First Amendment-type agreements. Numerous schedule speedups also resulted as a part of the Second Amendment negotiations.

Current negotiations for the Second Amendment agreements are in process with the Chessie System, Missouri Pacific and Conrail. Negotiations were completed with the Union Pacific and became effective January 1, 1978.

## Operating Performance

Speed restrictions placed on SDP40F locomotives, along with severe winter weather, greatly influenced on-time performance in fiscal year 1977. At one point in January, nearly 50 per cent of midwest and eastern trains were suspended because of impassable tracks and/or frozen equipment at various facilities.

For 1977, 62 per cent of all Amtrak trains operated on time. Short-distance trains operated 65.7 per cent on time, while long-distance trains operated 47.5 per cent on time.

Of the long-distance routes, Chicago-Los Angeles had the highest on-time record (70.0 per cent), while



New employees' lounge in Chicago offers a place for on-board service personnel to relax between trains.



### PER CENT ON TIME

Railroad	Fiscal Year 1976	Fiscal Year 1977
Atchison, Topeka and Santa Fe	87.7	78.2
Boston and Maine*	65.3	72.2
Burlington Northern*	87.2	77.7
Chessie System	61.9	73.2
Canadian National	73.5	87.7
Conrail	53.2	40.4
Delaware and Hudson*	80.1	48.0
Grand Trunk Western*	89.8	91.0
Illinois Central Gulf	59.6	60.1
Louisville and Nashville*	78.4	47.6
Milwaukee Road*	85.8	77.6
Missouri-Kansas-Texas	97.2	88.4
Missouri Pacific	80.0	51.7
Norfolk and Western*	91.8	76.9
Northeast Corridor	76.0	68.0
Richmond, Fredericksburg and Potomac*	91.1	77.2
Seaboard Coast Line*	93.9	80.8
Southern Pacific*	82.8	72.9
Texas and Pacific	71.0	(1)
Union Pacific	94.7	91.3
Amtrak System Average	74.4	62.0

\* Railroads with incentive contracts

(1) Merged into the Missouri Pacific on October 15, 1976.

the New York-Chicago via Pittsburgh, and the Chicago-Washington via Pittsburgh routes had the poorest (23.4 and 21.9 per cent, respectively). For short-haul routes, the Oakland-Bakersfield train had the highest on-time record (97.7 per cent), while the New York-Albany-Montreal route had the poorest (27.3 per cent).

A railroad-by-railroad comparison shows that top performers were the Union Pacific, Grand Trunk Western, Missouri-Kansas-Texas and the Canadian National, all with on-time performances above 85 per cent. Poorest performers were the Louisville and Nashville and Conrail with on-time performances of 47.6 and 40.4, respectively. Slow orders, caused primarily by deteriorated track and the impact of speed restrictions on the SDP40F locomotives, forced most of the delays.

### Procurement

Procurement activity for the fiscal year totaled

\$336.8 million as follows:

	(In Millions)
Corporate*	\$ 99.8
Cars and Locomotives	52.7
Northeast Corridor-Philadelphia	65.8
NECIP	48.9
Maintenance Facilities	41.9
Turbo Facilities	5.1
Commissaries	22.8
Total	\$336.8

\* Fuel, locomotive and car parts, shop equipment and construction costs.

Also, during the year, procurement personnel were successful in developing cost savings in excess of \$4.8 million. The percentage of competitive awards increased sharply to 57 per cent.

Available figures show that from January 1 to September 30, 1977, \$10,677,931 was spent with minority businesses as compared to \$1,438,982 for the entire 1976 calendar year. This dramatic increase brings Amtrak to within 3.9 percentage points of the company's stated goal of minority participation in 15 per

### CAUSES OF DELAY

Delay	Per Cent of Total Delay
Slow Orders	30.2
Passenger Related Delays	13.9
Servicing in Stations	7.8
Equipment Malfunctions	7.5
Signal Failures	7.4
Passenger Train Interference	6.6
Maintenance of Way Work	6.5
Freight Train Interference	5.8
Miscellaneous	5.4
Running Time	3.8
Speed Restrictions	2.9
Waiting For Connections	.7
Freight Derailments	.6
Weather Related Delays	.6
Employee Failure	.3



Construction was completed on the new Turboliner maintenance facility in Rensselaer, New York. Operations were moved into the new building in early December 1977.



Beginning March 1, Turboliners replaced conventional equipment on the Adirondack, Amtrak's New York-Albany-Montreal train. Most Empire Service trains in New York State operate with Turboliners.

cent of total awarded business, less that amount committed for materials and services for which there are no known minority suppliers.

## Material Control

Development of a computerized inventory control system continued during the year. All regional sites included in the original distributed processing system design became operational. Nine of the ten proposed material control remote terminal locations are now

operational. Amtrak's automated network, including four maintenance of way locations in the Northeast Corridor, now consists of six regional and 13 remote sites.

The phased computerization of the inventory control system has improved accuracy and timeliness of inventory data by allowing daily processing and insuring prompt identification. Use of even the partially-completed system during Amtrak's annual material inventory early in the year resulted in a 50 per cent reduction in man-hours.

## Real Estate

Takeover of the administrative responsibility of about 1,000 tenant leases acquired when Amtrak took over the Northeast Corridor resulted in additional revenue to the company of over \$10 million during the year.

The Real Estate department identified and transferred an estimated 35,000 agreements that were associated with electric power lines and pipelines crossing the conveyed Northeast Corridor properties. The agreements have a revenue-producing capability of about \$2 million a year.

The department also exercised a greater degree of control over the newly-acquired Northeast Corridor right-of-way and the stations, yards, repair shops and support facilities associated with it.

A lease was negotiated for new offices for corporate headquarters. The Washington offices began moving to 400 North Capitol Street, NW, on October 3, 1977. The move was completed in mid-February 1978.

## Chief Engineer

A two-year upgrading program to increase train speeds to 79 miles per hour between Kalamazoo, Michigan, and Michigan City, Indiana, was begun. The project is partially funded by the state of Michigan.

Amtrak engineers completed design and construction of a new Turboliner maintenance facility at Rensselaer, New York. This project included 1.5 miles of support trackage and the facility, which opened on December 1, 1977, includes the first of a new concept of brushless car washer and water recycling system, both developed by an Amtrak engineering task force. The department was also deeply involved in planning

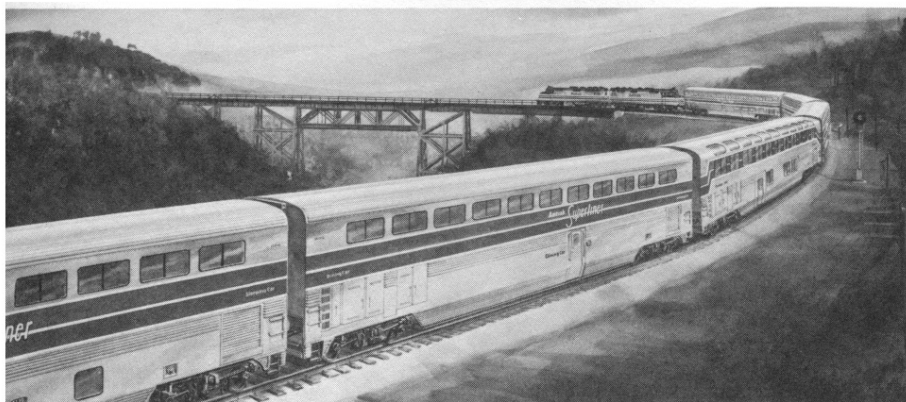
and engineering the rehabilitation of the Beech Grove car shops and the Chicago maintenance facilities.

Another task force is attempting to solve the problem of too-frequent refueling of long-distance trains by testing a diesel locomotive fuel tender. If the concept proves successful, it could eliminate as many as 50 fueling points over the entire system, reducing costs and the environmental problems associated with fixed fueling sites.

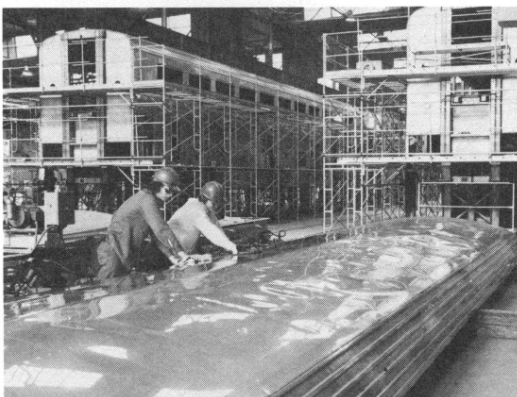
## Equipment Engineering

Testing of a prototype LRC was completed in the Northeast Corridor. The satisfactory evaluation of the train's banking suspension system and ride quality led to the awarding of a contract for construction and lease of two of the Canadian-built LRCs for use in the Pacific Northwest. The train is scheduled to go into service in late 1978 or early 1979 between Vancouver, British Columbia; Seattle and Portland.

Testing was also completed on two high performance, light-weight electric locomotives—one from Sweden, the other from France. Amtrak signed an agreement in January 1978 with the Electro-Motive Division of General Motors, licensee for Sweden's ASEA, Inc., to build eight locomotives based on the ASEA design.



(Above) An artist's sketch details what a Superliner train will look like in operation. (Right) Work on the Superliners was stopped by a strike at the manufacturer, delaying deliveries of the new cars.



The conversion of six French-built Turboliners to American-style interior accommodations was also completed. A cooperative program was entered into with the French National Railways to develop new installations for the trains' turbines and also new train operating procedures to increase fuel efficiency on the trains.

## Chief Mechanical Officer

Phase II of a five-phase program to modernize the Beech Grove maintenance facility was authorized. Work to upgrade the facility is continuing with total money authorized to date totaling \$4.3 million.

An apprentice program for electricians was officially started on May 16 in temporary facilities at Beech Grove. Work is now in progress on a permanent modern facility to handle a variety of apprenticeship classes.

### Passenger Car Program

Type	Beech Crove Shops	All Other Contract Shops	Total Repairs
Heavy Overhaul	82	55	137
Two-Year Overhaul	95	125	220
Special Projects (Including wreck damage)	66	36	102
Conversion to Electric Power	6	6	12
<b>TOTAL</b>	<b>249</b>	<b>222</b>	<b>471</b>

Interiors of the Superliners feature bright colors and distinctive patterns. The cars are appealing, roomy and comfortable.





## NORTHEAST CORRIDOR

The Northeast Corridor Improvement Project, or NECIP, officially began on March 31 with a special ceremony at Odenton, Maryland to highlight the start of the construction. Secretary of Transportation Brock Adams, along with representatives from state and local governments, joined Amtrak officials to mark the occasion.

The \$1.75 billion improvement project provides for rebuilding the Corridor from Boston to Washington so Amtrak can operate trains, by 1981, at speeds of up to 120 miles per hour and thus reduce running times between Washington and New York to two hours, 40 minutes, and between New York and Boston to three hours, 40 minutes, each with five intermediate stops.

While the major concentration in fiscal 1977 was on rebuilding the track structure and roadbed, rehabilitation of 16 bridges was started. Simultaneously, survey and planning work continued on major projects scheduled to begin in 1978 or later.

The NECIP work force grew from a few hundred people to approximately 1,400 by the end of September. Most of the gain was for maintenance of way workers, mostly new employees without prior railroad experience, thus requiring training.

### Track Improvements

Track improvements accomplished in fiscal year 1977, including some emergency maintenance work being carried out at the same time, included: 245 track-miles surfaced; 40 track-miles of continuous



Track machinery, strung out in a long line in the Corridor, works on upgrading the track for future 120-mile-an-hour train speeds.



Officiating at opening ceremonies of the Northeast Corridor Improvement Program are, left to right, Charles Bertrand, then vice president and general manager, Northeast Corridor; Amtrak President Reistrup; Transportation Secretary Brock Adams; and Kenneth Sawyer, Corridor project director for the Federal Railroad Administration.

welded rail laid; 2,868 joints eliminated or renewed; 171,000 ties installed; 60 track-miles of shoulder ballast cleaned; 20 track-miles cleaned by undercutting; and four turnouts, 5,800 switch timbers and 9,000 ties renewed at 24 interlockings.

### Equipment

Start-up of the improvement program required major purchases of power-driven machinery ranging in size from tampers and track lining machines to hand-held impact wrenches. A myriad of smaller tools and a wide variety of vehicles were also purchased along with over 200 hopper and flat cars to carry materials.

In mid-September, an NECIP-funded \$5.5 million clean-up program was begun on the Corridor. Over 2,000 acres of land along the right-of-way from Boston to Washington will be cleaned of brush, abandoned automobiles, household appliances and other types of refuse dumped on railroad property.

At the same time the improvement project was in progress, a stepped-up program of routine maintenance on the two Amtrak-owned lines to Harrisburg, Pennsylvania, and Springfield, Massachusetts, was carried out by Amtrak maintenance of way forces. These included installation of approximately 25,000 new ties on the Philadelphia-Harrisburg line and approximately 19,000 ties on the New Haven-Springfield line; resurfacing 96 track-miles on the two lines and upgrading 91 additional miles of other track to FRA standards.

Considerable work also was done on the catenary system and numerous bridges and buildings.

## LABOR RELATIONS/PERSONNEL

### Negotiation of Rules Agreements

During the year, new labor agreements were put into effect with the Joint Council of Carmen, Helpers, Coach Cleaners and Apprentices on February 1, and the International Association of Machinists and Aerospace Workers on September 1.

### Assumptions

During the fiscal year, Amtrak took over certain functions that were previously performed by the railroads and thus assumed employees at those locations in various categories. These included:

December 1, 1976; maintenance of way, communications and signal employees on the former Conrail line between Michigan City, Indiana, and Kalamazoo, Michigan.

January 13, 1977; shop craft employees and clerks; 8th Street yard and Redondo Junction enginehouse; Los Angeles.

April 1; maintenance of way employees, electrical workers and machinists; Los Angeles Union Terminal.

June 1; shop craft employees, maintenance of way employees, supervisors of mechanics, yardmasters, patrolmen, CTC directors and clerks; New Orleans Union Terminal.

Additionally, Amtrak established an apprentice training program covering the International Brother-

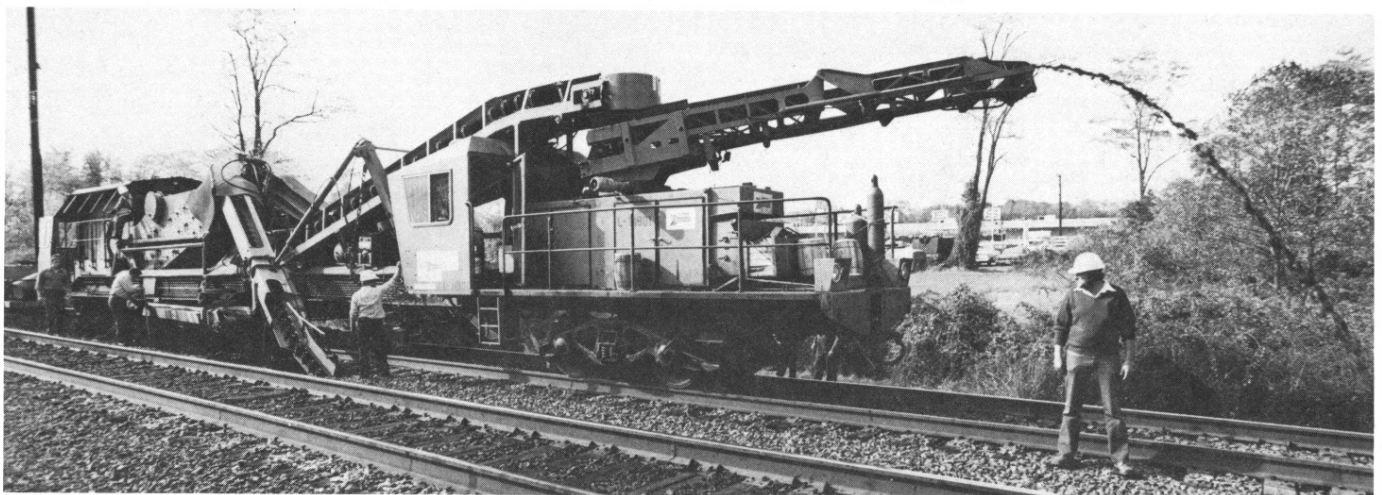
hood of Electrical Workers on January 1, the Joint Council of Carmen, Helpers, Coach Cleaners and Apprentices on March 1, and the International Association of Machinists and Aerospace Workers on April 1.

Actions taken by the railroads at Amtrak's request have resulted in establishment of interdivisional assignments for train crews between Washington, Cumberland, Maryland, and Parkersburg, West Virginia, on the Chessie System; between Bluefield and Kenova, West Virginia, on the Norfolk and Western; and between Fort Worth and San Antonio, Texas, over the Santa Fe and Missouri Pacific. In 1978, more emphasis will be placed on this phase of labor activity.

### Records System

Design of a computerized personnel records system to replace the former manual system was completed during the year. Initial implementation of the system began at corporate headquarters in December 1977 with installation in regional offices scheduled for mid-1978. In addition to better employee record administration, management will now have additional tools for compliance with Equal Employment Opportunity requests and other required reports, salary administration, manpower utilization and promotional assessment.

In 1977, Amtrak's first formal engineering management trainee program was started with a class of 12 recent engineering graduates.



An undercutter does its job on Northeast Corridor track, picking up and cleaning ballast. Clean ballast is returned to the track structure as dirt is expelled to the side.

## Employment

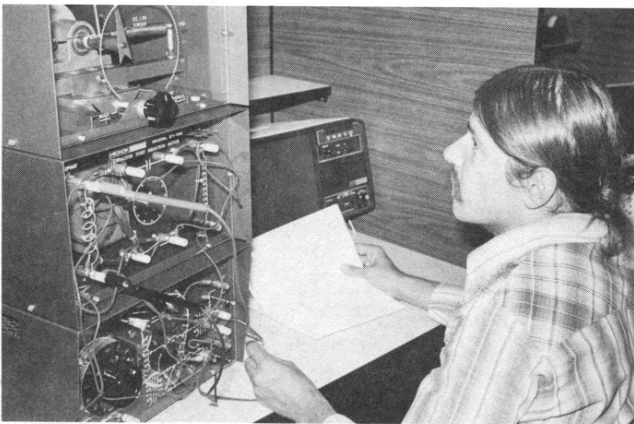
Employment at Amtrak increased, from 16,527 in fiscal 1976 to 20,744 this past year, because of the takeover of several yard and locomotive facilities, increases in maintenance of way forces and the Northeast Corridor Improvement Project.

## Affirmative Action Programs

Affirmative Action and Equal Employment Opportunity programs, still in infant stages during the previous year, progressed rapidly during the past year. For the first time, Amtrak employed female employees in non-traditional jobs such as trackmen, communications and signal helpers, linemen and B&B carpenters.

Efforts were made to reach union employees and management to make them aware of programs offered and to obtain their cooperation in the successful operation of both EEO programs and Affirmative Action within the company. Of importance were the addition of several new district EEO representatives, trained during four 3-day sessions between December 1976 and May. These representatives serve within particular districts, handle local EEO complaint processing and work closely with regional coordinators to solve grievances "in-house."

An EEO Complaint Procedure Handbook, outlining a step-by-step method of how to file and follow-through with a complaint, has been completed. Each employee will receive a copy.



An apprentice program for electricians, the first for Amtrak, was started on May 16 in temporary facilities at Beech Grove, Indiana. Permanent quarters for a variety of apprentice programs are being built.



Training programs during the year touched on areas of management, supervision, technical specialties, maintenance, and on-board and station services.

## Employee Benefits

Amtrak is developing an automated reporting system that will generate statements of benefits and their value to each employee. This system will also be used to supply data for Internal Revenue Service and Department of Labor reports as required by law.

## Salary Administration

Amtrak's management salary administration program was substantially improved during 1977.

Over 1,000 Amtrak job positions have been analyzed and evaluated, greatly improving the ability of the company to insure that each employee is paid fairly in comparison to other positions. In addition to job evaluation, position descriptions were used for performance appraisals and to improve organizational efficiency.

## Training

During fiscal 1977, training at Amtrak made some significant contributions in many areas of management, supervision, technical specialties, maintenance, on-board services and station services.



### **Management**

Two hundred and fifty mid-level managers graduated from the Advanced Management Workshop course offered Amtrak by the Southern Railway.

A special program was conducted in Chicago for Amtrak sales representatives by the Marketing department.

### **Supervisory**

About 300 Amtrak supervisors completed the Administrative Management for Supervisors course, which is an introduction to supervision for most of these employees. All first-line supervisors at Amtrak will eventually take this course.

### **Sales and Ticketing**

Amtrak's improved tickets-by-mail system required training for some 1,000 employees. The five reservations offices provided courses for 335 newly-hired reservation and information clerks, and also offered a course in telephone sales techniques to another 800 employees.

### **Maintenance and Mechanical**

Five hundred and seventy-five maintenance employees received instruction in Amfleet maintenance, electrical functions of F40PH locomotives, steam generator operation and the new Superliner equipment.

### **Conductors**

Programs for conductors included a course to orient some 600 conductors to Amtrak policies and procedures. A related course introduced train crews to the proper functioning of new Amtrak equipment.

### **Police and Security**

More than 25,400 investigations, of which almost all involved criminal cases, were completed by Amtrak's Police department. A total of 3,716 Amtrak arrests involving a broad spectrum of felonies and misdemeanors were made.

Approximately \$563,900 in property and money was recovered and \$280,000 worth of material secured from potential theft.

Some 72,160 trespassers, illegal entrants and vagrants were removed from Amtrak property.

During fiscal 1977, overall investigative efforts concentrated on white collar crime plus criminal conduct aboard trains in the Florida service. In the Northeast Corridor investigations centered on mail handling, rail travel privilege abuses and bomb threats. Frauds perpetrated by vendors, passengers victimized by thieves and use of Amtrak trains for transporting illegal drugs were among the principal targets of Amtrak police activity.

The department cooperated with federal, state, municipal and other railroad police agencies to result in a significant number of arrests being made, court actions begun and money recovered.

Goals for 1978 include curtailing on-board crimes and employee dishonesty, improving line supervision and operating uniformity over police units, striving for improved loss prevention measures, reducing right-of-way trespassing and the resultant injuries and fatalities, and working with law enforcement agencies to reduce grade crossing accidents.



With the Capitol dome as a backdrop, the Silver Star leaves Washington for its run to Florida.

Operation Lifesaver programs, active in 11 states, approach grade crossing accident prevention by installation of warning devices, education of the public to inherent hazards, and enforcement of traffic laws relating to warning signs.

## STATE AND LOCAL SERVICES

In July 1977, responsibility for state and local services was vested in the Executive department. This now provides the President, and his senior assistants, with direct insight into the cost-sharing arrangements for 33 trains with the states of New York, Pennsylvania, Illinois, Michigan, Minnesota and California under section 403(b) of the Rail Passenger Service Act, as well as other matters impacting state and local relationships.

California was sufficiently committed for continued rail passenger service for its citizens that it assumed costs over and above 403(b) requirements when Amtrak's budget threatened reduction of the *San Joaquin*, between Oakland and Bakersfield. Pennsylvania was prepared to make a similar contribution.

Amtrak initiated a system of reporting on major company events to the governors of each state through which it operates. A report on fiscal 1978 funding generated numerous responses promising increased cooperation and support by state Departments of Transportation.

A joint station program was established to obtain local participation in the planning and financing of passenger station rehabilitation. With the assistance of the Passenger Facilities Committee, station programs were approved for Wichita, Kansas; Ogden, Utah; Dallas, Texas; Kirkwood, Missouri; Champaign, Illinois; Henderson, North Carolina; Aberdeen, Maryland; New Brunswick, New Jersey; Old Saybrook, Mystic and Windsor Locks, Connecticut; and Fullerton, Oceanside and Santa Ana, California.

The fiscal 1978 budget includes funds to continue work in this area. Applications are currently being reviewed from communities throughout the nation.

### Grade Crossings

During the year, work progressed on six regional pilot grade crossing programs. Farthest along is the Seaboard Coast Line project between Jacksonville and Tampa, Florida.

Work there consisted of analyzing each of the 381 crossings between the two cities and then determining whether there was a need to upgrade any to include installation of appropriate warning devices. Ultimately, it was recommended that 197 of the crossings be improved and several eliminated.



Amtrak is currently negotiating terms for a tri-party—Florida Department of Transportation, Seaboard Coast Line and Amtrak—agreement regarding the project. Work is to begin in March 1978 at Tampa, working north to Jacksonville.

Amtrak is also active in 11 state-wide Operation Lifesaver programs. These involve an approach to grade crossing accident prevention which emphasizes what is termed the 3-E approach; Engineering, Education and Enforcement.

The program stresses the engineering and installation of warning devices at rail crossings based on traffic needs, the education of the public to perils existent at grade crossings, and the enforcement of traffic laws relating to warning signs and signals.

At places such programs have been implemented, accidents have dropped from 25 to 75 per cent.

An analysis of the Lifesaver program in Florida after its first full year of operation, for example, showed a reduction of 51 per cent in accidents, 60 per cent in fatalities and 68 per cent in property damage.

During the summer work season, installation of improved warning devices was completed in Michigan City, Indiana, eliminating the temporary crossing guards. There are now flashing lights and automatic gates at each of the four crossings.

Amtrak was involved in raising or removing city-imposed speed restrictions in several communities, thus improving train schedules.

Amtrak is trying to reduce the total number of grade crossings over the system by having local communities analyze their actual crossing needs. With fewer crossings, available money can be channeled to improving safety at the remaining ones by installation of warning signals or gates.

Also during the year, Amtrak was approached by several communities to participate with them in cost-sharing of the 90/10 federal matching funds program for installation of grade crossing warning devices.

## LEGAL

The legal character of the corporation, as defined in the Rail Passenger Service Act, was further modified in 1977. An earlier modification took place in 1972.

The Rail Passenger Service Act expressly states that Amtrak will not be an agency or establishment of the United States government. Nevertheless, in 1972, the provisions of the Act were amended to make Amtrak subject to the Freedom of Information Act. The Act, by its terms, relates to agencies of the United States government and governs the nature and quality of information which such agencies are required to make available to the public. In 1977 the Government in the Sunshine Act, which requires that meetings of government agencies be open to the public, was made applicable to Amtrak by reference in the Report of the Conference Committee which Congress adopted.

As a consequence, it became necessary for the Legal department, on behalf of the company, to prepare and publish rules of procedure under which meetings of Amtrak's board of directors are held in public, the first of which was held in March.

## Contractual Matters

The Legal department has moved to exercise increased scrutiny and control of the corporation's many contractual relationships. In particular, action has been taken to develop contracts which ensure proper recognition of Amtrak's interests as they relate to joint funding arrangements with state and local authorities for rail passenger services and rehabilitation of fixed facilities.

## Liability Claims

The department has also undertaken to administer litigation and settlement of third party liability claims internally, rather than through outside counsel, although it will continue to be necessary to retain local counsel in states and localities through which Amtrak operates. Direct supervision of their activities is now a Legal department function.

As indicated in last year's report, the acquisition of the Northeast Corridor on April 1, 1976, resulted

in a transfer to Amtrak of liability for third party claims which were formerly the responsibility of the Penn Central. At the same time, as a result of an approximate doubling of the number of personnel directly employed by the company, there was a pro-



A lease was negotiated for space at 400 N. Capitol St., NW, Washington, for new corporate offices.



Moving of corporate offices, department-by-department, began late in the year from the former headquarters building at L'Enfant Plaza.



portionate increase in the number of claims under the Federal Employees Liability Act (FELA). This year, outstanding third party claims (non-FELA) increased from 1,344 as of September 30, 1976, to 4,624 as of September 30, 1977. During the same period outstanding FELA claims increased from 3,737 to 6,283.

### **Penn Central Suit**

As reported last year, in 1975 the United States District Court for the Southern District of Indiana entered a judgment against the Trustees of Penn Central Transportation Company directing them to restore 360 miles of track in the state of Indiana. This year the United States Court of Appeals for the Third Circuit directed the United States District Court for the Eastern District of Pennsylvania (the Reorganization Court) to join the Consolidated Rail Corporation (Conrail) in the proceeding. In doing so, the Reorganization Court is to consider the question of enforcing Amtrak's claim in the light of the Trustees' position that their obligation to restore the track in question passed to Conrail in 1976 when Conrail acquired the rail properties of Penn Central.

Meanwhile, Amtrak has filed an administration priority claim with the Reorganization Court as an unsecured creditor of Penn Central. The amount claimed is \$209,933,000. This includes not less than \$169,408,000 for restoration of track in Indiana, in the Northeast Corridor, between Harrisburg and Chicago, and between Pittsburgh and St. Louis. Other

items of significant amounts included are audit adjustment claims—\$1,633,038; Washington Terminal claims—approximately \$3,199,077; Metroliner lease payments—\$438,535; and accrued vacation pay earned by 2,200 former Penn Central employees—\$4,919,000.

### **ICC Exemption Petitions**

Amtrak has continued to file for exemption from Interstate Commerce Commission regulations governing adequacy of service where compliance with such regulations would be either impossible or unreasonable from an economic standpoint. This year 26 such petitions were filed, primarily seeking exemption from the Commission's requirements regarding station staffing, and checked baggage and sleeping car services.

As reported last year, Amtrak is contesting a 1976 decision in which the Commission established terms and conditions of compensation and service for operation of Amtrak trains by the Texas and Pacific Railway. Amtrak continues to believe that the Commission's terms and conditions would result in unacceptably slow schedules at substantially increased costs. Amtrak also feels the Commission's interpretation and application of section 402(a) of the Rail Passenger Service Act in that case could give rise to similar adverse effects in its dealings with other railroads.

Amtrak is appealing this decision and is also actively supporting legislative action to amend section 402(a) to preclude such adverse consequences in the future.

The Lake Shore Limited, Amtrak's Chicago-New York/Boston train, crosses the Mohawk river near Rotterdam Junction, just west of Schenectady, New York.



## FORWARD PLANNING

During fiscal 1977, the Executive department substantially improved its corporate-wide planning processes and methods for developing marketing, business and capital forecasts and plans. This effort is reflected in the 1978-82 five year plan submitted to Congress in October 1977.

Major corporate strategies to modernize the national system, to improve service, to introduce improvements in route and market analysis and to develop in-depth planning of all aspects of Amtrak operations and support are under way. Key among these strategies are:

- Optimization of scheduling, frequency of service and fare strategy to increase ridership and generate revenue growth.
- Undertaking operating techniques that improve utilization of Amfleet equipment nationwide.
- Elimination of steam heated cars and conversion of select sleeper equipment to head-end power and the equipping of specific long-distance trains with Amfleet.
- Providing high-speed equipment for the Northeast Corridor, including the beginning of work to upgrade the present Metroliner fleet. Also, acquiring new lightweight high-speed electric locomotives for Northeast Corridor operations in the 1980s.
- Reducing the total number of maintenance facilities in the system, increasing the productivity of each and improving the quality of maintenance work.
- Improving and introducing innovations into people-handling procedures, ticketing, reservations and station facilities, and management.
- Concentrating on a program to improve manpower quality and productivity.
- Improving accountability for performance of the approved corporate plan.
- Coordination with the Northeast Corridor Improvement Program and the Department of Transportation in equipment development and testing, market development, right-of-way planning and intermodal and commuter considerations.

Responsive to Congressional instruction, the Executive department provided in-depth application of the Criteria and Procedures for Making Route and Service Decisions. Seven major routes and restructuring proposals were presented to the board of directors for consideration.

In context of this analysis, the five year plan proposed that a zero base analysis of the national route structure be undertaken early in fiscal 1978. This route restructuring study was directed by Congress in November 1977 and is assigned to the Secretary of Transportation with a reporting date of March 1, 1978. Amtrak is cooperating in the study.



Prototype LRC (for Light, Rapid, Comfortable) train undergoes testing in the Northeast Corridor. Tests proved successful and two LRC train sets have been leased for use in the Pacific Northwest.



Stations, such as Chicago's Union Station, are filling up with people again as the American public rediscovers the passenger train.

## Operating Statistics

	FY 1976	FY 1977
<b>General</b>		
System Route Miles.....thousands	26	26
Stations Served .....	495	524
Train Miles Operated.....millions	30.98	32.97
<b>On-Time Performance</b>		
Systemwide .....	74%	62%
Short-Distance .....	76%	66%
Long-Distance .....	69%	48%
<b>Ridership</b>		
Passengers .....	18.2	19.2
Passenger Miles .....	4,155	4,333
<b>Revenue Cars</b>		
Operating Fleet .....	1,981	2,048
Out of Service .....	15.6%	17%
Average Age .....	20.3	20.4
Number Overhauled .....	543	369
New Deliveries .....	324	53
<b>Locomotive Units</b>		
Operating Fleet .....	352	330
Out of Service.....daily avg.	13.7%	19.5%
Average Age .....	10.2	9.9
Number Rebuilt .....	27	26
New Deliveries .....	51	0
<b>Turboliners</b>		
Operating Fleet .....	11	13
Out of Service.....daily avg.	8.3%	10.8%
Average Age .....	0.9	1.7
New Deliveries .....	5	2
<b>Metroliners</b>		
Operating Fleet .....	61	61
Out of Service.....daily avg.	27.6%	28.4%
Average Age .....	10.0	11.0



**National Railroad Passenger Corporation**  
**Balance Sheet**  
**September 30, 1977 and 1976**

Assets			Liabilities and Capitalization		
	1977	1976		1977	1976
	(Thousands of dollars)			(Thousands of dollars)	
<b>Current assets:</b>			<b>Current liabilities:</b>		
Cash	\$ 5,508	\$ 7,144	Due to banks—		
U.S. Government securities, at cost	—	7,500	Notes (Note 10)	\$ 20,060	\$ —
Accounts receivable—			Other	12,067	12,866
Customers and other	45,227	29,336	Accounts payable	58,376	39,976
Federal grants (Note 2)	—	2,431	Railroad operations, net (Note 1)	13,873	36,403
Materials and supplies, at average cost	59,863	43,039	Current portion of capital- ized lease obligations (Note 4)	6,730	6,320
Prepayments and deposits	1,152	729	Current portion of mortgage note payable (Note 7)	10,797	10,797
	<u>111,750</u>	<u>90,179</u>	Accrued expenses	45,422	44,521
			Deferred ticket revenue (Note 1)	1,886	1,485
				<u>169,211</u>	<u>152,368</u>
<b>Property and equipment (Notes 1, 3, 4 and 7):</b>			<b>Long-term debt (less current portion)(Notes 3, 4 and 7):</b>		
Passenger cars and locomotives	774,106	653,374	Notes payable, 4.75% to 7.00%	492,628	533,300
Northeast Corridor	150,379	86,366	Capitalized lease obligations	120,009	127,171
Other	39,698	26,248	Mortgage notes payable	132,194	75,569
	<u>964,183</u>	<u>765,988</u>		<u>744,831</u>	<u>736,040</u>
			<b>Commitments and contin- gencies (Notes 1,4,8 and 9)</b>		
			<b>Capitalization (Notes 2 and 5):</b>		
Less—Accumulated depreciation and amortization	(63,166)	(40,638)	Preferred stock, \$100 par value; 10,000 shares authorized	—	—
	<u>901,017</u>	<u>725,350</u>	Common stock, \$10 par value, 10,000,000 shares authorized, 9,385,694 shares outstanding	93,857	93,857
				<u>93,857</u>	<u>93,857</u>
<b>Other assets:</b>			Accumulated operating losses before Federal operating grants	(1,905,479)	(1,368,806)
Long-term budget advances to railroads	7,902	6,810	Less—Federal operating grants	1,577,945	1,095,345
Other	2,617	3,911		<u>(327,534)</u>	<u>(273,461)</u>
	<u>10,519</u>	<u>10,721</u>	Federal capital grants	240,658	14,524
			Railroad capital payments	102,263	102,922
				<u>342,921</u>	<u>117,446</u>
			Total capitalization	109,244	(62,158)
			Total liabilities and capitalization	\$1,023,286	\$ 826,250
Total assets	\$1,023,286	\$826,250			

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

**National Railroad Passenger Corporation**  
**Statement of Operating Loss Before Federal Operating Grants**  
**For the years ended September 30, 1977 and 1976**

	1977	1976
	(Thousands of dollars)	
Operating revenues (Note 1)	\$ 311,272	\$ 277,769
Operating expenses (Notes 1, 3, 4 and 6)		
Maintenance of way and structures	45,053	21,692
Maintenance of equipment	216,207	177,102
Traffic	42,203	35,471
Transportation	266,340	245,763
Dining and buffet service	60,886	52,599
General	67,558	68,931
Taxes on payroll and property	81,557	57,968
Facilities and equipment rents	4,440	6,268
Total operating expenses	784,244	665,794
General and administrative expense	22,942	20,015
Interest expense	39,281	36,391
Capitalized interest on advances for equipment in production (Note 1)	(4,114)	(6,706)
Total expenses	842,353	715,494
Operating loss before Federal operating grants and Northeast Corridor interest	(531,081)	(437,725)
Northeast Corridor interest (Note 7)	5,592	3,618
Operating loss before Federal operating grants (Note 2)	\$ (536,673)	\$ (441,343)

**Statement of Accumulated Operating Losses and Federal Operating Grants**  
**For the years ended September 30, 1977 and 1976**

	Accumulated operating losses before Federal operating grants	Federal operating grants (Note 2)	Net
	(Thousands of dollars)		
Balance October 1, 1975	\$ (927,463)	\$ 715,600	\$ (211,863)
Operating loss and Federal operating grants for the year ended September 30, 1976	(441,343)	379,745	(61,598)
Balance September 30, 1976	(1,368,806)	1,095,345	(273,461)
Operating loss and Federal operating grants for the year ended September 30, 1977	(536,673)	482,600	(54,073)
Balance September 30, 1977	\$ (1,905,479)	\$1,577,945	\$ (327,534)

**National Railroad Passenger Corporation**  
**Statement of Changes in Financial Position**  
For the years ended September 30, 1977 and 1976

	1977	1976
	(Thousands of dollars)	
<b>Uses of funds:</b>		
Operating loss before Federal operating grants	\$536,673	\$441,343
Depreciation and amortization (Note 3)	<u>(32,458)</u>	<u>(20,995)</u>
Total cash used for operations	504,215	420,348
Northeast Corridor Purchase and Improvement Project (Note 7)	64,013	86,366
Other purchases and refurbishments of property	144,112	265,171
Increase in materials and supplies	16,824	23,326
Increase in accounts receivable	13,460	15,972
Increase in long-term advances to railroads	1,092	145
Reduction in railroad capital payment	<u>659</u>	<u>—</u>
Total uses of funds	<u>744,375</u>	<u>811,328</u>
 <b>Sources of funds:</b>		
Notes payable, 4.75% to 7.00% (Note 3)	\$ (40,672)	\$206,300
Federal grants (Note 2)	708,734	391,838
Note due to bank (Note 10)	20,060	—
Mortgage notes payable (Note 7)	56,625	86,366
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(4,050)	84,643
Capitalized lease obligations (Note 4)	(6,752)	41,255
Decrease in other assets	<u>1,294</u>	<u>847</u>
Total sources of funds	<u>735,239</u>	<u>811,249</u>
Decrease in cash and U.S. Government securities	<u>\$ (9,136)</u>	<u>\$ (79)</u>

The accompanying notes are an integral part of this statement.



# National Railroad Passenger Corporation

## Notes to Financial Statements

September 30, 1977 and 1976

### (1) Summary of Significant Accounting Policies

#### *Adjustments of Railroad Reimbursements—*

Amounts due the contracting railroads are recorded based on reported and estimated expenses, which are subject to audit and adjustment by the railroads and the Corporation. The Corporation's continuing program for auditing monthly costs reported by railroads has resulted in numerous adjustments proposed and settled or under current negotiation. The estimated recovery of proposed adjustments was \$26,810,000 [including approximately \$19,000,000 withheld from amounts billed by Consolidated Rail Corporation (Conrail) under interim operating agreements [See Note 8]] at September 30, 1977, and \$8,174,000 at September 30, 1976.

#### *Transportation Revenue—*

Passenger fares are recorded as operating revenue when the transportation is furnished. Estimated unused tickets are reflected in the financial statements as deferred ticket revenue at selling price.

#### *Capitalized Interest on Advances for Equipment in Production—*

The Corporation's policy is to capitalize interest on advances for equipment in production and facilities under construction to properly reflect the total cost thereof. The rates used to calculate interest correspond to the rates paid for capital funds.

#### *Improvement Projects—*

In order to better reflect the investment in railway operating property, the Corporation has made application to the Interstate Commerce Commission for approval of capitalization of the cost of and improvements to the Northeast Corridor which is expected to aggregate \$1,890,000,000 (See Note 7).

#### *Casualty Losses—*

Provision is made for the uninsured portion of the estimated liability for unsettled casualty and accident claims.

### (2) Federal Funding

Funds are provided to the Corporation through Federal grants to offset operating losses and for capital acquisitions and improvements. These grants are reflected in the financial statements as they are released to the Corporation by the Department of Transportation. Such releases are based primarily on projected cash flow of the Corporation. Federal grants released to the Corporation in 1977 and 1976 were:

	1977	1976
	(In Thousands)	
For operating losses	\$482,600	\$379,745
For capital acquisitions and improvements	226,134	12,024
	<u>\$708,734</u>	<u>\$391,769</u>

Fiscal 1978 Federal operating and capital grant funds appropriated, but not requisitioned, were \$596,500,000 at September 30, 1977.

### (3) Property and Equipment and Related Debt

At September 30, 1977, the Corporation had authority to borrow or enter into lease obligations for equipment and other capital purposes for up to \$900,000,000 with such obligations being guaranteed by the United States Government. In October, 1977, the Corporation received \$25,000,000 in appropriated capital funds which reduced this authorization. Based upon this authorization, substantial commitments have been made for capital equipment. The Corporation's interest in rolling stock has been assigned to the United States Government as security in connection with the guaranty of debt. Notes payable

have been classified as long-term debt in the accompanying financial statements, based on a commitment from the Federal Financing Bank to refinance the obligations for periods extending at least until October 1, 1978. See Note 7, "Northeast Corridor," for information concerning the mortgage notes payable.

Property and equipment are stated at cost and are depreciated using the composite straight-line method over their estimated useful lives. Upon disposition, the net cost of property retired or replaced is charged to accumulated depreciation and no gain or loss is recognized. Depreciation expense was \$32,458,000 in 1977 and \$20,995,000 in 1976. Certain major items of property acquired through capital lease agreements are recorded as assets and are depreciated over their estimated useful lives. See Note 4 for further description of capital lease arrangements.

#### (4) Leasing Arrangements

The Corporation leases rolling stock and other equipment and property under operating and capital lease arrangements.

##### Capital Leases—

The Corporation leases certain major items of property (primarily rolling stock) under capital leasing arrangements. Substantially, all such leases are for 15-year periods beginning in 1973 through 1976. At September 30, 1977, the gross amount of assets recorded under capital leases was \$141,242,000, and the future minimum lease payments under capital leases were as follows:

<b>Year Ending September 30</b>	<b>Amounts (In Thousands)</b>
1978	\$ 14,092
1979	14,089
1980	14,091
1981	13,873
1982	13,307
Later years	114,447
	<u>183,899</u>
Less-amount representing interest	57,160
Present value of minimum lease payments at September 30, 1977	<u>\$126,739</u>

The present value of minimum lease payments is reflected in the balance sheet as current and non-current obligations under capital leases of \$6,730,000 and \$120,009,000, respectively.

##### Operating Leases—

At September 30, 1977, the Corporation was obligated for the following minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year.

<b>Year Ending September 30</b>	<b>Amounts (In Thousands)</b>
1978	\$ 6,659
1979	3,795
1980	3,352
1981	2,415
1982	2,024
Later years	8,519
	<u>\$26,764</u>

Rent expenses for the years ended September 30, 1977 and 1976 were \$19,540,000 and \$14,327,000, respectively.

#### (5) Capitalization

In 1977 the authorized preferred and common stock was reduced from 1,000,000 and 40,000,000 shares to 10,000 and 10,000,000 shares, respectively.

Also, in 1977, pursuant to an order of the Interstate Commerce Commission the amount of capital payments by one railroad was reduced by \$652,000.

#### (6) Pension Plan

The Corporation has a fully funded defined benefit noncontributory retirement plan covering nonunion employees. Provisions for pension costs were \$1,725,000 in 1977, and \$1,214,000 in 1976.

#### (7) Northeast Corridor

In 1976, in connection with the United States Railway Association's Final System Plan, the

Corporation acquired the properties of the Northeast Corridor from Conrail for \$86,366,000 payable in eight annual installments and secured by a mortgage on the properties. During each year beginning October 1, Conrail has the right to offset freight service payments due the Corporation in an amount up to two annual installments on the mortgage note, plus interest. Interest on this note is from 7½% to 10% depending upon triple A industrial bond rates and is to be funded from the appropriation described below. The purchase price is subject to adjustment by a special court but the Federal government would fund any additional cost.

The Railroad Revitalization and Regulatory Reform Act of 1976, as amended, authorized an appropriation of \$120,000,000 for the Corporation to acquire the properties of the Northeast Corridor. In this connection, the Corporation has agreed to issue a mortgage note payable in 2975, with interest only after maturity, to the Federal Government equal to the amounts to be expended for the acquisition and improvement of the properties acquired pursuant to the above Act. At September 30, 1977, a total of \$1,890,000,000 was authorized to be appropriated for these purposes.

At September 30, 1977, the Corporation had expended \$35,170,000 for improvements to the Northeast Corridor and \$28,843,000 had been expended by others on behalf of the Corporation. The mortgage note payable to Conrail had been reduced to \$64,775,000 and the amount payable to the Federal government under the mortgage note due in 2975 was \$89,013,000.

**(8) Interim Operating Agreements in the Northeast Corridor**

In connection with the acquisition of the Northeast Corridor properties, the Corporation entered into certain interim operating, mainten-

ance and management agreements and arrangements with Conrail. These agreements are subject to negotiation of permanent agreements retroactive to April 1, 1976. At September 30, 1977, the Corporation had billed Conrail approximately \$136,000,000 and Conrail had billed the Corporation approximately \$199,000,000 for services rendered under the interim agreements. The Corporation had withheld payment of approximately \$19,000,000 for proposed adjustments (see Note 1) from the billings from Conrail and Conrail had withheld payment of approximately \$8,000,000.

It is the opinion of management that the costs recorded under these interim agreements will not be materially affected by the negotiation of the permanent agreements.

**(9) Pending Litigation**

In the normal course of business, the Corporation is involved in various matters involving litigation and arbitration. This is more fully described in the Legal section of the accompanying Annual Report. It is the opinion of management that the disposition of these matters will not materially affect the Corporation's financial statements.

**(10) Line of Credit**

At September 30, 1977, the Corporation had a line of credit agreement with a commercial bank to borrow up to \$25,000,000 at an interest rate at ¼ of 1% below the prime commercial loan rate of the bank on unsecured 90-day loans to its most responsible corporate borrowers. The amount due under this line of credit was \$20,060,000 at September 30, 1977, and was paid in full on October 3, 1977, the expiration date of the agreement. The borrowings were secured by an interest in Federal operating grants.

ARTHUR ANDERSEN & Co.

1666 K STREET, N. W.  
WASHINGTON, D. C. 20006  
(202) 785-9510

To the Board of Directors  
National Railroad Passenger Corporation:

We have examined the balance sheet of NATIONAL RAILROAD PASSENGER CORPORATION (incorporated pursuant to the Rail Passenger Service Act and the laws of the District of Columbia) as of September 30, 1977 and 1976, and the related statements of operating loss before Federal operating grants, accumulated operating losses and Federal operating grants and changes in financial position for the years then ended. 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.

As discussed in Note 8, the Corporation has entered into interim agreements and arrangements with Consolidated Rail Corporation covering operations, maintenance and management of the Northeast Corridor. These arrangements are subject to negotiation of permanent agreements retroactive to April 1, 1976, and since, in management's opinion, the costs recorded will not be materially affected by the negotiation of the permanent agreements, no provision has been made for possible adjustments. The outcome of this matter is uncertain at this time.

In our opinion, subject to the effect of the matter discussed in the preceding paragraph, the statements referred to above present fairly the financial position of National Railroad Passenger Corporation as of September 30, 1977 and 1976 and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

*Arthur Andersen & Co.*

December 13, 1977



## BOARD OF DIRECTORS

Donald P. Jacobs, Chairman  
Mary Head, Vice Chairman (c)  
Brock Adams, Secretary of Transportation  
(*ex officio*)  
Frank S. Besson, Jr.  
Robert G. Dunlop  
Jervis Langdon, Jr. (s)  
Norman M. Lorentzsen (s)  
Charles Luna  
Joseph V. MacDonald (c)  
William J. Quinn (s)  
Paul H. Reistrup  
(*ex officio*)  
  
c Consumer Representative  
s Stockholder Representative

## BOARD COMMITTEES

### Audit/Finance

Robert G. Dunlop, Chairman  
Brock Adams (or alternate)  
Mary Head

### Planning/Equipment

Frank S. Besson, Jr., Chairman  
Brock Adams (or alternate)  
Norman M. Lorentzsen  
Jervis Langdon, Jr.  
Joseph V. MacDonald

### Organization and Compensation

William J. Quinn, Chairman  
Donald P. Jacobs  
Charles Luna

### Northeast Corridor Improvement Project

Frank S. Besson, Jr., Chairman  
Jervis Langdon, Jr.  
Charles Luna

## CORPORATE OFFICERS

Paul H. Reistrup.....President and Chief Executive Officer  
Martin Garelick.....Executive Vice President and Chief Operating Officer  
Melvin H. Baker.....Controller  
Don R. Brazier.....Vice President, Finance/Treasurer  
James M. Cowell.....Vice President, Operations Support  
George F. Daniels.....Vice President, Labor Relations and Personnel  
Edwin E. Edel.....Vice President, Public Affairs  
Nathaniel H. Goodrich.....Vice President, General Counsel  
Robert A. Herman.....Vice President and General Manager, National Operations  
Donald L. Larson.....Vice President, Computer Systems Service  
Alfred A. Michaud.....Vice President, Marketing  
Bruce Pike.....Vice President, Government Affairs  
Albert M. Schofield.....Vice President and General Manager, Northeast Corridor  
Elyse G. Wander.....Secretary  
W. Scott Armentrout.....Assistant Secretary  
T. Page Sharp.....Assistant Secretary

### Regional Vice Presidents

Jack W. Rathvon.....Operations, Northeast Corridor  
Neal D. Owen.....Western  
John S. Piet.....Eastern  
C. James Taylor.....Central

**Legend:**

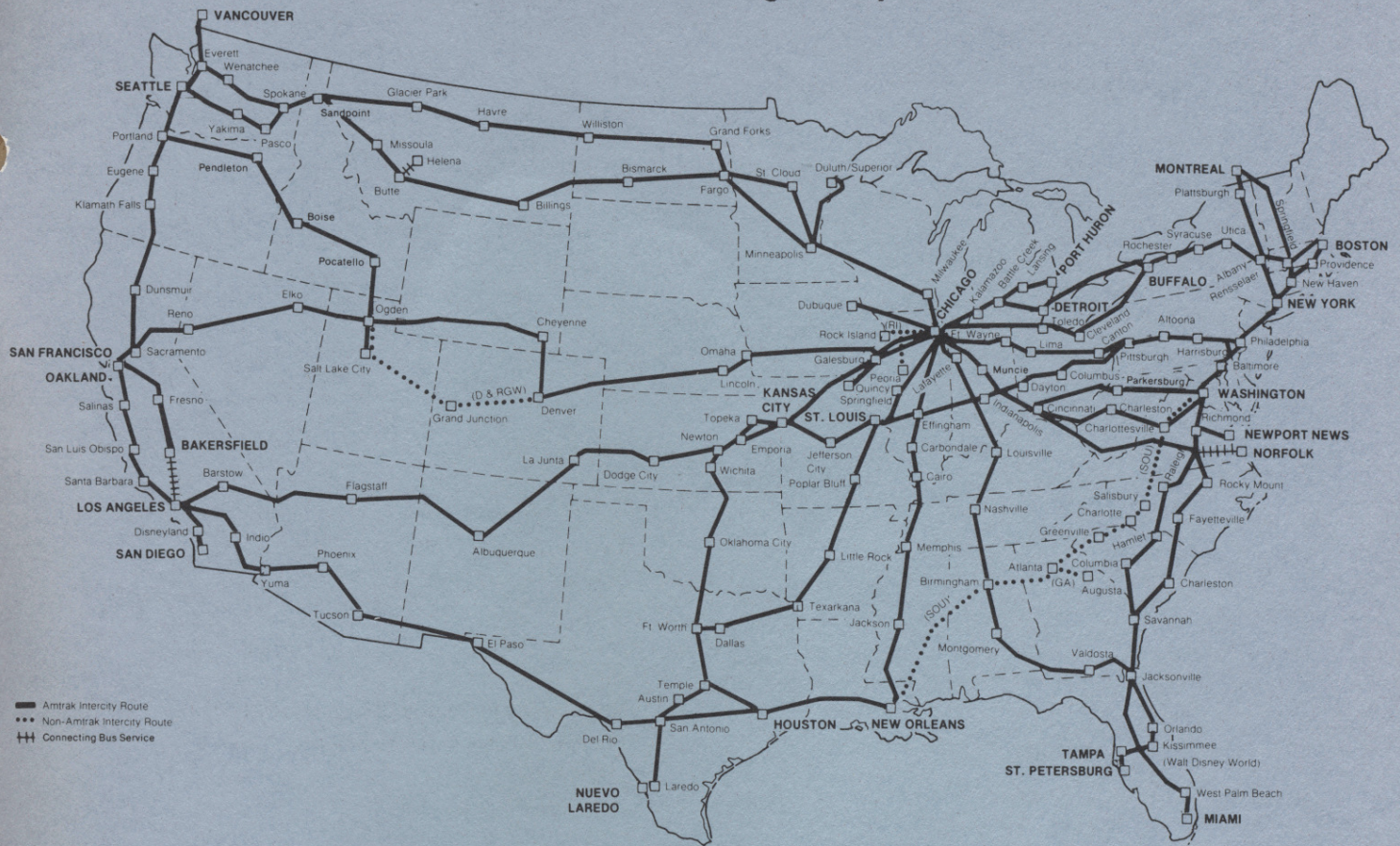
- Amtrak Intercity Route
- - - Non-Amtrak Intercity Route
- ... Connecting Bus Service

- Amtrak Intercity Route
- Non-Amtrak Intercity Route
- HH Connecting Bus Service



# INTERCITY RAIL PASSENGER ROUTES

## National Railroad Passenger Corporation







National Railroad Passenger Corporation

400 North Capitol Street, NW, Washington, D.C. 20001