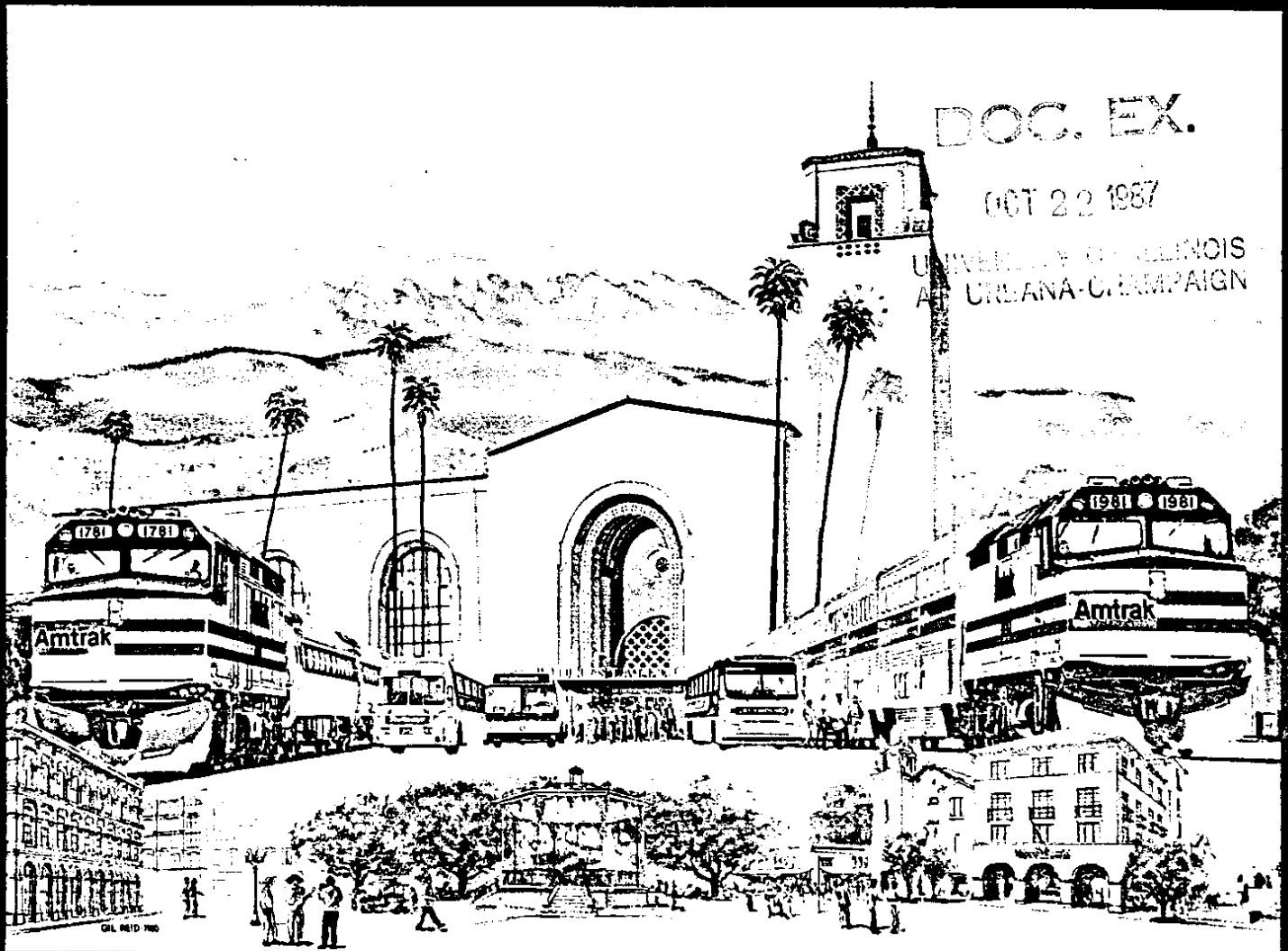


1980 ANNUAL REPORT

NATIONAL RAILROAD PASSENGER CORPORATION



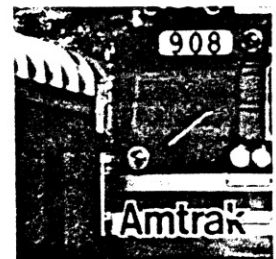
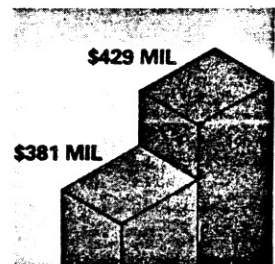
President Alan S. Boyd's annual message about the National Railroad Passenger Corporation's performance

Highlights of the year — the most successful in Amtrak's history

The business review of activities, achievements, service improvements, and economies.

Operating statistics, financial statement and financial notes for the 1980 fiscal year.

## In this report



1980	1979
\$ 306,031	275.85
328,253	278.66
70,498	50.96
115,141	103.98
66,410	66.33
66,795	57.94
58,124	44.66
31,368	25.87

## A Message from the President



**T**he National Railroad Passenger Corporation has achieved maturity. Fiscal Year 1980 was a clear embarkation point, with Amtrak now positioned as a vital, well-managed business enterprise competing in commercial transportation markets. We have made dramatic changes from those early, frustrating

years operating antiquated equipment over deteriorated rails.

Ridership, revenue, passenger acceptance, equipment reliability, state and local support, on-time performance—all of which have been problems in the past, became substantial success stories.

On the pages of this report, you will see the business side of our corporation's progress. Behind every one of the numbers is a major management initiative; an impressive dedication of employee enthusiasm and productivity; and, most important of all, a savings in operational costs. Performance during the year included:

- On-time performance—up 20% over 1979, currently running over 80% in some months and surpassing airline performance for seven out of twelve months.
- Revenues—up 14% from a year ago, due to more riders, more aggressive marketing and more equitable fare increases to keep pace with inflation. Yield, or average revenue per passenger mile, is up 23%.
- Equipment reliability—one of the lowest out-of-service ratios in our history; average age of locomotives now four years as compared to 22 years in 1972.
- Productivity—a 23% increase in the number of passenger miles generated per dollar of Federal operating payments since 1978 (based on constant dollars).
- Passenger service—a 40% drop in complaints from 1979.

These achievements have been noted and acclaimed by our passengers—more than 21 million riders during 1980. Many millions more Americans are taking a fresh look at rail transportation as a convenient, efficient transportation mode.

Behind the impressive gains of our corporation is a concurrent array of initiatives which will yield even greater future financial return. For instance:

- In 1980, the corporation was the initiator and intermediary for an agreement with Kawasaki Heavy Industries of Japan and the Thrall Car Company of Chicago to investigate a new joint venture to acquire a U.S. plant and manufacture passenger rolling stock—making the U.S. industry competitive again, while creating American jobs.
- A major corporate effort resulted in the planned joint development of space and air rights around 30th Street Station in Philadelphia, involving private capital and public station improvement funds—a precursor to other development at other Amtrak properties.
- Renegotiated interline agreements with Greyhound and Trailways resulted in more productive marketing arrangements with the intercity bus industry.
- A better working relationship with the railroad industry stemmed from more sophisticated measurement of operating railroad performance, more reliable equipment, and a better assessment of the problems associated with track capacity.
- Greater emphasis on training, covering management, new hires and upgrading of service personnel.
- The identification of “emerging corridors”—marketing, engineering and state and local support efforts geared to increased short haul service in numerous city pairs nationwide.

Every improvement, every initiative, every acquisition has served to generate more revenues and cut costs. The National Railroad Passenger Corporation is a sound business providing the service mandated by the Congress in an economic, energy-efficient fashion while accommodating the changing travel patterns of a fuel-conscious nation.

Given a stable and viable route system and the necessary capital, our corporation can and will market a quality transportation service. In FY 1980, we have been doing so — instilling pride in our employees, generating acceptance among a growing ridership and yielding a substantial return on the investment made by an energy and budget-conscious Federal government.

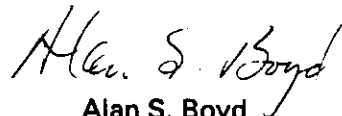
With the progress that our corporation has made, we now look forward enthusiastically to an even greater return on what has been a modest public investment (compared with that of other modes of transportation — mass transit, highways, airlines and inland waterways.)

But, there still remain limits. Because of equipment constraints, we cannot carry more passengers until we have expanded our small (now efficient and reliable) fleet of passenger cars. The system to support and maintain such a fleet is in place and every seat added now reduces our cost per passenger. This, of course, will take more capital — but given the quality of our 1980 product, we have every right to be optimistic.

Meanwhile, our corporation's need for government support should be examined closely and fairly. It must be weighed against the operational facts that, unlike other transportation companies, rail service must operate on private rights-of-way, incurring all of the extremely high associated costs.

As a corporation, we are not idly awaiting legislated solutions to the years-old encumbrances we inherited. We are aggressively applying more effective management techniques, toughening our contract negotiating stance, and seeking new, creative sources of business revenue. The months and years ahead will demonstrate the potential that exists.

There is great promise for the future of a national railroad passenger system. Amtrak is demonstrating, without doubt, our ability to be an integral, actively-supported element of a balanced American transportation system.

  
Alan S. Boyd  
President



## CORPORATE STATISTICS

- Amtrak trains carried 21.2 million passengers a total of 4.6 billion passenger miles in FY80.
- The Corporation's operating revenues increased to a record \$428.7 million, up 14 percent from the previous year.
- On-time performance increased this year to an average of 69 percent and reached more than 80 percent during several months. This compares to 57 percent the previous year, and is the highest level since 1976 before Northeast Corridor construction work was started.
- Complaints relating to on-time performance declined 24 percent in 1980 as more trains arrived at their destinations on time. More than 40 percent fewer complaints were received about food, beverage and other on-board services.

## EQUIPMENT AND ROUTES

- The first new long distance cars in nearly two decades, the bi-level Superliners, were introduced this year on four routes: Chicago and Seattle, Chicago and Oakland, Los Angeles and Ogden, Chicago and Los Angeles.
- The corporation ordered 150 new cars — 125 long distance coaches and 25 food service cars — from The Budd Company to meet the growing demand.

*Crowds at Amtrak stations and on many trains are becoming the rule as ridership continues to grow. Many western trains are already sold out for certain days during 1981 summer months. Amtrak could use up to 300 more cars during the peak season.*

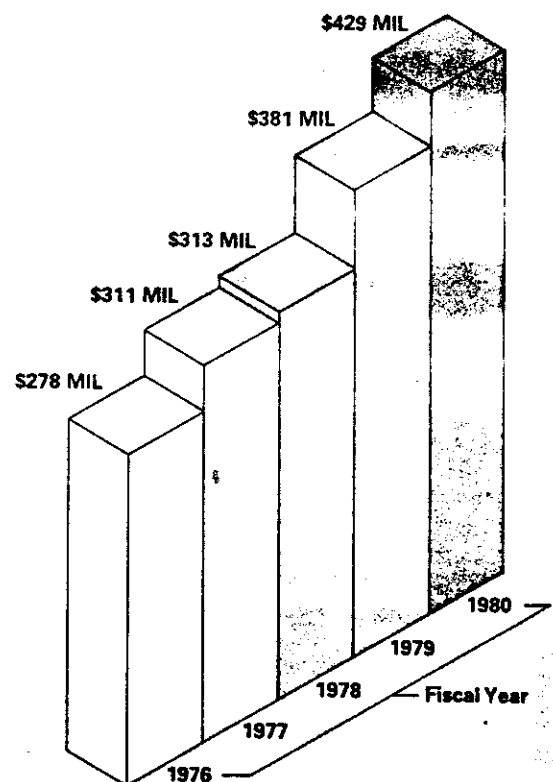


- During the past year, the car repair building, engineering maintenance facility, train washing building, and a wheel truing facility were completed as part of the \$43.6 million improvement program at the Chicago maintenance and servicing facility.
- The Corporation renegotiated interline agreements with carriers such as Greyhound and Trailways bus lines to extend passenger service into over 80 markets not served directly by trains.
- Five new state-supported routes — in California, Illinois, Missouri, Oregon and Pennsylvania — were established during the year bringing the total number of routes to 15 with numerous pending applications.

## EASTERN OPERATIONS

- The automated track laying system (TLS) on the Northeast Corridor installed over 236,000 concrete cross ties on 93 miles of track, exceeding its originally planned goal for 1980 by nearly 15 miles. In addition the Corporation's forces installed 37 track miles of continuous welded rail by conventional methods.

## Operating Revenue



- A new Train Planning and Scheduling Unit was established in the Corridor to coordinate the operation of the 1,335 trains of all types which use the Corridor each weekday.
- In the East, where low clearances prevent the use of bi-level equipment, remanufactured all-electric cars (known as the "Heritage Fleet") were introduced between New York/Boston and Chicago, New York/Washington and Chicago, and New York and New Orleans.

#### MANAGEMENT EFFICIENCIES

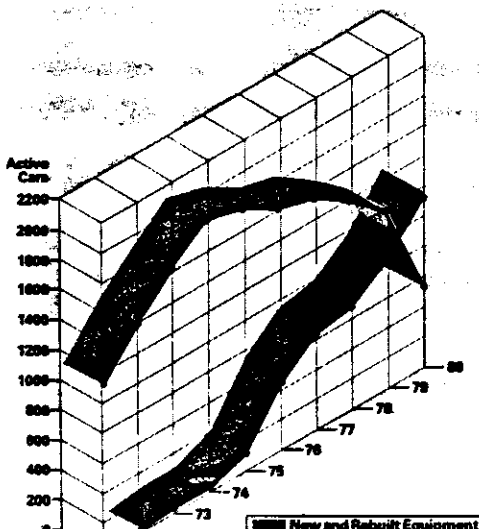
- The conversion program for refitting old steam-heated cars reached a peak in 1980 with 162 cars being completed at the Beech Grove and Topeka shops, saving substantial capital dollars over comparable new equipment purchases.
- Electric head-end power equipment saved about one million gallons of fuel because of higher efficiency of all-electric cars.
- The productivity of Amtrak's fleet of cars has improved by about 30 percent since the early 70's, showing the effect of progressively better management of more efficient equipment.

- Energy management program resulted in cumulative cost reductions, through renegotiation of contracts and other economies, of over \$7.9 million in the last two years.

#### BUSINESS INITIATIVES

- The Corporation is cooperating with the City of Philadelphia, the Carley Capital Group and private investors to develop 30 acres of air rights just north of 30th Street Station. Plans call for an industrial complex including an office building, shops, and a hotel.
- The rate of employee injuries and illnesses was reduced from 16.1 per 200,000 man-hours in 1978 to 9.9 this year, the lowest level since Corridor takeover in 1976, due to intensified safety programs.
- With labor costs currently running at 57 percent of all operating expenses, during 1980 the Corporation continued to pursue labor productivity increases on an individual case basis leading to several unique agreements with unions that provide for more cost-effective use of train and engine crews.

#### Modern Equipment Entering Service



*Superliner lounge/cafes are among the most luxurious rail passenger cars ever built, offering Amtrak passengers a high-level view of the magnificent western scenery.*



## Revenue Development

**F**are increases and ridership gains propelled the Corporation's operating revenues to a record \$428.7 million, up 14 percent from the previous year.

Total passenger miles increased six percent after adjusting for the effect of October 1979 route discontinuances.

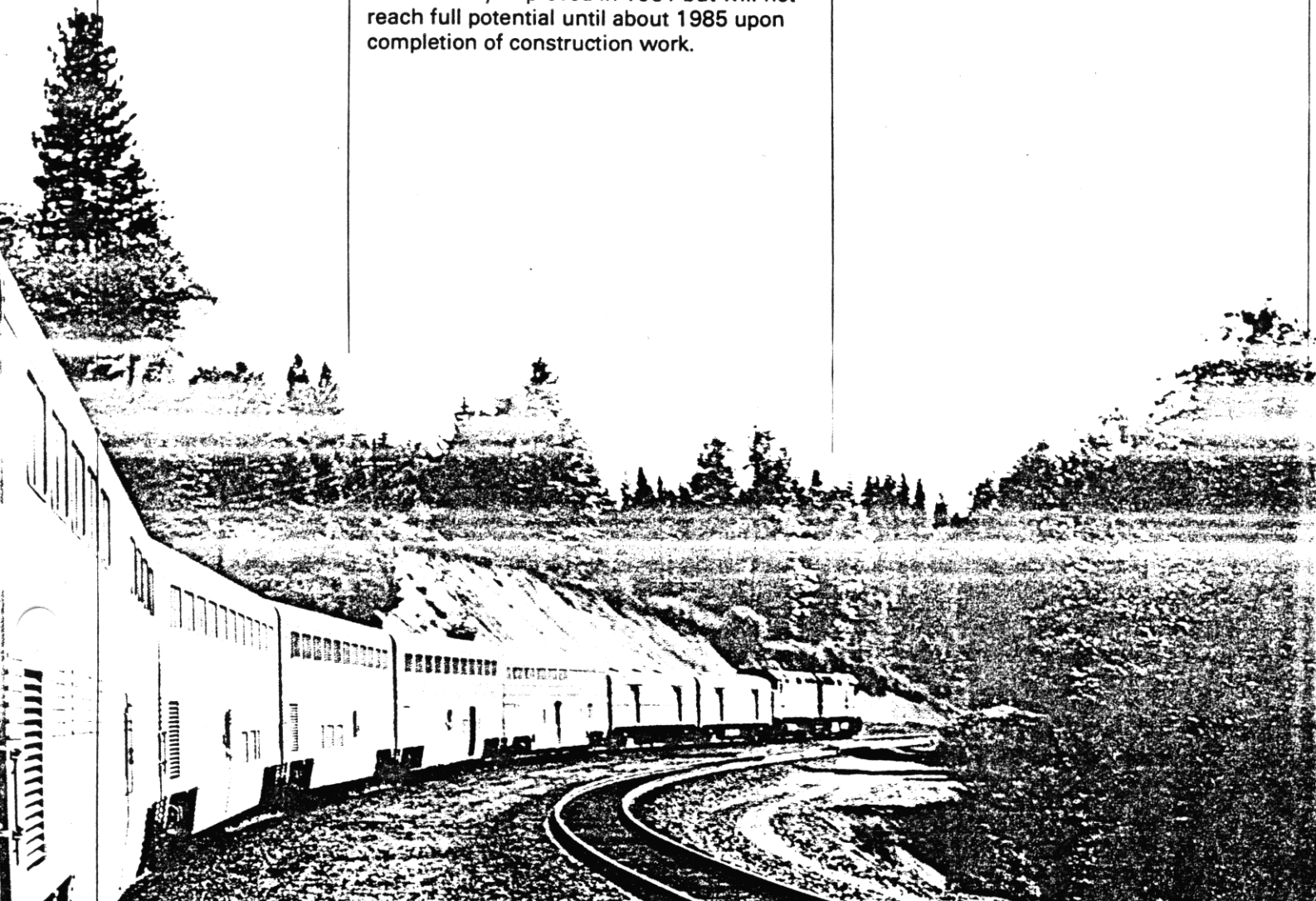
### RIDERSHIP

Amtrak carried 21.2 million passengers a total of 4.6 billion passenger miles in Fiscal Year 1980. Passenger miles exceeded those of the previous year on a comparable system basis in four out of five route groups. Transcontinental routes between Chicago/New Orleans and the West Coast showed the greatest improvement, 17 percent. Passenger miles on long-distance trains in the East increased by 11 percent. Chicago hub routes and Pacific Coast routes were up 4.4 percent and 1.7 percent, respectively.

On the Northeast Corridor, passenger miles dropped by 4.3 percent as a result of slower schedules due to Northeast Corridor Improvement Project (NECIP) construction. Schedules on the Northeast Corridor will be substantially improved in 1981 but will not reach full potential until about 1985 upon completion of construction work.

### FARE POLICY

The Corporation's fare policy is aimed at maximizing the percentage of its total revenue obtained from the marketplace while pursuing long-term ridership growth. Yield, or average revenue per passenger mile, increased by 25 percent this year to 8.1 cents compared to 6.5 cents the previous year. This increase stemmed from two fare increases totalling 18 percent and from control of discount rates. Procedures have been improved for optimizing fare increases and each specific increase is developed on an individual city-pair basis. The Corporation's competitive position in the transportation market has improved due to a substantial advantage in fuel required per seat mile compared to other modes.



## CAPACITY

The ability to increase patronage depends upon providing an adequate number of seats for potential customers. As a result of the October 1979 route restructuring, Amtrak's train miles declined from 32.4 million in 1979 to 29.4 million this year. The elimination of certain routes permitted re-allocation of some equipment. In addition, new Superliner deliveries enabled Amtrak to increase coach capacities selectively on some trains.

Despite route reductions, total system seat miles were increased one percent to 9.6 billion. This increase accommodated more riders—such as on the Chicago-Seattle Empire Builder, where added coach capacity permitted an increase in passenger miles per train mile from 145 in FY79 to 207. Such substantial increases in ridership are important to economic viability. The avoidable loss on the Chicago-Seattle route was reduced from 8 cents per passenger mile the previous year to 5 cents in 1980.

Capacity remained a problem, however, on four other long distance routes. Bi-weekly advance booking reports covering July and August 1980 showed routes between Chicago-Oakland, Chicago-Los Angeles, New Orleans-Los Angeles and Seattle-Los Angeles to be an average of 97.6 percent

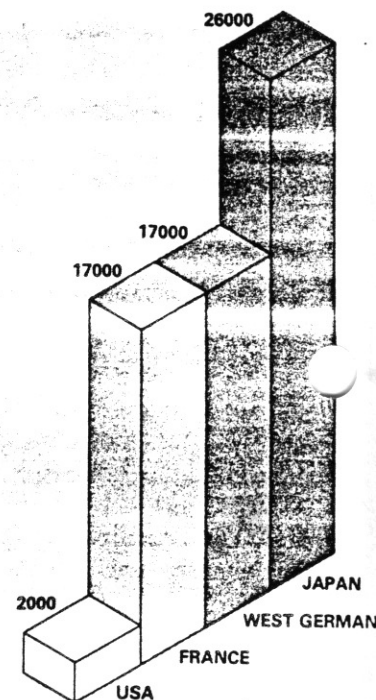
**Amtrak's nationwide system spans 24,000 miles in 44 states and its trains serve 525 stations.**

booked over their respective critical route segments. This is because the Corporation attempts to serve a 24,000 mile network with only about 2,000 cars. This fleet is a small fraction of those operated by western European nations and Japan, countries which have far fewer route miles. France, for example, has 17,000 passenger rail cars for 20,000 route miles; West Germany, 17,000 cars for 17,000 route miles; and Japan, 26,000 cars for 13,000 route miles.

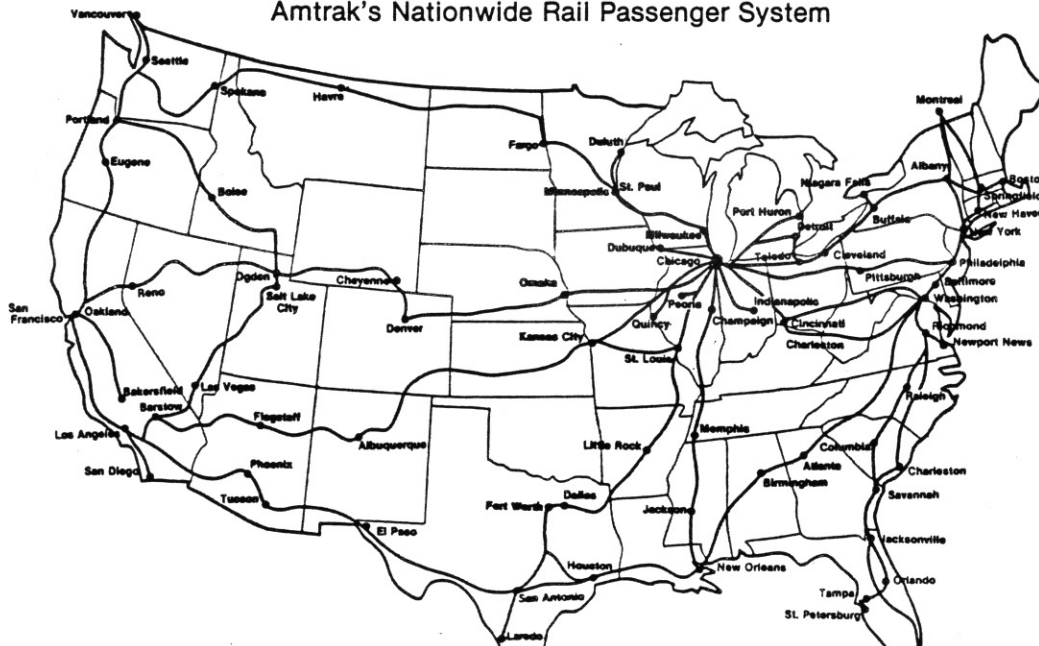
## SERVICE ENHANCEMENTS

To stimulate customer interest, selective new and improved services were offered. Slumbercoach service, providing an economy room for little more than coach fare, was introduced between Washington and Montreal and Washington and Boston. Extension of a Chicago-Detroit train to Toledo afforded Michigan cities a convenient connection to Cleveland, New York and Boston. The Corporation also pioneered the concept of operating a dining car and a newly designed cafeteria-lounge on trains previously requiring two diners. This new operation affords patrons a wide variety of menu choice and cost while significantly reducing on-board service expense.

**Rail Passenger Car Fleet Size**  
**U.S. and Foreign Countries**



**Amtrak's Nationwide Rail Passenger System**



## STATE AND LOCAL SUPPORTED SERVICE

Changes to Section 403(b) of the Rail Passenger Service Act, which took effect at the beginning of the fiscal year, were successful in establishing additional train service on five new state-supported routes during the year. By lowering the states' first year contribution to 20 percent of the operating deficit, the legislation makes new demonstration projects much more attractive than in the past. For a minimal investment, new routes can be tried for a limited time while their value is appraised. The degree of local support rises to the customary 50 percent after the second year.

The new state-supported routes were:

San Francisco/Oakland-Bakersfield,  
California  
Chicago-Peoria, Illinois  
St. Louis-Kansas City, Missouri  
Portland-Eugene, Oregon  
Philadelphia-Pittsburgh,  
Pennsylvania

Application for nine additional state-supported services were pending decisions at the year's end. A major obstacle to initiating these services is the Corporation's limited car fleet, which is almost fully utilized on existing routes.

Other state-supported initiatives include the upgrading of track on the New York-Niagara Falls route by New York State. This program permits the company's Turboliners to reach 100 miles per hour on certain segments of the Empire Route with the ultimate objective being a trip time of five hours and forty-five minutes between New York City and Buffalo compared to eight and one-half hours.

## INTERMODAL TRAVEL

Intermodal development of rail and intercity bus service is important to both Amtrak and bus companies. Despite their relative energy efficiency compared to automobiles and airlines, rail and bus together carry only about three percent of intercity passengers. With only 2,000 cars, Amtrak manages to handle about one-third of the scheduled passenger miles of the entire intercity bus industry.

The Corporation has interline agreements with motor bus carriers (as well as some airlines and steamship companies) to coordinate services and ticket sales. These agreements (for feeder lines) extend Amtrak into 87 markets not served directly. New agreements with Greyhound and Trailways covering a large number of these routes were negotiated this year. In addition, six new rail/bus routes were established in California, Florida, South Carolina and West Virginia.

**Amtrak President Alan Boyd presents Frank L. Nageotte, chairman and chief executive officer, Greyhound Lines, Inc., a special copy of the 1981 Amtrak calendar picture which promotes intermodal rail-bus transportation.**

**A similar picture was also presented to James Kerrigan, chairman and chief executive officer, Trailways, Inc.**





**T**he Corporation placed high priority in 1980 on achieving expense reductions as a primary measure in support of the fifty percent revenue-to-expense goal.

### CAR REMANUFACTURING PROGRAM BENEFITS

Amtrak's program to convert the best of its old steam-heated cars to all-electric, head-end power has been a major factor in holding the line on costs. As these outmoded cars with obsolescent components became increasingly unreliable, it was apparent that they could continue in service only at escalating cost. Repair parts for heating and air conditioning systems were not available and had to be made from scratch. New cars to replace this old equipment would have cost about one million dollars each, so the Corporation opted to overhaul and refit the best of the old cars at a unit cost of about \$310,000.

This program reached a peak in 1980 with 162 cars being completed at the Beech Grove and Topeka shops. A detailed study shows that a typical 12-car set saves the company over \$250,000 a year compared to an equivalent steam-heated train. Savings resulted from reduced fuel consumed for power generation, heating and cooling; reduced maintenance due to longer life of electrical (versus steam) components, and reduced yard support requirements.

### FUEL CONSERVATION AND COST REDUCTION

Increased fuel cost has been a problem for all transportation companies. Fortunately, since trains are relatively energy-efficient, train fuel and electric power currently represent only about 10 percent of the Corporation's operating expenses, a fraction of comparable air (30 percent) and automobile (20 percent) costs. While inflation in fuel cost affects rail less than some other modes, the Corporation continues to stress conservation. Amtrak's annual energy cost increased from about \$80 million in 1979 to about \$110 million in 1980, entirely as a result of price inflation. Amtrak's equipment modernization programs saved about one million gallons of fuel in 1980 compared with fuel required for operation of more steam-heated trains.

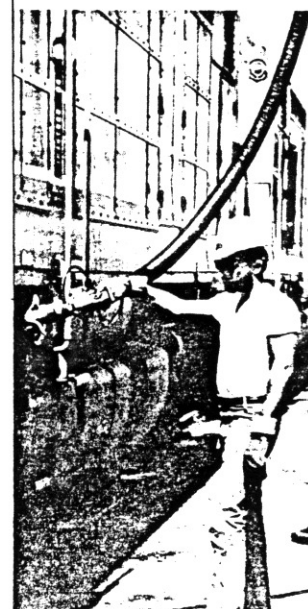
The Corporation's energy management program resulted in cumulative cost reductions of over \$7.9 million in the last two years. These savings resulted from renegotiation of fuel contracts to obtain a lower price per gallon, relocation of fueling points to take

### Expense Reduction and Control

*Left: Passengers on the Broadway Limited enjoy the comfort of the new design cafeteria/lounge car.*

*Center: Beech Grove shops' program to convert old steam-heated cars to like-new all-electric cars peaked in 1980. Between Beech Grove and Santa Fe's Topeka, Kansas, shops, 162 cars were totally refurbished and converted to head-end-power.*

*Below: Various methods were utilized to curb the continuing fuel price rises, resulting in cumulative cost reductions of over \$7.9 million in the last two years.*



advantage of geographic price variances, institution of price escalation control clauses in all fuel contracts, and installation of standby electric power facilities for layover equipment to eliminate the need to idle locomotives to generate electricity. Expedited processing of fuel payments saved about \$100,000 a year in related discounts.

### MATERIAL COST SAVINGS

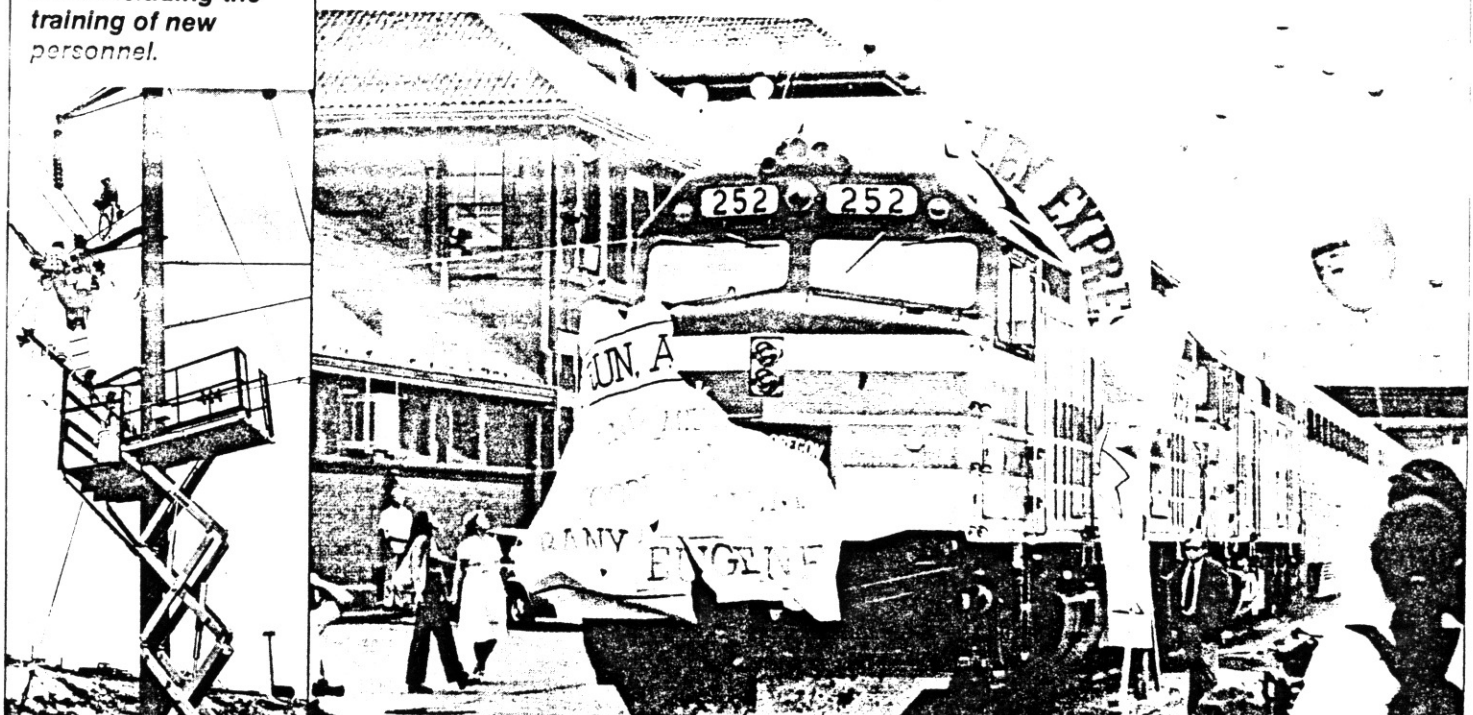
To reduce overall material expenses, the Corporation aggressively sought lower prices from vendors and contractors, and obtained better control of inventory. The cost of goods was reduced by \$11 million in 1980 through renegotiation and vendor searches. Improved management control has reduced the average lead time for materials from 21 days to 17 days and has increased utilization of assets. To insure continuing improvement in the future, the Corporation is installing an Automated Material Management System to enhance its ability to control and utilize inventory more effectively.

### SAFETY IMPROVEMENT

Effective safety programs are a basic corporate responsibility but are rarely recognized as a means of reducing costs. However, railroads pay millions of dollars each year in claims to employees injured on the job. Lower accident rates also improve efficiency and productivity. Following takeover of the Northeast Corridor, several major maintenance facilities, and work on the Corridor Improvement Project, the frequency of injuries increased due to the more hazardous work being performed. The Corporation therefore intensified its employee safety program and reduced the rate of injuries and illnesses from 16.1 per 200,000 man-hours in 1978 to 9.9 this year, the lowest level since Corridor takeover in 1976.

*Willamette Valley service, between Portland and Eugene, Oregon, began officially as the new train tears through a paper barrier on August 2.*

*Safe work procedures are stressed in all Amtrak operations including the training of new personnel.*



**P**roductivity improvement is one of the Corporation's most important strategies for controlling costs. Simply defined, productivity improvement

means getting more units of output (passenger miles) for each unit of input (both capital and labor).

## Productivity Improvement

### EQUIPMENT UTILIZATION PROGRESS

Since Amtrak's beginning, management has recognized that carrying more passengers in fewer cars is a prime strategy for controlling costs. The company's equipment programs have been developed with the objective of a more efficient fleet.

A common characteristic of new car programs has been to acquire equipment seating more passengers per car than units being replaced. This higher density is evident in the Amfleet and Superliner cars which will comprise much of the national fleet in the early 1980s. For example, an Amfleet corridor coach seats 84 passengers compared with 50 to 60 passengers in cars replaced. Superliner coaches seat 77 passengers each compared to 44 to 48 in conventional coaches replaced. Superliner sleepers accommodate 44 passengers compared to 22 in conventional sleepers.

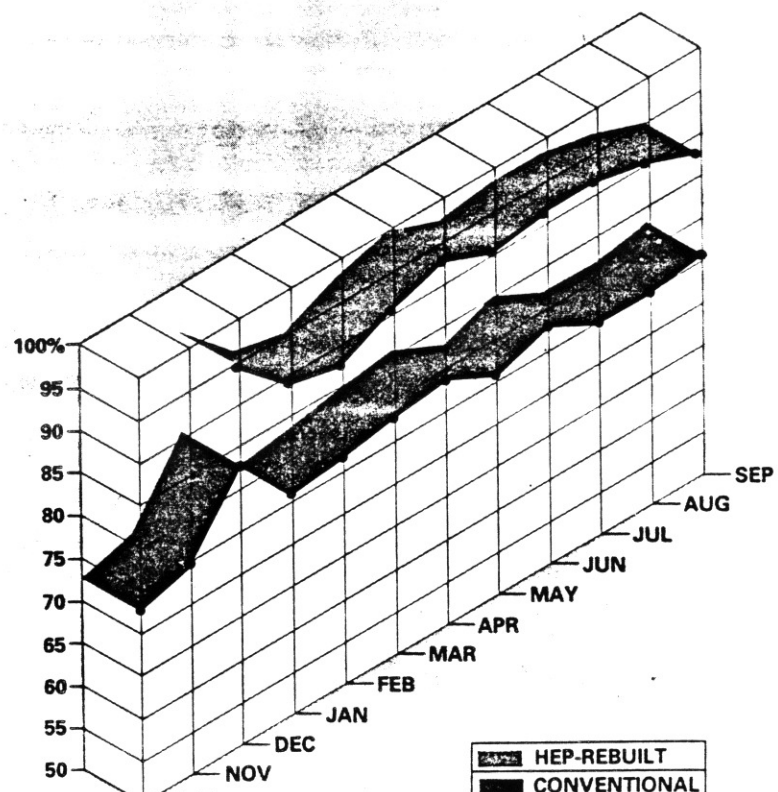
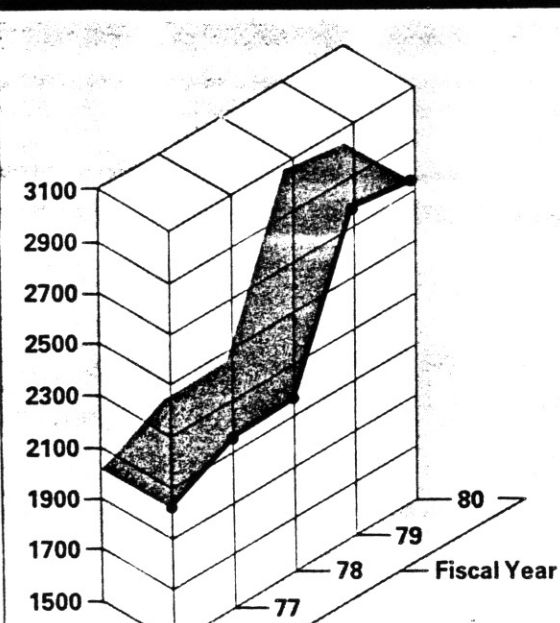
Rebuilding programs, though more restricted by the original design of cars to be rebuilt, are also aimed at higher density.

Another major benefit of the equipment rebuilding program is a higher serviceability ratio. The graph below shows the percent of active cars which were serviceable in each month of 1980, comparing steam-heated conventional with the rebuilt all-electric cars. It is clear that the rebuilt cars are available for service significantly more often than non-rebuilt cars and the same number of cars thereby serves more riders.

One way to measure the overall effect of these strategies is to compare passenger miles carried each year to the average number of cars in the fleet. Measured in this way, the productivity of Amtrak's fleet of cars has improved by about 35 percent since 1976. The gain from 1978 to 1979 was partly induced by the energy crisis. However, the Corporation's ability to hold 1980 performance on a par with the previous year (despite the lack of additional energy-induced demand) shows the effects of progressively better management of more efficient equipment.

*Percentage of Cars Available for Service*

*Passenger Miles Per Operating Car*





## BETTER WORK METHODS

Labor productivity is a major problem for the Corporation. In part this stems from outdated work rules, inadequate working facilities and the failure of the predecessor railroads to develop modern work methods.

The \$22 million modernization program for the Beech Grove shops is nearing completion. The Beech Grove program has already improved the overall operating efficiency of the facility, reduced energy consumption, reduced air pollution to comply with Environmental Protection Agency standards, and improved employee working conditions. These improvements have saved millions of dollars by permitting equipment overhauls to be performed "in house" rather than at a more expensive contract facility.

Management is following up physical improvements with redesigned work methods to get the maximum benefits from these investments. An industrial engineering team has been defining individual work tasks, rearranging the order of work and establishing work measurement systems. Results to date are encouraging. For example, as the car remanufacturing program for the all-electric equipment has advanced, the Corporation has had more difficult cars to convert (e.g., more sleepers and diners versus coaches), older cars and shorter production runs for each individual car type. Instead of producing fewer cars per week, however, output rates have been maintained at about four per week and man-hours per car have remained constant.

Similar emphasis has been given to administrative functions. For example, an analysis was conducted in the passenger and sales accounting department at headquarters. The number of reports prepared was reduced dramatically, the flow of work was streamlined and work measurement standards were introduced. Savings were over \$360,000. Also, costs of paper storage are being reduced dramatically by a new micro-form program.

**Below:**  
A workman installs newly-reupholstered seats in a Heritage Fleet car at Beech Grove.

**Higher seating density is evident in Amfleet cars which, in Corridor service, seat 84 passengers compared to 50 or 60 in the cars they replaced.**



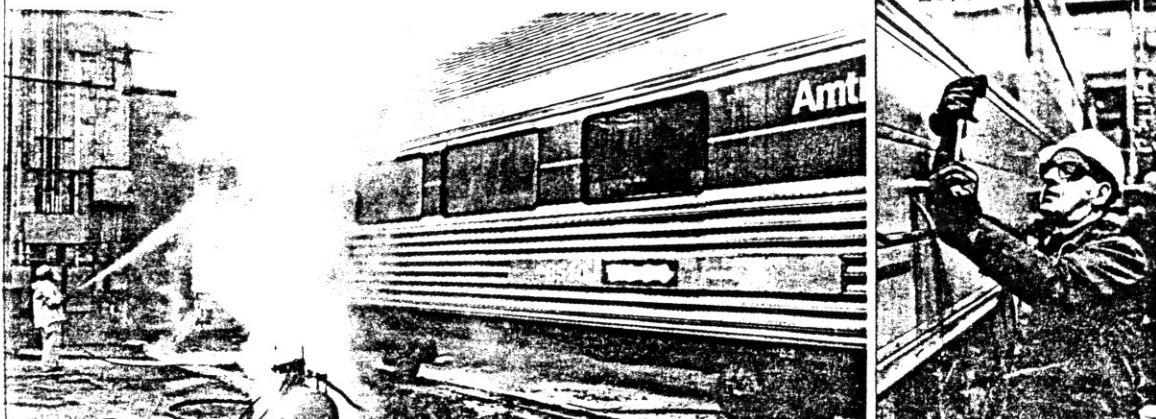
## LABOR RELATIONS INITIATIVES

While Amtrak is unique as a passenger railroad in a freight-dominated industry, this uniqueness has not shielded it from the traditional industry problems of low productivity and disproportionate labor costs currently running at 57 percent of all expense. The Corporation intends to address these problems through intensive labor negotiations, since contracts are due for renewal in 1981.

In addition to extensive preparations for new national negotiations, the Corporation continued in 1980 to pursue productivity increases on an individual local basis. This effort has led to several unique agreements that provide for more cost-effective use of

train and engine crews. One of the best examples involves using only one train and engine crew over two railroads compared to two separate crews ordinarily required. For instance, service was begun between Chicago and Peoria, Illinois, over the Illinois Central Gulf and Toledo, Peoria and Western Railroads. By agreement with the operating craft unions, this service is being operated with a single crew. Progress has also been made in securing agreements allowing for increased productivity and efficiencies in connection with the NECIP construction programs. But additional progress in these areas needs to be made.

The Corporation's objectives, which emphasize greater productivity and realistic labor cost reductions, are being pursued with a sharp focus on improving the economics while at the same time giving full recognition to the contributions made by labor.



**Amtrak's Beech Grove program has saved the Corporation millions of dollars by performing equipment overhauls "In house."**

## Quality Improvement

Over the years, Amtrak has recognized that its quality of service does not always meet passenger expectations. While some areas of passenger dissatisfaction are beyond its control, the Corporation realizes that passenger problems are its responsibility to correct. High

priority is being placed on meeting passenger needs and expectations by providing comfortable, reliable equipment, improving schedule performance and speeds, and better training of personnel in direct customer contact.

### MORE COMFORTABLE EQUIPMENT

The volume and content of consumer mail suggests that better equipment is a major factor in a higher level of passenger satisfaction.

Complaints relating to on-time performance declined 24 percent in 1980 as more trains arrived at their destinations on time. Also, 41 percent fewer complaints were received relating to food and beverage services.

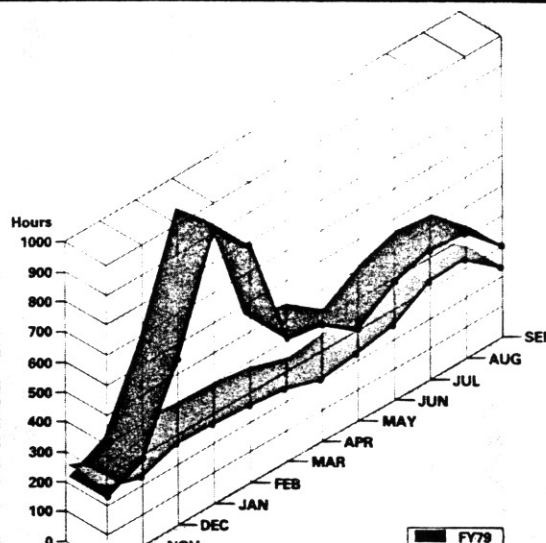
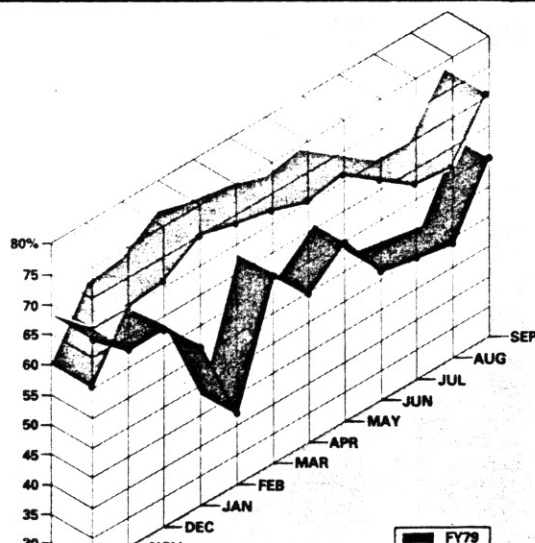
The most dramatic improvements, however, have followed introduction of new or rebuilt equipment. After introduction of Superliner cars between Chicago and Seattle and rebuilt all-electric cars between New York/Boston and Chicago and the personnel training associated with them, the rate of all complaints (not just those relating to equipment) dropped by about 80 percent on those routes. Significant declines in complaints were also evident following introduction of rebuilt cars on the New York/Washington-Chicago and New York-New Orleans routes.

### BETTER ON-TIME RECORD

Congress directed that the Corporation achieve a 50 percent improvement in on-time performance by the end of 1982. On-time performance increased this year to an average of 69 percent compared to 57 percent the previous year, and the highest level since 1976, before the Northeast Corridor construction work was started. Improvement in performance in 1980 occurred both on the Northeast Corridor, where operations were controlled by Amtrak, and off the Corridor, where contracting railroads operate the Corporation's trains. Improved performance resulted from improved management techniques, better equipment and maintenance, better track on the Corridor, improved scheduling, and a more constructive relationship with contracting railroads.

*On-Time  
Performance:  
Total System*

*Decline in  
Equipment  
Malfunctions*



All-electric cars and locomotives seldom experience the enroute breakdowns encountered by conventional steam-heated trains. For example, the introduction of Superliner equipment on the Chicago-Seattle route at the beginning of the year was a major factor in improving schedule performance of the Empire Builder. Likewise, early in the year rehabilitated, all-electric cars and F40 locomotives were placed on the New York/Boston-Chicago route prompting a dramatic improvement in schedule performance. Even where new equipment was not introduced, equipment delays declined as a result of better maintenance. Systemwide delays associated with equipment declined 30 percent in 1980. Like equipment, good quality track is also important to performance. Delays due to slow orders on the Corridor declined by 50 percent in 1980 from the preceding year.

Realizing that a progression of operational changes over the years can make timetables out-of-step with current operating conditions, the Corporation initiated two major strategies to improve schedules. First, in the Northeast Corridor, a new Train Planning and Scheduling Unit was established, staffed by Amtrak personnel with representation from Conrail and each of the authorities that fund commuter services. Timetables are prepared to coordinate the operation of the 1,335 trains of all types which use the Corridor each weekday: Amtrak's intercity trains, commuter trains, and Conrail freight trains. Sophisticated, computer-assisted techniques are used to develop train timings for all classes of trains. Allowances are made for the expected effects of NECIP construction activities and other foreseeable conditions that are likely to affect running time. On-time performance of commuter trains operated for four agencies averaged about 85 percent on the Northeast Corridor.

In addition to the new initiative on the Northeast Corridor, the Corporation has instituted new practices to develop a more constructive working relationship with contracting railroads. One example of this is Amtrak's joint train riding and schedule analysis program. The objective of this effort is to improve the quality of schedules, substantiating, where possible, the basis for faster operation but recognizing in some cases that certain schedules may be too ambitious.

***After Superliners were assigned to the Empire Builder, passenger complaints dropped dramatically.***

***Below:  
An Amfleet train with a new AEM-7 locomotive, rushes through Baltimore-Washington International (BWI) airport station, the first intermodal air-rail-ground terminal built in the nation.***





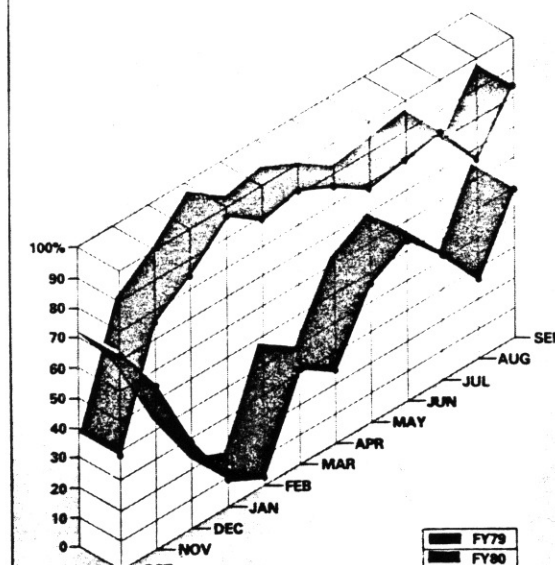
## FASTER SPEEDS

A major challenge facing the Corporation is increasing the average speed of trains. The current average of about 48 miles per hour is not competitive with the automobile alternative. Recognizing this fact, Congress set a goal of 55 mph for the Amtrak system. Except for major reconstruction like the NECIP, however, dramatic increases in train speeds are not likely to be achieved. This is because most speed limits result from the condition or alignment of track, or from government regulations. Most Amtrak equipment is capable of 100 mph or more today on suitable right-of-way. Amtrak consequently implements faster operation wherever possible. On the NEC, for example, the average speed (including stops) of Metroliners was raised from 58.7 mph in April to 62.0 mph in October following completion of track work permitting a top speed of 110 mph in more areas. Delivery of faster AEM-7 locomotives which began in 1980 will also permit significant schedule reductions on some trains in 1981. Off the Corridor, the schedule time of the San Francisco Zephyr has been reduced by one hour, and trains on the route between New York and Niagara Falls by nearly one-half hour. A major benefit of potential emerging corridor programs now under discussion would be significantly faster schedules for time-sensitive, short-distance travelers.

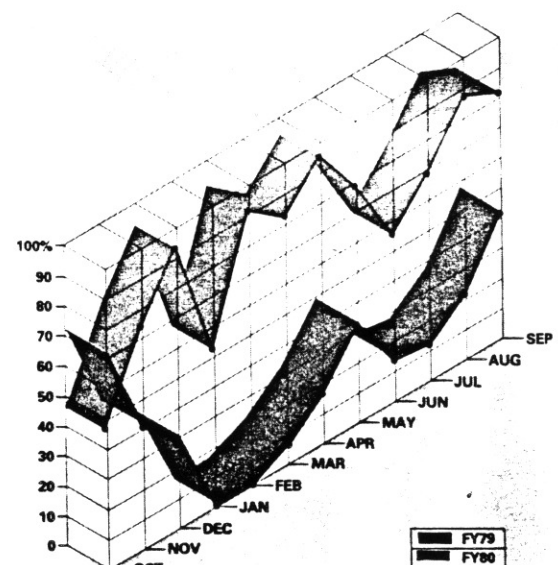
One factor reducing the overall speed of the company's trains is that some railroads restrict passenger trains to freight train speeds, despite the fact that federal track safety standards permit higher speeds for passenger trains than freight trains on most tracks. The Corporation is actively negotiating to achieve the customary speed differential for passenger trains that would result in faster schedules on those routes.

A number of municipal speed restrictions have been identified that appear to be unreasonable and the Corporation is attempting to negotiate some relief. Where negotiations fail, legal efforts are being taken to get these speed limits raised. The company has a program to assist state and local governments in grade crossing safety improvements, particularly where such schedule improvement can thereby be achieved.

*On-Time  
Performance: Lake  
Shore Limited*



*On-Time  
Performance:  
Empire Builder*



**C**ontinued improvements in service quality and economics will come largely from more efficient and reliable track and equipment. The Corpora-

tion is currently implementing scores of individual projects designed to lower its costs and attract more riders through better quality service.

## NORTHEAST CORRIDOR IMPROVEMENT PROJECT

Major progress was made in 1980 toward completion of the \$2.5 billion Northeast Corridor Improvement Project (NECIP) between Boston and Washington. Under contract with the Federal Railroad Administration, Amtrak work forces completed 79 percent of the work scheduled in the 1980 work season for 77 percent of the budgeted cost. The automated Track Laying System (TLS) installed over 236,000 concrete cross ties on 93 miles of track, exceeding its originally planned goal by nearly 15 miles. The unit cost per mile for the TLS was below budget.

In addition, the Corporation's forces installed 37 track miles of continuous welded rail by conventional methods, cleaned 129 track miles of ballast and replaced or rehabilitated 120 switches.

Major renovation in the North River tunnels between New Jersey and New York included installation of 700 pre-fabricated track panels and more than five track miles of continuous welded rail.

Amtrak crews replaced 58 miles of the catenary wire which conveys power to electrified trains on the Corridor. Work was also completed on 18 more bridge and building projects bringing the total since the beginning of the program to 138.

These improvements are beginning to smooth operations on the Corridor. Maintenance efforts succeeded in reducing track affected by slow orders from 98 miles to 30 miles. As a result, train delays due to slow orders were cut in half to 663 hours this year.

## EQUIPMENT MODERNIZATION

The Corporation has often stressed that it could not effectively run an intercity rail system with the hundreds of obsolete non-standard cars and locomotives it inherited from predecessor railroads. It has, therefore, placed top priority on developing a reliable fleet of locomotives and cars with modern components.

The effects of Amtrak's equipment program are now reaching all parts of the country, and by the end of 1981 virtually all of the company's trains will be equipped with new or fully remanufactured all-electric cars.

## Improvement Programs

*Left:  
The automated  
Track Laying Sys-  
tem, or TLS, in-  
stalled over 236,000  
concrete ties on 93  
miles of track in the  
Northeast Corridor  
in 1980.*

*Below:  
Workers get ready to  
return to work after  
a Metroliner passes  
their work site.  
Some 1,335 trains  
use the Corridor  
each weekday.*



The first new long distance cars in nearly two decades, the bi-level Superliners, were introduced this year on three routes: between Chicago and Seattle, Chicago and Oakland, and Los Angeles and Ogden. Since Superliner cars seat more passengers than their predecessors, more passengers can be carried in fewer cars.

In the East, where low clearances prevent the use of bi-level equipment, remanufactured all-electric cars (known as the Heritage Fleet) were introduced between New York/Boston and Chicago, New York/Washington and Chicago, and New York and New Orleans.

The Corporation also ordered 150 new Amfleet II coach and food service cars for use on eastern long distance trains. The first of these cars will be introduced on the New York-Florida route in the fall of 1981.

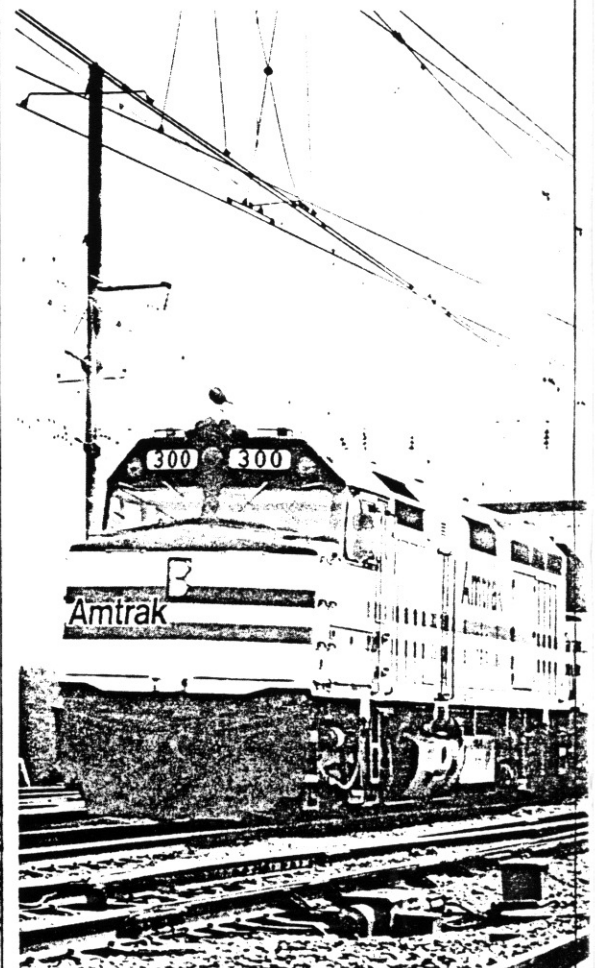
#### CHICAGO MAINTENANCE FACILITY

Outside the Northeast Corridor, Chicago is the most important hub of Amtrak operations, originating and terminating over 50 trains per day. Maintenance of these trains in the past was spread among five different facilities.

*Both diesel and energy-efficient electric powered trains are used on the Northeast Corridor, one of the world's most highly-traveled rail corridors.*

*Below:  
The Empire Builder passes through farm lands, mountains and the high country on its 2,315-mile trip from Chicago and Seattle.*

The \$43.6 million program at the Chicago 12th and 16th Street Yards has transformed a dilapidated and inefficient property inherited from Penn Central into a modern and efficient train servicing and maintenance facility. During the past year, the car repair building, engineering maintenance facility, train washing building and a wheel truing facility were completed. The construction of a commissary/warehouse building and an enclosed train inspection building are proceeding on schedule. The modernization program which is scheduled for completion in 1982 has permitted Amtrak to consolidate all Chicago maintenance (excluding Turboliner trains) into one yard.



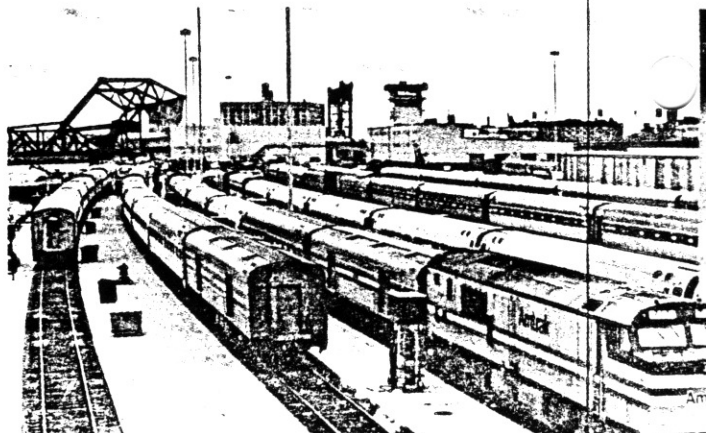
## CHICAGO-DETROIT CORRIDOR

In 1976, Amtrak received ownership of 83 miles of single track between Michigan City, Indiana, and Kalamazoo, Michigan. This former Penn Central route was in poor condition and could not continue in service safely without reducing train speeds. In cooperation with the State of Michigan, the Corporation has completed a four-year upgrading of cross ties and track surface which provides for safe operation at a top speed of 79 mph, the maximum permitted under federal regulations for the present automatic signaling system. In addition, major overhaul of the drawbridge at Michigan City, Indiana, was completed including

replacement of the operating mechanism, cross ties, rail and related communications and signal systems. During the year, Amtrak's Board of Directors authorized the purchase of 12 additional miles of track on this route from Conrail. This track between Michigan City and Porter, Indiana, is deteriorating since it is not important to Conrail's freight business. Future improvements will include installation of welded rail between Michigan City and Kalamazoo plus repairs to the Michigan City-Porter segment being acquired.

*Left:  
A ribbon-cutting ceremony at Detroit highlighted the extension of a Chicago-Detroit train to Toledo to provide Michigan patrons with a direct route to the East Coast via a connection with the Lake Shore Limited.*

*The \$43.6 million upgrading program at Chicago has transformed a dilapidated inherited property into a modern and efficient yard.*





## EMERGING CORRIDORS

The need to develop more fuel-efficient passenger transportation in a number of inter-city corridors was addressed in a February 1980 report to Congress by the U.S. Department of Transportation and Amtrak. This report analyzed potential ridership gains and related costs associated with greater frequencies and higher speeds in 13 locations where high speed rail service might offer competitive trip time, cost and comfort compared to other modes. Routes considered with distances of under 450 miles included:

Chicago-Cincinnati  
 Chicago-Cleveland  
 Chicago-Detroit  
 Chicago-St. Louis  
 Chicago-Twin Cities  
 Los Angeles-Las Vegas  
 Los Angeles-San Diego  
 Sacramento-San Jose  
 Miami-Jacksonville  
 New York-Buffalo  
 Seattle-Portland  
 Texas Triangle (Dallas/Fort Worth-Houston-San Antonio)  
 Washington-Richmond

Further reports have been issued by the U.S. Department of Transportation on the 13 corridors, plus these additional corridors:

Atlanta-Nashville  
 Atlanta-Savannah  
 Cincinnati-Cleveland  
 New Haven-Boston (Inland Route)  
 Philadelphia-Atlantic City  
 Philadelphia-Harrisburg  
 San Jose-Reno

Corridor service was evaluated in terms of ridership potential, energy savings and cost effectiveness, where cost effectiveness was measured by ridership per dollar of public expenditure and gasoline savings per dollar of public expenditure. The evaluation showed that improved corridor service would attract large numbers of riders and save gasoline.

*Meetings with civic and government officials and media representatives in several cities stressed the importance of several emerging corridors for greater train frequencies and higher speeds.*



**T**he National Railroad Passenger Corporation has a significant effect on the nation's economy in dollars spent, jobs created directly and indirectly, and savings for fuel.

Amtrak studies calculate the Corporation's total economic effect at more than \$4.5 billion in its 19 busiest states and the District of Columbia.

More than 125,000 jobs owe their existence to Amtrak either directly or indirectly through its contracting railroads, the industries supplying the Corporation with material and equipment, and the part of the domestic tourist industry supported by rail passengers.

The largest beneficiary of the Corporation's economic impact is New York State, where about 21,000 jobs are created and \$710 million is spent annually by Amtrak and its passengers. Following are California, with 16,000 jobs and \$677 million total impact; Illinois with 18,000 jobs and \$606 million; and Pennsylvania with 13,000 jobs and \$480 million.

Amtrak's payments to railroads last year totaled \$253 million in its largest 19 states and the District of Columbia. These expenditures meant thousands of jobs in the railroad industry and its suppliers.

The Corporation is also a significant purchaser of rail passenger equipment, materials and supplies. These orders have created thousands of jobs across the nation and boosted local economies. In 1980 alone, such purchases and other expenditures totaled \$383 million in the 19 states-plus-D.C. areas. The largest state was California, \$183 million; Pennsylvania, \$54 million; and Illinois, \$35 million. Additional thousands of jobs are created by the \$2.5 billion Northeast Corridor Improvement Project.

The company's economic impact is expanding in the Northeast Corridor, where it owns valuable properties in and around its stations. In 10 separate locations, it is working with local governments and private industry to develop these properties commercially.

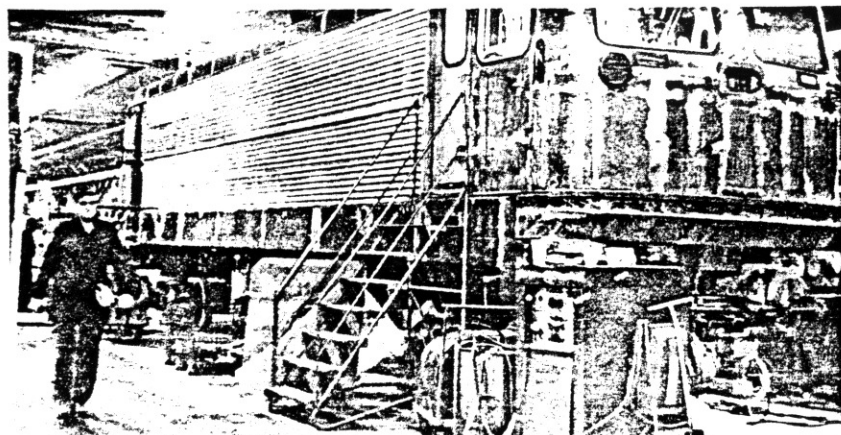
For example, the Corporation is cooperating with the City of Philadelphia, the Carley Capital Group and private investors to develop 30 acres of air rights just north of 30th Street Station. Plans call for an industrial complex including an office building, shops and a hotel. By participating in the development, Amtrak will continue to get full financial benefit as the properties become more valuable. At the same time, the improvement will result in more convenience for rail riders and a better physical environment to attract additional patronage.

The National Railroad Passenger Corporation quite literally represents a multi-billion-dollar national investment — in locomotives, passenger cars, stations, track, reservations systems and facilities spread from one end of the country to the other.

The expenditures of the past decade have laid the groundwork, and today Amtrak is a viable rail passenger system ready to shoulder a larger role as America grapples with its transportation problems of the 1980s and beyond.

## Economic Effects

*Amtrak's economic effect in its 19 busiest states and the District of Columbia is more than \$4.5 billion, ranging from such diverse items as locomotives to the food consumed on its trains. More than 125,000 jobs owe their existence to Amtrak.*



**Operating Statistics**

	<b>FY 1976</b>	<b>FY 1977</b>	<b>FY 1978</b>	<b>FY 1979</b>	<b>FY 1980</b>
<b>General</b>					
System Route Miles ..... (In thousands)	26	26	26	27	24
Stations Served .....	495	524	543	571	525
Train Miles Operated..... (In millions)	30.98	32.97	32.37	32.38	29.43
<b>On-Time Performance</b>					
Systemwide .....	74%	62%	62%	57%	69%
Short-Distance .....	76%	66%	65%	61%	71%
Long-Distance .....	69%	48%	52%	48%	64%
<b>Ridership</b>					
Passengers ..... (In millions)	18.2	19.2	18.9	21.4	21.2
Passenger Miles..... (In millions)	4,155	4,333	4,029	4,915	4,582
<b>Revenue Cars</b>					
Owned and Leased .....	2,125	2,048	1,897	1,989	2,069
Operating fleet .....	1,981	1,806	1,678	1,607	1,589
Assigned to Backshop, Daily Average .....	8.7%	7.3%	7.5%	8.1%	6.9%
Active Fleet, Daily Average .....	91.3%	92.7%	92.5%	91.9%	93.1%
Available for Service, Daily Average.....	75.7%	75.7%	76.0%	75.0%	77.4%
Average Age ..... (In years)	20.3	20.4	20.5	20.3	14.3
Heavy Repair.....	543	369	360	260	414
New Deliveries .....	324	53	0	50	104
<b>Locomotive Units</b>					
Operating Fleet.....	352	330	320	331	301
Available for Service, Daily Average.....	86.3%	80.5%	81.2%	74.7%	82.8%
Average Age ..... (In years)	10.2	9.9	7.3	7.3	7.4
Heavy Repair.....	N.A.	N.A.	N.A.	N.A.	45
Number Rebuilt/Converted .....	27	26	38	22	4
New Deliveries, Diesel .....	51	0	10	10	5
New Deliveries, Electric .....	26	0	0	0	7
<b>Turboliners</b>					
Operating Sets .....	11	13	13	13	13
Available for Service, Daily Average.....	91.7%	89.2%	88.8%	87.4%	89.3%
Average Age ..... (In years)	0.9	1.7	2.7	3.7	4.7
New Deliveries .....	5	2	0	0	0
<b>Metroliners</b>					
Operating Fleet.....	61	61	61	58	58
Available for Service, Daily Average.....	72.4%	71.6%	57.9%*	35.7%*	69%
Average Age ..... (In years)	10.0	11.0	12.0	13.0	14.0
Heavy Repair/Upgraded .....	2	5	0	19	17

\*Includes Metroliners in upgrade program at Erie, Pennsylvania.

N.A. — Not available.

# National Railroad Passenger Corporation (Amtrak)

## Balance Sheet September 30, 1980 and 1979 (Thousands of dollars)

Assets		Liabilities and Capitalization			
	1980	1979			
Current assets:			Current liabilities:		
Cash	8,678	\$ 8,474	Railroad accounts payable (Note 1)	63,225	\$ 54,155
Receivables—			Accounts payable	92,949	90,880
Railroads and commuter agencies (Note 8)	43,412	38,235	Accrued expenses	64,014	64,560
Commercial	22,261	19,097	Labor protection liability (Note 12)	7,000	22,125
Other	12,284	23,409	Current portion of long-term obligations (Notes 5 and 7)	7,930	18,312
Federal labor protection payments (Note 12)	—	20,000	Federal Railroad Administration advances (Note 11)	32,045	—
Materials and supplies, at average cost (Note 11)	124,530	62,791		267,163	250,032
	211,165	172,006			
Property and equipment (Notes 1, 4, 5, 7 and 12):			Long-term obligations (Notes 4, 5, 7 and 12):		
Passenger cars and locomotives	956,053	817,708	Notes payable, 8.5% to 12.4% in 1980	445,000	374,000
Northeast Corridor	822,139	610,941	Equipment obligations	84,394	94,975
Other	180,789	131,859	Mortgage notes payable	698,714	485,302
	1,958,981	1,560,508	Labor protection liability	40,720	98,935
				1,268,828	1,053,212
Less-Accumulated depreciation and amortization	(173,738)	(125,680)	Other liabilities and deferred credits:		
	1,785,243	1,434,828	Unamortized Federal and state capital payments (Note 2)	611,805	560,981
			Casualty reserves (Note 1)	17,113	16,013
			Deferred credits	17,520	14,754
				646,438	591,748
			Total liabilities and deferred credits	2,182,429	1,894,992
			Commitments and contingencies (Notes 1, 4, 5, 7, 8 and 9)		
Other assets:			Capitalization (Notes 2 and 3):		
Long-term budget advances to railroads	25,885	26,009	Preferred stock, \$100 par value; 10,000 shares authorized	—	—
Federal labor protection payments receivable (Note 12)	9,253	66,000	Common stock, \$10 par value, 10,000,000 shares authorized, 9,385,694 shares outstanding	93,857	93,857
Other	4,044	5,935	Railroad capital payments	108,938	108,938
	39,182	97,944	Federal and state capital payments	70,623	—
			Accumulated deficit	(420,257)	(393,009)
			Total capitalization	(146,839)	(190,214)
Total assets	\$2,035,590	\$1,704,778	Total liabilities and capitalization	\$2,035,590	\$1,704,778

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

# National Railroad Passenger Corporation

(Amtrak)

## Statement of Operations and Changes in Accumulated Deficit (Note 2)

For the years ended September 30, 1980 and 1979

	(Thousands of dollars)	
	1980	1979
Revenues (Notes 2 and 3):		
Operating revenue	\$ 428,682	\$375,120
Federal and state operating payments	658,086	606,169
Amortization of capital payments	21,707	—
Total operating revenues	<u>1,108,475</u>	<u>981,289</u>
Operating expenses:		
Train operations	306,031	275,856
Maintenance of equipment	328,253	278,666
Maintenance of way	70,498	50,962
On-board services	115,141	103,988
Stations	66,410	66,336
Marketing and reservations	66,795	57,942
General support	58,124	44,667
Taxes and insurance	31,368	25,872
Depreciation and amortization (Notes 3 and 4)	60,158	48,519
Total operating expenses	<u>1,102,778</u>	<u>952,808</u>
General and administrative expense	19,167	13,957
Interest expense, net of capitalized interest for 1980 and 1979 of \$7,536,000 and \$7,429,000 respectively (Note 1)	<u>31,302</u>	<u>31,372</u>
	<u>1,153,247</u>	<u>998,137</u>
Operating loss before Northeast Corridor interest	(44,772)	(16,848)
Northeast Corridor interest (Note 7)	<u>2,449</u>	<u>2,975</u>
Net loss before cumulative effect of change in accounting principle	(47,221)	(19,823)
Cumulative effect on prior years of a change to amortization of capital payments (Note 2)	<u>19,973</u>	<u>—</u>
Net loss	(27,248)	(19,823)
Accumulated deficit, beginning of year	(393,009)	(373,186)
Accumulated deficit, end of year	<u>\$ (420,257)</u>	<u>\$ (393,009)</u>
Pro forma net loss assuming change to amortization of capital payments applied retroactively	<u>\$ (47,221)</u>	<u>\$ (8,858)</u>

The accompanying notes are an integral part of this statement.

**National Railroad Passenger Corporation**  
**(Amtrak)**  
**Statement of Changes in Financial Position**  
**For the years ended September 30, 1980 and 1979**

	(Thousands of dollars)	
	1980	1979
Uses of funds:		
Net loss	\$ 27,248	\$ 19,823
Add (less)-items not requiring an outlay of cash		
Depreciation and amortization	(60,158)	(48,519)
Amortization of capital payments	41,680	—
Total funds used (provided) by operations	8,770	(28,696)
Increases (decreases) in uses of funds—		
Northeast Corridor improvements	211,198	257,875
Other purchases and refurbishments of property	199,375	48,032
Long-term portion of labor protection obligations	58,215	(63,875)
Materials and supplies	61,739	(1,810)
Equipment obligations	10,581	7,562
Other	9,033	(31,365)
Total uses of funds	<u>558,911</u>	<u>187,723</u>
Sources of funds:		
Increases (decreases) in sources of funds—		
Mortgage notes payable	213,412	195,915
Notes payable	71,000	(98,184)
Unamortized Federal and state capital payments	92,504	159,937
FRA advances	32,045	—
Federal and state capital payments	70,623	—
Long-term portion of labor protection payments receivable	56,747	(66,000)
Receivables	22,784	(7,785)
Railroad capital payments	—	6,675
Total sources of funds	<u>559,115</u>	<u>190,558</u>
Increase in cash	<u>\$ 204</u>	<u>\$ 2,835</u>

The accompanying notes are an integral part of this statement.

# National Railroad Passenger Corporation (Amtrak)

## Notes to Financial Statements September 30, 1980 and 1979

### (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 National Railroad Passenger Corporation ("Amtrak"). Amtrak's continuing program for auditing monthly costs reported by railroads has resulted in numerous adjustments proposed and settled or under current negotiations. At September 30, 1980 and 1979, accrued estimated recoveries for proposed adjustments were \$8,553,000 and \$7,369,000, respectively.

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

It is Amtrak's policy to capitalize that portion of incurred interest costs on advances related to equipment in production and facilities under construction which could have been avoided had the advances not been made. The rates used to capitalize interest correspond to the rates paid for borrowed capital funds.

#### *Track Structures—*

Amtrak follows the "retirement-replacement-betterment" method of accounting for track structures. Under this method, property additions and betterments are capitalized while property replacements in kind are charged to expense as incurred. Amtrak has obtained approval from the Interstate Commerce Commission to capitalize the cost of improvements to the Northeast Corridor. Capitalized track structures are not depreciated but are charged against income when the related properties are retired.

#### *Casualty Losses—*

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

### (2) Accounting and Reporting Changes—

#### *Change in Method of Accounting for Capital Payments—*

Amtrak receives payments from the Federal and state governments for the acquisition of depreciable and nondepreciable property. In prior years, all capital payments were credited directly to contributed capital on the balance sheet. Effective October 1, 1979, Amtrak changed its policy to record capital payments for depreciable property as deferred revenues and to amortize those payments over the expected lives of the related assets acquired. As in the past, payments related to nondepreciable property will be credited directly to contributed capital. The new policy is considered to be preferable because it matches the economic benefit of these payments over the same period as the depreciation expense applicable to the related assets.

This policy is in accordance with generally accepted accounting principles and conforms to accounting regulations established by the Interstate Commerce Commission ("the Commission") for the railroad industry. However, the Commission did not provide for the amortization of Federal capital payments by Amtrak or Consolidated Rail Corporation ("Conrail"). The effect of this change on net income in 1980 (\$21,707,000), and the cumulative effect on prior years as of September 30, 1979 (\$19,973,000) have been reflected in the current year Statement of Operations as an increase to income.

#### *Change in Reporting—*

In prior years, Amtrak presented a statement of operating loss before operating grants and a statement of accumulated operating losses and Federal operating grants. The revised presentation, which reflects Federal and state operating payments as revenues, is in accordance with management's view that government payments represent the purchase of rail passenger services rather than a subsidy of operating losses.

The results of the prior year have been reclassified in the revised format for comparative purposes.

**(3) Federal and State Funding—**

Funds are provided to Amtrak through Federal and state payments for operations and for capital acquisitions and improvements. Such operating payments are recorded as revenues on the accrual basis as related operating expenditures are incurred. Capital payments are recorded when the related fiscal year capital program expenditures are incurred. A summary of Federal and state operating and Federal and state capital funding from inception to date for the fiscal years ended September 30, 1979 and 1980 is presented below.

Federal and state operating payments (Note 2):

	Operating Losses Before Federal and State Operating Payments	Federal and State Payments for Operations	Net
<i>(Thousands of dollars)</i>			
Total September 30, 1978	\$(2,506,281)	\$2,133,095	\$(373,186)
Fiscal year 1979	(625,992)	606,169	(19,823)
Total September 30, 1979	(3,132,273)	2,739,264	(393,009)
Fiscal year 1980	(685,334)	658,086	(27,248)
Total September 30, 1980	\$(3,817,607)	\$3,397,350	\$(420,257)

Federal and state capital payments (Note 2):

	Federal Payments	State Payments	Total Payments
<i>(Thousands of dollars)</i>			
September 30, 1978	\$401,044	\$ —	\$401,044
Fiscal year 1979	159,937	—	159,937
September 30, 1979	560,981	—	560,981
Fiscal year 1980	155,084	8,042	163,126
September 30, 1980	\$716,065	\$8,042	\$724,107

As of September 30, 1980, \$41,680,000 of capital payments have been amortized to income, of which \$40,547,000 and \$1,133,000 related to Federal and state payments, respectively.

Fiscal 1981 Federal operating payments of \$668,000,000 and Federal capital payments of \$202,000,000 were appropriated by Congress and signed into law on October 9, 1980.

**(4) Property and Equipment and Related Obligations—**

At September 30, 1980, Amtrak had authority to borrow under notes payable to the Federal Financing Bank, or enter into lease obligations for equipment and other capital purposes, up to \$850,000,000 with such obligations being guaranteed by the United States Government. This authorization has been provided to finance Amtrak's capital program (together with the capital payments discussed above). Substantial commitments have been made to acquire the property and equipment included in the program. Amtrak's interest in rolling stock has been assigned to the United States Government as security in connection with the guarantee of debt. Notes payable have been classified as long-term obligations in the accompanying financial statements, based on a commitment from the Federal Financing Bank to re-finance the obligations for periods extending at least until October 1, 1981.

Property and equipment are stated at cost, and are depreciated using the composite straight-line method over their estimated useful lives, except for the track structure, which is not depreciated (Note 1). Upon disposition, the net cost of depreciated property retired or replaced is charged to accumulated depreciation and no gain or loss is recognized. Certain major items of property acquired through capital lease agreements are recorded as assets and are depreciated over their estimated useful lives (Note 5).

Included as part of the capital program is financing for a contract signed in 1975 with the Pullman Standard Division of Pullman Incorporated for the design and manufacture of 284 Superliner railcars, of which 154 have been delivered as of September 30, 1980. In discussions with Amtrak, Pullman has asserted generally that extensive design changes have substantially contributed to an increase in the time and cost of this contract. Until Pullman is able to substantiate its assertion, Amtrak will not be able to evaluate what effect, if any, this claim might have on the capital program and the costs recorded to date or ultimately to be experienced under the contract.

On March 31, 1980, Amtrak contracted with the Budd Company for the manufacture of 150 Amfleet passenger cars at a base purchase price of \$115,719,000. These cars are scheduled to be delivered during the period August 1981 through June 1982. Amtrak has an option to order additional cars through July 1981. As of September 30, 1980, Amtrak has advanced Budd Company \$11,572,000 for cars in production.



### (5) Leasing Arrangements and Equipment Obligations—

#### Capital Leases—

Amtrak leases certain major items of property (primarily rolling stock) under capital leasing arrangements. Substantially all such leases are for 15-year periods expiring in 1988 through 1991. At September 30, 1980, the gross amount of assets recorded under capital leases was \$103,377,000 and the future minimum lease payments under capital leases were as follows:

Year Ending September 30	Amounts (In Thousands)
1981 .....	\$ 9,581
1982 .....	9,403
1983 .....	9,393
1984 .....	8,918
1985 .....	8,670
Later years .....	52,047
	<u>98,012</u>
Less amount representing interest .....	<u>25,556</u>
Present value of minimum lease payments at September 30, 1980 .....	<u>\$72,456</u>

The present value of minimum lease payments is reflected in the balance sheet as current and long-term equipment obligations of \$6,115,000 and \$66,341,000, respectively.

#### Operating Leases—

At September 30, 1980, Amtrak 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:

Year Ending September 30	Amounts (In Thousands)
1981 .....	\$17,179
1982 .....	14,189
1983 .....	11,467
1984 .....	8,654
1985 .....	8,141
Later years .....	28,702
	<u>\$88,332</u>

Rent expense for the years ended September 30, 1980 and 1979 was \$29,072,000 and \$22,885,000, respectively.

### (6) Pension Plan—

Amtrak has a fully funded, defined benefit, retirement plan covering nonunion employees and certain union employees. The plan was amended on June 3, 1980, effective January 1, 1980, to include approximately 450 employees not previously covered by the plan.

The most recent complete actuarial valuation of the plan was performed as of January 1, 1979. As of that date, the actuarial present value of benefits was as follows:

Participants	Vested	Nonvested	Total
Active and deferred	\$2,255,078	\$27,048,372	\$29,303,450
Terminated	100,187	—	100,187
Retired	365,447	—	365,447
Total	<u>\$2,720,712</u>	<u>\$27,048,372</u>	<u>\$29,769,084</u>

The plan's net assets available for benefits were \$6,820,000 at January 1, 1979. Provision for pension costs was \$2,531,050 in 1980 and \$1,260,000 in 1979.

### (7) Northeast Corridor—

In 1976, in connection with the United States Railway Association's Final System Plan, Amtrak acquired the properties of the Northeast Corridor from Conrail for \$86,366,000.

The Railroad Revitalization and Regulatory Reform Act of 1976, as amended, authorized an appropriation of \$120,000,000 for Amtrak to acquire the properties of the Northeast Corridor. The purchase price is subject to adjustment by a special court, but the Federal Government will fund any additional cost. In addition, a total of \$2,500,000,000 has been authorized to be appropriated for the improvement of the properties. Amtrak has issued a mortgage note payable in 2975 to the Federal Government equal to the amounts expended for the acquisition and improvement of the properties acquired pursuant to the above Act. Interest is payable only in the event of prepayment or acceleration of the principal.

As of September 30, 1980 and 1979, Amtrak has capitalized \$612,600,000 and \$411,175,000 for improvements to the Northeast Corridor including \$256,676,000 and \$177,855,000, respectively, expended by others on Amtrak's behalf. These costs are subject to audit by the Federal Government. In the opinion of management, adjustments, if any, resulting from any audits will not be significant.

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

In connection with the acquisition of the Northeast Corridor properties, Amtrak entered into certain interim operating, equipment maintenance and management agreements and arrangements with Conrail. Certain of the agreements are subject to negotiation of permanent agreements retroactive to April 1, 1976.

Negotiation of the permanent management agreement has been completed. No significant change is anticipated in the interim equipment maintenance agreements. Negotiations are continuing on the interim freight and commuter operating agreements and other arrangements, but progress has been limited, and it may be necessary to submit the freight and commuter operating agreement issues to arbitration.

Resolution of the issues has both retroactive and prospective significance. Retroactively, the maximum difference between the opposing positions could approximate \$184,100,000 for the four and one-half year period. Prospectively, the range of the opposing positions may involve a difference of approximately \$37,600,000 annually in current dollars.

Management has followed the policy under these interim agreements and arrangements of recording all costs having reasonable probability of recovery in final settlement. It is the opinion of management that the most probable outcome of the negotiations will not increase the costs recorded under the interim agreements and arrangements.

**(9) Pending Litigation—**

In the normal course of business, Amtrak is involved in various matters involving litigation and arbitration. It is the opinion of management that the disposition of these matters will not materially affect Amtrak's financial statements.

**(10) Line of Credit—**

At September 30, 1980, Amtrak had a line of credit agreement, expiring in March 1981, with commercial banks to borrow up to \$50,000,000 at an interest rate of .25% below the prime commercial loan rate of the primary bank on unsecured 90-day loans to its most responsible corporate borrowers.

**(11) NECIP Inventory and Related Obligations—**

Prior to fiscal year 1980, materials procured by Amtrak for use on the Northeast Corridor Improvement Project ("NECIP") were not reflected in the financial statements as an asset, since title to such materials vested, by contract, with the Government. Effective July 31, 1980, under the provisions of a modification to the NECIP contract between Amtrak and the Federal Railroad Administration ("FRA"), title to the materials purchased by Amtrak for use on the NECIP vests directly with Amtrak. In return, Amtrak assumes a financial liability to the FRA equal to the amount advanced for the purchase of materials, less the cost of materials actually consumed on the NECIP. As of September 30, 1980, the inventory of unused materials and the corresponding liability to the FRA recorded under the provisions of the contract modification amounted to \$32,045,000.

**(12) Route Restructure and Labor  
Protection Payments—**

Pursuant to Public Law 96-73, the Amtrak Reorganization Act of 1979, certain routes were discontinued effective October 1, 1979. In connection with this action, Amtrak became liable, subject to certain conditions, for wage and benefit payments to employees who were terminated or displaced to lesser paying positions due to the discontinuance of trains along these routes. This liability can extend for up to six years while an eligible employee remains adversely affected.

Management has estimated that the remaining cost of labor protection payments will approximate \$16,000,000 as of September 30, 1980. This is a reduction of \$67,000,000, after considering current year payments, from the prior year estimate and is based primarily on actual claims paid to eligible employees during fiscal year 1980, the initial year of eligibility. The Federal government has authorized and appropriated, with respect to the current year, \$20,000,000 for payment of these claims. As of September 30, 1980, only \$10,000,000 had been received, with the balance reflected as a noncurrent receivable. Since it is anticipated that the Federal Government will fully reimburse Amtrak for such claims, the change in estimated costs had no effect on the results of operations.

In addition, Title V of the Regional Rail Reorganization Act of 1973, as amended, provides for protective payments to qualified employees of the railroads in reorganization and other transferors consisting generally of monthly displacement allowances, termination and separation allowances and relocation expense benefits until each such employee attains age 65. The Act provides a fund, administered by the Railroad Retirement Board ("RRB"), to reimburse the cost of these protective payments.

In connection with the 1976 acquisition of the Northeast Corridor properties (Note 7), Amtrak assumed responsibility for Title V payments to certain eligible employees. In 1979, Amtrak concluded that it is responsible for these payments notwithstanding the availability of funding through the RRB, although management believes that payments will continue to be reimbursed through the RRB. This assumed obligation, estimated for the full term to be \$42,497,000, has been reflected as a cost of the properties, with reimbursement being included as a Federal capital payment. As of September 30, 1980, the related liability had been reduced to approximately \$31,700,000.

For the period April 1, 1976 to September 30, 1980, Amtrak has paid approximately \$10,800,000 of which approximately \$7,400,000 has been reimbursed by the RRB. Payments under Title V have been altered by a provision in Public Law 96-448 passed on October 14, 1980. Although the effect of the law is to reduce Title V payments, the amount of any reduction cannot be estimated at this time. In the opinion of management, the impact of these changes will be immaterial to the financial statements.

## ARTHUR ANDERSEN &amp; Co.

WASHINGTON, D. C.

To the Board of Directors

National Railroad Passenger Corporation:

We have examined the balance sheet of NATIONAL RAILROAD PASSENGER CORPORATION ("Amtrak" - incorporated pursuant to the Rail Passenger Service Act and the laws of the District of Columbia) as of September 30, 1980 and 1979, and the related statements of operations and changes in accumulated deficit, and changes in financial position for the years then ended. Our examinations were 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, Amtrak entered into interim agreements and arrangements with Consolidated Rail Corporation covering operations, equipment maintenance, and management of the Northeast Corridor properties. Certain of the agreements are subject to negotiation of permanent agreements retroactive to April 1, 1976. Based on the progress of the negotiations to date, it is the opinion of management that completion of the permanent agreements will not increase the costs recorded under the interim agreements and arrangements. However, the ultimate outcome of the negotiations is uncertain at this time.

In our opinion, subject to the effect of the outcome of the matter referred to in the preceding paragraph, the financial statements referred to above present fairly the financial position of Amtrak as of September 30, 1980 and 1979, and the results of its operations and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles, which, except for the change (with which we concur) to amortizing capital payments as indicated in Note 2 to the financial statements, were applied on a consistent basis.



December 5, 1980

## Amtrak's Partners

**T**he Amtrak passenger system spans 21,000 miles and serves over 500 localities in 44 states. More than 22,000 people, employed directly by Amtrak, make this elaborate rail network function.

The majority of Amtrak routes utilize tracks owned by 21 private railroads. Only about 700 miles of the system are controlled by the National Railroad Passenger Corporation. An estimated 18,000 additional personnel, employed directly by the private railroads, also serve Amtrak passengers or assist with operations and maintenance of the equipment.

Railroad employees are represented by numerous labor organizations. The corporation contracts directly with some unions and through the operating railroads with other labor groups.

Without the cooperation of the private railroads and the labor organizations, the successes of 1980 — increased passenger acceptance, improved performance, and operating economies — could not have been achieved. These groups are important partners in the national railroad passenger system.

- American Railway and Airway Supervisors Association — A Division of BRAC
- American Train Dispatchers Association
- Brotherhood of Maintenance of Way Employees
- Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employees
- Brotherhood of Railroad Signalmen
- International Association of Machinists and Aerospace Workers
- International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers and Helpers
- International Brotherhood of Firemen & Oilers
- Amtrak Service Workers Council
- Railroad Yardmasters of America
- United Transportation Union
- Police Benevolent Association
- Joint Council of Carmen, Helpers, Coach Cleaners and Apprentices
- Brotherhood of Locomotive Engineers
- International Brotherhood of Electrical Workers
- Sheet Metal Workers' International Association



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