

385.22  
N21  
1981

# Railroad Passenger Corporation 1981 Annual Report





A decade of investment and reconstruction is yielding a promising return despite the year's difficult economic and travel climate.

Our young corporation's superior 1981 performance reveals extraordinary progress and maturation. Yet, the riches of one year are not as telling as results over time. Our dramatic short term achievements are buttressed by equally appealing growth trends demonstrating consistency and vitality.

We are a transportation company built and strategically positioned for the future. We have brought the nation a world-class passenger train network. It is operating at increasingly high efficiency levels, supported by a creative marketing effort which is generating strong customer demand.

For the first time since our formation in 1971, management energies are focused on long-term objectives. We have embarked upon an aggressive business diversification program which will help us meet future system capital requirements. High speed trains utilizing international technologies are on the immediate horizon.

Our vision of being America's finest transportation company has never been clearer. Our performance justifies this aspiration for the future.

DOC. EX.

OCT 22 1987

UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN



A decade of investment and reconstruction is yielding a promising return despite the year's difficult economic and travel climate.

Our young corporation's superior 1981 performance reveals extraordinary progress and maturation. Yet, the riches of one year are not as telling as results over time. Our dramatic short term achievements are buttressed by equally appealing growth trends demonstrating consistency and vitality.

We are a transportation company built and strategically positioned for the future. We have brought the nation a world-class passenger train network. It is operating at increasingly high efficiency levels, supported by a creative marketing effort which is generating strong customer demand.

For the first time since our formation in 1971, management energies are focused on long-term objectives. We have embarked upon an aggressive business diversification program which will help us meet future system capital requirements. High speed trains utilizing international technologies are on the immediate horizon.

Our vision of being America's finest transportation company has never been clearer. Our performance justifies this aspiration for the future.

DOC. EX.

OCT 22 1987

UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN



## Highlights

### 1981

- Record revenue growth of 16 percent to \$506.3 million surpassed the average growth of airlines.
- Passenger miles grew four percent. Other scheduled intercity transportation modes experienced passenger mile declines.
- Management economies and productivity programs have brought corporate operating expense reductions projected to yield \$90 million annually.
- Long-distance trains registered an 11 percent ridership increase attributed to modern Superliner equipment and improved on-time performance.
- Full operation of the Chicago Maintenance Facility, completion of the Superliner equipment order and delivery of additional AEM-7 locomotives were among major capital projects concluded.
- Service quality improved with new equipment. Customer complaints were down 50 percent.
- A Corporate Development department was established to pursue asset utilization and diversification projects to generate additional corporate revenue.

### Decade

- First decade capital investments of \$2 billion have reinvigorated America's once antiquated national rail passenger system.
- Passenger miles traveled on Amtrak trains increased 60 percent from 1971 to 1981 as the corporation captured new market segments in the competitive travel industry.
- Total revenues have increased 311 percent over the 10-year span, from \$162.6 million to \$506.3 million.
- In 1971, the corporation accepted deteriorated passenger equipment from U.S. railroads that averaged over 20 years in age. Today, the Amtrak train system includes 1,436 new or rebuilt, all-electric passenger cars, and a fuel efficient locomotive fleet with an average age of four years.
- The Amtrak system began serving 380 communities with 23,000 route miles. Today, a much more efficient national system exists with 24,000 route miles serving 525 cities and towns in 44 states.
- Beginning with no real estate assets, the corporation now owns 650 miles of right of way and numerous other prime, center-city properties with high potential for future commercial development and revenue generation.
- The corporation has converted a once manual, paper reservation system to the most technically advanced computer network in the travel industry.



## Highlights

### 1981

- Record revenue growth of 16 percent to \$506.3 million surpassed the average growth of airlines.
- Passenger miles grew four percent. Other scheduled intercity transportation modes experienced passenger mile declines.
- Management economies and productivity programs have brought corporate operating expense reductions projected to yield \$90 million annually.
- Long-distance trains registered an 11 percent ridership increase attributed to modern Superliner equipment and improved on-time performance.
- Full operation of the Chicago Maintenance Facility, completion of the Superliner equipment order and delivery of additional AEM-7 locomotives were among major capital projects concluded.
- Service quality improved with new equipment. Customer complaints were down 50 percent.
- A Corporate Development department was established to pursue asset utilization and diversification projects to generate additional corporate revenue.

### Decade

- First decade capital investments of \$2 billion have reinvigorated America's once antiquated national rail passenger system.
- Passenger miles traveled on Amtrak trains increased 60 percent from 1971 to 1981 as the corporation captured new market segments in the competitive travel industry.
- Total revenues have increased 311 percent over the 10-year span, from \$162.6 million to \$506.3 million.
- In 1971, the corporation accepted deteriorated passenger equipment from U.S. railroads that averaged over 20 years in age. Today, the Amtrak train system includes 1,436 new or rebuilt, all-electric passenger cars, and a fuel efficient locomotive fleet with an average age of four years.
- The Amtrak system began serving 380 communities with 23,000 route miles. Today, a much more efficient national system exists with 24,000 route miles serving 525 cities and towns in 44 states.
- Beginning with no real estate assets, the corporation now owns 650 miles of right of way and numerous other prime, center-city properties with high potential for future commercial development and revenue generation.
- The corporation has converted a once manual, paper reservation system to the most technically advanced computer network in the travel industry.



The Amtrak yard behind Chicago's Union Station is a \$43.6 million capital project completed in 1981 and is now the most efficient, organized, cost effective rail maintenance center in the U.S. About one-third of the national fleet is serviced at this 48-acre site which also has further commercial real estate development potential, such as the modern Gateway IV office complex now under construction.







Alan S. Boyd  
Chairman and President

**T**his report is issued as the National Railroad Passenger Corporation (Amtrak) moves into its second decade. It seems appropriate, therefore, that the document provides a glimpse of our 10 year achievements, a focus on the strong position we've attained in a highly competitive industry, and a look toward the future.

The company's 1981 accomplishments came despite a restrictive economy, a precipitous decline in the U.S. travel and transportation industry, and an abrupt redirection of federal funding philosophy.

These severe external forces presented the most conspicuous and serious challenge in our company's history: to prevent deterioration of the operating base while continuing to enhance the national passenger train system revived during the 1970's.

Yet, neither the economic and travel weakness nor the concurrent reduction in federal support fundamentally altered the corporate direction. Our management team was able to convert the year's adversities to opportunities by effectively refining both financial and operational systems.

In perspective, 1981 was the corporation's finest hour.

### Industry Competitiveness

We cannot afford to let misconceptions about our company and the future of rail transportation persist. We are a \$1.3 billion annual enterprise with assets of \$2.6 billion.

By many measurements, the National Railroad Passenger Corporation emerged as the business surprise of the year within this country's travel and transportation industry.

Our company achieved revenue growth of 16 percent in 1981 while many of our competitors faltered due to the bleak, regressive transportation market. The average revenue growth of scheduled air carriers during the same period, for comparison, was a limited 7-10 percent.

Among public, intercity transportation modes, only one demonstrated growth in revenue passenger miles. Amtrak trains experienced a four percent increase in passenger miles, while major airlines declined nearly seven percent, scheduled intercity buses dropped about two percent, and automobile travel slowed one percent.

On-time performance of our trains rose 11.6 percent over the previous year. On many routes, trains consistently perform better than scheduled airlines. High-speed service on the Northeast Corridor between Washington and New York is 92 percent on time.

### Sixth Largest U.S. Carrier

We conclude 1981 as America's sixth largest intercity public transportation company, with ridership of nearly 21 million customers. We have attained this rank within our industry without extensive recognition and against great odds.

Operating in the intensely competitive, complex and ever-changing transportation marketplace, we are showing sustained growth at industry-leading levels.



### Positive Corporate Trends

Our young corporation's superior 1981 performance reveals extraordinary progress and maturation. Yet, the riches of one year are not as telling as results over time. Our dramatic short-term achievements are buttressed by equally appealing growth trends demonstrating consistency and vitality.

Every indicator remains positive. The five-year revenue trend has been upward. Passenger miles, fare yields, on-time performance, equipment dependability and service quality have shown similar progress over the same five-year period.

Meanwhile, the total corporate employment trend is stabilizing while yielding increased productivity. Our capital investment program has improved many employee workplaces and introduced new technology as we become a lean, adaptable company.

These positive trends portray our commitment to a policy of constant growth that will not substitute short-term successes for compromised long-term prospects.

We are a transportation company built and strategically positioned for the future. We have brought the nation a world-class passenger train network. It is operating at increasingly high efficiency levels, supported by a creative marketing effort which is generating strong customer demand.

### Strategic Planning

During 1981, we undertook an appraisal of our principal opportunities and a deliberative allocation of material, human and financial resources.

Where necessary, we have consolidated departments, such as in the operations and maintenance functions, and streamlined management reporting relationships. We have continued to strengthen our management group through an aggressive recruiting program for skilled, business-experienced executives.

Notwithstanding the turbulent year, the executive staff of the corporation has devoted more effort to business planning than during any previous period in the company's history. We are now bringing systematic planning to more levels of management enabling us to focus strategic efforts to the best effect.

We do not embrace a static strategy. It is essential we remain dynamic in our unique business and government environment. One of our company's great organizational strengths is this ability to adapt rapidly to change while still pursuing our basic mission.

Decentralization, one of our corporate goals continued during 1981, places management responsibility where it encourages growth and initiative. Anticipating challenging conditions in the years ahead, the corporation recognizes the growing importance of employee productivity, ingenuity and dedication.

### Challenging Environment

Unexpectedly, 1981 saw the company endure the most severe conflict in our decade-long existence. Proposed federal budget reductions threatened an overnight shrinking of the national, intercity passenger rail system to a Northeast-only operation.

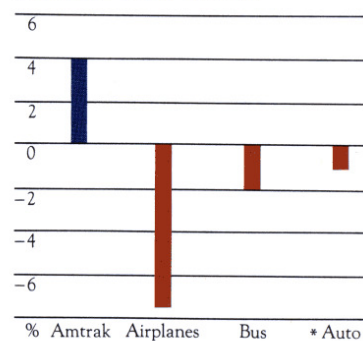
The corporation again was placed in the position of defending itself, facing a level of scrutiny and challenge seldom known to most American companies. Yet, the mounting record of achievement stated a persuasive argument for support. The debates ended with a reduced federal operating grant adequate to maintain 90 percent of the national passenger train system with only minor train discontinuances and route adjustments.

Importantly, the year's legislative actions included modifications to existing laws that bode well for increased management flexibility. Legislative adjustments which now enable direct and straightforward negotiations with labor unions are one of our greatest opportunities. They will strengthen our ability to perform and manage the company in a businesslike fashion.

### New Complications

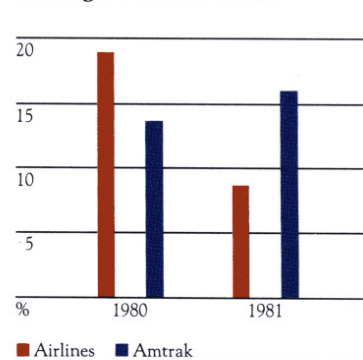
With the Congressional action came new complications. We are now legislatively mandated to eliminate the deficit of on-train food service. A modified meal system introduced during the year has reduced the per passenger outlay by more than half. Additional food service techniques and revenue enhancing measures are being tested and implemented.

Passenger Miles Growth



\*Measured by gasoline sales

Passenger Revenue Growth



Passengers Carried in 1981\*

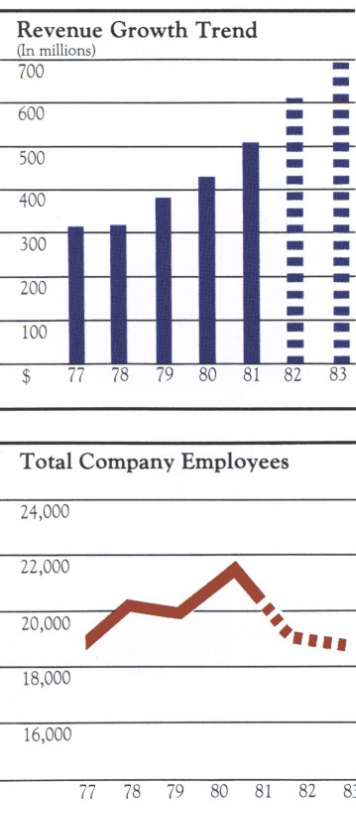
Greyhound	62
Delta	35
Eastern	33
United	29
American	23
<b>Amtrak</b>	<b>21</b>
Trailways	18
Republic	17
TWA	15
USAir	14
Northwest	10
Braniff	10
Western	9
Continental	8
Pan Am	6

(In millions)

\*Domestic trips



## Chairman's Analysis and Discussion



The Congress also structured a new corporation as a possible successor to Conrail for the operation of commuter trains in the Northeast. It is presently uncertain which commuter rail agencies will contract with this new corporation for services. The transfer of commuter service to this new corporation is certain to present unknown problems. At the least, new agreements covering interaction with Amtrak trains and facilities must be negotiated. It is an issue that may present one of the corporation's greatest dilemmas.

Requiring that the company achieve a 50 percent revenue to cost ratio in 1982 was an additional legislative element. The total revenue to expense ratio was 42.1 percent in 1981, up from 38.3 percent in 1978, and we remain on course to reach the Congressional goal, three years ahead of the original schedule.

Moreover, the National Railroad Passenger Corporation has set an internal goal for covering all short term avoidable costs from the farebox by 1985. Achievement of this goal places the company in a financial situation which closely parallels the nature of funding support enjoyed by all other forms of public transportation.

Today, we are appropriately positioned to meet our many new challenges. We have a strengthened capital base, an equipment fleet now capable of taking advantage of marketing opportunities, and the dedication and professionalism of over 18,500 men and women from our diverse population.

### Labor Relationship

Noted later in this report are

several crucial and interdependent keys to the corporation's future success.

Among those keys is the issue of new working relationships with our 15 unions. Setting a precedent, management selected to negotiate independently with our non-operating unions. With federal support reduced, it was apparent the company could not absorb the anticipated national rail labor settlement.

We are asking our 15 unions for major concessions in the form of work rule reforms and wage increases substantially lower than those of recent industry-wide settlements. And, we are proposing a cooperative labor-management approach to increasing productivity.

Our conceptual approach is simple. We seek to maintain every possible job and create a structure where there will be long-term employment stability with the least possible disadvantage to our dedicated workforce. We are asking only changes in restrictive work rules and other labor-related procedures such that we might have a fair eight hours work for eight hours pay. We also seek to gain the managerial flexibility needed in a dynamic business. The outcome of the historic negotiations will mark a crossroads for the company.

### Outlook

We are benefiting from the shift in our society toward civilized, relaxed lifestyles. Passenger train transportation provides the travel pleasure and comfort now dwindling in other modes. In the future, passenger rail travel will become even more energy conserving. Fuel expense for the Amtrak system represents only 10 percent of total operating cost, compared to nearly 40 percent for the airlines.

Thus, our business is affected less by fluctuations in world petroleum markets and is situated advantageously as energy prices rise and our productivity increases.

The trends in transportation and society give us reason to be extremely optimistic about our long-term prospects. Our marketing estimate suggests the Amtrak system has the potential for carrying 48 million passengers by 1990, compared to the 20.6 million of today, an impressive increase by any standard.

There are enormous vistas of future growth ahead. We face them with a sure sense of direction and a balanced strategy for growth. Implicit in our taxing internal goals is the requirement that the corporation continue to outperform the industry as a whole.

For the first time since our formation in 1971, management energies are focused on long-term objectives. We have embarked upon an aggressive business diversification program which will help us meet future system capital requirements. High speed trains utilizing international technologies are on the immediate horizon.

Our vision of being America's finest transportation company has never been clearer. Our performance justifies this aspiration for the future.

Alan S. Boyd  
Chairman and President



The corporation is planning for U.S. rail transportation in the 21st century by encouraging investigation of high speed, inter-city rail through populous corridors. A privately funded engineering feasibility study was initiated in 1981 simultaneously with exploration of business funding sources for a dedicated track system such as the Japanese Shinkansen bullet trains.







**T**he singular business purpose of the corporation—reinvigorating a national passenger train system, an essential element of America's transportation infrastructure—has fostered the consistent growth and superior performance again demonstrated in 1981.

### **Record Revenues and Constant Growth**

Total revenues during the fiscal year reached a record high of \$506.3 million, including state operating payments of \$9.8 million. This amount reflects an increase of \$69.9 million or 16 percent over the previous year.

Passenger transportation revenues realized a 15.7 percent improvement, totalling \$430.4 million. Revenues from non-transportation sources were \$66.1 million, a 16.8 percent one-year gain reflecting the initial emphasis management is placing on asset utilization and other non-train system revenue opportunities.

Real estate revenue increases led non-transportation growth, increasing 33 percent to \$16.6 million, from \$12.5 million the previous year. Dining and buffet revenues grew from \$26.8 million to \$32.9 million, or 22.8 percent. Development began on new mail and package express revenue opportunities, with a modest increase of 5.4 percent for the year from \$13.7 million to \$14.5 million.

The corporation's 1981 record is buttressed by a strong five-year upward revenue trend from \$311.3 million, adding nearly two-thirds to total revenue with a 13.4 percent compounded growth rate. Management views this constant growth as particularly gratifying, considering the years of uncertain government support through which it was accomplished.

Diminished federal funding, reduced over \$200 million from the previously authorized and planned commitment, was not entirely offset by substantial corporate revenue gains. Thus, further aggressive management action was taken.

With labor-related expenses approaching 60 percent of the total annual operating budget, the company embarked upon a series of workforce reduction efforts reaching both management and agreement-covered personnel which are yielding both short- and long-term return. These actions were combined with numerous exemplary cost containment programs and deferral of many discretionary expenses.

In the aggregate, these management initiatives were instrumental in the corporation's weathering of the year's budgetary squeeze with practically no damage to the operating base and without restricting the forward momentum firmly established in the first decade.

### **Investments for the Future**

The corporation's progressive capital expenditure plan has gone to strengthen the once antiquated equipment and facilities base. These investments have been key to the success of the first decade and will sustain the Amtrak train system for years ahead. Technologically advanced, efficient, and dependable equipment and systems suggest continued revenue increases as operations fill out to a greater percentage of total capacity.

Capital program expenditures in 1981 totalled \$360.8 million including \$287.5 million for all-electric passenger cars and high-speed motive power, and \$69.2 million for track improvements, stations and other maintenance and operation facilities.

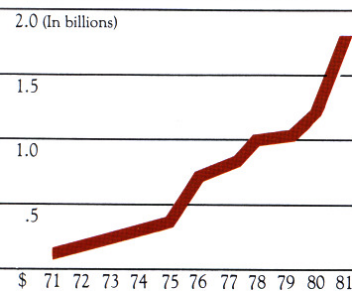
This year's capital program concludes a period, concentrated in the last six years of the decade, during which \$2 billion has been invested toward rebuilding a national rail passenger system.

Among the projects completed in 1981 is one which illustrates the benefit of this massive capital infusion. The Chicago Maintenance Facility, at the hub of the system, was dedicated following a \$44 million construction program spanning five years from conception. Annual workforce and other operations savings are estimated at \$9.2 million.

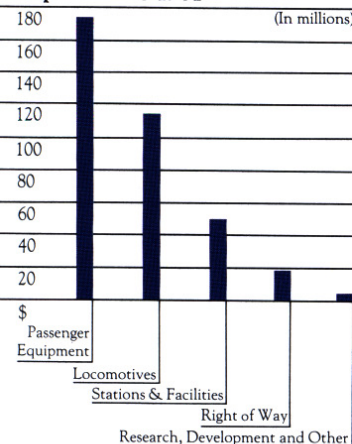
The final car in the 284-unit Superliner series was delivered during 1981, representing a \$313 million total capital commitment over a six-year period. This equipment, utilized in western states, is the most appealing in the world and measurably increases train productivity through higher-capacity, double-level configurations.

The corporation invested \$7 million to complete a \$14.7 million conversion program for 60 older bi-level passenger coaches, lounges, and dormitory-coach cars, to make them compatible with Superliner equipment for use during peak periods. These units should achieve a 53 percent return-on-investment.

**Cumulative Capital Program Expenditures for the Decade**



**Capital Program Expenditures 1981**





Investments in high technology such as the company's new computer reservations system portend continuing increases in revenue and productivity. The Philadelphia computer center now houses three large computers supplying data for ticket sales, train operations and management planning.

A further technological advancement for the corporation is the acquisition of a sophisticated computer reservation system, with installation nearly completed at the end of the fiscal year. The nationwide system, including relocated and re-equipped reservations and sales centers, was a \$57 million program which brings to the corporation the most modern, state-of-the-art technology available to the transportation industry today. It will provide significantly increased capacity for the future, ranging from improved service and responsiveness for customers to previously unavailable management controls, measurements and planning data.

#### **Increased Productivity and Cost Control**

An aggressive cost control and workforce merger program has enhanced the effect and the potential of major capital improvements.

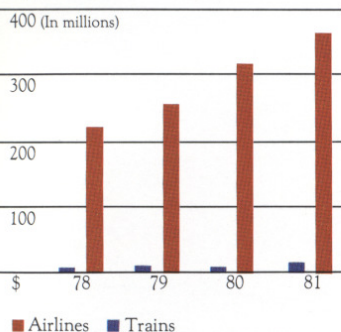
Cost cutting measures, designed to reduce operating expenditures by \$90 million on an annualized basis, have penetrated every area of the corporation. These efficiencies also have spawned productivity gains which contributed to the continuation of a national rail passenger system within the constraints of a reduced operating budget.

In 1981, corporate headquarters staff was reduced by 25 percent, or nearly 400 positions, primarily at management levels. Combined with office space renegotiations and other related economies, a savings of \$16 million is projected on an annualized basis.





Advertising Expenditures by Mode



This management action is consistent with the corporation's ongoing decentralization strategy and will yield greater savings ahead as the goal of an even smaller and more productive corporate headquarters is achieved.

The operations and maintenance functions of the corporation demonstrated the greatest success in the cost control effort. A management decision to merge the previously independent functions immediately brought dramatic budgetary savings in the mechanical area through shop and yard consolidations. Close monitoring and renegotiation with contract railroads providing maintenance services avoided \$4.7 million in costs. Terminating heavy maintenance work at a contract shop saved over \$10 million in annual expense. Over-time at maintenance facilities was held 60 percent below budget, saving \$7.1 million.

Importantly, savings were achieved without deferring maintenance on rolling stock or on Northeast Corridor right of way.

### Washington Terminal Company

A complicated transaction during the year has given the National Railroad Passenger Corporation complete ownership of the Washington Terminal Company (WTC), which operates the train facility and trackage adjacent to the federally-owned Union Station in Washington, D.C. Previously, the CSX Corporation held half interest in the Terminal Company.

A \$50 million capital project for a Northeast Corridor maintenance base is planned for the site which is prime property for future air-rights real estate development. Management improvements since conveyance of the property have brought a 14 percent labor reduction, saving \$1.8 million in the year.

### Marketing and Sales Strength

While decreases in federal support were partially counterbalanced by management efficiencies and other controls, the record revenue growth during a bleak travel year was an encouraging indicator. Corporate growth certainly must be attributed to a series of factors including more attractive, comfortable equipment and more reliable operation. However, exceptional marketing and sales programs also have been a central reason for industry-leading performance and the surge of customer acceptance.

Limited advertising dollars have been maximized by creative flair and systematic direction of expenditures to the 26 highest potential markets. Passenger train travel promotion, for example, cannot compete with the air

travel mode for national consumer exposure with only 1/30 the total advertising investment. Airlines average \$1.60 per passenger for advertising. Amtrak spends only 52 cents per passenger. Yet, the corporation has made measurable progress in extending its market share and attracting new customers.

Utilizing both national travel-oriented and route specific appeals, the advertising effort reaches to business and discretionary travelers. Senior citizens and ethnic groups are among the targeted audiences. Regional television, local radio, newspaper and national magazine purchases are tools which are combined with an expanding direct marketing and sales program.

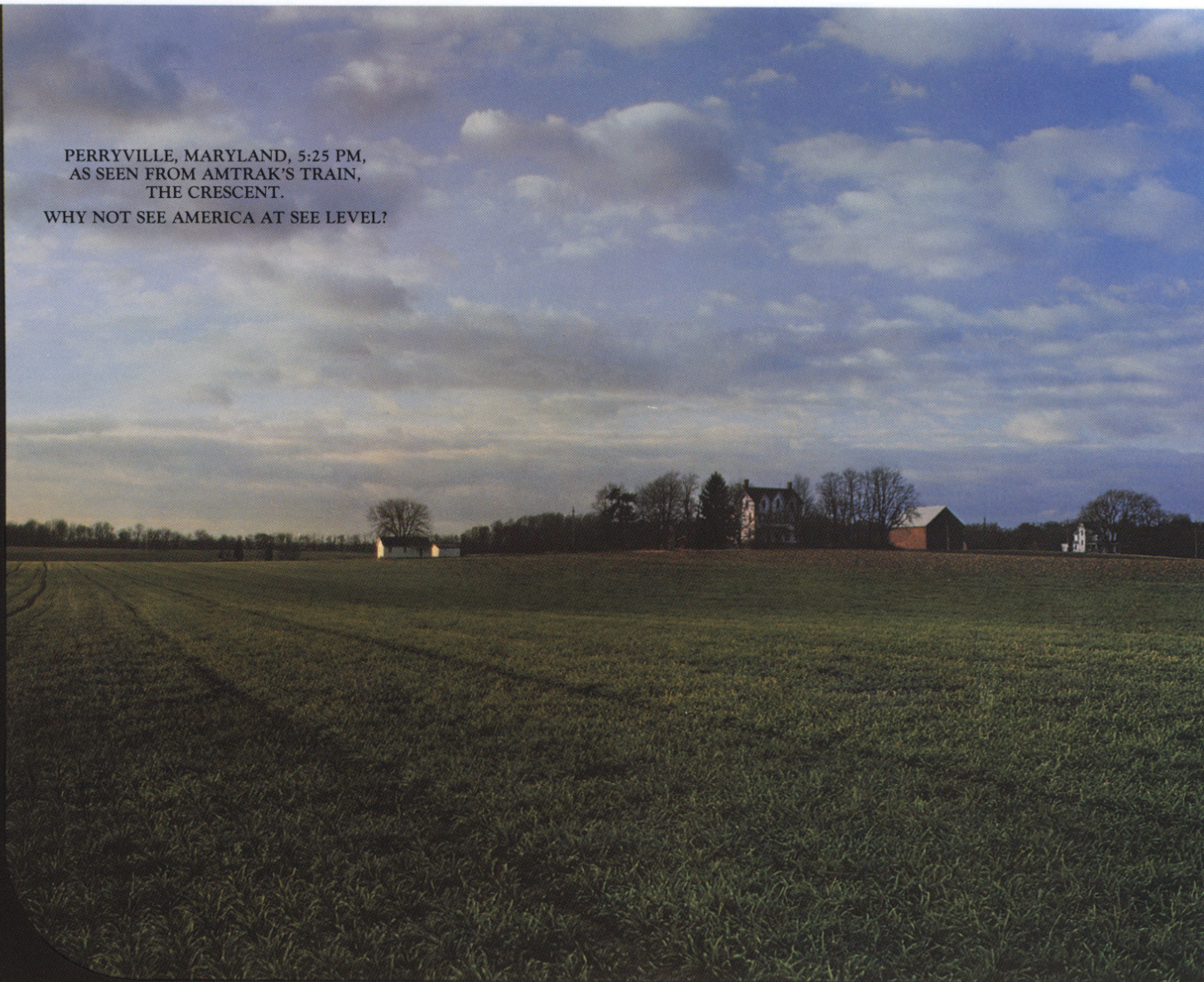
The company is achieving an exceptional yield on fare strategies which are complemented by the marketing, sales and advertising program. Transportation ticket prices rose 19.9 percent in 1981, with only a limited passenger impact. From 1978 to 1981, fares were raised a total of 56 percent, 22 percent over the inflation rate for the period. Fare decisions are based upon sophisticated market research data and are increasingly sensitive to local market conditions. Schedules are being continually refined for prime departure and arrival times, optimal train equipment utilization, and maximum connecting and flow-through traffic.



Continued



Creative marketing, sales and advertising programs generated growing train revenues during a year when other transportation companies faltered. National magazine advertisements in the "See-Level" series show actual scenery from Amtrak train windows enticing travelers to the more relaxing and comfortable transportation mode. Television commercials for regional broadcast use similar train window photography for vacationer appeal.

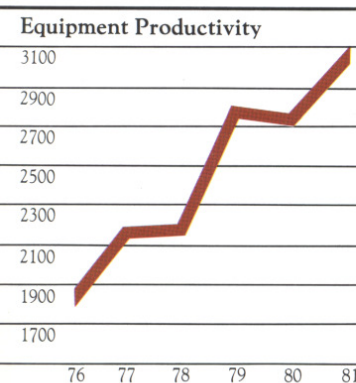
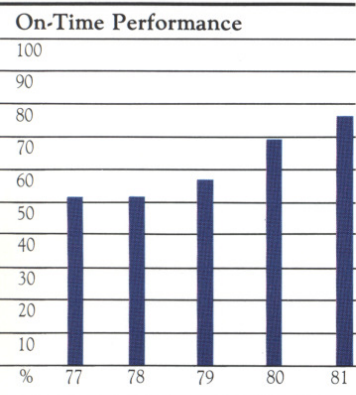
PERRYVILLE, MARYLAND, 5:25 PM,  
AS SEEN FROM AMTRAK'S TRAIN,  
THE CRESCENT.  
WHY NOT SEE AMERICA AT SEE LEVEL?



Amtrak  AMERICA'S GETTING INTO TRAINING 







\*Measured by passenger miles per operating cars.

The year was excellent from the operating viewpoint. The corporation is realizing the benefits of the 10-year capital intensive replacement and rebuilding program for the fleet as equipment reliability and on-time performance were the highest in the Amtrak system's history.

Passenger miles increased by 4 percent to 4.8 billion in 1981, while other intercity transportation modes experienced declines in comparable statistics. This passenger mile growth represents a 60 percent improvement over the 3 billion passenger miles of the system during the first year of the decade.

Today's Amtrak passenger train network covers 24,000 route miles and links 525 communities in 44 states, many of which no longer have air service from trunk carriers under airline deregulation.

Through reroutings and schedule adjustments at the end of the year, a total of 47 hours has been cut from the running time of Amtrak trains.

## On-Time Performance

The days of setting your watch by the passenger train are returning. On-time performance rose 11.6 percent in 1981 to 77 percent and, on many routes, was consistently equivalent to the average of the nation's scheduled air carriers.

On the corporation-owned Northeast Corridor, passenger trains routinely travel at 110 miles per hour, the federally imposed limit, although Amtrak's new AEM-7 electric locomotives with Amfleet cars are capable of cruising at 125 miles per hour.

Express Washington-New York Metroliner trains now make the trip in less than three hours with a 92 percent on-time average.

Because travelers usually equate quality of service with on-time arrival at destination, the corporation can be expected to further increase its share of the transportation market.

Off-Corridor, the corporation has benefited from \$15 billion in track and right-of-way capital improvements by private freight railroads since 1979, and from state-supported track programs in New York, Michigan and California. This substantial, cooperative investment has helped make the passenger ride smoother, quieter and faster.

## Equipment Reliability

Through capital investments, the corporation has rebuilt the U.S. rail passenger fleet in less than a decade. Today, the Amtrak train system includes 1,436 new or rebuilt, all-electric passenger cars. The locomotive fleet age now averages 4 years, compared to 1971 age of 22 years. The corporation received the final unit in the 284 Superliner car order. And, 23 additional Swedish-designed AEM-7 locomotives for Northeast Corridor service were delivered.

A total of 132 completely rehabilitated "Heritage Fleet" all-electric cars were produced at the corporation's Beech Grove, Indiana facility. Another 137 cars were repaired and returned to service. These modernized

cars will complement the 150 new long-distance coaches and food service cars ordered in 1981 from the Budd Company. Based on the proven Amfleet design, these new stainless steel cars incorporate modifications to facilitate maintenance.

Locomotives repaired and returned to service totaled 21 at the New Haven shop and 19 at the Beech Grove facility. Additionally, New Haven made truck changes to F40 diesel locomotives and Wilmington completed nearly 200 traction motor overhauls and 340 Amfleet truck overhauls.

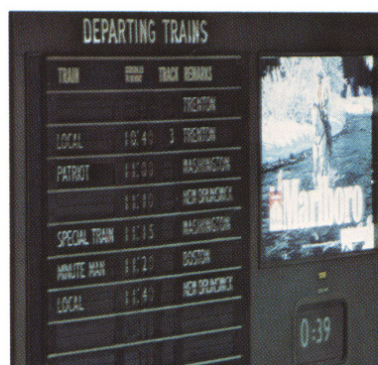
Conversion to an all-electric fleet contributed to a 31 percent reduction in equipment malfunction delays in 1981 and to a satisfying drop in air conditioning failures, from 2,207 in the summer of 1978 to only 331 last summer.

## Long-Distance Passenger Growth

In the worst of times for intercity transportation corporations, Amtrak maintained its overall customer base with 20.6 million passengers despite significant ridership declines on the Northeast Corridor and more limited fall-off on short-distance routes.

The corporation's long-range capital investments strategy paid dividends in the marketplace, contributing to the 11 percent increase in long-distance passenger miles. This dramatic growth clearly indicates public acceptance of the new Superliners and all-electric Heritage Fleet equipment.

Long distance schedule improvements have also contributed to ridership and revenue. For example, the corporation projects a



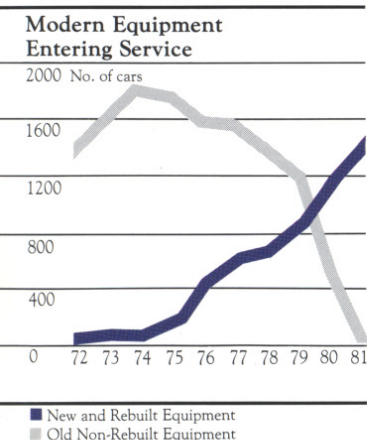
Continued



The western U.S. now enjoys the world's most comfortable rail passenger equipment, the bi-level Superliner fleet. The final unit in the 284 car series was delivered during the year following a six-year, \$313 million capital expenditure. The additional capacity of Superliners has improved train productivity and energy efficiency while increasing consumer appeal, a key to the 11 percent ridership growth on long-distance trains.







Superliner observation lounge (above)  
and piano lounge (below).



28.6 percent return-on-investment on a \$2.3 million commitment during the year to reroute the Washington section of the New York-Chicago Broadway Limited. The new Capitol Limited now joins the Broadway Limited at Pittsburgh, a two-hour reduction in the trip to Chicago.

## Short-Distance Trains

Of the 23 short-distance routes outside the Northeast Corridor, 11 showed ridership increases and 11 experienced decreases. The net effect was a 4.8 percent decline in passenger miles. Leaders in the product mix of short-distance routes were St. Paul-Duluth and Seattle-Portland with passenger gains of 33.6 percent and 22.1 percent respectively.

## Northeast Corridor

The general downturn in travel was most evident in the Northeast Corridor, exacerbated by highly competitive and uneconomical discount fare competition among new air carriers. Passenger miles per train mile dropped 13.2 percent in the Corridor, principally on Washington-New York

Metroliner Service, Boston-Washington trains, and Boston-Philadelphia trains, as a result of airline promotions and irregular schedules due to heavy track construction.

The corporation is intensifying its efforts to recapture this traffic. Twenty Metroliner Service trains now run each weekday between Washington and New York. Eight Express frequencies, under three hours in trip time, have been inaugurated in direct competition with air flights. Other Corridor schedules have been accelerated by as much as half an hour. Several lightly used mid-day Metroliner Service trips have been eliminated to lower operating costs.

New 60-seat, leg-rest coaches are now in use on all Metroliner service providing a level of comfort unmatched by any transportation competitor.

## Northeast Corridor Improvement Program

Amtrak, working under contract with the Federal Railroad Administration, made noteworthy progress in 1981 on the Northeast Corridor Improvement Project between Washington and Boston.

Work crews completed all 21.4 track miles scheduled for high-speed continuous welded rail, for a total of 281.8 miles overall in the project. And, the goal of rehabilitating 79.8 miles of track using an automated Track Laying System machine was achieved.

When completed, the \$2.5 billion railroad improvement project, one of the largest in U.S. history, will have upgraded the 456-mile rail corridor for both passenger and freight traffic.

## Service Quality

A tangible measure of the Corporation's success in revitalizing the U.S. rail passenger industry is the 50 percent drop in consumer complaints, to only one complaint for every 1,000 customers. As a result, the ratio of commendations to complaints nearly doubled.

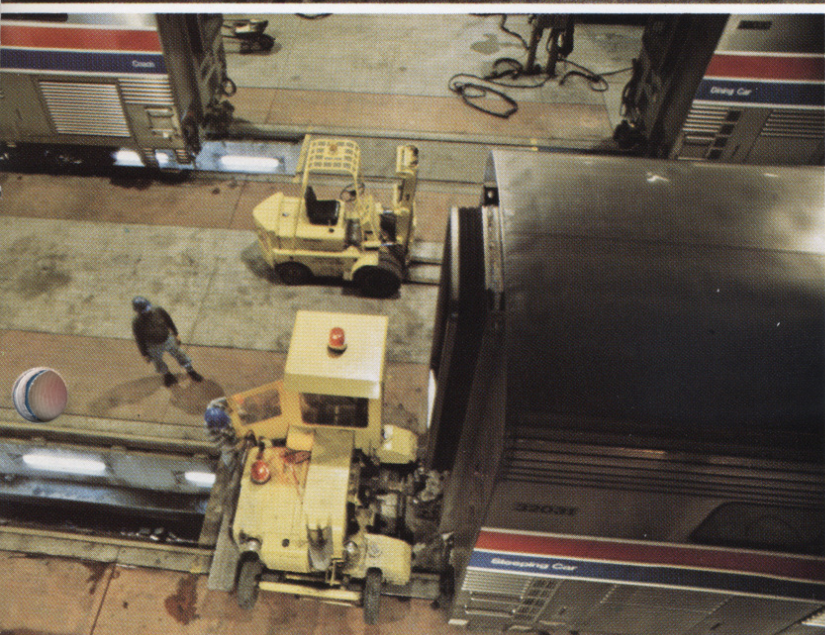
To better utilize the skills of its human resources, two national training conferences were initiated, combined with a series of regional participatory conferences for Passenger Service employees.

The corporation also issued attractive, contemporary uniforms for all customer contact employees to complement new equipment and improve pride and morale.

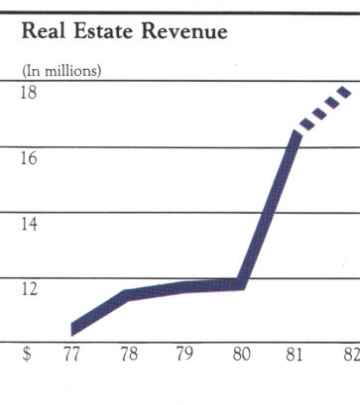
A new on-board food service was also instituted on long-distance routes in response to a legislative mandate. By supplementing its breakfast and luncheon menus with pre-prepared dinner entrees, the corporation expects to save \$30 million in 1982 on-board food operations.



An AEM-7 locomotive carries passengers through the intermodal Baltimore-Washington International Airport station. The electric-powered engine is the mainstay of the Northeast Corridor where Amtrak trains routinely travel 110 mph and have capability to 125 mph. The Beech Grove, Indiana heavy maintenance facility overhauls and repairs equipment. New stations like the one in Albany, New York which opened in 1981 support the world-class Amtrak network.







The Gateway IV office building now under construction over tracks behind Chicago's Union Station.



**T**o meet future capital expenditure demands, management has embarked on an aggressive program to utilize corporate assets, both physical resources and workforce expertise.

A corporate development department was established during 1981 with central responsibility for all business diversification activities.

Asset utilization is not new to the company. Rental income from tenants in stations, equipment leasing, equipment overhaul and maintenance-of-way work have traditionally been income sources.

The heightened emphasis placed by management on vigorous business development to meet ambitious long-term corporate goals is, however, new. This active utilization of corporate assets is consistent with the trends among other passenger railroads throughout the world.

The National Railroad Passenger Corporation is first and foremost a rail passenger carrier operating the Amtrak train system. To this end, business development programs are not intended to replace or infringe upon passenger train activities. They are designed to solidify the future of the system by assuring a cash flow sufficient to eventually finance the corporation's capital programs.

## Real Estate Assets

One business segment today producing substantial revenue is real estate. The corporation owns prime commercial property in numerous major metropolitan and suburban areas. Real estate assets include 700 miles of rail and trackage rights, 5,000 acres of adjacent land, 135 stations and terminals, and other facilities throughout the nation. Revenue from commercial utilization of these holdings, such as leasing of concessions and land, reached \$16.6 million in 1981 and has great potential for the future.

Currently, the corporation is part of a consortium developing air rights near Chicago's Union Station for the modern Gateway IV office complex in a convenient center-city location. Development of two new office buildings in Greenwich, Connecticut is also underway. In concert with the City of Philadelphia and private developers, 30 acres of air rights at a central location near 30th Street Station are on the drawing board for revitalization into a major commercial complex. And, development of air rights behind historic Union Station in Washington, D.C. is of interest to several firms.

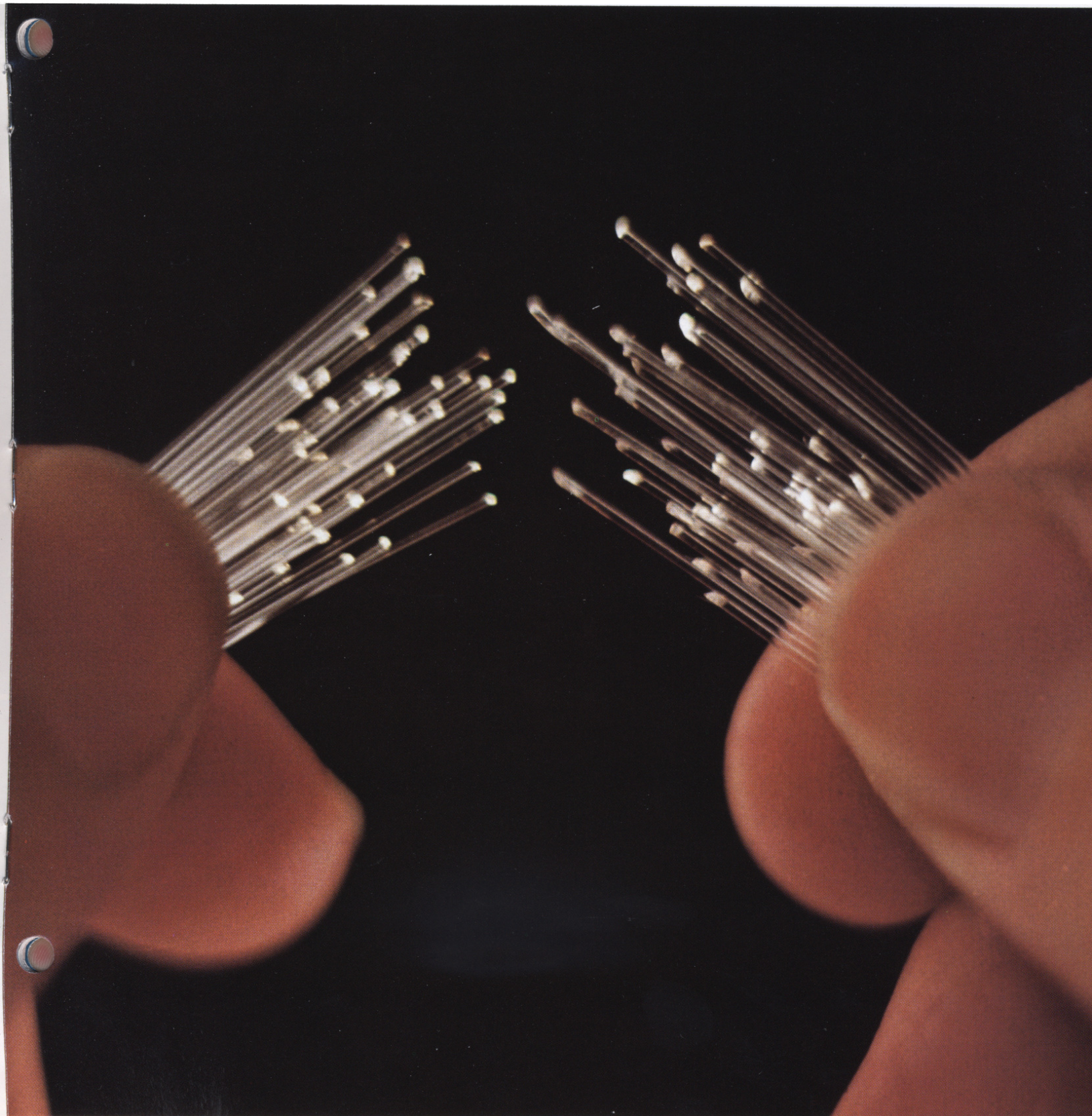
## Fiber Optics Technology

The need for a technologically advanced communications system to serve Northeast Corridor rail traffic—averaging approximately 1200 intercity, commuter and freight trains a day—has brought the corporation to one of its most exciting business diversification projects.

Continued



*A fiber optics communications system is planned for the Boston-New York-Washington Northeast Corridor right of way. The technologically advanced transmission process will provide communications for train operations and excess capacity for commercial lease to generate additional corporate revenue.*







Negotiations are in progress with several major communications companies for installation of a fiber optics system along the Boston-New York-Washington right of way owned by the company. The National Railroad Passenger Corporation is offering valuable real estate necessary for operation of a commercial fiber optics system in this high density population area. In return, the company would become a commercial user and be provided a train service communications system while enjoying revenue from lease arrangements.

### Human Expertise

A little known but significant asset is the corporation's Beech Grove, Indiana heavy maintenance facility. Through years of overhauling and rehabilitating antiquated rail cars into modern, electrified equipment, the workforce has developed expert heavy equipment skills. With the corporate car rebuilding program nearly completed, management is seeking opportunities for the employees of the facility to be utilized by other organizations. One such contract has been signed for renovation of 15 commuter cars of New York City's Metropolitan Transportation Authority, and this capability is being marketed to other commuter agencies and heavy equipment industries.

The corporation also has developed employee vocational training programs which are valuable to small domestic railroads, foreign railroads, mass transit agencies, and state departments of transportation.

The Beech Grove facility has been licensed by the U.S. Labor Department for apprenticeship training.

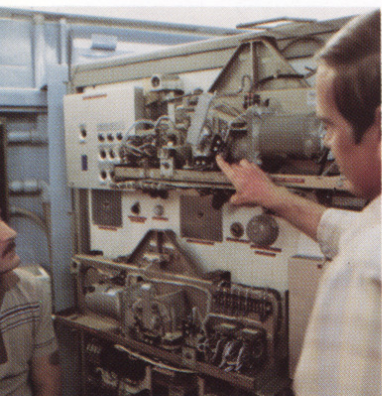
Engineering and other technical expertise among corporate employees is a related human asset. The company currently provides consulting services to an Australian railroad, among others, in a revenue-producing activity that is expected to continue and expand.

### Equipment Assembly

The opportunity for final assembly of mass transit rail cars manufactured by foreign companies is one of many other promising services under consideration for revenue diversification. Creative re use of surplus rail cars for hotels, restaurants, gift shops and other commercial applications may provide increased revenue. Rail equipment leasing, on-board telephone and computer capacity, and various other entrepreneurial ventures are scheduled for review as part of the corporate-wide revenue diversification effort.

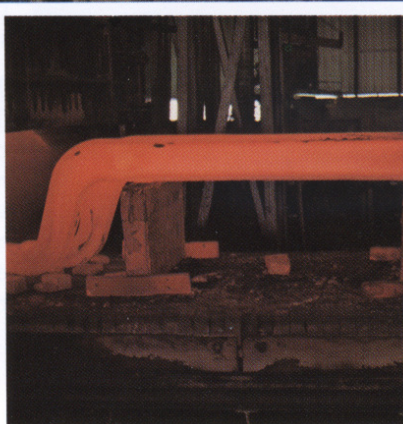
In years ahead, the National Railroad Passenger Corporation will seek agreements and undertake initiatives with private partners which are consistent with good business judgment and will increase corporate revenue. Pursuit of this activity imposes the strongest possible discipline on the corporation. Yet, income from corporate development should burgeon as this effort gains momentum.

Through this business development program, the corporation will use the fruits of the first successful decade to produce seed for the future.





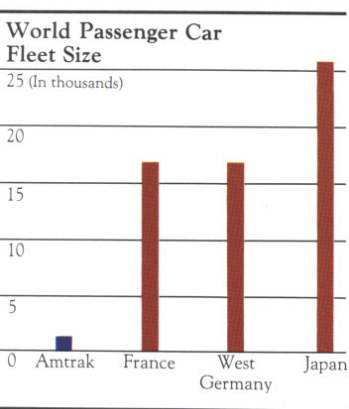
Craftsmen skilled in all forms of heavy equipment repair and maintenance are an asset of the corporation which will be made available to private companies and other organizations. Running repair and overhaul work in support of commuter agencies is being performed at both Beech Grove, Indiana and Wilmington, Delaware facilities.







The French TGV trains.



**T**he future for rail transportation in America has been brightened by a series of governmental and societal trends, combined with the successes of the corporation's first decade. These factors have produced powerful reasons for long-range optimism. Yet, ahead is a series of interconnected issues which are key to unlocking rail travel's fascinating new potential.

### ***Labor Progress***

Improved, contemporary contractual arrangements with rail labor unions to secure productivity increases and streamline operations are essential to the corporation's future health and progress. Management remains determined to alter antiquated industry practices and to develop labor relationships in such a way that the long-term benefits of job stability and corporate growth are apparent.

### ***Human Resources***

The human potential upon which any company's progress must ultimately depend, has been a strength of the National Railroad Passenger Corporation and is a resource which commands further development.

Building careers by keeping employees stimulated and motivated will keep the personnel development pipeline full. People represent an indispensable force for continuing success and growth over the years ahead.

### ***Capital Investment***

Concluding the first decade with \$2 billion in equipment purchases and rehabilitation, track upgrading and facilities modernization contributed heavily to the corporation's overall success. Today, the Amtrak system faces serious capacity limitations during high volume travel periods and remains deficient compared to most industrialized nations. A second wave of capital investment during the mid-1980's is compelled by projected ridership growth and the inevitable retirement of limited-life, rehabilitated equipment.

### ***Funding Consistency***

A businesslike, long-term grant system with the federal government, at a level paralleling the indirect government subsidies all other U.S. public transportation modes enjoy, will enable the corporation to take advantage of our strengthened competitive position within the American travel and transportation industry. With budgetary consistency, long-term planning can bring more rapid progress toward declining federal grant allocations and ultimate self-sufficiency.

### ***Business Development***

To further support anticipated capital expenditure requirements, the corporation will vigorously pursue business diversification projects and other entrepreneurial ventures utilizing real estate and other assets. As



this business development effort amplified, it will provide an even more stable financial base.

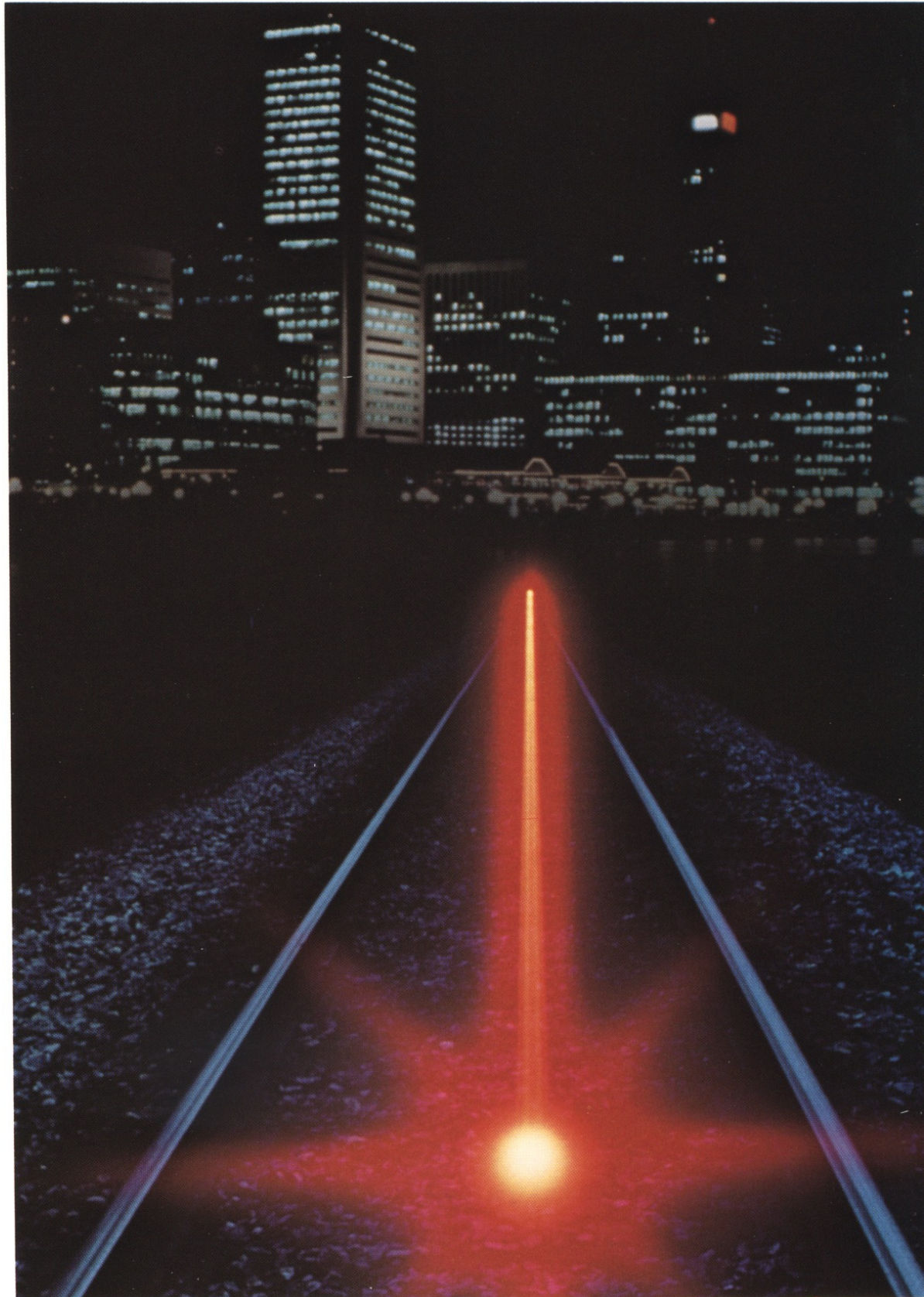
### ***High Speed Trains***

International rail technologies, such as the Japanese Shinkansen bullet trains and the French TGV, have long been enticing for the U.S. and have great potential in populous corridors between larger cities. The corporation has refrained from involvement with these systems until the basic, conventional passenger train network was re-established and operating efficiently.

An engineering feasibility study will determine the potential for high-speed, dedicated rail service on the west coast. The research—a forerunner to similar projects on other corridor routes in high-density areas—is privately financed. Simultaneously, the corporation is exploring various operating and financing structures designed to encourage high-speed rail in this country with the support of private business investors.

Success in bringing profitable high-speed rail passenger service to the U.S. will create a public awareness of all rail travel that will promptly and directly benefit the Amtrak system.

Dedicated track, high-speed trains as a supplement to the revitalized conventional network herald America's entry into the 21st Century for rail passenger transportation.





# Financial Statement

National Railroad Passenger Corporation (Amtrak)

## Balance Sheet *(Thousands of dollars)*

Assets	1981	1980
<i>Current Assets:</i>		
Cash, including short-term investments of \$57,000,000 in 1981	\$ 79,281	\$ 8,678
Receivables—		
Railroad and commuter agencies (Note 8)	66,162	43,412
Commercial	16,428	22,261
Other	32,609	12,284
Materials and supplies, at average cost	118,418	124,530
	312,898	211,165
<i>Property and Equipment (Notes 1, 4, 5, 7, and 11):</i>		
Passenger cars and locomotives	1,207,564	956,053
Northeast Corridor	1,013,437	822,139
Other	204,254	180,789
	2,425,255	1,958,981
Less-Accumulated depreciation and amortization	(195,049)	(173,738)
	2,230,206	1,785,243
<i>Other Assets:</i>		
Long-term budget advances to railroads	30,551	25,885
Federal labor protection payments receivable (Note 11)	10,253	9,253
Other	7,327	4,044
	48,131	39,182
Total assets	\$2,591,235	\$2,035,590



September 30, 1981 and 1980

Liabilities and Capitalization	1981	1980
<i>Current Liabilities:</i>		
Railroad accounts payable (Note 1)	\$ 100,836	\$ 63,225
Accounts payable	62,222	92,949
Accrued expenses	83,688	64,014
Current portion of long-term obligations (Notes 5, 7, and 11)	10,245	14,930
Federal Railroad Administration advances	31,230	32,045
	<u>288,221</u>	<u>267,163</u>
<i>Long-Term Obligations</i> <i>(Notes 4, 5, and 7):</i>		
Notes payable, 8.5% to 18.3% in 1981	731,208	445,000
Deferred interest payable	33,532	—
Equipment obligations	68,660	84,394
Mortgage notes payable	940,756	698,714
	<u>1,774,156</u>	<u>1,228,108</u>
<i>Other Liabilities and Deferred Credits:</i>		
Unamortized Federal and state capital payments (Note 2)	—	611,805
Casualty and other reserves (Notes 1 and 11)	21,073	57,833
Deferred credits	7,953	17,520
	<u>29,026</u>	<u>687,158</u>
Total liabilities and deferred credits	<u>2,091,403</u>	<u>2,182,429</u>
<i>Commitments and Contingencies (Notes 1, 4, 5, 7, 8, and 9)</i>		
<i>Capitalization (Notes 2 and 3):</i>		
Preferred stock, \$100 par value; 50,000,000 shares authorized and 8,104,843 shares issuable in FY 1982 in consideration of Federal payments received	810,484	—
Common stock, \$10 par value; 10,000,000 shares authorized, 9,385,694 shares outstanding	93,857	93,857
Railroad capital payments	108,938	108,938
Federal and state capital payments (Note 3)	85,883	70,623
Accumulated deficit	(599,330)	(420,257)
Total capitalization	<u>499,832</u>	<u>(146,839)</u>
Total liabilities and capitalization	<u>\$2,591,235</u>	<u>\$2,035,590</u>



**Statement of Operations and Changes in Accumulated Deficit (Note 2)** (Thousands of dollars)

For the Years Ended September 30, 1981 and 1980	1981	1980
<i>Revenues:</i>		
Operating revenue	\$ 496,469	\$ 428,682
Federal and state operating payments (Notes 2 and 3)	712,065	658,086
Amortization of capital payments (Note 2)	—	21,707
Total operating revenues	1,208,534	1,108,475
<i>Operating expenses:</i>		
Train operations	345,743	306,031
Maintenance of equipment	339,819	328,253
Maintenance of way	80,085	70,498
On-board services	123,161	115,141
Stations	75,782	66,410
Marketing and reservations	87,303	66,795
General support	95,274	58,124
Taxes and insurance	30,542	31,368
Depreciation and amortization (Note 4)	74,810	60,158
Total operating expenses	1,252,519	1,102,778
General and administrative expense	24,333	19,167
Interest expense, net of capitalized interest for 1981 and 1980 of \$4,851,000 and \$7,536,000 respectively (Note 1)	59,792	31,302
	1,336,644	1,153,247
Operating loss before Northeast Corridor and Penn Central settlement interest	(128,110)	(44,772)
Northeast Corridor and Penn Central settlement interest (net)	10,717	(2,449)
Net loss before effect of changes in accounting for Federal payments	(117,393)	(47,221)
Effect on prior years of changes in accounting for Federal payments (Note 2)	(61,680)	19,973
Net loss	(179,073)	(27,248)
Accumulated deficit, beginning of year	(420,257)	(393,009)
Accumulated deficit, end of year	\$ (599,330)	\$ (420,257)
Pro forma net loss assuming change in accounting for Federal payments applied retroactively	\$ (117,393)	\$ (88,928)



**Statement of Changes in Financial Position** (Thousands of dollars)

For the Years Ended September 30, 1981 and 1980	1981	1980
<i>Uses of funds:</i>		
Operations		
Net loss	\$179,073	\$ 27,248
Add (less)-items not requiring an outlay of cash		
Depreciation and amortization	(74,810)	(60,158)
Amortization of capital payments (Note 2)	(41,680)	41,680
Prior year Federal operating payments secured by preferred stock (Note 2)	(20,000)	—
Total funds used for operations	42,583	8,770
Northeast Corridor improvements	221,219	211,198
Other purchases and refurbishments of property	328,475	199,375
Increase (decrease) in receivables	37,242	(22,784)
Decrease in equipment obligations	15,734	10,581
Other	30,856	21,093
Total uses of funds	676,109	428,233
<i>Sources of funds:</i>		
Mortgage notes payable	242,042	213,412
Notes payable	286,208	71,000
Federal and state capital payments	134,260	163,126
FRA advances	—	32,045
Increase in accounts payable and accrued expenses	60,090	10,593
Decrease (increase) in materials and supplies	6,112	(61,739)
Federal operating payments secured by preferred stock (Note 2)	18,000	—
Total sources of funds	746,712	428,437
Increase in cash and temporary cash investments	\$ 70,603	\$ 204



## **Notes to Financial Statements** (September 30, 1981 and 1980)

### **Note 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, 1981 and 1980, accrued estimated recoveries for proposed adjustments were \$9,701,000 and \$8,553,000, 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 for borrowed capital funds.

#### *Track Structure*

Amtrak follows the "retirement-replacement-betterment" method of accounting for track structure. 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. Costs of capitalized track structure are not depreciated but are charged against income when the properties are retired.

#### *Casualty Losses*

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

### **Note 2: Preferred Stock to be Issued for Federal Payments and Related Change in Method of Accounting**

Amtrak receives payments from the Federal and state governments for the acquisition of property and for passenger operations. In fiscal years prior to 1980, all such payments for capital expenditures were recorded on the balance sheet as contributions to capital. Effective October 1, 1979, Amtrak changed its method of accounting to record capital payments as deferred revenues amortized over the expected lives of the related assets acquired. The effect of this change on net income in 1980 amounted to \$21,707,000, and the cumulative effect on prior years as of September 30, 1979, amounted to \$19,973,000.

In August, 1981, Congress passed the Amtrak Improvement Act (the "Act") which requires Amtrak to issue a cumulative preferred stock in 1982 equal to most Federal capital and certain operating payments received since Amtrak's inception, and to be received hereafter. Through the end of fiscal 1981, preferred stock of \$810,484,000 is issuable to the Secretary of Transportation and will have a liquidation preference including all accrued unpaid dividends prior to any payment to common stockholders. This change in accounting for Federal payments is shown in the financial statements for 1981, and results in increasing the net loss for 1981 by \$54,956,000. The cumulative effect on prior years is to increase the net loss by \$61,680,000, as reflected in the Statement of Operations.

Beginning in fiscal year 1982, as provided by the Act, Amtrak will issue preference shares for all Federal operating payments in addition to capital payments as discussed above. The effect on the Statement of Operations of applying this change retroactively would be to increase the net loss by \$702,247,000 and \$650,400,000 for 1981 and 1980, respectively.

### **Note 3: Federal and State Funding**

Funds are provided to Amtrak through Federal and state payments for operations and for capital acquisitions and improvements. Provisions of the Amtrak Improvement Act of 1981 required changes in Amtrak's method of accounting for these payments (see Note 2). A summary of Federal and state operating and Federal and state capital funding from inception to date for the fiscal years ended September 30, 1980 and 1981 follows.



Federal and state operating payments (Note 2):

	Operating Losses Before Federal and State Operating Payments	Federal and State Payments for Operations	Preferred Stock	Net
<i>(Thousands of Dollars)</i>				
Total				
Sept. 30, 1979	\$ (3,132,273)	\$ 2,739,264	\$ —	\$ (393,009)
Fiscal Year 1980	(685,334)	658,086	—	(27,248)
Total				
Sept. 30, 1980	(3,817,607)	3,397,350	—	(420,257)
Fiscal Year 1981	(871,138)	730,065	(38,000)	(179,073)
<b>Total</b>				
<b>Sept. 30, 1981</b>	<b>\$(4,688,745)</b>	<b>\$4,127,415</b>	<b>\$(38,000)</b>	<b>\$(599,330)</b>

Federal and state capital payments (Note 2):

	Federal Payments	State Payments	Total Payments
<i>(Thousands of dollars)</i>			
Sept. 30, 1979	\$ 560,981	\$ —	\$ 560,981
Fiscal Year 1980	155,084	8,042	163,126
Sept. 30, 1980	716,065	8,042	724,107
Fiscal Year 1981	133,785	475	134,260
<b>Sept. 30, 1981</b>	<b>\$849,850</b>	<b>\$8,517</b>	<b>\$858,367</b>

Of the total amount of Federal and state capital payments received as of September 30, 1981, \$772,484,000 is subject to issuance of preferred stock, and, combined with Federal 403(b) operating payments of \$38,000,000, is presented on the balance sheet as preferred stock (par value \$810,484,000) issuable in Fiscal Year 1982. The remaining capital payments of \$85,883,000 are not specified by law as subject to preferred stock issuance. These payments consist primarily of Federal capital payments issued to reduce debt and pay Title V labor protection, and all state capital payments.

Fiscal 1982 Federal funding of \$735,000,000 has been tentatively approved by Congressional appropriations committees, but final passage of the Federal transportation appropriations legislation is pending.

**Note 4: Property and Equipment and Related Obligations**

At September 30, 1981, Amtrak had authority to borrow under notes payable to the Federal Financing Bank ("FFB"), 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. Effective October 1, 1981, under a provision of the Amtrak Improvement Act of 1981, this authorization was increased to \$880,000,000. This loan authority 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 FFB to refinance the obligations for periods extending at least until October 1, 1982. Effective October 1, 1981, interest due to the FFB on these notes is deferred until September 30, 1983, as allowed by the Amtrak Improvement Act of 1981. Accordingly, the interest accrued on FFB debt as of September 30, 1981 (\$33,532,000) has been reclassified as a long-term liability.

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).

As of September 30, 1981, Amtrak has received all 284 Superliner railcars designed and manufactured by the Pullman Standard Division of Pullman Incorporated under a contract signed in 1975. 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 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. The first four cars completed were delivered in November 1981.



## Notes to Financial Statements

### Note 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, 1981, the gross amount of assets recorded under capital leases was \$88,703,000 and the future minimum lease payments under capital leases were as follows:

Year Ending September 30	Amounts (In Thousands)
1982	\$ 7,983
1983	7,983
1984	7,506
1985	7,263
1986	7,263
Later years	37,642
	75,640
Less amount representing interest	18,299
<b>Present value of minimum lease payments at September 30, 1981</b>	<b>\$57,341</b>

The present value of minimum lease payments is reflected in the balance sheet as current and long-term equipment obligations of \$4,768,000 and \$52,573,000 respectively.

#### Operating Leases

At September 30, 1981, 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)
1982	\$ 15,529
1983	13,582
1984	10,736
1985	9,924
1986	8,988
Later years	23,479
	<b>\$82,238</b>

Rent expense for the years ended September 30, 1981 and 1980 was \$31,818,000 and \$29,072,000, respectively.

### Note 6: Pension Plan

Amtrak has a fully funded, defined benefit, retirement plan covering nonunion employees and certain union employees.

The most recent complete actuarial valuation of the plan was performed as of January 1, 1980. As of that date, the actuarial present value of benefits was as follows:

Participants	Vested	Nonvested	Total
Active and deferred	\$ 3,161,497	\$ 4,532,056	\$ 7,693,553
Terminated	258,697	—	258,697
Retired	605,958	—	605,958
<b>Total</b>	<b>\$4,026,152</b>	<b>\$4,532,056</b>	<b>\$8,558,208</b>

The plan's net assets available for benefits were \$9,602,000 at January 1, 1980. Provision for pension costs was \$3,220,000 in 1981 and \$2,531,000 in 1980. The assumed rate of interest used in calculating the actuarial present value of accumulated plan benefits was eight percent in 1980 and seven percent in 1979.

### Note 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 ("4R") Act of 1976, as amended, authorized an appropriation of \$120,000,000 for Amtrak to acquire the properties of the Northeast Corridor. As of September 30, 1981, Amtrak has received \$86,000,000. The remaining amount will be financed through additional loan authority provided by the Amtrak Improvement Act of 1981 (see Note 4). 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 4R Act. Interest is payable only in the event of prepayment or acceleration of the principal.

As of September 30, 1981 and 1980, Amtrak has capitalized \$854,655,000 and \$612,600,000 for improvements to the Northeast Corridor including \$356,819,000 and \$256,676,000 respectively, expended by others on Amtrak's behalf.



On May 29, 1981, Amtrak purchased fifty percent of the outstanding shares of Washington Terminal Company ("WTC") common stock from The Baltimore and Ohio Railroad for \$14,030,000. Amtrak had previously acquired a fifty percent interest in WTC in connection with the purchase of the Northeast Corridor properties in 1976. This investment in WTC stock is recorded in the balance sheet under Northeast Corridor properties.

#### **Note 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. As of September 30, 1981, only the permanent management agreement has been finalized.

In the Northeast Rail Service Act of 1981, Congress called for a prompt resolution of the issues on which permanent agreement has not been reached, either by agreement among Conrail, Amtrak, and affected commuter authorities, or by a determination of the Interstate Commerce Commission. The resolution which the statute requires is to be prospective only. The range of the opposing positions may involve a difference of approximately \$52,100,000 annually in current dollars.

In enacting this provision, Congress also expressed an intention that compensation disputes involving past periods be resolved by preserving the status quo. While the exact legal effect of the congressional action as it may apply to past periods is unclear, it does appear that Congress may have narrowed the scope of the claims which existed between Amtrak and Conrail with respect to use of the Corridor beginning in April of 1976. Prior to the congressional action, Amtrak had calculated the maximum difference between the opposing positions on all issues involving Northeast Corridor compensation to be \$259,500,000 for the five and one-half year period beginning April 1, 1976.

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.

#### **Note 9: Pending Litigation**

In the normal course of business, Amtrak is involved with 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.

#### **Note 10: Line of Credit**

Effective October 1, 1981, Amtrak renegotiated a line of credit agreement, expiring in September 1982, with commercial banks to borrow up to \$100,000,000 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.

#### **Note 11: Labor Protection Payments**

The Amtrak Reorganization Act of 1979 established specific criteria which Amtrak train routes must meet to continue operation. As a result of the 1979 legislation, certain routes failing to satisfy the mandated criteria have been discontinued. In connection with these actions, Amtrak has become liable, subject to certain conditions, for wage and benefit payments to employees who have been terminated or displaced to lesser paying positions due to the discontinuance of intercity train routes. This liability can extend for up to six years while an eligible employee remains adversely affected. Management has estimated that the cost of labor protection payments will approximate \$13,471,000 as of September 30, 1981, the unfunded portion of which (\$10,253,000) will be provided by the Federal Government.

In connection with the 1976 acquisition of the Northeast Corridor properties, Amtrak assumed responsibility for protective payments to qualified employees of the railroads in reorganization, as provided by Title V of the Regional Rail Reorganization ("3R") Act of 1973, as amended. This assumed obligation was estimated as \$42,497,000 and reflected as a cost of the Northeast Corridor properties. As of September 30, 1981, Amtrak has paid \$12,576,000, of which \$12,280,000 has been reimbursed by the Railroad Retirement Board.

The Northeast Rail Service Act of 1981 repealed Title V of the 3R Act, effective September 1, 1981. As of that date, protected employees had 90 days to make claims for months prior to September 1, 1981. Such claims are expected to be minimal in amount. Accordingly, Amtrak's



## Notes to Financial Statements

liability for Title V labor protection payments (\$29,921,000) has been eliminated, along with a corresponding decrease in the Northeast Corridor properties cost, as of September 30, 1981.

### Note 12: Amtrak Commuter Services Corporation

The Northeast Rail Service Act of 1981 called for the establishment, no later than November 1, 1981, of a wholly-owned subsidiary of Amtrak to be known as the Amtrak Commuter Services Corporation ("Amtrak Commuter"). Amtrak Commuter will serve as a contract operator of commuter service on behalf of state and local commuter authorities, thus relieving Conrail of this responsibility. Not later than April 1, 1982, each commuter authority must notify Amtrak Commuter and Conrail whether it intends to operate its own commuter service or to contract with Amtrak Commuter for the operation of such service. By September 1, 1982, Conrail and Amtrak Commuter must agree on terms and conditions for the transfer to Amtrak Commuter of all of Conrail's commuter service in the Northeast Corridor (except for commuter service to be transferred directly to a commuter authority), and any rail properties used for the operation of such commuter service. This transfer will be completed, and Amtrak Commuter will begin operation of service, no later than January 1, 1983.

Congress authorized \$50,000,000 to be appropriated in FY 1982 to facilitate the transfer of rail commuter services from Conrail to other operators. The Secretary of Transportation is authorized to determine an equitable distribution of these funds between Amtrak Commuter and the commuter authorities that operate commuter service. No federal funds appropriated for the payment of operating and capital costs of intercity rail passenger service may be used for the operation of commuter service by Amtrak Commuter. The cost of this service, plus a reasonable profit, will be recovered from the commuter authorities contracting for the service.

### Note 13: Subsequent Event

Pursuant to the provisions of The Economic Recovery Tax Act of 1981, Amtrak sold, in November, 1981, the rights to the tax benefits associated with qualified assets acquired in Fiscal Year 1981.

## Report of Independent Accountants

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, 1981 and 1980, 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, 1981 and 1980, 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 changes (with which we concur) in accounting for Federal payments as indicated in Note 2 to the financial statements, were applied on a consistent basis.



Washington, D.C.  
December 18, 1981



## Operating Statistics

	1977	1978	1979	1980	1981
<b>General</b>					
System Route Miles (In thousands)	26	26	27	24	24
Stations Served	524	543	571	525	525
Train Miles Operated (In millions)	32.97	32.37	32.38	29.43	30.97
<b>On-Time Performance</b>					
Systemwide	62%	62%	57%	69%	77%
Short-Distance	66%	65%	61%	71%	77%
Long-Distance	48%	52%	48%	64%	76%
<b>Ridership</b>					
Passengers (In millions)	19.2	18.9	21.4	21.2	20.6
Passenger Miles (In millions)	4,333	4,029	4,915	4,582	4,762
<b>Revenue Cars</b>					
Owned and Leased	2,048	1,897	1,989	2,069	2,128
Operating Fleet	1,806	1,678	1,607	1,589	1,436
Assigned to Backshop, Daily Average	7.3%	7.5%	8.1%	6.9%	10.1%
Active Fleet, Daily Average	92.7%	92.5%	91.9%	93.1%	89.9%
Available for Service, Daily Average	75.7%	76.0%	75.0%	77.4%	87.6%
Average Age (In years)	20.4	20.5	20.3	14.3	13.2
Heavy Repair	369	360	260	414	484
New Deliveries	53	0	50	104	130
<b>Locomotive Units</b>					
Operating Fleet	330	320	331	301	295
Available for Service, Daily Average	80.5%	81.2%	74.7%	82.8%	85.9%
Average Age (In years)	9.9	7.3	7.3	7.4	4.0
Heavy Repair	N.A.	N.A.	N.A.	45	41
Number Rebuilt/Converted	26	38	22	4	6
New Deliveries, Diesel	0	10	10	5	53
New Deliveries, Electric	0	0	0	7	22
<b>Turboliners</b>					
Operating Sets	13	13	13	13	7
Available for Service, Daily Average	89.2%	88.8%	87.4%	89.3%	89.7%
Average Age (In years)	1.7	2.7	3.7	4.7	5.0
New Deliveries	2	0	0	0	0
<b>Metroliners</b>					
Operating Fleet	61	61	58	58	46
Available for Service, Daily Average	71.6%	57.9%*	35.7%*	69%	78.3%
Average Age (In years)	11.0	12.0	13.0	14.0	15.0
Heavy Repair/Upgraded	5	0	19	17	0

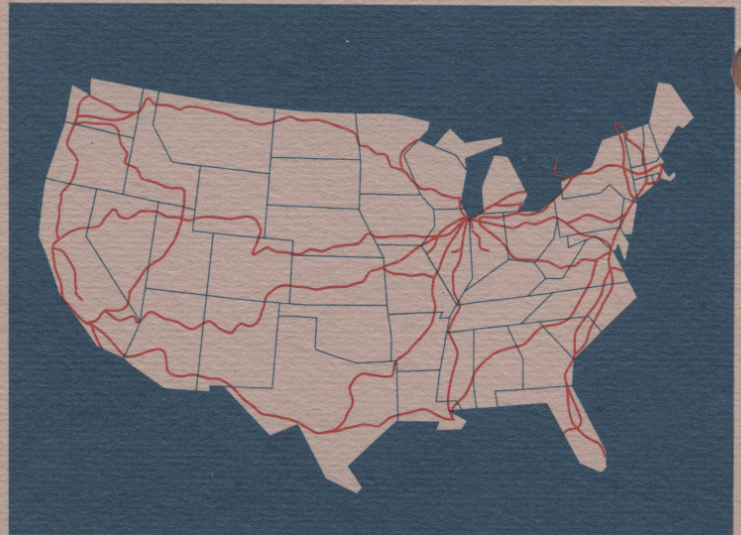
\*Includes Metroliners in upgrade program at Erie, Pennsylvania.

N.A.—Not available.



While Amtrak trains run over a 24,000 mile nationwide network of rail, the corporation owns track in only two areas of the country: the Northeast Corridor states and in Michigan. Nevertheless, this right of way combines with real estate assets such as stations and yard facilities to form a substantial asset base.

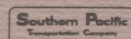
The corporation relies on 19 freight railroads as partners to operate trains serving a total of 525 communities. Over the decade, these railroads have invested billions in track improvements which allow better performance and more comfortable passenger travel.



The Amtrak train network spans the U.S.



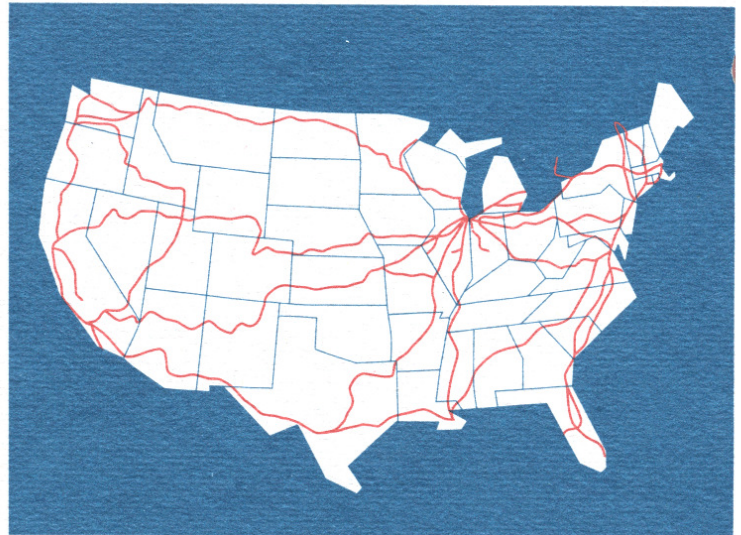
Corporate assets are centered in the northeast.



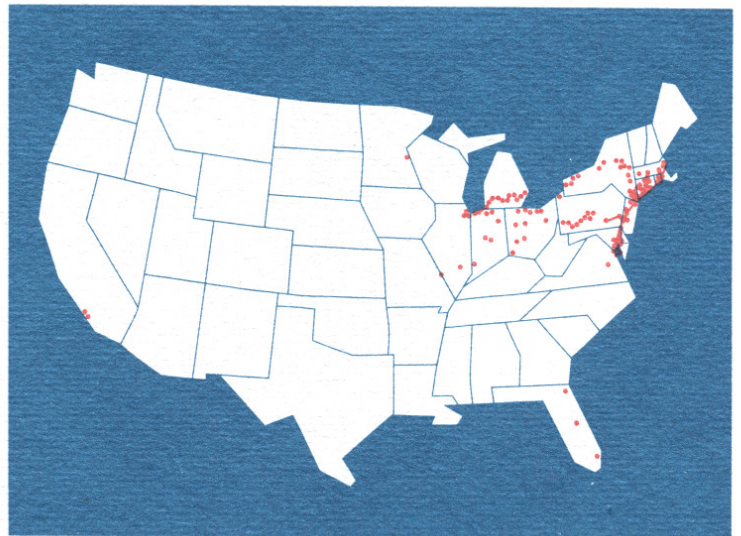


While Amtrak trains run over a 24,000 mile nationwide network of rail, the corporation owns track in only two areas of the country: the Northeast Corridor states and in Michigan. Nevertheless, this right of way combines with real estate assets such as stations and yard facilities to form a substantial asset base.

The corporation relies on 19 freight railroads as partners to operate trains serving a total of 525 communities. Over the decade, these railroads have invested billions in track improvements which allow better performance and more comfortable passenger travel.



The Amtrak train network spans the U.S.



Corporate assets are centered in the northeast.





### ***Amtrak Board of Directors***

---

Alan S. Boyd	Chairman
John M. Fowler	General Counsel, U.S. Department of Transportation
Crete B. Harvey	Owner, Harvey Farms
Samuel E. Hellenbrand	Vice President, International Telephone and Telegraph
Frank W. Jenkins	Attorney
Ralph T. Kerchum	Transportation Consultant
*Mark S. Knouse	Executive Assistant to the Secretary, U.S. Department of Transportation
Drew Lewis	Secretary, U.S. Department of Transportation
*Arthur E. Teele, Jr.	Administrator, Urban Mass Transportation Administration, U.S. Department of Transportation

*\*Interim member, pending permanent appointments.*

### ***Corporate Officers***

---

Alan S. Boyd	Chairman and President
Thomas P. Hackney, Jr.	Chief Operating Officer, Group Vice President Operations & Maintenance
Frank D. Abate	Vice President, Operations & Maintenance
Robert F. Lawson	Vice President & Chief Engineer
Robert T. Eckenrode	Group Vice President, Finance & Administration
Don R. Brazier	Vice President, Finance & Treasurer
Angelo M. Caputo	Controller
George F. Daniels	Vice President, Labor Relations
George E. Gautney, Jr.	Vice President, Computer Services
John N. Stulak	Vice President, Personnel
William S. Norman	Group Vice President, Marketing & Corporate Planning
James Callery	Vice President, Sales
Robert E. Gall	Vice President, Transportation Marketing
Timothy P. Gardner	Vice President, Corporate Planning
M.L. Clark Tyler	Group Vice President, Passenger Services & Communications
Eugene N. Eden	Vice President, Passenger Services
James H. English	Vice President, Government Affairs
James E. Stiner, Jr.	Vice President, Corporate Communications
Lawrence D. Gilson	Vice President, Corporate Development
Paul F. Mickey, Jr.	Vice President & General Counsel
Sandra H. Spence	Corporate Secretary
Theodore M. Kerrine	Assistant Corporate Secretary
Barbara J. Willman	Assistant Corporate Secretary

### ***Subsidiaries***

---

Washington Terminal Company	
Thomas P. Hackney, Jr.	Chairman
Robert A. Herman	President



National Railroad Passenger Corporation  
400 North Capitol Street, N.W.  
Washington, D.C. 20001  
(202) 383-3000