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NATIONAL RAILROAD PASSENGER CORPORATION

1991 ANNUAL REPORT

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University of Illinois
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FIVE-YEAR COMPARISON OF PERFORMANCE

	1991	1990	1989	1988	1987
Revenues (millions)	\$ 1,359.0	\$1,308.4	\$1,269.1	\$1,106.7	\$ 973.5
Expenses (millions)	\$2,080.5	\$ 2,011.8	\$1,934.5	\$1,757.1	\$1,672.0
Revenue-to-Expense Ratio	.79*	.72	.72	.69	.65
Revenue-to-Short-Term Avoidable Cost Ratio**	1.23	1.20	1.20	1.15	1.03
Revenue-to-Long-Term Avoidable Cost Ratio***	.96	.93	.91	.90	.79
Passenger Miles (millions)****	6,273	6,057	5,859	5,678	5,221
Passenger Miles per Train-Mile****	184.5	183.3	188.4	188.3	176.8
Systemwide On-Time Performance	77%	76%	75%	71%	74%
Ridership (millions)					
Amtrak System	22.0	22.2	21.4	21.5	20.4
Contract Commuter	18.1	18.0	17.4	15.4	10.2
Total	40.1	40.2	38.8	36.9	30.6

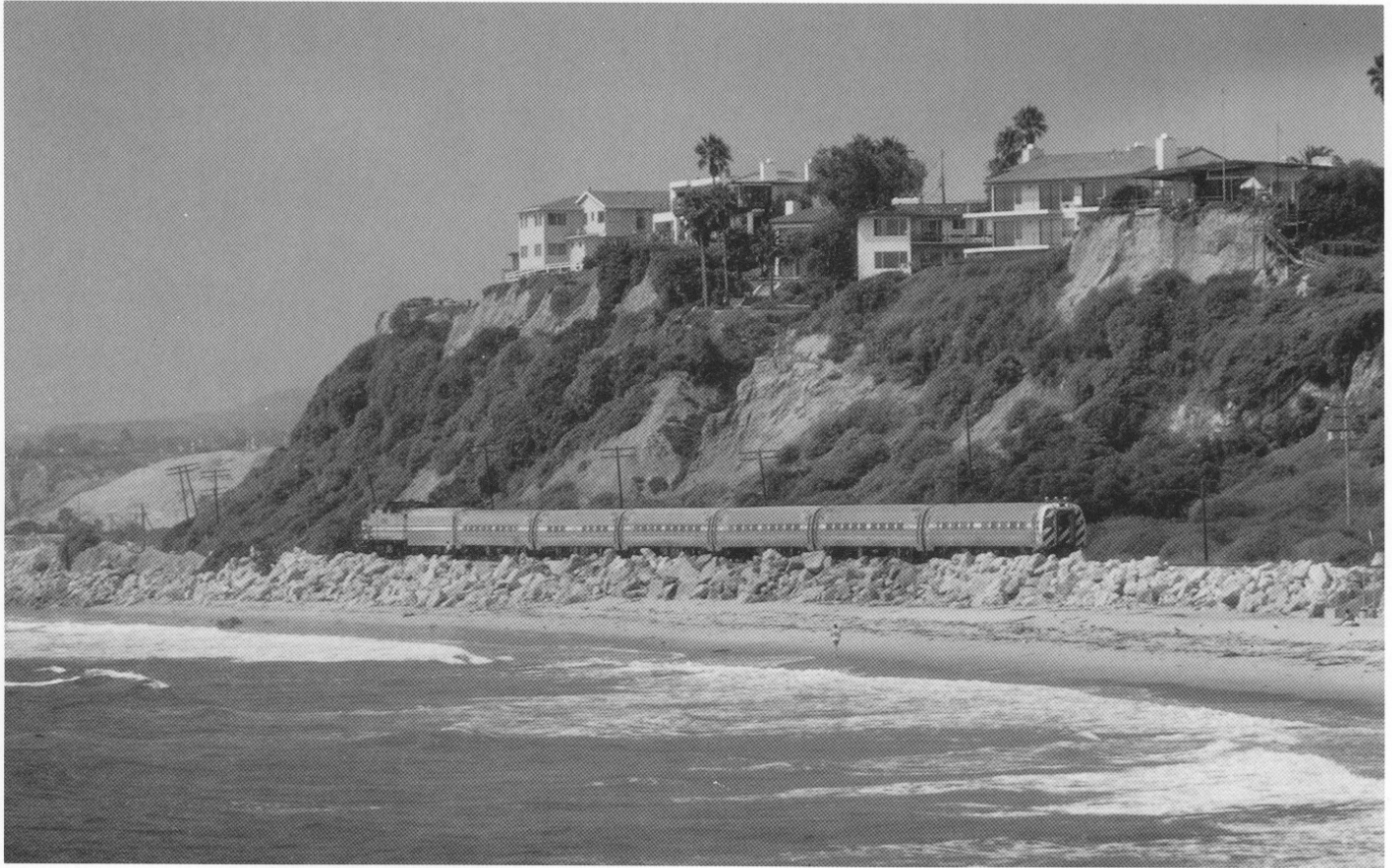
* Beginning in fiscal year 1991, the methodology of computing this ratio was changed to reflect the exclusion of excess Railroad Retirement and Unemployment Insurance Taxes which are now paid directly to the Internal Revenue Service by the Federal Railroad Administration on behalf of Amtrak. This change resulted in an increase of .06.

** Short-term avoidable costs—Costs of activities that would stop with the discontinuance of a route or train, or begin with the introduction of a new route or train. Such costs include train and engine crews, fuel and power, and maintenance of way.

*** Long-term avoidable costs—All short-term avoidable costs, plus claims expenses, heavy maintenance, and a portion of corporate and field overhead.

**** Contract commuter passengers not included.

On the cover: On May 1, 1971, Amtrak began operations with a mismatched, hand-me-down fleet of passenger cars and locomotives. Following both public and private investment, today's fleet of modern Superliners, Amfleet and Horizon Fleet cars are carrying more passengers, greater distances and in more comfort than ever before in Amtrak's history.



The San Diegan provides magnificent views just outside San Clemente, California.

Amtrak is well positioned to do what we do best—move more and more passengers in an efficient, timely and comfortable manner. We are proud of our first 20 years and intend to provide an even higher quality product in the future, reflecting the needs and expectations of our passengers in the years to come.

Last spring, about a month before Amtrak's 20TH anniversary, I traveled to Sacramento aboard the *California Zephyr* to meet with California transportation officials regarding several proposed new rail services. The train was filled to capacity and had been sold out for some time. I walked through the train several times during the trip to see how well we were doing. Despite the great number of passengers, our employees were attentive, pleasant and professional. The passengers were happy and indicated they were getting quality service and a good value for their fares. Needless to say, I was very pleased.

As I later listened to California officials lay out their ambitious plans for new rail services throughout the state, I realized how truly excited I was—not just about Amtrak's achievements during the past somewhat turbulent 20 years, but by Amtrak's remarkably bright future as well. I realized that the real significance of the corporation's 20TH anniversary was that it marked the beginning of a new decade with enormous potential for growth.

What a dramatic change there has been in public perceptions about rail passenger service. From a dying industry, Amtrak is now recognized to be a vital part of the nation's transportation solution—an energy-efficient mode capable of reducing automobile and airport congestion and of assisting states and regions in meeting tough new air quality standards.

Far more important than perceptions, however, is the real growth we have seen in many segments of our business. Despite a very weak national economy during 1991, and a struggling travel industry, we posted modest increases in passenger miles and revenues. Admittedly, growth was well below projections, but not even the most pessimistic economists foresaw a recession of the kind we have witnessed. Yet, compared to the air industry that saw billion dollar losses and continued bankruptcies, Amtrak improved our revenue-to-cost ratio, increased our share of the Northeast Corridor travel market, and initiated a number of new, innovative services. Although we still required an operating subsidy to cover some \$343 million in operating losses, we remain optimistic that we can meet our goal of eliminating the need for operating support by the end of this decade.

The past year saw important, if difficult, changes that will position us for growth in the coming years. We reduced management ranks by 10 percent as a means of improving efficiency and took additional steps to reduce the spiraling growth in employee health-care costs. We have reached long-term agreements with a number of our labor organizations, which provide for the modernization of antiquated work rules to permit productivity improvements in return for fair wage increases. Contract negotiations with other unions have dragged on, but we are optimistic that solutions can be reached that similarly provide productivity gains in return for



W. Graham Claytor, Jr.
President and Chairman



◀ Management Committee: (left to right) **William S. Norman**, Executive Vice President; **Dennis F. Sullivan**, Executive Vice President and Chief Operating Officer; **W. Graham Claytor, Jr.**, President and Chairman; and **Charles W. Hayward**, Vice President-Finance and Administration and Chief Financial Officer.

wage increases. Finally, we ordered new passenger cars and locomotives to provide badly needed capacity on our trains.

As we look ahead, Amtrak is well positioned to do what we do best—move more and more passengers in an efficient, timely and comfortable manner. This Annual Report describes some of our achievements during the past year and our strategy for growth for the new decade—a strategy that looks to innovative marketing of our trains, a growing partnership with the nation's travel agencies, new passenger cars and locomotives, new services financially supported by states, and development of major new conventional and high-speed rail corridors. Above all, we intend to provide an even higher quality product, reflecting the needs and expectations of our passengers. The result will be a better bottom line for Amtrak and better transportation for our passengers across the country.

During the 1950s and 1960s, I had the misfortune to watch the slow demise of rail passenger service in this country, and more recently have had the opportunity to witness, and perhaps assist in, its resurrection. I am proud and deeply appreciative of the Amtrak employees who made this rebirth possible; of the passengers who have chosen time and time again to travel by Amtrak; of the localities and states that believed in the future of Amtrak and provided us with new train stations and other improvements; and, of course, of those in the Congress of the United States who had the vision and wherewithal to create and nurture us. I am proud of our past achievements and even more optimistic about our future. We truly are at the dawn of a new era of highly marketable conventional and high-speed rail passenger service. Amtrak intends to be the leader in this area and at the forefront of a dynamic, financially healthy travel industry.

—W. Graham Claytor, Jr.
President

The poor health of the national economy during the past year was particularly trying for the travel industry. The first recession in a decade, wild gyrations in the price of fuel, a Middle East war tinged with a fear of terrorism—these are the ingredients for disaster in the largely discretionary travel market upon which Amtrak depends. That Amtrak weathered the past year with record revenues and passenger miles is testimony to the growing popularity of rail passenger service and a tribute to a marketing strategy that capitalizes on that popularity.

Amtrak's national rail passenger system forges an important link between the

immense rural stretches of the nation and its urban centers. With over 500 stations and a 25,000 mile route system, Amtrak provides travelers—business executives, vacationers, families, students—with an important, enjoyable transportation alternative. During FY 1991, the number of miles traveled by Amtrak passengers grew 3.6 percent to 6.3 billion, up more than 110 percent since Amtrak commenced operations in 1971. Ridership remained steady at 40 million passengers, including 22 million intercity passengers (down a fraction of a percentage point from last year) and 18 million commuter passengers transported by Amtrak under contract with state or



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Quality time together is one of the reasons families choose the train for a long-distance trip.

regional commuter authorities. The result of this growth in passenger miles has been an increase of revenues to \$1.36 billion, up some 3.9 percent over last year. Revenues covered 79 percent of Amtrak's costs, the highest in the corporation's history. Given the weak national economy, this is an enviable achievement for a passenger transportation company.

Our ability to appeal to passengers of all kinds will dictate our future success, particularly in an era of value-conscious travelers. Serving new markets, providing high quality products and services, developing creative marketing strategies—these are some of the keys to growth in revenues and ridership. Reliability and consistency are, perhaps, even more important. We are committed to undertaking the work necessary to provide a truly superior product. High quality, marketable rail passenger transportation will generate the revenues to improve the bottom line and permit increased capital investment in the railroad's future.

In our fast-paced, high-tech society, passengers no longer are satisfied with mere transportation. The business traveler must be able to remain in touch with his office and remain productive while traveling; the long-distance traveler wants personal service and excellent cuisine prepared by trained chefs; the passenger of means wants the option of true first-class service reminiscent of the hey-day of rail travel. Imposed on these new demands is the need to match ticket fares to the ebbs and flows of the travel market, to target specific groups of travelers, and to address the dizzying fare changes by our competitors.

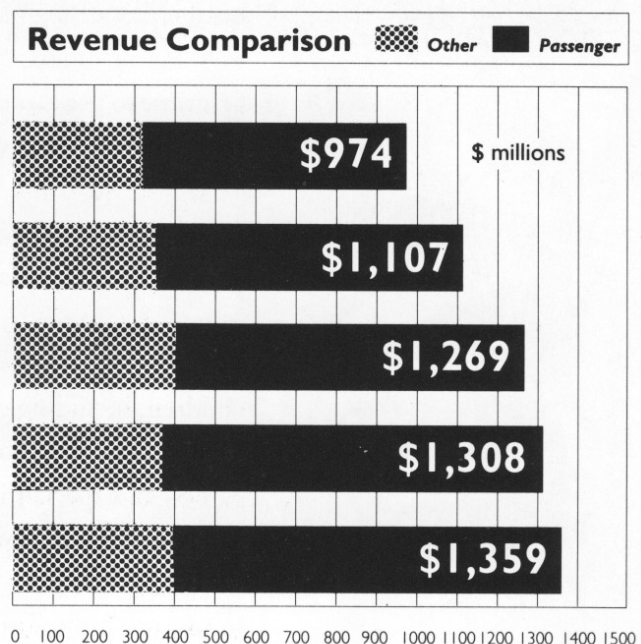
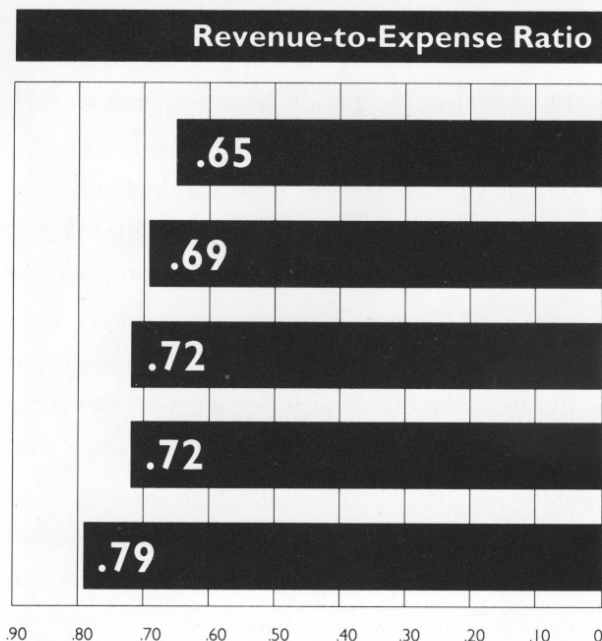
As the continued growth in revenues reflects, Amtrak Sales and Marketing departments have succeeded in implementing innovative marketing strategies needed to move ahead in today's competitive travel industry. Some of these efforts have included:

- ¶ Development of a *Metroliner* Club Conference Car, offering Northeast Corridor business travelers private conference room facilities seating up to eight, Railfone, video capabilities, and first-class amenities. Tested and refined during the past year, the car is now in revenue service.

- ¶ New three hour, fifty-five minute express service between New York and Boston. A taste of what Amtrak's proposed high-speed service might be, the *New England Express* has generated ridership gains of 24 percent between the two cities.

- ¶ New first-class, luxury services, including service between New York and Pittsburgh, called the Keystone Classic Club, which provides plush lounge seating,

The computation for the 1991 Revenue-to-Expense ratio (below left) excludes FRA mandatory payments for excess railroad retirement and railroad unemployment taxes.





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The Keystone Classic Club, Amtrak's experimental luxury club car, pampers passengers between New York City and Pittsburgh, Pa., with two trips in each direction every week.

fine dining, beautiful appointments and attentive service. First-class dining facilities have been added to Amtrak's *Auto Train*, including linen-clad tables, crockery and glassware.

¶ Beautiful first-class lounges at major stations. In 1991, new Metropolitan Lounges opened in Chicago and Washington, D.C., joining the successful New York lounge and additional planned lounges in Philadelphia and Los Angeles. Each offers a superb respite, complete with all business amenities, from the hustle and bustle of our major stations.

¶ An air-rail travel program with United Airlines, permitting passengers for the first time to travel one way by Amtrak and the other way by air at fares competitive with round-trip air excursion fares.

¶ Fare programs targeting off-season travel, regional travel, and the international traveler. Amtrak has worked hard to develop the family vacation market, with reduced fares for children 2-15 years of age, and attractive vacation packages to popular destinations.

¶ Programs to make long-distance travel even more exciting, particularly for children, including on-board guides from the U.S. Forest Service, national parks and Indian reservations to describe the history of portions of the route; and movies, games, and specials in the lounge car.

Amtrak has the opportunity to provide its passengers a high-quality service that is truly unique from competitive modes of travel. The challenge will be to remain innovative in appealing to the needs of the potential traveler as the decade develops.

One important reason for Amtrak's continued ridership and revenue growth has been the company's decision to strengthen its partnership with those whose profession it is to sell travel. Five years ago, Amtrak joined the Airline Reporting Corporation (ARC), a clearinghouse for travel agency sales, as a means of increasing the number of travel agencies who could sell Amtrak tickets. The result has been a dramatic jump in the number of travel agencies representing Amtrak from just 13,000 to over 30,000 today. Travel agency sales now account for 40 percent of all Amtrak ticket sales.

As we develop new programs for marketing our product, travel agencies will assume an even more important role. Air-rail travel, vacation packages, tours—these are growth areas for Amtrak that lend themselves to the special relationships that travel agencies develop with their clients. Not surprisingly, Amtrak is becoming an important source of revenue for travel agencies across the country.

To maximize the potential of travel agency sales, Amtrak has established a full-time travel agency training team to provide information about Amtrak travel, training in the sale of tickets through computerized reservation systems, and assistance in targeting potential customers. Amtrak also has developed a travel agents' edition of the Amtrak travel planner to help travel agents understand the many types of travel Amtrak provides and to simplify arrangements for passengers buying vacation packages.

Children's fares—half the adult fare for kids 2-15—make the train an affordable option for families.



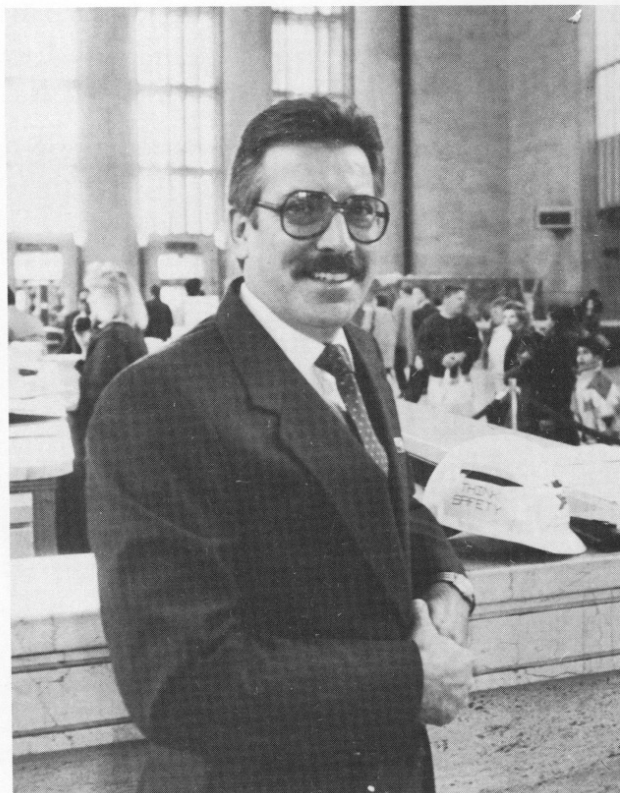
INCREASING CAPACITY FOR GROWTH

Ironically, one of Amtrak's greatest achievements has been success in improving ridership and revenues at a time when most trains already are full. Amtrak has suffered an equipment shortage for nearly a decade but was unable until recently to obtain the funds necessary to acquire the new cars and locomotives needed to meet demand. Fortunately, through a combination of government investment and private financing, this situation is now being addressed.

During the past year, Amtrak placed its first order for new long-distance passenger cars in more than a decade. One hundred forty new double-level Superliner cars, to be built by Bombardier, will begin arriving in 1993. The cars—improved versions of the existing Superliners built between 1978 and 1981—will enable Amtrak to add capacity to existing long-distance trains and to convert the single-level *Auto Train*, *Capitol Limited* and *City of New Orleans* to Superliner equipment. This, in turn, will release existing equipment to make the tri-weekly New York-Cincinnati-Chicago *Cardinal* daily. Not only will the order increase Amtrak's ability to move passengers, but the Superliner car design is Amtrak's most efficient, resulting in lower operating and maintenance costs.

Dennis Rewkowski,

Manager-Safety and Environmental Control in the Philadelphia Division, has witnessed and participated in enormous changes in his 18 years with Amtrak. Recognized this year by his department as "Safety Professional of the Year," Dennis believes that "safe work practices benefit everyone—not only the employees, but every passenger as well." He attributes Amtrak's improved safety record to the priority set by top management and cooperation among employees at all levels.



To address the chronic shortage and resulting overuse of Amtrak's locomotive fleet, 52 new General Electric locomotives have been ordered. The locomotives will include state-of-the-art diagnostic tools and other enhancements to improve reliability and reduce maintenance. Ten of the diesel units will also have the ability to operate using third rail electricity into New York Penn Station and will be used to replace aging units between New



Designing for the Future

Passenger comfort, ease of maintenance and compliance with federal laws are three of the primary goals of Amtrak's Equipment Design Group, a multi-talented team of industrial designers who work with manufacturers on the myriad elements that comprise a passenger car or locomotive.

On the drawing boards right now is a sleek new high-performance diesel locomotive to be built by General Electric. Amtrak designers and engineers, working with their counterparts at GE, have come up with a modern, more aerodynamic look for this next generation of locomotive. Twenty-two of these "AMD-103" locomotives, along with 30 others of two different designs, were ordered this year.

Also under way, is the design of new Superliners, the next generation of double-deck passenger cars, and Viewliners, a new single-level long-distance fleet. This year, 140 Superliner cars were ordered from Bombardier. Amtrak expects to order the first of the Viewliner fleet in 1992.

Federal laws require new cars to include full-retention waste systems and to provide better accessibility for passengers with mobility and other impairments. According to Cesar Vergara, Manager-Car Design, the accessibility features being designed—including improved seating, aisles, tables, lighting and message systems—will make the cars far more comfortable and convenient for all passengers, not just those with disabilities.

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Amtrak's Equipment Design Group:
(left to right) **Cesar Vergara**,
Industrial Designer and Manager-
Car Design; **Blair Slaughter**,
Senior Industrial Designer;
Mark Policastro, LAN Manager;
Doug Karan, Senior Interior
Designer; **Ralph Rizzo**, Designer;
and **John Cabry**, Designer.

York and Albany. Over the decade, some 250 new locomotives will be needed to pull our growing fleet of passenger cars.

In September, Amtrak's Board of Directors traveled to Europe to inspect the high-speed rail equipment in operation in Sweden (X-2000), France (TGV), Italy (ETR500), Spain (Talgo III) and Germany (ICE). The technology used in high-speed European equipment designs may play an important role in Amtrak's efforts to further reduce travel times on the Northeast Corridor and elsewhere in the country. Amtrak has reached an agreement with Swedish State Railways and Asea Brown Boveri to test a Swedish X-2000 high-speed train set in the Northeast Corridor in late 1992 and early 1993. This equipment utilizes "tilt" technology to permit faster speeds through curves without sacrificing passenger comfort—a crucial factor in reducing travel time around the many curves between New York and Boston.

The first of 52 diesel locomotives ordered this year from General Electric was delivered in November 1991. This locomotive, one of 20 B32-8WH units in the order, is now in service in California and the southwest.

Amtrak also is working with manufacturers to develop the first high-speed dual power locomotive, capable of operating either under electric power or diesel fuel. This technology would eliminate the time-consuming engine changes required when operating trains over routes that are only partially electrified, such as between New York and Springfield, Mass.



As the nation's sole provider of intercity rail passenger service, it is Amtrak's goal to add service wherever it can economically be justified. While the cost of equipment, capital improvements to the rail line, and potential operating losses, particularly on new routes, makes significant expansion of the Amtrak system financially unlikely at this time, a growing partnership with states willing to help fund new trains has enabled Amtrak to grow modestly each year. Already, over 40 daily trains are funded in part by states, and plans for additional service are proliferating. In California, a new multi-frequency rail service between Sacramento and San Jose will begin in December 1991. Two more Chicago-Milwaukee trains were added this past October and a second train in North Carolina is planned for next year. Several additional state-supported trains are under consideration.

One of the most important changes during the past year was completion of the Empire Connection in New York City, the first direct rail route between the Northeast Corridor and points north and west of New York City. In April, Amtrak trains to Albany and points beyond

began operating directly out of New York Penn Station, eliminating Amtrak's Grand Central Terminal operations and the time-consuming cross-town transfers for passengers traveling to or from the Northeast Corridor. The consolidation of train operations in Penn Station represents a significant improvement for Amtrak's passengers. At the same time, it will reduce the operating costs associated with two New York City stations and boost revenues through improved ridership.



Mary L. Barnes, Metropolitan Lounge Receptionist in Chicago, recently celebrated her 20th anniversary with Amtrak. Over the years she has made friends with many of Amtrak's frequent travelers who arrive and depart Chicago Union Station. Mary reports that these loyal passengers using the new Metropolitan Lounge for the first time are elated. "They are very complimentary, and it makes me very proud, as though it were my own home."

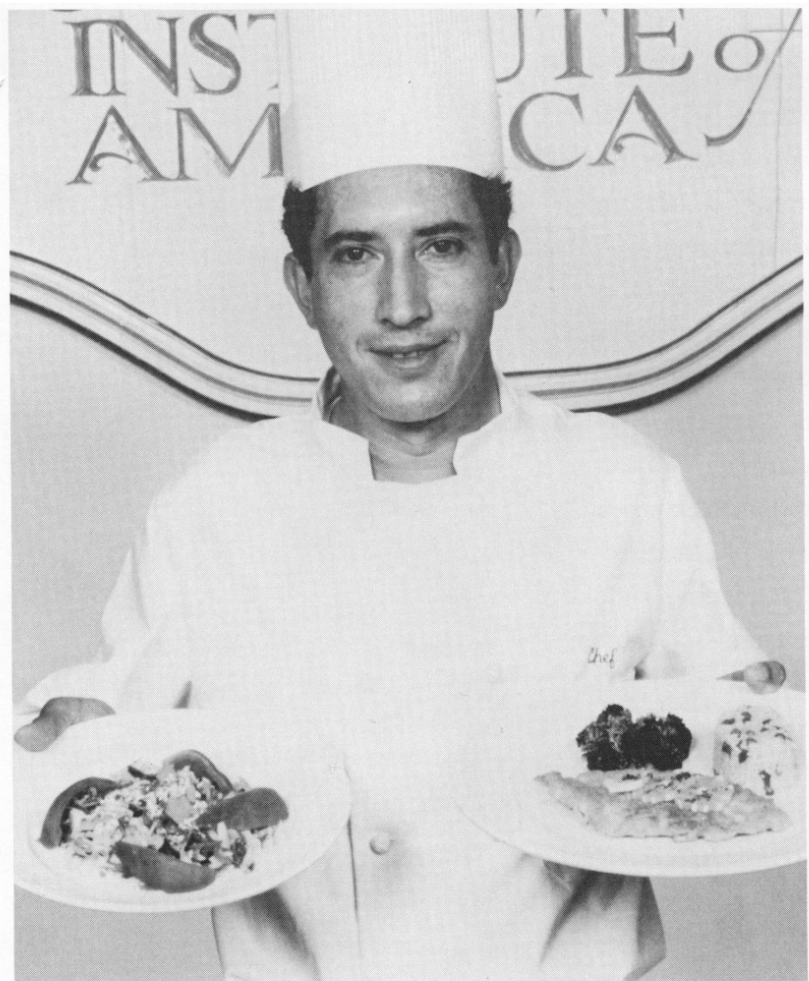
Improvements such as the Empire Connection are positioning Amtrak to provide better service at less cost. Another such improvement this past year was the relocation of Amtrak's station in Cincinnati to the magnificent, Art Deco-style, Cincinnati Union Terminal. The last major railroad terminal built in America, the Terminal was once home to hundreds of daily trains crossing the Midwest. Now housing Amtrak, the Natural History Museum and the historical society, the Terminal has returned to its original use. Moreover, the move to the station has permitted Amtrak to reduce the schedule of the *Cardinal* by as much as 30 minutes, thus benefiting all travelers served by the train.

Chef of the Year Demonstrates Creativity

Just how creative can a train chef be, given a limited inventory of food products, cooking equipment and assistance, in a compact space that is continually in motion? Having sent all of its chefs and food specialists to a week-long course at the famed Culinary Institute of America to study food preparation, presentation, sanitation, and nutrition, Amtrak's Passenger Service department decided to test their chefs' skills and creativity through a special competition.

Using only food products and equipment available to them on the train, 10 Amtrak chefs competed in two cook-off sessions at the Culinary Institute for the title "Chef of the Year." Winner **Luis Pena**, from the Los Angeles crew base, won the title by preparing a green salad with tomato and cucumber with French vinaigrette dressing, pork chop ala bordelaise, sauteed broccoli, glazed carrots and potato croquette. He was judged by chef-instructors on the staff of the Culinary Institute, who based their decision on organization, sanitation, taste/texture, presentation, and basic fundamental expertise.

Pena, who joined Amtrak three years ago, has worked as a chef and food specialist on various western trains.





Major renovations to two of Amtrak's busiest passenger stations also were completed this year. Philadelphia's landmark 30th Street Station was rededicated in June, marking the restoration of historic architectural details and completion of new passenger service facilities for Amtrak and local transit passengers. A new 400-space parking facility also was completed, together with office space for nearly 1,200 Amtrak employees. A first-class Metropolitan Lounge and retail space for shops and restaurants will open in early 1992.

Chicago Union Station, once a nightmare of congestion during commuter rush hour, now accommodates the needs of both Amtrak intercity and Metra commuter passengers in a beautifully renovated facility. New entrances to the street provide vastly improved access for commuters, while a spacious concourse waiting room offers comfortable seating for intercity travelers just steps from the train gates. A new first-class Metropolitan Lounge caters to the needs and expectations of premium-fare passengers holding sleeping car accommodations on Amtrak's long-distance trains.

These and other station improvements reflect Amtrak's belief that train stations represent the front door of our business. They play a critical role in customer satisfaction and in the image Amtrak strives to project. As a result, Amtrak

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Cheering crowds greeted the Pioneer at Rawlins, Wy. on its inaugural run over a new route through Wyoming.

News stories on Amtrak's 20th Anniversary, such as this one from the San Francisco Examiner, told of Amtrak's success in modernizing and revitalizing rail passenger service.

On its 20th anniversary, Amtrak trains are jammed

Passenger railroad sees clear track toward profitability

By Lawrence L. Knutson
ASSOCIATED PRESS

WASHINGTON — After 20 years of struggle, Amtrak has grown to the point where its coaches are bursting at the seams.

Although the nation's passenger railroad still operates at a loss, "we are on a clear track toward being on a break-even operating basis by the end of this decade," W. Graham Claytor Jr., Amtrak's chief executive, said.

"From the throes of a dying rail passenger industry to today's record ridership and sold-out trains, the last two decades have seen dra-

matic improvements in the quality, reliability and marketability of rail passenger service in this country," he declared.

In a 20th anniversary speech at the National Press Club, Claytor said Amtrak's current problems are a result of its success.

"We are actually carrying more people than we can handle with maximum efficiency," he said, adding, "none of us is satisfied with the mechanical problems and delays that occasionally occur."

But he said the railroad is moving to correct those problems, taking delivery a year ago of 104 new, short-distance coaches and placing orders for 52 new diesel electric engines and 140 Superliner sleepers, diners, lounge cars and coaches.

He noted that in 1970, the year before Amtrak began operations,

27 privately owned railroads ran up a total of 4.9 billion passenger miles with an annual operating loss of some \$450 million, or about \$1.5 billion in 1990 dollars.

"Amtrak is now carrying over 22 million intercity passengers some 6.1 billion passenger miles each year — almost 25 percent more revenue passenger miles than were handled by all the railroads in the country before we started," Claytor said.

And he said Amtrak is doing that with an annual loss of \$350 million.

Claytor pegged that loss at just 23 percent of the private railroads' loss in 1970, after accounting for inflation.

Between 1981 and 1990, revenue increased 114 percent while expenses grew at less than the rate of inflation, he said.

continues to work closely with states and communities to obtain local funding for passenger station improvements. Over a dozen stations—including Lincoln, Neb., Carlinville, Ill., Montgomery, Ala., and Red Wing, Minn.— were renovated during the past year, funded primarily by states and local communities that want the traveler's first glimpse of their towns to be a positive one.

The past year also saw service to Wyoming for the first time since 1982. The reroute of the *Pioneer* through Wyoming not only permits service to an important new market, but frees capacity on the *California Zephyr* (which previously was joined with the *Pioneer* to Salt Lake City) for significant potential mail business.

Of enormous long-term importance was the decision by Congress to fund continued improvements on the Northeast Corridor between New York and Boston to reduce travel time between the two cities to three hours or less. Completion of this project, scheduled for 1997, will mean 24 daily New York-

Boston round-trip frequencies and some three million additional passengers each year. The service, which will operate with all new high-speed train equipment, is expected to generate important incremental profits that will improve Amtrak's bottom line.

Three hour service will further position the railroad to be the transportation mode of choice for travelers along the entire Washington-Boston Northeast Corridor.

Changing technologies, high customer expectations, and a dedication to providing quality service dictate that any company hoping to survive the 1990s must invest in employee training. Nowhere is this more true than in the railroad industry generally, and the rail passenger business in particular. At one time, a railroad locomotive engineer was required to know how to keep the locomotive's fire burning. Today, the engineer must understand complex computer diagnostics and state-of-the-art signal systems. The most technologically sophisticated equipment will serve little purpose if our employees lack the training to use it, repair it and improve it.

We have focused hard on employee training at all levels of the corporation. From extensive computer software training courses to programs on testing brakes and signal systems, we recognizes the key to our future lies in a well-trained work force. Funding for training programs has doubled in the past five years and will continue to grow as new locomotives and passenger cars—with all the latest technology—arrive in the coming years. Some 86 employees work throughout the Amtrak system training other employees, and numerous others provide specific training as needed.

Training is not limited to technical areas such as mechanical, electrical or car repair. Executive Staff members are studying new ways to improve the



Linda Nies, Ticket Agent at Santa Ana, Calif., has served Amtrak customers for 20 years. Starting as a Passenger Service Representative on board the trains, Linda was the fourth generation in her family to choose railroading as a career. Linda has seen Amtrak come a long way since 1971 but says, "Our future depends on management and employees working together to provide our customers with the best service in the industry."

quality of all facets of Amtrak services; chefs from the dining cars receive training from the Culinary Institute of America in food preparation and presentation; lawyers are trained in implementing and complying with new laws and regulations; sales personnel learn new computer software applications to improve revenue generation and productivity; engineers study uses of new materials and designs.

Experience proves that training improves employee morale. This, in turn, enables Amtrak to provide a better service to the paying customer and to improve its bottom line. Amtrak is committed to providing the high level of training necessary to achieve both goals.

High-Speed Surfacing Produces Smooth Ride

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During daily safety talks, members of the Unit Z-062 crew review safety procedures and aspects of the night's assignment that require greater care.



A smooth ride at 125 miles per hour depends on several factors, but it starts with a well-maintained track structure. Amtrak's two high-speed surfacing gangs, using state-of-the-art "MDZ" machines, move up and down the Amtrak-owned Northeast Corridor, ensuring that high-speed tracks are properly aligned for a smooth ride.

Working at night when there is less traffic on the

railroad, the 16 members of unit Z-062, based in Philadelphia, have surfaced more than 1,156 miles of main-line track in four years.

In addition to high productivity, the crew is also credited with working injury-free during the same period. That's a record unmatched by any maintenance of way production gang in Amtrak's history.

One important reason for Amtrak's growth during such a difficult time is its success in other revenue generating areas. Passenger revenues grew during 1991 at the rate of 3.6 percent and are approaching \$1 billion for the first time in Amtrak's history. Of great importance, however, was growth of 4.6 percent in non-passenger revenues. Two key areas are generating significant revenues for Amtrak and represent superb growth opportunities for the future. The transportation of mail for the U.S. Postal Service grew dramatically, helped in part by national transportation priorities during the recent Desert Storm operation. Revenues grew to \$43.6 million, an increase of 26 percent. With the acquisition of additional mail handling cars, Amtrak expects this area to generate close to \$100 million by the end of the decade. Moreover, potential mail revenues can provide the additional operating revenues necessary to initiate new rail passenger service. The reroute of the *Pioneer* through Wyoming was made possible by the potential for new mail business.

The operation of commuter services under contract for local, state or regional authorities is another high-growth opportunity for Amtrak. This area also has great symbolic significance, for each new commuter contract cements Amtrak's position

New domed dining cars, serving first-class sleeping car passengers, began service on Auto Train this year.



as the rail passenger operator of choice. Amtrak's ability to successfully compete for the operation of new commuter and high-speed rail systems represents an important key to its future.

Amtrak carried some 18 million rail commuters under contract for the Boston area MBTA, Maryland MARC system, Connecticut DOT and Orange County,

Calif., Transportation Commission. During the coming year, Amtrak will begin operation of the new Virginia Railway Express service between northern Virginia and Washington, and will compete for the contract to operate the San Jose-San Francisco Peninsula Commute Service in California.

One of Amtrak's most exciting achievements was the recent decision by Southern California Regional Rail Authority to award Amtrak a contract to operate an ambitious commuter network in the Los Angeles area. The commuter service is expected to grow significantly over the next decade as additional Los Angeles area commuter lines begin operation.

As the decade develops, Amtrak expects that revenues from real estate development, contract commuter operations, mail and express, and other revenue enhancement areas will continue to grow significantly. These activities will provide Amtrak with a cushion against yearly fluctuations in the national economy and travel market.



Ben Casados, Ticket Clerk/Baggage man in Albuquerque, N.M., is a 19-year Amtrak veteran. Among the many changes he has seen at Amtrak is an increase in the volume of U.S. Mail carried on the trains and better methods of handling the mail. "We used to handle bags of mail manually, but now the mail is containerized and palletized. That makes it easier for the employees to handle and provides better service to the U.S. Postal Service."

OPERATING STATISTICS

	1991	1990	1989	1988	1987
General					
System Route Miles (in thousands)	25	24	24	24	24
Stations	523	516	504	498	487
Train Miles Operated (in millions)	34	33	31	30	30
On-Time Performance					
Systemwide	77%	76%	75%	71%	74%
Short Distance	82%	82%	81%	76%	78%
Long Distance	59%	53%	54%	54%	62%
Ridership					
Passengers (in millions)	22.0	22.2	21.4	21.5	20.4
Northeast Corridor	10.9	11.2	11.1	11.2	10.7
Short Distance	5.0	5.2	4.7	4.8	4.5
Long Distance	6.1	5.8	5.5	5.4	5.2
Passenger Miles (in millions)	6,273	6,057	5,859	5,678	5,221
Locomotive Units					
Operating Fleet	316	318	312	298	289
Available for Service (daily average)	86.0%	84.0%	84.1%	87.2%	87.9%
Average Age (in years)	13.0	12.0	11.0	10.0	9.0
Diesel Units (new deliveries)	0	0	8	9	0
Electric Units (new deliveries)	0	0	5	1	0
Passenger Train Cars					
Operating Fleet	1,786	1,863	1,742	1,710	1,705
Owned and Leased*:					
Superliner Cars	282	282	282	282	282
Amfleet I Cars	489	482	483	483	484
Amfleet II Cars	149	149	149	149	149
Heritage Cars	826	841	827	813	790
Turboliners (cars)	65	65	65	65	65
Self-Propelled Cars	19	28	40	43	61
Low-Level Cab Cars	34	33	21	18	0
Horizon Cars	103	103	45	0	0
Total Owned and Leased	1,967	1,983	1,912	1,853	1,831
Average Age (in years)	21.0	20.0	17.5	16.6	15.6

* Includes some older or damaged cars awaiting overhaul, conversion to head-end power or sale.

CONSOLIDATED BALANCE SHEETS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

Assets	September 30, 1991	September 30, 1990
	(Thousands of dollars)	
Current Assets:		
Cash and cash equivalents	\$ 30,937	\$ 76,902
Short-term cash investments, at cost, which approximates market	3,164	30,703
Accounts receivable, net of allowance for doubtful accounts of \$1,961 and \$2,757 in 1991 and 1990, respectively	76,033	79,832
Materials and supplies, at average cost	148,651	139,356
Other current assets	11,075	14,060
Total current assets	269,860	340,853
Property and Equipment:		
Passenger cars and locomotives	1,824,259	1,622,808
Northeast Corridor	3,099,027	2,916,199
Other	412,163	417,788
	5,335,449	4,956,795
Less—Accumulated depreciation and amortization	(1,701,102)	(1,525,971)
	3,634,347	3,430,824
Other Assets and Deferred Charges:		
Escrowed proceeds from sales of tax benefits	65,072	73,734
Penn Station joint venture	26,384	40,148
Deferred charges and other	81,574	92,632
	173,030	206,514
Total assets	\$4,077,237	\$3,978,191

Liabilities and Capitalization

September 30,
1991

September 30,
1990

Current Liabilities:

(Thousands of dollars)

Accounts payable	\$ 138,101	\$ 124,540
Accrued expenses and other current liabilities	145,046	165,220
Deferred ticket revenue	12,755	17,368
Current debt and capital lease obligations	9,632	7,290
Total current liabilities	305,534	314,418

Long-Term Debt and Capital Lease Obligations:

Capital lease obligations	170,848	176,477
Equipment and other debt	107,487	—
	278,335	176,477

Other Liabilities and Deferred Credits:

Casualty reserves	77,137	65,296
Deferred revenue—sales of tax benefits	65,072	73,734
Deferred revenue—Penn Station joint venture	28,077	36,179
Advances from railroads and commuter agencies	44,008	45,905
Other	5,506	3,535
	219,800	224,649
Total liabilities	803,669	715,544

Commitments and Contingencies**Capitalization (see Consolidated Statements of
Changes in Capitalization)**

Total liabilities and capitalization	\$4,077,237	\$ 3,978,191
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The accompanying notes are an integral part of these consolidated balance sheets.

CONSOLIDATED STATEMENTS OF OPERATIONS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30,

	1991	1990
	(Thousands of dollars)	
Revenues:		
Transportation related	\$1,208,682	\$1,147,495
Other	150,268	160,930
Total revenues	1,358,950	1,308,425
Expenses:		
Train operations	449,585	417,454
Maintenance of equipment	443,481	470,176
Maintenance of way	204,511	202,894
On-board services	169,733	173,303
Stations	125,464	123,488
Marketing and reservations	184,457	176,708
General support	147,293	150,284
Taxes and insurance	63,368	60,805
Depreciation and amortization	202,643	181,619
General and administrative	49,531	45,526
Special charges	27,165	—
Interest	13,307	9,583
Total expenses	2,080,538	2,011,840
Net loss	\$ 721,588	\$ 703,415

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30,

	1991	1990
	(Thousands of dollars)	
Cash Flows From Operating Activities:		
Net loss	\$(721,588)	\$(703,415)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	202,643	181,619
Provision for inventory loss and obsolescence	9,000	4,100
Provision for losses on accounts receivable	3,300	3,300
Retirement and unemployment taxes paid by Federal Railroad Administration	144,798	—
Other	7,169	3,950
Changes in assets and liabilities:		
Decrease (increase) in accounts receivable	1,072	(7,676)
Increase in materials and supplies	(18,314)	(26,440)
Decrease (increase) in other current assets	2,985	(10,506)
Decrease (increase) in other assets and deferred charges	3,695	(3,605)
(Decrease) increase in accounts payable, deferred ticket revenue, and accrued expenses and other current liabilities	(11,226)	30,469
Decrease in other liabilities and deferred credits	(9,455)	(18,777)
Net cash used in operating activities	(385,921)	(546,981)
Cash Flows From Investing Activities:		
Purchases and refurbishments of property and equipment	(306,371)	(184,398)
Proceeds from disposals of property and equipment	904	580
Cash released from restricted proceeds of tax benefits sales	15,449	16,153
Cash from (to) Union Station Redevelopment Corporation	2,137	(632)
Cash designated for Penn Station joint venture	(2,440)	(3,698)
Cash investments	(25,467)	(226,439)
Proceeds from dispositions of cash investments	53,009	292,830
Net cash used in investing activities	(262,779)	(105,604)
Cash Flows From Financing Activities:		
Proceeds from issuance of preferred stock	529,375	560,411
Proceeds from advance lease rental payments	—	38,397
Proceeds from federal paid-in capital	35,891	23,612
Proceeds from federal and state capital payments	21,756	16,113
Proceeds from debt	23,000	—
Repayments of debt and capital lease obligations	(7,287)	(22,289)
Net cash provided by financing activities	602,735	616,244
Net decrease in cash and cash equivalents	(45,965)	(36,341)
Cash and cash equivalents—beginning of year	76,902	113,243
Cash and cash equivalents—end of year	\$ 30,937	\$ 76,902

The accompanying notes are an integral part of these consolidated statements.

CONSOLIDATED STATEMENTS OF CHANGES IN CAPITALIZATION

National Railroad Passenger Corporation and Subsidiaries (Amtrak)

	Preferred stock	Common stock	Other paid- in capital	Accumulated deficit	Totals
			(Thousands of dollars)		
Balance at September 30, 1989	\$6,056,003	\$ 93,857	\$ 3,711,425	\$ (6,494,396)	\$ 3,366,889
Issuance of preferred stock	560,411	—	—	—	560,411
Federal paid-in capital	—	—	23,612	—	23,612
Federal and state capital payments	—	—	15,150	—	15,150
Net loss	—	—	—	(703,415)	(703,415)
Balance at September 30, 1990	6,616,414	93,857	3,750,187	(7,197,811)	3,262,647
Issuance of preferred stock	529,375	—	—	—	529,375
Federal paid-in capital	—	—	180,689	—	180,689
Federal and state capital payments	—	—	22,445	—	22,445
Net loss	—	—	—	(721,588)	(721,588)
Balance at September 30, 1991	<u>\$7,145,789</u>	<u>\$93,857</u>	<u>\$3,953,321</u>	<u>\$(7,919,399)</u>	<u>\$3,273,568</u>

The accompanying notes are an integral part of these consolidated statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30, 1991 and 1990

Note 1.

Summary of Significant Accounting Policies

PRINCIPLES OF CONSOLIDATION

The financial statements reflect the consolidated operations of the National Railroad Passenger Corporation and its wholly-owned subsidiaries, Chicago Union Station Company (CUS) and Washington Terminal Company. All significant intercompany transactions have been eliminated. Certain reclassifications have been made to the prior year's statements to conform with the 1991 presentation.

PASSENGER RELATED REVENUE

Passenger fares are recognized as operating revenues when the related transportation services are furnished. Tickets which have been sold but not used are presented as "Deferred ticket revenue" in the Consolidated Balance Sheets.

CONTRACTED SERVICES

The Consolidated Statements of Operations include the gross revenues earned and expenses incurred under arrangements to operate various commuter rail services, to provide access to the Northeast Corridor and other Amtrak-owned facilities, and to perform services for freight railroads.

CASH EQUIVALENTS AND SHORT-TERM CASH INVESTMENTS

Amtrak considers all financial instruments purchased having a maturity of three months or less to be cash equivalents. Those financial instruments purchased with a maturity of over three months, and which mature not more than one year from the Consolidated Balance Sheet date, are classified as short-term cash investments. Approximately \$6,400,000 of the cash and cash equivalents balance at September 30, 1991 is restricted for repair or acquisition of capital equipment.

PROPERTY AND DEPRECIATION

Property and equipment are stated at cost, and are depreciated using the composite straight-line method over their estimated useful lives. Certain major items of property acquired through capital lease agreements are recorded as assets and are amortized over the shorter of their estimated useful lives or the lease term.

CASUALTY LOSSES

Provision is made for Amtrak's portion of the estimated liability for unsettled casualty and accident claims. The current portion of this liability is included in the Consolidated Balance Sheets under "Accrued expenses and other current liabilities." The non-current portion is classified as "Casualty reserves." As of September 30, 1991 and 1990, the current claims liability included in accrued expenses and other current liabilities was \$51,100,000 and \$49,800,000, respectively.

Note 2.

Federal and State Funding

Funds are provided to Amtrak through federal and state payments for operations and for capital acquisitions and improvements. For funds received from the federal government, Section 304 of the Rail Passenger Service Act (45 U.S.C. 544) requires Amtrak to issue to the United States Secretary of Transportation preferred stock equal

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30, 1991 and 1990

in par value to all federal operating payments and most federal capital payments received subsequent to October 1, 1981, as well as capital and certain operating payments received prior to that date. Public Law 102-143, approved on October 28, 1991, provides \$711,000,000 in federal funds to Amtrak for fiscal year 1992, of which \$331,000,000 is for operating purposes, and the balance for capital acquisitions and improvements.

Federal paid-in capital, included in the Consolidated Statements of Changes in Capitalization, includes certain funding received from the federal government to finance acquisition of and improvements to property and equipment. In exchange for past and prospective funding, Amtrak issued two promissory notes to the United States. The first note matures on November 1, 2082, with successive 99-year renewal terms, and is secured by certain Amtrak rolling stock. The second note matures on December 31, 2975, and is secured by Amtrak's real property. Neither of the notes bears interest, unless prepaid (which Amtrak does not intend to do). The federal government's security interest in Amtrak's real property and certain rolling stock entitles it to repayment plus interest in the event Amtrak ceases operations, is acquired by another entity, or seeks relief under bankruptcy or insolvency laws.

Federal paid-in capital also includes payments made on Amtrak's behalf by the Federal Railroad Administration (FRA). During the year ended September 30, 1991, the FRA deposited \$144,798,000 with the Internal Revenue Service in payment of Amtrak's excess Railroad Retirement Tax Act tax liabilities, excess Railroad Unemployment Repayment Tax payments, and excess Railroad Unemployment Insurance Act payments. Deposits relating to excess tax liabilities are authorized by the Mandatory Passenger Rail Service Payments Provisions of the Fiscal Year 1991 Department of Transportation and Related Agencies Appropriation Act.

Preferred and Common Stock

Note 3.

At September 30, 1991, 73,100,000 shares of \$100 par value preferred stock were authorized, of which 71,457,895 shares were issued and outstanding. On October 23, 1991, 433,310 shares of preferred stock were issued at par value, increasing the total number of shares issued and outstanding to 71,891,205. At September 30, 1990, 73,100,000 shares were authorized, of which 66,164,139 shares were issued and outstanding. All issued and outstanding preferred shares are held by the Secretary of Transportation for the benefit of the federal government. Dividends are to be fixed at a rate not less than 6% per annum and are cumulative so that no dividends may be paid on the common shares prior to the payment of all accrued but unpaid dividends on the preferred shares. No dividends have been declared. The preferred stockholder is also entitled to a liquidation preference over common shares involving a payment of not less than par value plus all accrued unpaid dividends. Each share of preferred stock is convertible into 10 shares of common stock at the option of the preferred stockholder.

At September 30, 1991 and 1990, 10,000,000 shares of \$10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding.

Borrowing Arrangements

Note 4.

LONG-TERM DEBT

On April 2, 1991, Amtrak entered into an agreement for the purchase of 15 locomotives. The financed portion of each locomotive's purchase price plus accrued

interest (12% per annum) are due two years following the date of delivery and acceptance. Amtrak has the option at the end of this period to return any locomotive in lieu of paying the principal and accrued interest due. As of September 30, 1991, Amtrak has accepted 13 locomotives and incurred debt totaling \$3,177,000, which is secured by the locomotives. This amount is included in the Consolidated Balance Sheets under "Equipment and other debt."

On April 19, 1991, Amtrak entered into an agreement with a manufacturer for the construction of 140 passenger cars at a total estimated price of \$400,000,000. Under the terms of a loan agreement with a third-party lender, Amtrak may borrow up to \$340,000,000 in the form of advances made by the lender to the manufacturer toward the cars' construction. Interest (9.5% per annum) on amounts advanced is being charged to Amtrak during construction and is payable quarterly. Principal repayments of all outstanding advances are due in 80 consecutive quarterly installments commencing the earlier of when the last car is delivered or June 30, 1996. All amounts borrowed by Amtrak are secured by the finished passenger cars. Interest and related financing charges incurred by Amtrak are being capitalized during the construction period as a component of the cars' total cost. As of September 30, 1991, \$85,310,000 was advanced on Amtrak's behalf, and is included in the Consolidated Balance Sheets under "Equipment and other debt." Interest capitalized on this amount during the year ended September 30, 1991, totaled \$3,641,000.

LINES OF CREDIT

Amtrak has the following unsecured bank lines of credit which are subject to certain conditions:

- \$30,000,000 revolving line of credit expiring in March 1993 to be used for the repair or acquisition of capital equipment which, at Amtrak's option, bears interest based on the London Interbank Offered Rate (LIBOR), prime rate, or federal funds rate. Amtrak is charged a commitment fee on the average daily unused portion of the credit line. Repayments of principal are due in 20 equal quarterly installments beginning June 30, 1993 with the final payment due no later than March 15, 1998. As of September 30, 1991, Amtrak has borrowed \$19,000,000 under this agreement which is included in the Consolidated Balance Sheets under "Equipment and other debt."
- \$10,000,000 revolving line of credit held by CUS expiring in September 1992 which, at CUS's option, bears interest based on the prime rate, certificate of deposit rates, Eurodollar rate, or rate offered by the lender. The agreement requires CUS to maintain compensating balances and calls for the repayment of principal plus accrued interest by September 1992. Amtrak has guaranteed CUS's payment of all amounts owed. As of September 30, 1991, CUS has borrowed \$4,000,000 under this agreement which is included in the Consolidated Balance Sheets under "Current debt and capital lease obligations."

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30, 1991 and 1990

- \$15,000,000 and \$10,000,000 lines of credit expiring in September and December 1992, respectively, which at Amtrak's option bear interest based on the prime rate, LIBOR, or certificate of deposit rates. Amtrak is charged a commitment fee on the average daily unused portion of the credit line. As of September 30, 1991, there were no outstanding borrowings under these agreements.

At September 30, 1991, scheduled maturities of long-term equipment and other debt over the next five years were as follows:

Year Ending September 30	Amounts (In Thousands)
1992	\$ 4,000
1993	5,077
1994	3,800
1995	3,800
1996	4,540
Thereafter	90,270
	<u>\$111,487</u>

Leasing Arrangements

Note 5.

CAPITAL LEASES

Amtrak leases items of equipment, primarily passenger cars and locomotives, under capital leasing arrangements. At September 30, 1991 and 1990, the gross amount of assets recorded under capital leases was \$189,955,000 and \$190,090,000, respectively, with accumulated amortization of \$24,055,000 and \$12,469,000, respectively. At September 30, 1991, future minimum lease payments under capital leases were as follows:

Year Ending September 30	Amounts (In Thousands)
1992	\$ 19,003
1993	18,374
1994	16,785
1995	15,988
1996	18,303
Thereafter	237,863
	<u>326,316</u>
Less amount representing interest	149,836
Present value of minimum lease payments at September 30, 1991	<u>\$176,480</u>

OPERATING LEASES

At September 30, 1991, Amtrak was obligated for the following minimum rental payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

<u>Year Ending September 30</u>	<u>Amounts (In Thousands)</u>
1992	\$ 11,497
1993	9,666
1994	9,571
1995	9,066
1996	9,070
Thereafter	129,138
	<u>\$178,008</u>

Rent expense for the years ended September 30, 1991 and 1990 was \$25,287,000 and \$26,418,000, respectively.

Note 6.

Amtrak is involved in various litigation and arbitration in the normal course of business, including environmental clean-up matters. While the outcome of these matters cannot be predicted with certainty, it is the opinion of management and counsel that the disposition of these matters will not materially affect Amtrak's consolidated financial statements.

Amtrak has self-insured certain risks with respect to losses for third-party liability and property damage. Insurance coverage for liability losses from \$25 million to \$100 million is provided by insurance companies owned by Amtrak and various other railroads and transit authorities.

In October 1989, Amtrak commenced a lawsuit for \$81 million in federal court against a manufacturer of concrete ties. The complaint alleges premature deterioration of the ties requiring unusually early replacement. The outcome of the suit is uncertain.

Note 7.

PENSION PLAN

Amtrak has a qualified noncontributory defined benefit retirement plan held in trust covering nonunion employees and certain union employees. Benefits are based on years of credited service, and the employee's average compensation during the highest five consecutive years. Amtrak's funding policy is to contribute annually the amount recommended by outside actuaries. Pension expense for 1991 and 1990 was \$3,292,000 and \$3,634,000, respectively. The following tables set forth the plan's funded status, amounts recognized in the Consolidated Balance Sheets at September 30, 1991 and 1990, and components of the net pension expense for 1991 and 1990 (amounts in thousands):

Contingencies

Retirement Benefits

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30, 1991 and 1990

	1991	1990
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$48,805 and \$48,949, respectively	\$ 49,545	\$ 49,538
Plan assets at fair value, primarily fixed income investments and listed stocks	\$80,505	\$75,326
Projected benefit obligation for service rendered to date	73,884	72,228
Plan assets in excess of projected benefit obligation	6,621	3,098
Unrecognized prior service cost being amortized over 11.8 years	6,386	7,075
Unrecognized net (gain) loss	(3,570)	60
Unrecognized net asset existing at October 1, 1986 being amortized over 11.6 years	(6,963)	(8,009)
Prepaid pension expense recognized in Consolidated Balance Sheets	\$ 2,474	\$ 2,224
Net pension expense for 1991 and 1990 included the following components:		
Service cost—benefits earned during the period	\$ 4,259	\$ 4,330
Interest cost on projected benefit obligation	5,232	4,795
Actual return on plan assets	(3,431)	(8,198)
Net amortization and deferral	(2,768)	2,707
Net pension expense	\$ 3,292	\$ 3,634

The weighted average discount rate used in determining the projected benefit obligation was 8.0% and 7.5% in 1991 and 1990, respectively. The projected rate of increase in future compensation levels was 6.0% in 1991 and 1990. The assumed long-term rate of return on plan assets was 7.5% and 7.75% in 1991 and 1990, respectively. The unfunded accrued pension cost at September 30, 1986, is being amortized over the remaining average service life of plan members, and \$2,051,000 and \$2,359,000 net of amortization, is included under "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets at September 30, 1991 and 1990, respectively.

OTHER POSTRETIREMENT BENEFITS

Amtrak provides certain of its retirees healthcare and life insurance benefits. Substantially all salaried employees may become eligible for these benefits if they reach retirement age while still working for Amtrak. These benefits are subject to copayment provisions and other limitations. The cost of these benefits is recognized as expense as claims are paid. The total cost of these postretirement benefits charged to income was \$1,192,000 and \$475,000 for 1991 and 1990, respectively.

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for postretirement benefits other than pensions. This new standard

requires that the expected cost of these benefits must be charged to expense during the years that the employees render service. This is a significant change from Amtrak's current policy of recognizing these costs as expense when paid. Amtrak is required to adopt the new accounting and disclosure rules no later than the fiscal year beginning October 1, 1993, although earlier implementation is permitted. Amtrak may adopt the new standard prospectively or via a cumulative catch-up adjustment.

Due to the complexities of the new standard, management has not yet determined the effect that the change in accounting will have on Amtrak's reported financial position and results of operations. Amtrak has not decided when it will adopt the new standard, or if it will adopt the new accounting method prospectively, or by recording a cumulative catch-up adjustment in the year of adoption. However, management expects that the annual postretirement benefits expense computed in accordance with the new standard will be significantly greater than the annual cash payments.

EARLY RETIREMENT

In 1991, certain eligible employees accepted early retirement incentives. The incentives consisted of lump sum cash payments and other benefits. The cost of the incentives for 1991 was \$5,700,000.

Note 8.

Pursuant to provisions of the Economic Recovery Tax Act of 1981, Amtrak sold the rights to the tax benefits associated with certain qualified assets. Cash proceeds from these sales plus accrued interest are subject to certain restrictions, and therefore are presented as a non-current asset and deferred revenue in the Consolidated Balance Sheets. Revenue is recognized to the extent restrictions have been lifted, and funds released to Amtrak. For the years ended September 30, 1991 and 1990, Amtrak recognized revenue of \$13,384,000 and \$13,901,000, respectively, from these restricted funds.

Sale of Tax Benefits

Note 9.

In 1988, Amtrak leased to the Long Island Rail Road Company (LIRR) certain space in Penn Station, New York City, for 99 years, with an automatic 99-year renewal term, along with the right to jointly use the Penn Station operating facilities for 99 years, for a total of \$44,400,000. The space rental was accounted for by Amtrak as a sale. The resulting gain of \$42,537,000, net of the book value of assets sold, was deferred, and is being recognized as income as expenditures are incurred by Amtrak as a participant under a concurrently executed joint venture agreement with LIRR and the Metropolitan Transportation Authority, to upgrade the Station's structure and centralize control of train movements in and around Penn Station. During the years ended September 30, 1991 and 1990, Amtrak recognized revenue of \$8,102,000 and \$4,211,000, respectively. The gross lease proceeds of \$44,400,000, plus a pro rata share of future interest income were designated to fund Amtrak's obligations under the joint venture agreement, and are presented net of joint venture project costs incurred in the Consolidated Balance Sheets.

Penn Station Joint Venture

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

National Railroad Passenger Corporation and Subsidiaries (Amtrak)
For the Years Ended September 30, 1991 and 1990

Special Charges

Note 10.

During fiscal year 1991, Amtrak incurred special charges of \$27,165,000 for a major cost-reduction effort that resulted in a 10% reduction in management positions, the closing of a cogeneration facility, and the divestiture of a commuter rail car assembly contract. The charges are composed mainly of early retirement and voluntary separation incentive payments, operating and contract losses, termination, and other costs.

Supplemental Cash Flow Information

Note 11.

For the years ended September 30, 1991 and 1990, Amtrak engaged in the following investing and financing activities that affected recognized assets, liabilities, and capitalization, but did not result in a change in cash and cash equivalents (amounts in thousands):

	1991	1990
• Obligations incurred in connection with progress payments made by a third-party lender on Amtrak's behalf for the construction of passenger cars	\$ 85,310	\$24,802
• Reduction of obligation due third-party lender in connection with the leasing of passenger cars	—	\$58,464
• Expenditures made for projects along the Northeast Corridor from funds established specifically for those purposes	\$ 16,204	\$16,862
• Capital lease obligations incurred in connection with the leasing of new equipment	—	\$110,053
• Obligation incurred in connection with the purchase of locomotives	\$ 3,177	—
• Federal paid-in capital from Federal Railroad Administration payment of retirement and unemployment taxes	\$144,798	—

Cash interest of \$13,109,000 and \$8,342,000 was paid during the years ended September 30, 1991 and 1990, respectively.

MANAGEMENT REPORT

Management is responsible for the preparation and integrity of the consolidated financial statements presented in this Annual Report. These statements have been prepared in accordance with generally accepted accounting principles and necessarily include some amounts that are based on management's best estimates and judgement. Management considers that the consolidated financial statements present fairly the financial position of Amtrak and the results of its operations.


To meet its responsibility, management maintains a comprehensive system of internal controls, policies and procedures to assure the proper authorization of transactions, the safeguarding of assets and reliability of financial information. The system can only provide reasonable assurance, not absolute, that the related records fairly reflect all transactions and proper accountability. The concept of reasonable assurance is based on the recognition that the cost of a system of internal controls must be related to the benefits derived.

Amtrak has established its intent to maintain a high standard of ethical conduct in all business activities. Internal accounting controls, operating controls, as well as a corporate rules of conduct and a business ethics policy, are documented and communicated to all levels of management.

The Board of Directors, through its Audit Committee, reviews the system of internal controls and financial reporting. The Committee meets and consults regularly with management, the internal auditors and the independent public accountants to review the scope and results of their work. The accounting firm of Arthur Andersen & Co. has performed an independent audit of the consolidated financial statements and has full and free access to meet with the Committee, without management representatives present, to discuss the results of the audit.



W. Graham Clayton, Jr.
Chairman
and President



Charles W. Hayward
Vice President-Finance
and Administration
Chief Financial Officer

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Directors of
National Railroad Passenger Corporation:

We have audited the accompanying consolidated balance sheets of National Railroad Passenger Corporation (incorporated pursuant to the Rail Passenger Service Act and the laws of the District of Columbia) and subsidiaries (Amtrak) as of September 30, 1991 and 1990, and the related consolidated statements of operations, cash flows, and changes in capitalization for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amtrak as of September 30, 1991 and 1990, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

Arthur Andersen & Co.

Washington, D.C.
November 15, 1991

EXECUTIVE STAFF

Peter A. Cannito

Vice President-Engineering, 17 years of service. Appointed Assistant General Manager-Operations East in 1984, Assistant Vice President/General Manager-Transportation in 1986; assumed current position in 1988.

W. Graham Claytor, Jr.*

President and Chairman, elected by the Board on June 10, 1982.

Anthony D. DeAngelo

Vice President-Real Estate and Operations Development, nine years of service. Appointed Assistant Vice President-Real Estate in 1982; assumed current position in 1989.

Eugene N. Eden

Vice President-Passenger Services, 17 years of service. Appointed Assistant Vice President-Support Services in 1980, Vice President-Passenger Services in 1981, Vice President-Passenger and Operating Services in 1983; assumed current position in 1987.

Robert E. Gall

Vice President, Passenger Marketing and Sales, 16 years of service. Appointed Assistant Vice President-Market Planning and Analysis in 1980, Vice President-Transportation Marketing in 1982, Vice President-Sales in 1985; assumed current position in 1991.

Thomas J. Gillespie, Jr.

Assistant Vice President-Government and Public Affairs, 12 years of service; assumed current position in 1987.

Charles W. Hayward*

Vice President-Finance and Administration and Chief Financial Officer, 16 years of service. Appointed Assistant Vice President-Resource Management in 1980; elected Vice President-Finance and Treasurer in 1982; assumed current position in 1986.

John P. Lange

Assistant Vice President-Labor Relations, five years of service; assumed current position in 1986.

Neil D. Mann

Assistant Vice President-Personnel, four years of service; assumed current position in 1987.

William S. Norman*

Executive Vice President, 12 years of service. Appointed Vice President-Marketing in 1979, Vice President-Sales and Marketing in 1981, Group Vice President-Marketing and Corporate Planning in 1981, Executive Vice President-Marketing and Business Development in 1984; assumed current position in 1987.

Norris W. Overton

Vice President-Information Systems, 10 years of service. Appointed Assistant Vice President-Resource Management in 1982; assumed current position in 1988.

Stephen C. Rogers

General Counsel, eight years of service. Assumed current position in 1991.

Dennis F. Sullivan*

Executive Vice President and Chief Operating Officer, 18 years of service. Appointed Assistant Vice President-Engineering in 1981, Vice President/Chief Engineer in 1982, Vice President-Operations and Maintenance in 1985; assumed current position in 1988.

Robert C. VanderClute

Vice President-Transportation, 20 years of service. Appointed Assistant Vice President-Transportation in 1985; assumed current position in 1988.

Elyse G. Wander

Vice President-Corporate Planning and Development and Corporate Secretary, 18 years of service. Appointed Assistant Vice President-Corporate Planning in 1983; assumed current position in 1985, and re-assumed Corporate Secretary duties in 1991.

Other Corporate Officers

Jane E. Bass, Assistant Corporate Secretary, 18 years of service; assumed current position in 1988.

John M. Carten, Assistant Corporate Secretary (part-time), 15 years of service, assumed current position in 1991.

Richard I. Klein, Treasurer, 14 years of service; assumed current position in 1987.

Robert L. Lewis, III, Controller, 18 years of service; assumed current position in 1988.

Medaris W. Oliveri, Assistant Corporate Secretary (part-time), nine years of service; assumed current position in 1986.

* Member of Management Committee

BOARD OF DIRECTORS



Haley Barbour

Partner
Henry, Barbour and Decell
Yazoo City, Miss.



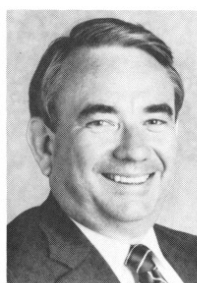
Samuel K. Skinner

Secretary of Transportation
Department of Transportation
(*ex officio*)
Washington, D.C.



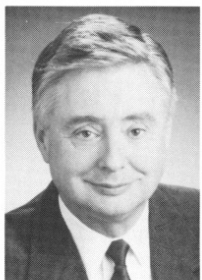
W. Graham Claytor, Jr.

Chairman
National Railroad
Passenger Corporation (Amtrak)
Washington, D.C.



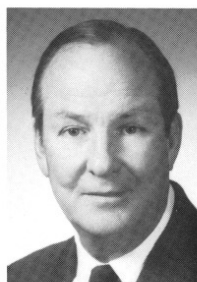
Tommy G. Thompson

Governor
State of Wisconsin
Madison, Wis.



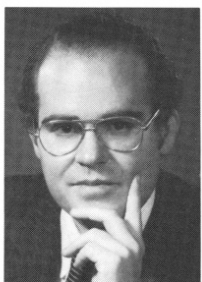
Eugene R. Croisant

Executive Vice President
Human Resources and Administration
RJR Nabisco, Inc.
New York, N.Y.



Carl W. Vogt

Partner
Fulbright & Jaworski
Washington, D.C.



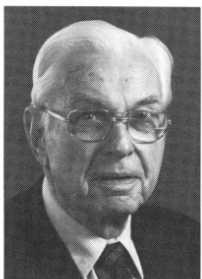
David F. Girard-diCarlo

Managing Partner
Blank, Rome, Comisky and McCauley
Philadelphia, Penn.



Paul M. Weyrich

President
The Free Congress Research and
Education Foundation, Inc.
Washington, D.C.



Charles Luna

Former President of the
United Transportation Union
Incorporator of Amtrak
Dallas, Texas

This report was produced by the Amtrak Public Affairs Office, Washington, D.C. Design and major photography by J. Phil Samuell.

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It is the policy of the National Railroad Passenger Corporation (Amtrak) to be an Equal Opportunity Employer. We pledge our support to enhance growth opportunities for minorities and women, and to ensure they are effectively represented throughout our work force.



Mature travellers represent an important and growing market for Amtrak.



**NATIONAL RAILROAD
PASSENGER CORPORATION**
60 MASSACHUSETTS AVENUE N.E.
WASHINGTON, D.C. 20002