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1993

# NATIONAL RAILROAD PASSENGER CORPORATION



1 9 9 3      A N N U A L      R E P O R T



# FIVE-YEAR COMPARISON OF AMTRAK'S PERFORMANCE

	1993	1992	1991	1990	1989
Revenues ( <i>millions</i> )	<b>\$1,403.0</b>	\$1,324.8	\$1,359.0	\$1,308.4	\$1,269.1
Expenses ( <i>millions</i> )	<b>\$2,134.0</b>	\$2,036.6	\$2,080.5	\$2,011.8	\$1,934.5
Revenue-to-Expense Ratio*	<b>.80</b>	.79	.79	.72	.72
Revenue-to-Short-Term Avoidable Cost Ratio**	<b>1.15</b>	1.19	1.23	1.20	1.20
Revenue-to-Long-Term Avoidable Cost Ratio***	<b>.95</b>	.95	.96	.93	.91
Passenger Miles ( <i>millions</i> )****	<b>6,199</b>	6,091	6,273	6,057	5,859
Passenger Miles per Train-Mile****	<b>177.6</b>	176.8	184.5	183.3	188.4
Systemwide On-Time Performance	<b>72%</b>	77%	77%	76%	75%
Ridership ( <i>millions</i> )					
Amtrak System	<b>22.1</b>	21.3	22.0	22.2	21.4
Contract Commuter	<b>29.3</b>	20.3	18.1	18.0	17.4
Total	<b>51.4</b>	41.6	40.1	40.2	38.8

\* 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.

\*\* 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: The sleek profiles of the AMD-103 diesel-electric locomotive, the X2000, and the ICE Train represent the new look of rail passenger service in the '90s and beyond. For more information on this and other new equipment, see pages 9-12.*

# OUR MISSION

Amtrak's mission is to satisfy customers by

providing a superior quality national rail passenger service as  
a competitive alternative to other intercity transportation modes.

In addition, Amtrak will engage in related, ancillary businesses  
that offer value to customers and contribute  
net income in support of its basic mission.

This mission will be achieved through a  
commitment to the continuous improvement

of products and services at every level of the Company, and by  
fostering a productive working environment that encourages  
growth and satisfaction for all employees, and where safety  
and the satisfaction of customers are primary.

## KEY CORPORATE GOALS

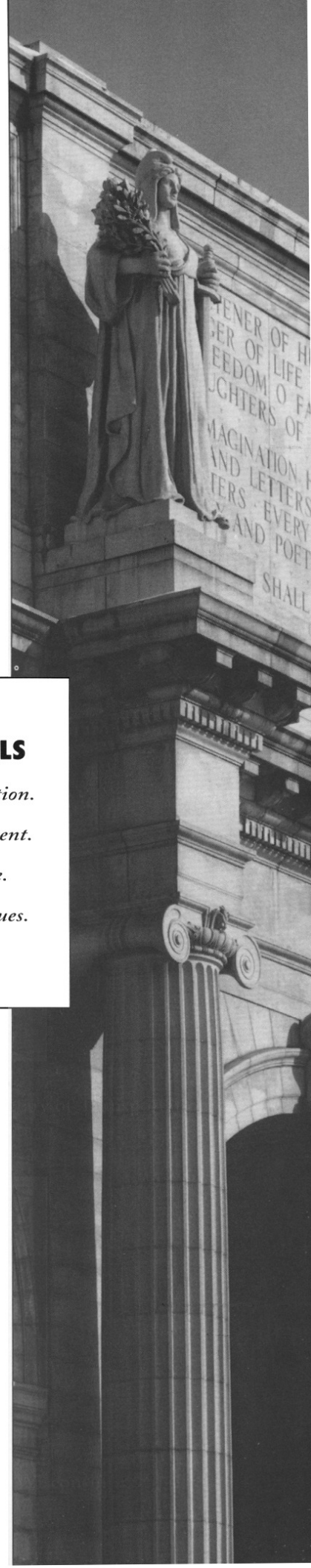
*Improve customer satisfaction.*

*Foster employee involvement.*

*Ensure safety excellence.*

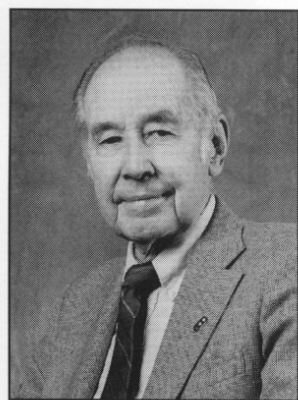
*Generate increased revenues.*

*Control costs.*



# PRESIDENT'S MESSAGE

*For the first time,  
we began to see  
the possibility  
of one day covering  
all of our  
operating costs  
with earned revenues.*



W. Graham Claytor, Jr.  
President and Chairman  
July 3, 1982 – December 6, 1993

**T**he past year marked my last at Amtrak. When I arrived at Amtrak 12 years ago, some people wondered why I would want to tackle such a tough job when I could have retired instead. The simple answer is that I thought it would be fun, as well as challenging. And it has certainly been both.

As I look back over the last dozen years, there are certain accomplishments of which I am extremely proud. Improvements to our equipment fleet (started well before my arrival), together with service improvements and innovative marketing, caused our revenues to grow by nearly 130 percent. At the same time, we became more focused on our bottom line. By controlling our costs and growing our revenues, we improved the revenue-to-expense ratio from .48 to .80. For the first time, we began to see the possibility of one day covering all of our operating costs with earned revenues.

Two years ago we embarked upon the most important journey of our existence — one toward continuous quality improvement. Learning from both the successes and failures of other companies, we are now spreading the principles of customer focus, employee involvement, teamwork, fact-based decision making, cultural change, continuous improvement, and supportive leadership throughout the corporation. We know it will take at least several more years to see bottom line results, but the signs of change are already encouraging. For example, a team at our Ft. Washington,

Pa., Reservation Sales Office is discovering and encouraging the factors that result in higher sales volume. A team in Los Angeles made modifications to cab control cars to improve safety and working conditions. And a team in Philadelphia developed a training program to teach employees how to use morning planning meetings to improve safety. These teams, and many others, are learning the skills and tools to work together more effectively, to gather and analyze data, and to address the root cause, rather than symptoms of problems.

These are not my accomplishments. The credit clearly belongs to the men and women of Amtrak. Most could make more money at other corporations and be required to put in far fewer hours. Yet, they remain at Amtrak because they believe in a future for rail passenger service. It is their perseverance and dedication that enabled Amtrak to survive some very difficult times during the last decade and to make the significant financial progress that has proved so important to our corporate viability. There is an enormous amount of work that still must be undertaken to address decades of deferred investment in Amtrak's plant and passenger equipment. Yet, if one looks at how much Amtrak's employees have been able to accomplish during the difficult 1980s and the recent national economic recession, it becomes easier to understand why I have such confidence in a shining future for the nation's intercity rail passenger system.



The year, 1993, was, in some ways, Amtrak's greatest challenge. While I am pleased that the corporation once again achieved record revenues, the persistence of the weak national economy was a drain both financially and psychologically on the corporation. Amtrak was forced to reduce the workforce (both agreement-covered employees and management), adjust service, and make other difficult budget decisions in each department to address the shortfall in available resources. When even these measures proved to be insufficient, Congress, with the support of the new Clinton Administration, provided supplemental operating and capital funds to prevent additional furloughs and degradation of service quality. These are not the type of actions that one wishes to undertake in his final year in office, but I believe they were necessary.

Furthermore, the year ended sadly as all Amtrak employees mourned the loss of 42 passengers and five crew members in the tragic derailment of the *Sunset Limited* near Mobile, Ala. Although the National Transportation Safety Board which is in charge of the investigation will not release its final report until next year, the investigation is focusing on a barge which damaged the railroad bridge just minutes before the train was to cross it. The accident which resulted was the worst in Amtrak's 22-year history.

The difficulties of the past year do not dim my outlook for Amtrak's future. We, as a team, have succeeded over the last decade in significantly improving the

economics of passenger railroading. As a result, intercity rail passenger service is being viewed as a much more viable option for many federal, regional and state planners attempting to address congestion and regional air quality concerns. Amtrak has established its leadership in developing and implementing high-speed rail between Washington and Boston and successfully operating high-speed service on the Northeast Corridor. All of us at Amtrak are excited about the prospects of developing high-speed rail corridors in densely populated regions across the country. With new passenger equipment finally beginning to arrive, and a fresh corporate focus on providing the highest possible quality of service to our passengers, I believe that ridership and revenues will surge with a rebounding economy.

This annual report details some of the developments that will help position Amtrak to assume a major role in addressing the needs of the national transportation system. I look forward to watching Amtrak blossom in the coming years, though as a customer instead of its president.

W. Graham Claytor, Jr.  
President



*Management Committee:  
William S. Norman,  
Executive Vice President;  
Dennis F. Sullivan,  
Executive Vice President and  
Chief Operating Officer; and  
W. Graham Claytor, Jr.,  
President and Chairman.*

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# A YEAR OF CONTRASTS

**N**ineteen ninety-three was a year of contrasts for Amtrak. Although revenues, passenger miles, and ridership were up slightly, overall performance was still below our modest projections for the year.

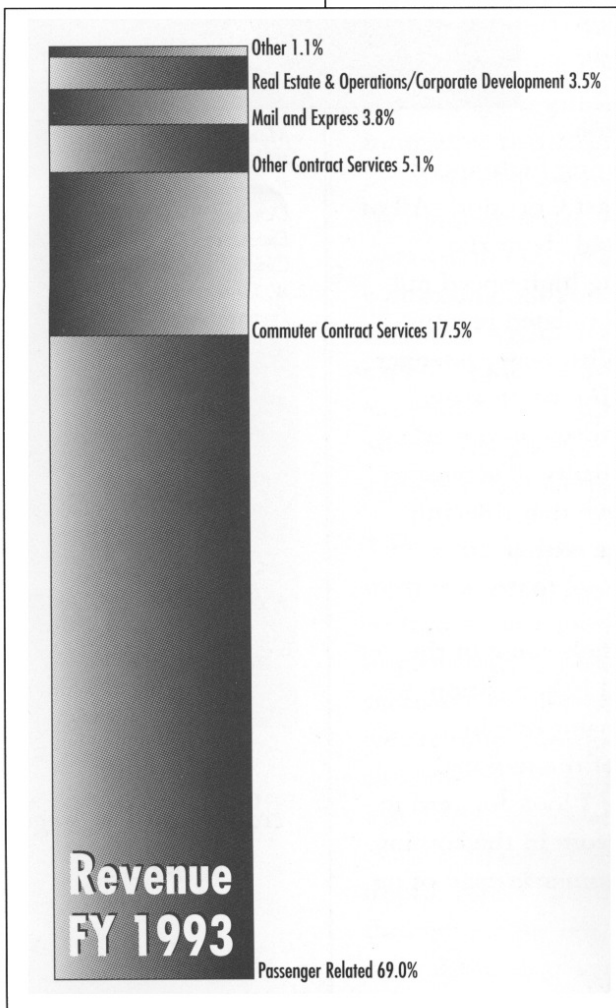
As we looked forward to a strong economic recovery that never developed, and for new passenger equipment so badly needed to improve reliability and

stimulate revenue growth, revenues from intercity transportation remained far weaker than projected. Flooding in the Midwest during the peak summer season, coupled with new rounds of airfare wars, further undermined the modest financial progress Amtrak had hoped to achieve during the year.

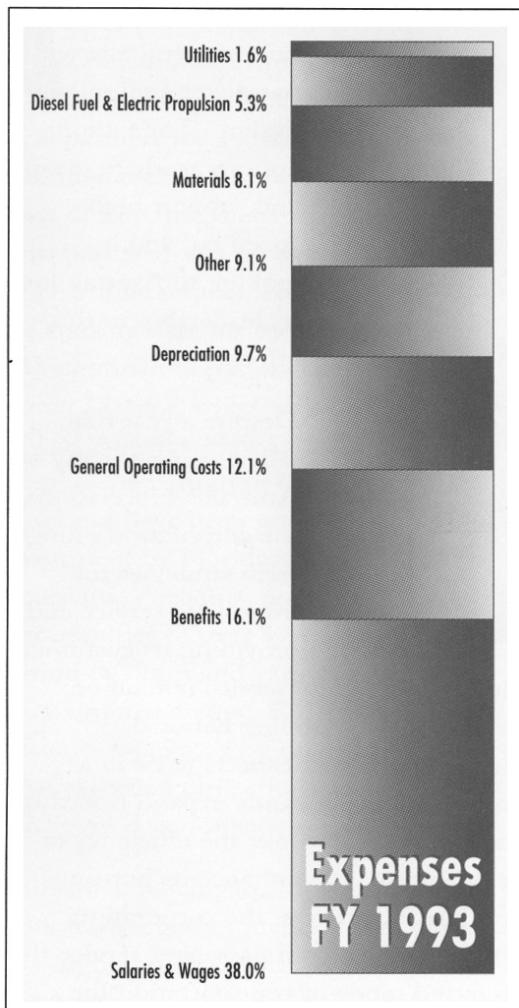
Nevertheless, the public perception of, and demand for, expanded conventional and high-speed rail

passenger service continued to grow, fueled in part by the extremely positive public reaction to two high-speed trains tested and displayed by Amtrak on the Northeast Corridor and across the country.

For 1993, total revenues grew to \$1.4 billion, six percent higher than last year but only 11 percent greater than in 1989, the year prior to the national economic downturn. Passenger revenues during the year grew a sluggish 1.5 percent, reflecting the continued weakness in demand for all forms of travel since the start of the recession. Indeed, Amtrak's ability to generate modest revenue growth and maintain its revenue-to-cost ratio is a noteworthy achievement given losses by the major airlines of over \$10.5 billion in just the last three years alone. The basic fact is that people simply do not travel as much during periods of economic uncertainty, particularly in the discretionary markets upon which most of Amtrak's long-distance revenue depends. Real estate revenues increased in spite of weakness in the real estate market, and we continued to lay the groundwork for the significant financial contribution that we hope to achieve through our ownership of important urban properties in Chicago, Philadelphia and New York. Likewise, revenues from commuter operations continued to grow, particularly with the addition of the Los Angeles and San Francisco area commuter services.







As in the past, Amtrak was able to successfully control expenses, which rose \$97 million — five percent — over last year on a total budget of \$2.2 billion. Unfortunately, this success has exacted a toll on the quality of the service Amtrak is providing its customers. Staffing levels have been reduced on trains and at stations; employees were furloughed at

Amtrak's Beech Grove maintenance facility resulting in the deferral of equipment overhauls for some equipment; and important maintenance and capital work went unfunded. Moreover, for the first time in over a decade, Amtrak was required to obtain from Congress \$20 million in supplemental operating funds and \$25 million in additional capital to avoid the furlough of some 400 additional employees at maintenance facilities and permit essential overhaul work to continue.

The bottom line, which for Amtrak is its revenue-to-expense ratio, improved slightly, from .791 to .795, rounded to .80. Although a modest improvement, it represents Amtrak's increasing ability to cover more of its operating costs with its own revenues.

As described elsewhere in the annual report, 1993 saw significant progress towards achievement of two of the corporation's most important goals: replacement of aging locomotives and passenger cars, and implementation of high-speed rail between New York and Boston. The delivery of new equipment is essential if Amtrak is to be able to provide a marketable, reliable service into the next century. Deliveries over the next four years of new locomotives,

*1993 saw significant progress towards achievement of two of the corporation's most important goals.*



*Technical and revenue testing of the X2000 (left) and the ICE Train (right) provided valuable data for the design of new Amtrak high-speed trainsets.*

Superliners and Viewliners, as well as the nation's first high-speed 150 mph *Metroliner Service* trainsets, will be an important step towards addressing the equipment issues that have plagued Amtrak since its beginning. Electrification and upgrade of the New York-Boston line to permit three-hour service between the two cities are progressing on schedule. The project is the only high-speed rail program actually under construction in the country and is proving to be the test bed for rapid

advances in high-speed rail infrastructure and passenger equipment design. The nation appears ready to grasp and support high-speed rail and is looking to Amtrak for its leadership in this effort.

Despite a year that failed to meet many of Amtrak's expectations, the corporation's long-term strategies for improving service and providing its customers

the highest quality service remain on track. With a stronger national economy, Amtrak expects to be in a position to significantly expand ridership and revenues, improve the efficiency of its operation, and enhance its bottom line. In the process, the corporation intends to make rail passenger service the preferred mode of transportation for a growing number of Americans.



# FORGING PARTNERSHIPS FOR IMPROVED SERVICE

**A**fter two decades of severe capital constraints, Amtrak has increasingly looked to state and local partners for assistance in funding station and track improvements and the costs of initiating new passenger service. This past year was no exception. Indeed, 1993 will be remembered in history as the starting date for the nation's first transcontinental passenger train — the *Sunset Limited*, which was extended from its Los Angeles-New Orleans routing to Miami. Inauguration of this service could not have been possible without an investment by Florida, Mississippi, Louisiana, Alabama, and various local communities of over \$7 million in new station facilities and various necessary track improvements. Ridership and revenues generated by the new service have exceeded projections and the train has enjoyed nationwide publicity.

California, Michigan, Illinois, and New York have together invested well over \$53 million in station and track improvements over the past two decades. Connecticut, which owns a portion of the Northeast Corridor over which the state operates commuter service, is expected to spend in excess of \$300 million in track upgrades that will benefit Amtrak's intercity trains also operating on the route. North Carolina is completing track and equipment upgrades that will permit initiation of new cross-state *Carolinian* service. These state-funded improvements not only

result in better station and track facilities for Amtrak's passengers, but also enhance the marketability of Amtrak's trains, adding significantly to revenues and ridership.

Local governments, in partnership with states, also are playing an important role in improving aging stations and making new service possible. With new accessibility requirements and growing numbers of passengers, many of these improvements are not only desirable, but essential.

- ❑ The historic Spanish style station in Westerly, RI, will be renovated under a \$1.5 million state grant to the local community. With completion of the New York-Boston high-speed rail improvements later this decade and possible initiation of Westerly commuter service, ridership at the station is expected to double.
- ❑ New service was started in Commerce, Calif., following completion of a new \$300,000 station. The station is the only Amtrak stop between Los Angeles and Orange County.



*Favorite Disney characters helped Amtrak promote the inauguration of Sunset Limited service to Gulf Coast and Florida destinations.*

*Local governments, in partnership with states, also are playing an important role in improving aging stations and making new service possible.*



*Philadelphia's 30th Street Station now offers a variety of casual dining options for area business people, as well as Amtrak customers and visitors.*

- ☐ At the beautifully restored 30th Street Station in Philadelphia, Amtrak opened a new "marketplace" of restaurants and shops to meet the needs of Amtrak's passengers and visitors, as well as business people in the neighborhood.
- ☐ Similarly, in Chicago, the opening of "Taste Chicago" provides passengers

an introduction to the foods for which Chicago is best known, as well as serving the lunch, breakfast, and dinner needs of area business people and shoppers.

- ☐ Amtrak inaugurated service on its *California Capitols* and *San Joaquin* trains at Emeryville following completion of a new station funded by the city and a local developer.
- ☐ Other local improvements worth nearly \$7 million are underway at Deerfield Beach, West Palm Beach, Orlando and Tampa, Fla.; Fayetteville, N.C.; and Glenview and Homewood, Ill. These projects will result in improved service for Amtrak passengers and a better image for communities first seen through the window of a train.



**Rosie B. Bacchus**  
**Manager**  
**Instructional Development**  
**Human Resources Development**  
**Philadelphia, Pennsylvania**

Rosie B. Bacchus established a different kind of partnership for Amtrak, one that enriches the lives of many Amtrak employees. With a grant from the Pennsylvania State Department of Education, Rosie developed a "basic skills" class for Philadelphia area employees. Employees from Engineering and Mechanical departments have learned how to perform basic math, use certain tools and read technical material. Rosie also volunteers her personal time to various Philadelphia agencies by teaching classes in reading and writing. Rosie was one of ten employees honored with a "President's Achievement Award."



# EQUIPMENT FOR A NEW CENTURY

**W**hen Amtrak began operations in 1971, its most basic asset — the passenger equipment necessary to transport people — already was old. Amtrak inherited passenger cars and locomotives from the freight railroads, built primarily during the 1950s, most already looking their age. Much of this “Heritage” equipment, rebuilt several times since by Amtrak employees, is still in use today, augmented by Amfleet and Superliner cars ordered in the 1970s and now approaching 15-20 years of age. While Amtrak has acquired most of its present passenger locomotives over the past two decades, many of these are now ready for retirement and annually add hundreds of thousands of additional miles to their tally. Equipment can be rebuilt or overhauled only so many times before it becomes more difficult and expensive to keep it consistent with the comfort, image, and reliability demanded by today’s business and pleasure traveler. Much of Amtrak’s fleet is beyond this point. This cripples ridership and revenues, imposes excessive maintenance and overhaul costs, and severely undermines efforts to position rail passenger service as the mode of the future.

With the willingness of private financial institutions to participate in the funding of Amtrak equipment orders, and with capital backing from Congress, Amtrak is ready to begin realizing the benefits of its first significant new equipment in well over a decade. The creature comforts



incorporated in new passenger designs — from improved accessibility to ergonomic lighting and information systems, to advanced on-board telecommunications and conference facilities — will vastly enhance the quality of service for business and discretionary travelers alike and enable Amtrak to offer a product that is immensely superior to other travel alternatives. State-of-the-art mechanical systems, in both passenger cars and locomotives, will mean far more reliable and consistent service that is less expensive and easier to maintain.

During the past year, and over the next several years, the very nature of Amtrak’s product will change through its acquisition of new equipment.

*New Superliner II cars which began to roll off the assembly line this year will help improve the quality of Amtrak service.*

*Amtrak ultimately plans to replace all its single-level Heritage cars with new Viewliners.*

## Superliners

Delivery of 140 new bi-level Superliner cars by Bombardier began this year and will continue over the next two years. Used first to augment existing trains, they will eventually replace single-level Heritage cars on several routes. Superliners generate for Amtrak the greatest return on investment and have proved extremely marketable. The new cars incorporate state-of-the-art on-board air quality control systems, improved accessibility for all passengers (as well as meeting all requirements under the 1990 Americans with Disabilities Act), modular design for ease of repair, and enhanced ergonomics. Amtrak expects to exercise options for more Superliners as funding becomes available.

## Viewliners

Amtrak has placed an order for 50 Viewliner sleeping cars with Morrison Knudsen Corp. to replace 40-year-old Heritage sleeping cars used on eastern long-distance routes. These cars can generate nearly 50 percent more revenue than existing sleepers and will provide passengers with enhanced accommoda-

tions, including on-board showers and music and lighting systems. The cars will incorporate full retention waste systems and accessibility improvements to comply with applicable federal laws. Delivery of the first 50 cars is expected to be completed during 1996. Amtrak ultimately plans to replace all its single-level Heritage cars with new Viewliners.

## Locomotives

During the past year, Amtrak has taken delivery of 26 of 54 new General Electric locomotives. Ten of the locomotives, which will be able to operate using third-rail electric power, will replace 1950-vintage FL-9 locomotives used between New York and Albany. Amtrak expects to extend the order for new locomotives with the goal of replacing its aging fleet of F-40 diesels.

## California Car

Amtrak will benefit from the availability of passenger cars being built for, and financed by, the state of California. Deliveries of the cars are expected to begin late in 1994.



# LEADERSHIP IN HIGH-SPEED RAIL

**T**he ability to compete effectively with airlines and automobiles between New York and Boston — the second largest business travel market in the continental United States — has long been a goal of Amtrak and regional planners seeking alternatives to congested highways and airports. Between New York and Washington, where rail travel times are competitive with air travel, Amtrak controls 43 percent of the market and carries more passengers than either of the two air shuttles. With the current four-to-five hour Boston-New York schedules, however, Amtrak is rarely an alternative for the business traveler.

Beginning in 1997, this will change as electrification and upgrading of the New York-Boston line are completed and new high-speed trainsets begin operation. With encouragement from the Coalition of Northeastern Governors and the vision and leadership of Senator Frank R. Lautenberg, Chairman of the Senate Transportation Appropriations Subcommittee, Congress continues to fund Amtrak's \$900 million high-speed rail infrastructure program that will permit hourly three-hour *Metroliner Service* between New York and Boston later in the decade. Important progress was made during the year, including completion of the draft environmental impact statement by the U.S. Department of Transportation, near completion of the electrification design, and significant track and signal work that will permit speeds of up to 150 mph along portions of the rail line.

The project is the model for the incremental upgrade of existing conventional rail lines to permit high-speed operations. Amtrak is working with a number of companies to develop new technology that will represent the standard for high-speed rail programs. These include development of 80 mph high-speed track switches, advanced track equipment for installing lengthy and heavy high-speed crossovers, self-powered track inspection and catenary maintenance vehicles, and signal, cab and traffic control systems for safe and reliable high-speed operations.

Perhaps the most exciting aspect of this technology development is the procurement that has begun for 26 high-speed trainsets. Capable of 150 mph operations and fast acceleration, the new trainsets are essential for achieving reliable three-hour service north of New York and will permit important travel time reductions south of New York.

*Perhaps the most exciting aspect of this technology development is the procurement that has begun for 26 high-speed trainsets.*



*The X2000 demonstrated its "tilt" technology to take curves faster.*



*The ICE Train allowed Amtrak passengers to test gourmet dining and at-seat video features.*

Amtrak completed an extremely successful revenue test this past year of a Swedish X2000 tilting high-speed trainset and a German ICE (Inter City Express) high-speed trainset. Both operated in revenue service at 135 mph, 10 mph above the limit for existing *Metroliners*. Extensive customer surveying was performed and will be reflected in the specifications Amtrak will soon complete for the new trainsets.

Because Amtrak is subject to Buy America provisions and strict United States safety standards, Amtrak cannot acquire off-the-shelf European high-speed rail equipment. As a result, Amtrak's procurement will generate an entirely new, built-in-America generation of high-speed rail equipment that is likely to set the standard for all high-speed rail equipment in this

country. Six corporations and joint ventures have pre-qualified to bid on the new equipment, and an award is expected next year.

As part of the procurement, Amtrak is requiring development of two non-electric power units that could be used with the high-speed passenger coaches at speeds up to 125 mph in non-electrified corridors. Currently, the fastest non-electric locomotive in the United States can reach top speeds of only 110 mph. Development of high-speed non-electric locomotives is essential to efforts to reduce travel time in many rail corridors where the cost of electrification would be prohibitive.

Successful implementation of high-speed rail north of New York, and development of the technologies and equipment essential to achieving Amtrak's travel-time goals, may well dictate whether, and to what extent, federal and state governments are willing to invest in high-speed rail programs in other transportation corridors. Amtrak well recognizes the responsibility that has been placed on it to demonstrate the benefits of the high-speed rail alternative, and to undertake the project in a way that fully justifies the confidence that the federal government has placed in the corporation.



# INNOVATIVE MARKETING IN A WEAK ECONOMY

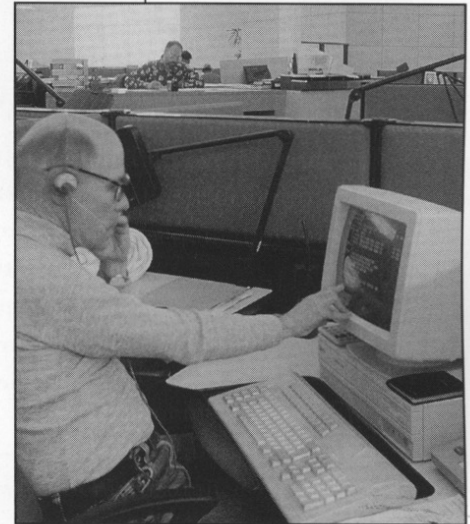
**W**hile the weak national economy has severely undermined demand for travel, it also has created opportunities for Amtrak to better market its “Amtrak experience” to cost-conscious travelers. Amtrak has strategically avoided the destructive fare wars which continue to wreak havoc on the airline industry. Nonetheless, the railroad’s ability to make rapid fare changes to address demand, and to emphasize those aspects of rail travel that differentiate it from other modes of travel, is a key to the corporation’s success in improving revenues despite the nation’s economic woes.

Amtrak works closely with the travel industry to create tour packages, identify and market new reasons to take the train, and introduce potential passengers to a mode of transportation that they perhaps had never considered in the past. Together with creative fare packaging, Amtrak succeeded in increasing passenger route miles during a year that many in retrospect would have thought impossible. For example:

- ❑ Ski Amtrak packages include such famous slopes as Cooper Mountain in Colorado, Park City in Utah, Sun Valley in Idaho, and Whiteface Mountain in New York. Amtrak also offers luxury cruise packages, foliage viewing tours, and vacation packages to Disney World and other national attractions.

- ❑ Amtrak’s All-America fare program — which offers three regional rates covering the entire country — has for many years proved enormously successful in marketing long-distance routes. To further entice cost-conscious travelers this past year, Amtrak introduced a nonrefundable category to the All-America fare program, offering 11-23 percent savings. Amtrak also offered special rates for travel to World Cup soccer events in cities across the nation.

- ❑ To help more customers get information about Amtrak service, we completed construction and moved into a new western region Reservation Sales Office. The largest in the Amtrak system, the new Riverside, Calif., facility has 400 modern work stations to handle current employment as well as future growth.



*Joe Lopresti, Amtrak Supervisor, works at a modern work station in the western region Reservation Sales Office shown below.*



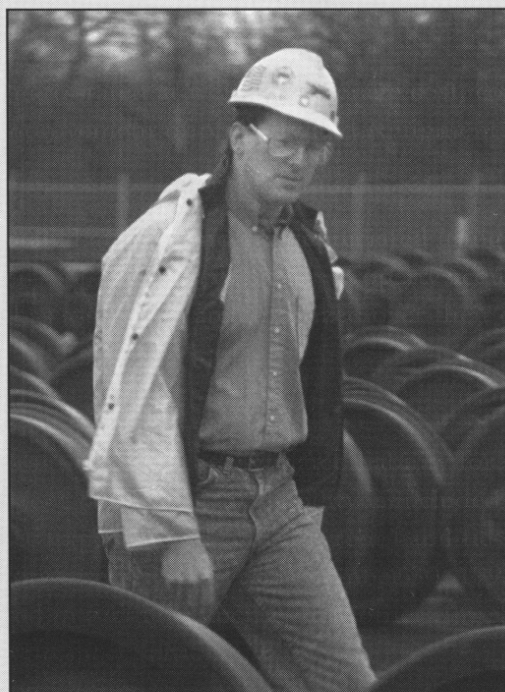
*Amtrak has  
aggressively  
pursued promotion  
partnerships.*

Amtrak has aggressively pursued promotion partnerships with companies whose image is consistent with Amtrak's and who offer exposure opportunities via alternate channels of distribution at relatively little cost. For example:

- ☐ A tie-in with "Wheel of Fortune," the number-one game show, resulted in an Amtrak promotional spot for a travel prize airing three times during prime time.
- ☐ We created an alliance with Home Shopping Club, the country's leading electronic retailer, whose audience mirrors the Amtrak target, to field a multi-tiered promotional effort with unique and in-depth Amtrak communication to a national audience. The promotion included

four one-hour sponsorships themed around travel on Amtrak, on-air sweepstakes featuring Amtrak prizes, promotional spots, and Amtrak testimonials from Home Shopping Club viewers.

- ☐ Amtrak teamed up with HBO/Cinemax to promote their Fall Preview event. The All Aboard HBO/Cinemax promotion, which was used to boost subscriptions to premium cable networks, included a "Watch and Win" game featuring Amtrak rail vacations. Promotional spots used on-air during the event were produced on board Amtrak's *Coast Starlight*. Additional spots included Amtrak footage from commercials.



**Peter J. Kissel, Jr.**  
**Mechanical Technician**  
**Mechanical Department**  
**Beech Grove, Indiana**

Peter (John) Kissel researched and recommended ways to save Amtrak an estimated \$200,000 annually at the Beech Grove, Ind., Maintenance Facility where he works. He improved communications with the Purchasing Department and reduced surplus inventories of new wheels and axles through more efficient inventory control. John also found a way to "recycle" used car and locomotive axles for other equipment. For his intelligent approach to improving the way Amtrak does business, John was awarded a "President's Achievement Award."

# THE IMPROVING ECONOMICS OF PASSENGER SERVICE

**W**hen Amtrak was created in 1970, conventional wisdom said that rail passenger service could not be profitable. Indeed, the combined losses of the private railroads operating during 1970 totaled more than \$1.8 billion in today's dollars. Nonetheless, through the economies of a national rail system, capital investment in new equipment and infrastructure, and more efficient use of manpower, the number of Amtrak trains that cover their long-term cost of operation continues to grow. For these trains, ticket and food service revenues, supplemented with revenues from the carriage of mail on some routes, exceed the long-term cost of operating the train, which includes the cost of crews, fuel, supplies and equipment maintenance.

While many trains still fall short of covering their long-term cost, revenues now cover nearly 95 percent of the long-term cost of the entire Amtrak national system — some 220 trains each day. For example:

☐ *Metroliner Service* trains generated nearly \$70 million over and above their long-term costs during FY 1993. In fact, *Metroliner* trains covered over 200 percent of their long-term costs. As a group, the nearly 120 daily Northeast Corridor trains, including conventional service, generated over \$145 million in excess of long-term costs, with a revenue-



*Auto Train continues to be among Amtrak's strongest performers.*

to-cost ratio of 1.63. It should be noted, however, that Northeast Corridor train revenues do not cover the full costs of owning and maintaining the infrastructure for Amtrak, freight and commuter services, so the Northeast Corridor is not profitable in the usual business sense.

- ☐ *Auto Train* service continued to exceed its long-term costs by over \$6 million during 1993.
- ☐ Most long-distance trains, with the exception of some Florida service, continue to require operating support. During FY 1993 they covered 76 percent of their long-term costs.

*Revenues  
now cover nearly  
95 percent of the  
long-term cost  
of the entire  
Amtrak national  
system.*



*The strength  
of the  
Amtrak system  
lies in its  
interconnectivity.*

☐ Amtrak projects that New York-Boston trains will generate nearly \$40 million in excess of long-term costs once three-hour service is initiated later in the decade.

The strength of the Amtrak system lies in its interconnectivity. Millions of passengers each year travel not just on one train, but on two or more connecting trains to reach destinations across this broad country. Therefore, the success of one train very much depends on the existence of another and the passenger's ability to transfer from one to the other. The challenge then for Amtrak's planners is to improve connections between trains to support the weaker, as well as the stronger performing trains in the system.

The performance of intercity trains is further strengthened by networking with other surface transportation modes. This concept was illustrated with the release of a new Surface Transportation Network map, produced by the American Public Transit Association, showing intercity train, bus and local transit routes, as well as rural transportation and proposed high-speed and conventional rail routes. Addressing air quality and other environmental concerns will depend on new transportation policies that facilitate travelers' transfer from one public transportation mode to another. Downtown intermodal terminals, feeder buses connecting with intercity trains, and light rail trains to airport terminals will reduce dependence on automobiles and greatly enhance the convenience of travel for both business and leisure trips.

# OVERVIEW OF FINANCIAL PERFORMANCE

**T**he financial statements, together with the report of the independent public accountants, provide the hard data regarding Amtrak's financial performance for the year. An overview of the significant year-to-year variances (1993 versus 1992) follows.

## Revenues

Total revenues rose by \$78.2 million, or 5.9 percent, during FY 1993 compared to FY 1992 as commuter contract services, real estate activities, mail, and state 403(b) support revenues significantly

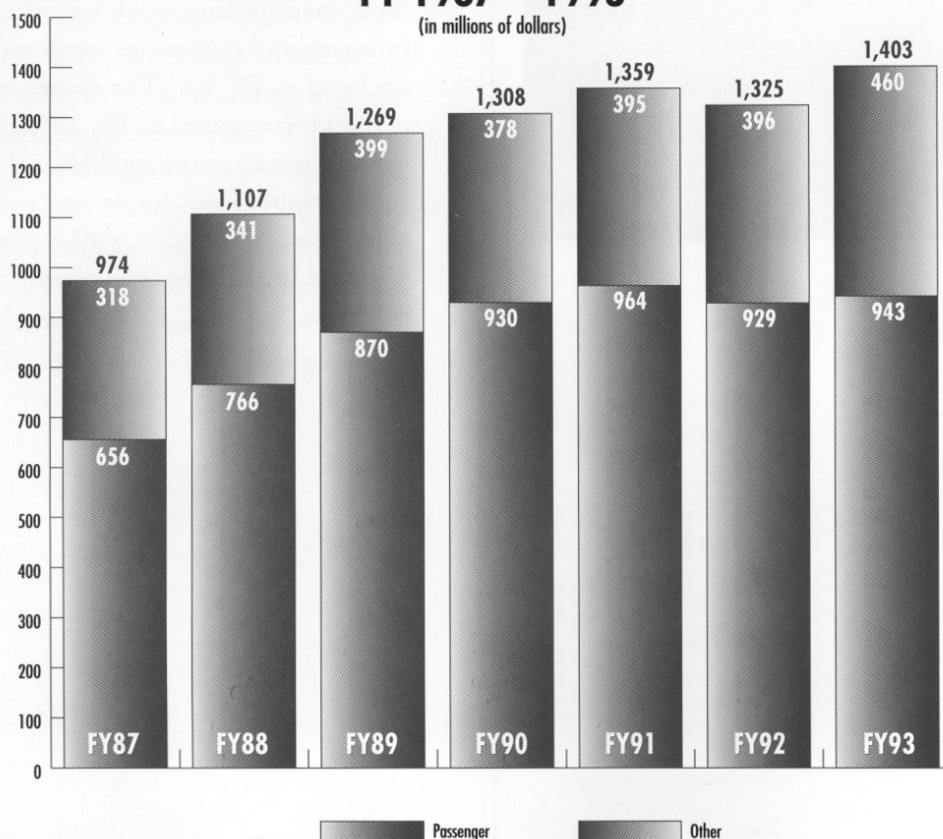
improved. These positive trends were partly offset by a decline in 1993 maintenance of way revenues.

**Passenger Revenues:** Ticket sale revenues rose by only 2.4 percent compared to FY 1992. This 1993 increase was still below expectations as a sluggish economy discouraged long-distance discretionary travel. In addition, the March blizzard and Midwest floods in July disrupted service, thereby reducing ticket sales.

*Commuter contract services, real estate activities, mail, and state 403(b) support revenues significantly improved during FY93.*

**Revenue Comparison  
FY 1987 – 1993**

(in millions of dollars)



**☐ Commuter Contract Services:**

Commuter contract revenues rose 25.1 percent due to a full year of operating the Virginia Railway Express and the Peninsula Commuter Service, both of which started in the second half of FY 1992, and the start of Los Angeles Metrolink service in early FY 1993.



*Amtrak-operated Metrolink service in the Los Angeles Metropolitan area now carries more than 10,000 commuters per day.*

**☐ Real Estate Activities:** FY 1993 performance improved by 20.7 percent over 1992 due largely to real estate development activities in Chicago.

**☐ State 403(b) Support:** FY 1993 saw a 23.8 percent improvement in 403(b) support revenues as California increased its support for the enhancement and expansion of the *San Joaquin* and *Capitols* service.

**☐ Mail:** Mail revenues improved by 13.3 percent during FY 1993 due to expanded services Amtrak provided above the levels specified in its contract with the U.S. Postal Service.

**☐ Maintenance of Way:** Requests for track maintenance work for other railroads and commuter services declined in FY 93. The decreased demand, compared to FY 1992, when Amtrak performed special reimbursable work for several companies, resulted in a 12.8 percent decrease in maintenance of way revenues.



## Expenses

Expenses increased by \$97.4 million or 4.8 percent over FY 1992. Added services, as well as negotiated wage increases, were factors, but so too were the weather and other unexpected events.

### ☐ New Services and Wage Increases:

Expense increases relating to train operations, maintenance of way, and on-board services were largely due to union wage increases granted during the early part of 1993. Train operating expenses also increased as 1993 included a full year's operation of the San Francisco Bay area, Southern California, and Virginia commuter services. The extension of the *Sunset Limited* route in April 1993 also contributed to the overall increase in train operating and on-board service expenses. The increase in general support expenses during 1993 reflects increases to the railroad retirement tax bases. Furthermore, FY 1992 general support expenses were lowered due to a management salary freeze in effect that year.

### ☐ Weather and Unexpected Events:

The March 1993 blizzard and the July 1993 Midwest floods significantly contributed to maintenance of way and on-board service expense increases. Service along affected lines was disrupted and, consequently, expenses incurred to house, refund or reaccommodate inconvenienced passengers, as well as to perform necessary track clearing activities, increased.

The FY 1993 increase in insurance expense was largely due to a provision made for potential losses associated with the September 1993 *Sunset Limited* derailment at Saraland, Ala. Amtrak expects to recover most, if not all, of the losses associated with the derailment.

*Expenses increased  
as a result of  
added services,  
wage increases,  
the weather,  
and other  
unexpected events.*

# OPERATING STATISTICS

	1993	1992	1991	1990	1989
<b>General</b>					
System Route Miles ( <i>in thousands</i> )	25	25	25	24	24
Stations	535	524	523	516	504
Train Miles Operated ( <i>in millions</i> )	35	34	34	33	31
<b>On-Time Performance</b>					
Systemwide	72%	77%	77%	76%	75%
Short Distance	79%	82%	82%	82%	81%
Long Distance	47%*	61%	59%	53%	54%
<b>Ridership</b>					
Passengers ( <i>in millions</i> )	22.1	21.3	22.0	22.2	21.4
Northeast Corridor	10.3	10.1	10.9	11.2	11.1
Short Distance	5.6	5.3	5.0	5.2	4.7
Long Distance	6.2	5.9	6.1	5.8	5.5
Passenger Miles ( <i>in millions</i> )	6,199	6,091	6,273	6,057	5,859
<b>Locomotive Units</b>					
Operating Fleet	360	336	316	318	312
Available for Service ( <i>daily average</i> )	84.0%	83.0%	86.0%	84.0%	84.1%
Average Age ( <i>in years</i> )	13.2	13.0	13.0	12.0	11.0
Diesel Units ( <i>new deliveries</i> )	26	20	0	0	8
Electric Units ( <i>new deliveries</i> )	0	0	0	0	5
<b>Passenger Train Cars</b>					
Operating Fleet	1,853	1,796	1,786	1,863	1,742
Owned and Leased**:					
Superliner Cars	284	282	282	282	282
Amfleet I Cars	491	492	489	482	483
Amfleet II Cars	149	148	149	149	149
Heritage Cars	817	823	826	841	827
Turboliner Cars	65	65	65	65	65
Self-Propelled Cars	25	19	19	28	40
Low-Level Cab Cars	30	30	34	33	21
Horizon Cars	103	103	103	103	45
Total Owned and Leased	1,964	1,962	1,967	1,983	1,912
Average Age ( <i>in years</i> )	22.6	21.5	21.0	20.0	17.5

\* 14% decrease from fiscal year 1992 resulted from the extensive Midwest floods.

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



# **F I N A N C I A L   R E V I E W**

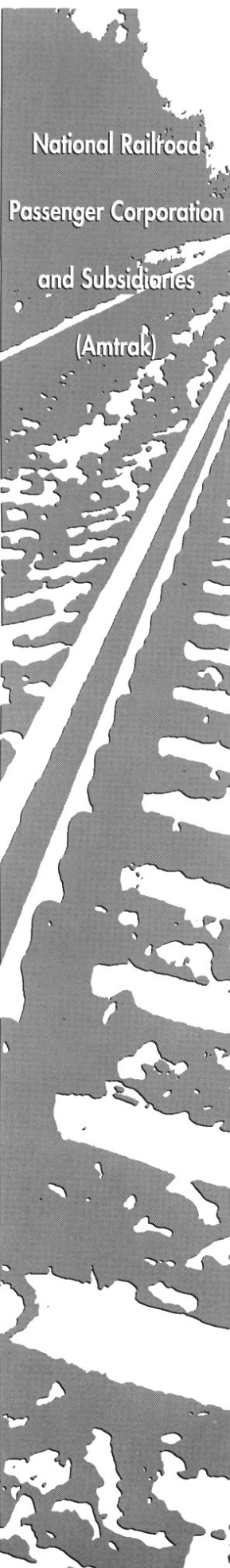
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## CONSOLIDATED BALANCE SHEETS

Assets	September 30, 1993	September 30, 1992
<i>(Thousands of dollars)</i>		
<b>Current Assets:</b>		
Cash and cash equivalents .....	\$ 24,991	\$ 35,638
Accounts receivable, net of allowance for doubtful accounts of \$3,158 and \$2,649 in 1993 and 1992, respectively .....	65,035	58,230
Materials and supplies .....	134,571	146,572
Other current assets .....	6,219	5,464
<b>Total current assets</b> .....	<b>230,816</b>	<b>245,904</b>
<b>Property and Equipment:</b>		
Passenger cars and locomotives.....	2,028,382	1,907,643
Northeast Corridor .....	3,532,631	3,422,572
Other .....	485,676	418,273
	<b>6,046,689</b>	<b>5,748,488</b>
Less – Accumulated depreciation and amortization.....	<b>(2,011,534)</b>	<b>(1,863,812)</b>
	<b>4,035,155</b>	<b>3,884,676</b>
<b>Other Assets and Deferred Charges:</b>		
Escrowed proceeds from sales of tax benefits .....	51,093	57,812
Deferred charges and other.....	73,394	115,480
	<b>124,487</b>	<b>173,292</b>
<b>Total assets</b> .....	<b>\$ 4,390,458</b>	<b>\$ 4,303,872</b>

**Liabilities and Capitalization****September 30,  
1993****September 30,  
1992***(Thousands of dollars)***Current Liabilities:**

Accounts payable .....	<b>\$ 146,780</b>	<b>\$ 139,095</b>
Accrued expenses and other current liabilities.....	<b>124,975</b>	<b>118,290</b>
Current debt and capital lease obligations.....	<b>51,806</b>	<b>43,500</b>
Deferred ticket revenue .....	<b>12,740</b>	<b>12,240</b>
<b>Total current liabilities .....</b>	<b><u>336,301</u></b>	<b><u>313,125</u></b>

**Long-Term Debt and Capital Lease Obligations:**

Capital lease obligations .....	<b>268,442</b>	<b>196,721</b>
Equipment and other debt .....	<b>172,053</b>	<b>178,603</b>
	<b><u>440,495</u></b>	<b><u>375,324</u></b>

**Other Liabilities and Deferred Credits:**

Casualty reserves .....	<b>58,501</b>	<b>62,115</b>
Deferred revenue – sales of tax benefits.....	<b>51,093</b>	<b>57,812</b>
Deferred revenue – Penn Station joint venture .....	<b>13,702</b>	<b>21,518</b>
Advances from railroads and commuter agencies.....	<b>49,345</b>	<b>50,602</b>
Other .....	<b>4,110</b>	<b>4,669</b>
	<b><u>176,751</u></b>	<b><u>196,716</u></b>
<b>Total liabilities .....</b>	<b><u>953,547</u></b>	<b><u>885,165</u></b>

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

	<b><u>3,436,911</u></b>	<b><u>3,418,707</u></b>
<b>Total liabilities and capitalization .....</b>	<b><u>\$4,390,458</u></b>	<b><u>\$4,303,872</u></b>

National Railroad  
Passenger Corporation  
and Subsidiaries  
(Amtrak)

The accompanying notes are an integral part of these consolidated balance sheets.

## CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended September 30,

1993

1992

(Thousands of dollars)

### Revenues:

Transportation related.....	<b>\$1,267,791</b>	\$1,195,568
Other.....	<b>135,189</b>	129,228
<b>Total revenues.....</b>	<b><u>1,402,980</u></b>	<u>1,324,796</u>

### Expenses:

Train operations.....	<b>491,712</b>	462,050
Maintenance of equipment .....	<b>422,900</b>	440,924
Maintenance of way .....	<b>220,561</b>	203,022
On-board services .....	<b>181,844</b>	171,224
Stations .....	<b>143,402</b>	134,690
Marketing and reservations .....	<b>185,595</b>	177,177
General support .....	<b>131,838</b>	112,216
Taxes and insurance .....	<b>79,113</b>	61,943
Depreciation and amortization .....	<b>206,325</b>	205,800
General and administrative .....	<b>50,104</b>	49,672
Interest .....	<b>20,560</b>	17,858
<b>Total expenses.....</b>	<b><u>2,133,954</u></b>	<u>2,036,576</u>
<b>Net loss.....</b>	<b><u>\$ 730,974</u></b>	<u>\$ 711,780</u>

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



# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended September 30,

1993

1992

(Thousands of dollars)

## Cash Flows From Operating Activities:

Net loss .....	<b>\$(730,974)</b>	<b>\$(711,780)</b>
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization.....	<b>206,325</b>	205,800
Provision for losses on accounts receivable.....	<b>3,100</b>	6,000
Provision for inventory loss and obsolescence.....	<b>13,600</b>	5,200
Retirement and unemployment taxes paid by Federal Railroad Administration .....	<b>146,000</b>	150,200
Other .....	<b>705</b>	6,659
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable.....	<b>(8,660)</b>	8,356
Increase in materials and supplies.....	<b>(1,599)</b>	(2,183)
(Increase) decrease in other current assets .....	<b>(755)</b>	5,611
Decrease in other assets and deferred charges ....	<b>13,826</b>	2,225
Increase (decrease) in accounts payable, accrued expenses, other current liabilities, and deferred ticket revenue.....	<b>14,870</b>	(30,249)
Decrease in other liabilities and deferred credits ..	<b>(20,998)</b>	(24,927)
<b>Net cash used in operating activities.....</b>	<b><u>(364,560)</u></b>	<b><u>(379,088)</u></b>

## Cash Flows From Investing Activities:

Purchases and refurbishments of property and equipment .....	<b>(296,167)</b>	(343,392)
Proceeds from disposals of property and equipment .....	<b>1,454</b>	1,175
Cash released from restricted proceeds of tax benefits sales .....	<b>8,513</b>	26,887
Net cash released (restricted) for capital spending.....	<b>26,591</b>	(47,274)
Cash investments .....	<b>(990)</b>	(2,958)
Proceeds from dispositions of cash investments .....	<b>990</b>	6,122
Other.....	<b>(26)</b>	2,265
Cash released from Penn Station joint venture .....	<b>-</b>	10,306
<b>Net cash used in investing activities .....</b>	<b><u>(259,635)</u></b>	<b><u>(346,869)</u></b>

## Cash Flows From Financing Activities:

Proceeds from issuance of preferred stock .....	<b>465,000</b>	504,300
Proceeds from federal paid-in capital .....	<b>123,063</b>	180,814
Proceeds from federal and state capital payments.....	<b>12,759</b>	24,358
Proceeds from debt and lease financings .....	<b>57,725</b>	31,530
Repayments of debt and capital lease obligations .....	<b>(44,999)</b>	(10,344)
<b>Net cash provided by financing activities .....</b>	<b><u>613,548</u></b>	<b><u>730,658</u></b>
Net (decrease) increase in cash and cash equivalents .....	<b>(10,647)</b>	4,701
Cash and cash equivalents – beginning of year.....	<b>35,638</b>	30,937
Cash and cash equivalents – end of year.....	<b><u>\$ 24,991</u></b>	<b><u>\$ 35,638</u></b>

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

National Railroad  
Passenger Corporation  
and Subsidiaries

(Amtrak)

## CONSOLIDATED STATEMENTS OF CHANGES IN CAPITALIZATION

	Preferred stock	Common stock	Other paid-in capital	Accumulated deficit	Totals
<i>(Thousands of dollars)</i>					
<b>Balance at September 30, 1991...</b>	<b>\$7,145,789</b>	<b>\$93,857</b>	<b>\$3,953,321</b>	<b>\$(7,919,399)</b>	<b>\$3,273,568</b>
Issuance of preferred stock.....	504,300	-	-	-	504,300
Federal paid-in capital ....	-	-	331,014	-	331,014
Federal and state capital payments.....	-	-	21,605	-	21,605
Net loss .....	-	-	-	(711,780)	(711,780)
<b>Balance at September 30, 1992...</b>	<b>7,650,089</b>	<b>93,857</b>	<b>4,305,940</b>	<b>(8,631,179)</b>	<b>3,418,707</b>
Issuance of preferred stock.....	465,000	-	-	-	465,000
Federal paid-in capital ....	-	-	269,063	-	269,063
Federal and state capital payments.....	-	-	15,115	-	15,115
Net loss .....	-	-	-	(730,974)	(730,974)
<b>Balance at September 30, 1993...</b>	<b><u>\$8,115,089</u></b>	<b><u>\$93,857</u></b>	<b><u>\$4,590,118</u></b>	<b><u>\$(9,362,153)</u></b>	<b><u>\$3,436,911</u></b>

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

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Principles of Consolidation

The financial statements reflect the consolidated operations of the National Railroad Passenger Corporation (Amtrak), its wholly-owned subsidiaries Chicago Union Station Company (CUS) and Washington Terminal Company, and its 99% interest in 30th Street Limited, L.P. (TSL). All significant intercompany transactions have been eliminated.

### Passenger 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.

### Fuel Swaps

Amtrak enters into fuel swap arrangements as a hedge against train fuel market price fluctuations. Gains and losses result to the extent that fuel market prices differ from the swap strike price. Realized and unrealized gains and losses are included in "Train operations" in the Consolidated Statements of Operations.

### Cash Equivalents

Amtrak considers all financial instruments purchased with a maturity of three months or less to be cash equivalents.

### Materials and Supplies

Materials and supplies, which are stated at weighted average cost, consist primarily of items for maintenance and improvement of property and equipment.

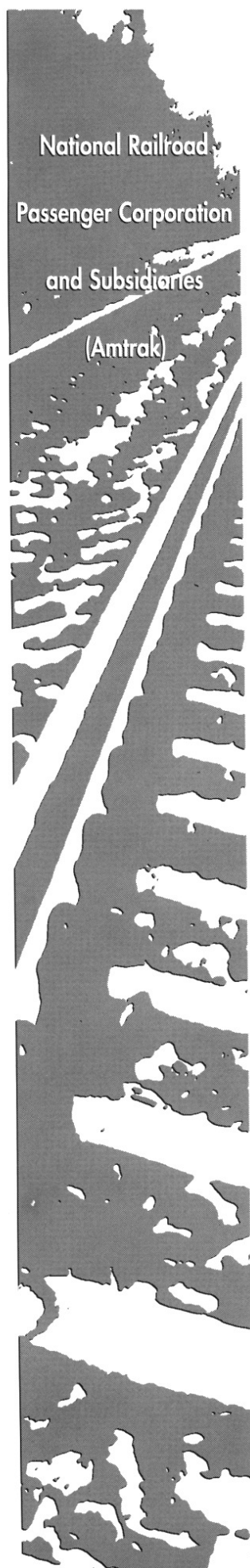
### Property and Depreciation

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

### 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, 1993 and 1992, the current claims liability included in accrued expenses and other current liabilities was \$55,600,000 and \$53,100,000, respectively.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

### 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 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 103-122, approved on October 27, 1993, provides \$771,700,000 in federal funds to Amtrak for fiscal year 1994, of which \$351,700,000 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, 1993, the FRA deposited \$146,000,000 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.

Amtrak is dependent upon federal subsidies for less than 25% of its operations and most of its capital improvements. Amtrak has experienced operating losses in excess of revenues and federal funding for operations during the past four years causing a deterioration of working capital. While significant progress was made in controlling operating costs in 1993 and 1992, revenues have not increased as projected. Amtrak received \$20 million of supplemental federal funding in the fourth quarter of fiscal year 1993 to meet its operating needs.

Management's projections for fiscal year 1994 indicate that Amtrak will be able to meet its operating requirements with approved federal funding (\$351,700,000) and projected cash flows from operations. The operating plan for 1994 includes strategies to enhance revenues, along with further reductions in costs and reductions in routes and services. If actual revenue in fiscal year 1994 falls short of amounts projected, management has developed contingency plans to further reduce costs. There is no assurance that supplemental federal funding will be available in 1994.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

## NOTE 3: PREFERRED AND COMMON STOCK

At September 30, 1993, 81,150,895 shares of \$100 par value preferred stock were authorized, all of which were issued and outstanding. At September 30, 1992, 78,160,000 shares were authorized, of which 76,500,895 shares were issued and outstanding. On October 29, 1993, 577,913 shares of preferred stock were issued at par value, increasing the total number of authorized shares issued and outstanding to 81,728,808. 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.

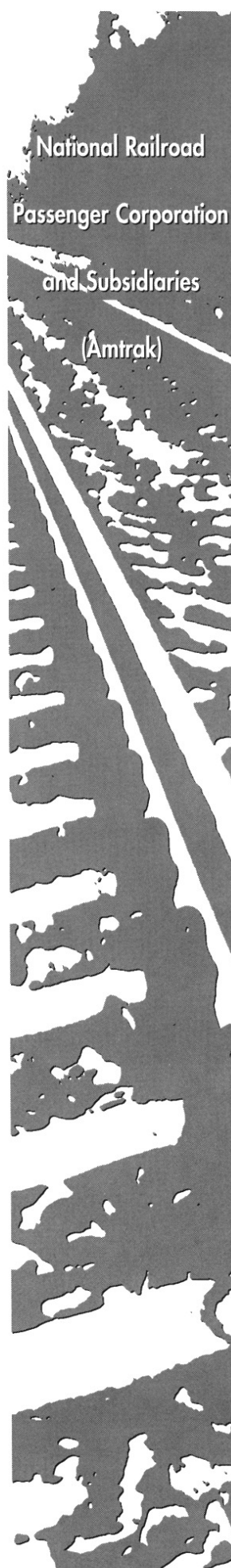
At September 30, 1993 and 1992, 10,000,000 shares of \$10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding.

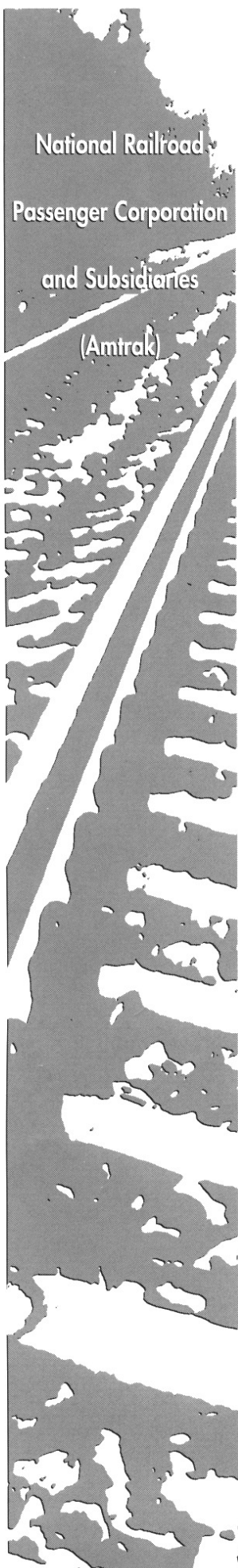
## NOTE 4: BORROWING ARRANGEMENTS

Total debt presented in the Consolidated Balance Sheets consisted of the following at September 30, 1993 and 1992 (in thousands):

	1993		1992	
	Current	Long-term	Current	Long-term
Equipment obligations	\$ -	\$ 86,751	\$ 3,177	\$ 87,658
Lines of credit	38,000	21,000	29,500	22,500
Bonds	-	30,000	-	30,000
Construction loan	4,670	21,555	4,709	26,225
UDAG loan	<u>130</u>	<u>12,747</u>	<u>130</u>	<u>12,220</u>
	<u>\$42,800</u>	<u>\$172,053</u>	<u>\$37,516</u>	<u>\$178,603</u>

Amtrak has 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 on amounts advanced is being charged to Amtrak during construction, is payable quarterly, and is being capitalized. Interest capitalized during the years ended September 30, 1993 and 1992 totaled \$8,367,000 and \$8,234,000, respectively. 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. Currently, reductions to principal owed are taking place as portions of principal relating to delivered cars are then refinanced under a separate capital leasing arrangement. During 1993, such principal reductions totaled \$2,777,000 relating to two delivered cars. All amounts borrowed by Amtrak under the remaining debt are secured by those finished passenger cars not yet refinanced under the capital leasing arrangement.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

Amtrak and CUS have \$77,000,000 of unsecured lines of credit with banks expiring in December 1993, which are subject to certain conditions. Borrowings under these agreements bear interest based on the London Interbank Offered Rate (LIBOR), Eurodollar rate, certificate of deposit rates, prime rate, or rate offered by the lender. Amtrak pays various fees on its credit lines. At September 30, 1993, Amtrak and CUS had \$32,000,000 in outstanding draws under these agreements. Under a \$30,000,000 unsecured line of credit of which the drawdown period expired in March 1993, Amtrak has \$27,000,000 in outstanding draws at September 30, 1993, bearing interest at the LIBOR. This amount is being repaid in \$1,500,000 quarterly installments through March 1998.

Included in TSL's long-term debt at September 30, 1993 are \$30,000,000 of Philadelphia Authority for Industrial Development tax-exempt private-activity bonds (Bonds) issued for the benefit of TSL's rehabilitation of 30th Street Station (Station) in the city of Philadelphia, Pennsylvania (City). The Bonds were issued on December 30, 1987, mature on January 1, 2011, and bear interest at a fixed or variable rate as stipulated in the bond indenture. Interest is payable until maturity at intervals determined under provisions in the bond indenture. No amortization of bond principal prior to maturity is required. Since the Bonds are subject to optional tender by the bondholders, TSL has executed a Liquidity Facility which provides funds to purchase the Bonds surrendered under the optional tender provisions.

TSL has a construction loan agreement which at TSL's option bears interest at the LIBOR or the prime rate. Principal repayment is due in annual installments each April to be paid in full by November 17, 1998. The loan is secured by a leasehold mortgage on TSL's right and interest in the Station.

TSL has an obligation to the City under an Urban Development Action Grant (UDAG) loan agreement as of September 30, 1993. Principal is to be repaid in \$130,000 annual installments each November 29th through 2011. The City's rights under the UDAG loan agreement are secured by a leasehold mortgage.

The UDAG loan bears no interest. The weighted average interest rate on all other borrowings was 6.1% and 6.4% per annum at September 30, 1993 and 1992, respectively.

At September 30, 1993, scheduled maturities of long-term equipment and other debt over the next five years were as follows:

Year Ending September 30	Amount (In Thousands)
1994 .....	\$ 42,800
1995 .....	10,800
1996 .....	11,579
1997 .....	12,429
1998 .....	9,588
Thereafter .....	<u>127,657</u>
	<u>\$214,853</u>

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

## NOTE 5: LEASING ARRANGEMENTS

### Capital Leases

Amtrak leases items of equipment, primarily passenger cars and locomotives, under capital leasing arrangements. At September 30, 1993 and 1992, the gross amount of assets recorded under capital leases was \$301,303,000 and \$220,070,000, respectively, with accumulated amortization of \$46,738,000 and \$35,502,000, respectively. At September 30, 1993, future minimum lease payments under capital leases were as follows:

Year Ending September 30	Amount (In Thousands)
1994 .....	\$ 27,160
1995 .....	29,895
1996 .....	30,091
1997 .....	23,245
1998 .....	24,579
Thereafter .....	<u>353,150</u>
	488,120
Less amount representing interest .....	<u>210,672</u>
Present value of minimum lease payments at September 30, 1993 .....	<u>\$277,448</u>

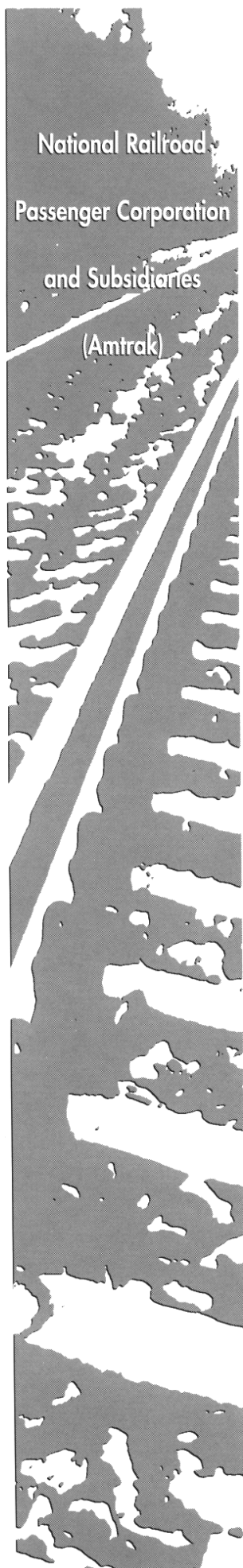
### Operating Leases

At September 30, 1993, 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:

Year Ending September 30	Amount (In Thousands)
1994 .....	\$ 8,291
1995 .....	7,559
1996 .....	6,846
1997 .....	6,617
1998 .....	6,617
Thereafter .....	<u>43,693</u>
	<u>\$79,623</u>

Rent expense for the years ended September 30, 1993 and 1992 was \$23,227,000 and \$24,034,000, respectively.

National Railroad  
Passenger Corporation  
and Subsidiaries  
(Amtrak)



## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

### NOTE 6: CONTINGENCIES

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 in federal court against a manufacturer of concrete ties. The complaint alleged premature deterioration of the ties requiring unusually early replacement. Amtrak reached a settlement with the manufacturer. In October 1992, Amtrak received an initial settlement payment of \$5,000,000 and had a liquidated claim of \$34,000,000 as an unsecured creditor in the manufacturer's bankruptcy proceedings. In October 1993, Amtrak sold this claim to an unrelated third party for \$28,849,000 in cash. This amount, net of transaction costs, will be recorded as income in fiscal year 1994.

Amtrak's casualty reserves include an amount to cover losses (including litigation costs) associated with a September 1993 derailment at Saraland, Alabama. Based on the information available as of the date of these financial statements, management and counsel expect to recover most, if not all, of the losses associated with this derailment. It is the opinion of management and counsel, that any loss not covered by this reserve or by Amtrak's insurance, would not materially affect Amtrak's consolidated financial statements.

### NOTE 7: RETIREMENT BENEFITS

#### Pension Plan

Amtrak has a qualified noncontributory defined benefit retirement plan held in trust covering nonunion employees and certain union employees (Plan). Benefits are based on years of credited service, and the employee's average compensation during the five highest consecutive years. Amtrak's funding policy is to contribute annually the amount recommended by outside actuaries. Pension expense for 1993 and 1992 was \$4,345,000 and \$3,399,000, respectively. The following tables set forth the Plan's funded status, amounts recognized in the Consolidated Balance Sheets at September 30, 1993 and 1992, and components of the net pension expense for 1993 and 1992 (amounts in thousands):



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

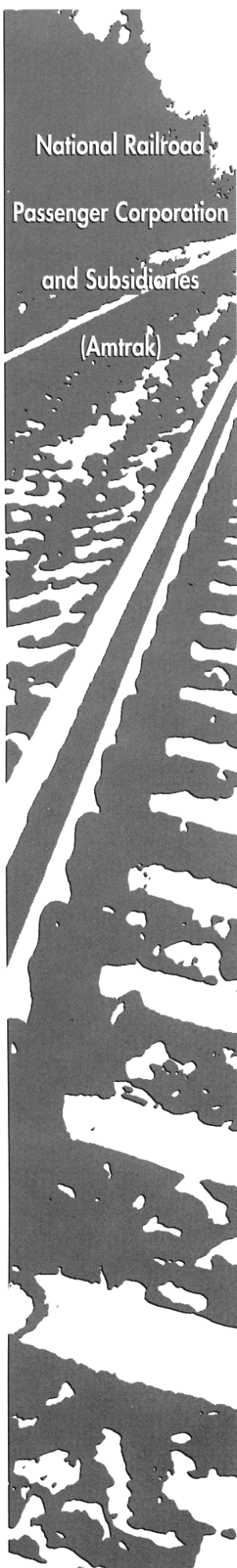
	1993	1992
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$57,357 and \$52,688, respectively	<u>\$ 58,089</u>	<u>\$53,409</u>
Plan assets at fair value, primarily fixed income investments and listed stocks	\$ 95,801	\$87,015
Projected benefit obligation for service rendered to date	<u>85,501</u>	<u>78,269</u>
Plan assets in excess of projected benefit obligation	10,300	8,746
Unrecognized prior service cost being amortized over 11.8 years	5,009	5,697
Unrecognized net gain	(13,781)	(7,516)
Unrecognized net asset existing at October 1, 1986 being amortized over 11.6 years	<u>(4,872)</u>	<u>(5,918)</u>
(Accrued) prepaid pension expense recognized in Consolidated Balance Sheets	<u>\$ (3,344)</u>	<u>\$ 1,009</u>
Net pension expense for 1993 and 1992 included the following components:		
Service cost – benefits earned during the period	\$ 4,233	\$ 4,014
Interest cost on projected benefit obligation	6,112	5,591
Actual return on Plan assets	(11,215)	(6,908)
Net amortization and deferral	<u>5,215</u>	<u>702</u>
Net pension expense	<u>\$ 4,345</u>	<u>\$ 3,399</u>

The weighted average discount rate used in determining the projected benefit obligation was 8.0% in 1993 and 1992. The discount rate assumption significantly affects the amounts reported. For example, a one percentage point decrease would increase the accumulated benefit obligation as of September 30, 1993 by \$9,044,000, the vested benefit obligation by \$8,864,000, and the net pension expense for fiscal year 1993 by \$1,292,000. The projected rate of increase in future compensation levels was 6.0% in 1993 and 1992. The assumed long-term rate of return on plan assets was 6.25% and 7.0% in 1993 and 1992, respectively. The unfunded accrued pension cost at September 30, 1986, is being amortized over the remaining average service life of plan members, and \$1,435,000 and \$1,743,000 net of amortization, is included under "Accrued expenses and other current liabilities" in the Consolidated Balance Sheets at September 30, 1993 and 1992, 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 \$1,538,000 and \$1,432,000 for 1993 and 1992, respectively.





## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

In December 1990, the Financial Accounting Standards Board issued a new standard on accounting for postretirement benefits other than pensions. This new standard must be adopted in fiscal year 1994 and 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 will adopt the new standard effective October 1, 1993.

Upon adoption, the new standard requires the recognition of a transition obligation which represents that portion of future retiree benefit costs related to service already rendered by both active and retired employees up to the date of adoption. Amtrak has elected to recognize the transition obligation by recording a cumulative catch-up adjustment in fiscal year 1994. Amtrak's management has engaged actuaries who have made a preliminary estimate of benefit costs using fiscal year 1993 data. Based on the actuaries' preliminary estimates, the transition obligation at October 1, 1993 is estimated to be approximately \$150 million, and the additional annual charge to expense will be approximately \$15 million. Amtrak believes the effect of the actual adoption in fiscal year 1994 will be similar, although it could be amended by changes in healthcare costs, work force demographics, or interest rates between now and the fiscal year 1994 plan measurement. As Amtrak can continue to fund its postretirement benefits program on a pay-as-you-go basis, adoption of the new standard will not have an adverse impact on the cash position of Amtrak significantly different from that in previous years.

### NOTE 8: SALE OF TAX BENEFITS

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, 1993 and 1992, Amtrak recognized revenue of \$8,512,000 and \$9,722,000, respectively, from these restricted funds.

### NOTE 9: FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial Accounting Standard No. 107 requires disclosure of fair value information about financial instruments. The following methods and assumptions were used to estimate the fair value of each class of financial instruments.

For cash and cash equivalents and accounts receivable, the carrying amount approximates fair value because of the short maturity of these instruments. The carrying amount of escrowed proceeds from sales of tax benefits also approximates fair value since all of the escrowed proceeds are invested in instruments having short maturities. The carrying amounts of the lines of credit, bonds, and construction loan approximate fair value. All charge interest at rates that are periodically adjusted to market.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

The estimated fair values of equipment obligations were based upon discounted cash flow analyses using interest rates available to Amtrak at September 30, 1993 and 1992 for debt with the same remaining maturities. The UDAG loan is interest free and the fair value is based on interest rates available to Amtrak at year end. The estimated fair values of these financial instruments are as follows (amounts in thousands):

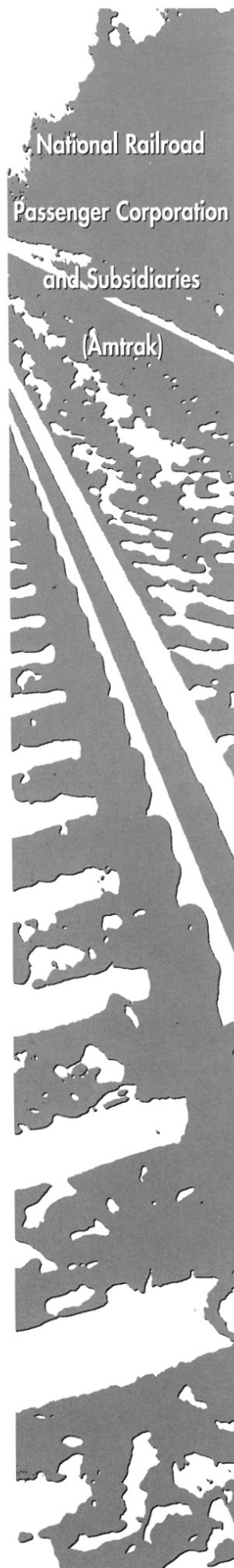
	1993		1992	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Equipment obligations	\$(86,751)	\$(105,489)	\$(90,835)	\$(100,780)
UDAG loan	\$(12,877)	\$(6,724)	\$(12,350)	\$(6,106)

## NOTE 10: PENN STATION JOINT VENTURE

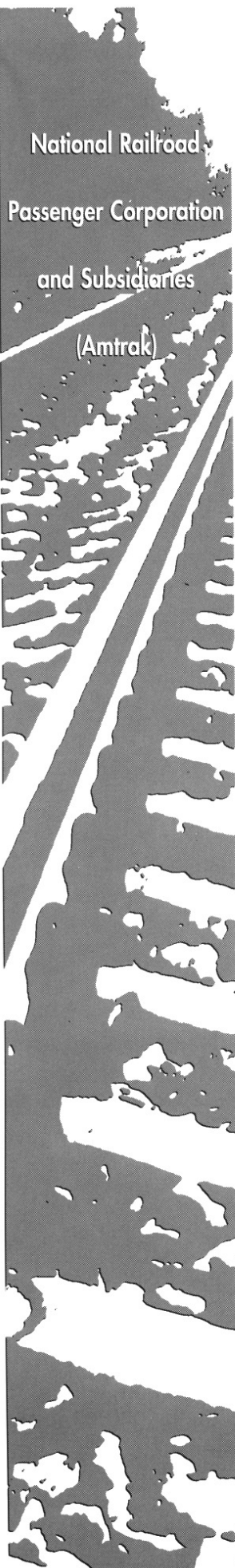
In 1988, Amtrak leased to the Long Island Rail Road Company (LIRR) certain space in Penn Station, New York City, for 99 years, with an automatic 99-year renewal term, along with the right to jointly use the Penn Station operating facilities for 99 years, for a total of \$44,400,000. The space rental 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, 1993 and 1992, Amtrak recognized revenue of \$7,816,000 and \$6,559,000, respectively. As of September 30, 1993, Amtrak has expended \$42,750,000 on the project while holding \$2,250,000 in reserve, as required under the joint venture agreement. LIRR is bearing future project costs in excess of \$45 million up to \$90 million, as stipulated in the joint venture agreement. Any costs above \$90 million will be shared equally between Amtrak and LIRR.

## NOTE 11: SUPPLEMENTAL CASH FLOW INFORMATION

For the years ended September 30, 1993 and 1992, 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):



National Railroad  
Passenger Corporation  
and Subsidiaries  
(Amtrak)



National Railroad  
Passenger Corporation  
and Subsidiaries  
(Amtrak)

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1993 and 1992

	1993	1992
<input type="checkbox"/> Obligations incurred in connection with progress payments made by a third-party lender on Amtrak's behalf for the construction of passenger cars	\$ 2,359	\$ 1,859
<input type="checkbox"/> Reduction in obligation due to a third-party lender in connection with the lease refinancing of passenger cars	\$ 2,777	-
<input type="checkbox"/> Interest earned on escrowed proceeds of tax benefits sales	\$ 1,794	\$ 2,532
<input type="checkbox"/> Expenditures made for projects along the Northeast Corridor from funds established specifically for those purposes	\$ 711	\$ 13,117
<input type="checkbox"/> Capital lease obligations incurred in connection with the leasing of new equipment	\$ 84,010	\$ 31,873
<input type="checkbox"/> Obligation incurred in connection with the conditional purchase of locomotives	-	\$ 489
<input type="checkbox"/> Obligation reduced in connection with the return of conditionally purchased locomotives	\$ 3,666	-
<input type="checkbox"/> Federal paid-in capital from Federal Railroad Administration payments of excess retirement and unemployment taxes	\$146,000	\$150,200

Cash interest of \$20,489,000 and \$17,014,000 was paid during the years ended September 30, 1993 and 1992, respectively.



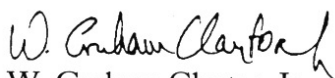
## Management Report

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 applied on a consistent basis, and necessarily include some amounts that are based on management's best estimates and judgement. Management considers that the financial statements present fairly Amtrak's financial position, results of operations, and cash flows.

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 accountants to review the scope and results of their work. The accounting firm of Arthur Andersen & Co. has performed an independent examination of the 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 Claytor, Jr.  
Chairman and President

  
Norris W. Overton  
Vice President, Finance and Administration  
Chief Financial Officer

## Report of Independent Public Accountants

To the Board of Directors of  
National Railroad Passenger Corporation:

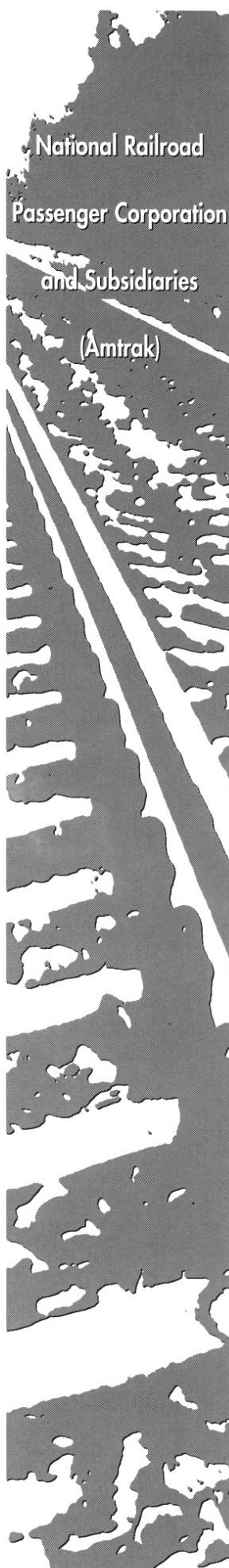
We have audited the accompanying consolidated balance sheets of National Railroad Passenger Corporation (incorporated pursuant to the Rail Passenger Service Act and the laws of the District of Columbia) and subsidiaries (Amtrak) as of September 30, 1993 and 1992, and the related consolidated statements of operations, cash flows, and changes in capitalization for the years then ended. These financial statements are the responsibility of Amtrak'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, 1993 and 1992, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.



Washington, D.C.  
November 12, 1993



# EXECUTIVE STAFF

## **Peter A. Cannito**

Vice President-Engineering, 19 years of service. Appointed Assistant General Manager-Operations East in 1984, Assistant Vice President/General Manager-Transportation in 1986; assumed current position in 1988.



*(from left) Pete Cannito, Tony DeAngelo, Elyse Wander, Tim Gillespie*

## **W. Graham Claytor, Jr.\***

President and Chairman, elected by the Board on June 10, 1982. Retired on December 6, 1993.

## **Anthony D. DeAngelo**

Vice President-Real Estate and Operations Development, 11 years of service. Appointed Assistant Vice President-Real Estate in 1982; assumed current position in 1989.

## **Donald G. Gentry**

Vice President-Information Systems, 7 years of service. Appointed Assistant Vice President-Information Processing in 1986; assumed current position in 1993.

## **Thomas J. Gillespie, Jr.**

Assistant Vice President-Government and Public Affairs, 14 years of service; assumed current position in 1987.

## **John P. Lange**

Assistant Vice President-Labor Relations, 7 years of service; assumed current position in 1986.

## **Neil D. Mann**

Assistant Vice President-Personnel, 6 years of service; assumed current position in 1987.

## **Arthur F. McMahon**

Vice President-Passenger Services; joined Amtrak on Oct. 15, 1992, after 30 years of service in the transportation industry, most recently as Senior Vice President-Customer Services for British Airways.

## **William S. Norman\***

Executive Vice President, 14 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.

## **Robert E. Gall**

Vice President-Passenger Marketing and Sales, 18 years of service. Appointed Assistant Vice President-Market Planning and Analysis in 1980, Vice President-



*(from left) John Lange, Norris Overton, and Bob Gall, along with On Board Service Chief, Julie Byrne*

Transportation Marketing in 1982. Vice President-Sales in 1985; assumed current position in 1991.

**Norris W. Overton**

Vice President-Finance and Administration, 12 years of service. Appointed Assistant Vice President-Resource Management in 1982, Vice President-Information Systems in 1988; assumed current position in 1993.

**Stephen C. Rogers**

General Counsel, 10 years of service. Assumed current position in 1991.

**Dennis F. Sullivan\***

Executive Vice President and Chief Operating Officer, 20 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, 22 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, 20 years of service. Appointed Assistant Vice President-Corporate Planning in 1983; assumed current position in 1985, and re-assumed Corporate Secretary duties in 1991.



*(seated from left) Neil Mann, Bob VanderClute, Don Gentry, (standing from left) Art McMahon, Steve Rogers*

**Other Corporate Officers**

**John M. Carten**, Assistant Corporate Secretary, 17 years of service; assumed current position in 1992.

**Richard I. Klein**, Treasurer, 16 years of service; assumed current position in 1987.

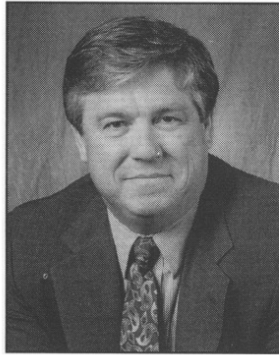
**Robert L. Lewis, III**, Controller, 20 years of service; assumed current position in 1988.

**Suzann Lupton**, Assistant Corporate Secretary (part-time), 5 years of service; assumed current position in 1992.

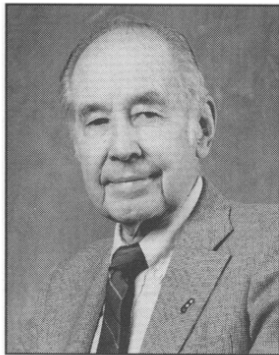
**Medaris W. Oliveri**, Assistant Corporate Secretary (part-time), 10 years of service; assumed current position in 1986.

\*Member of Management Committee

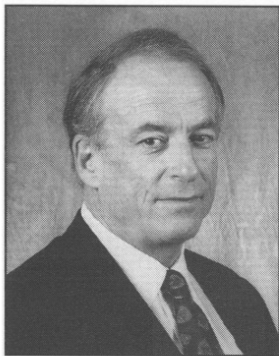
# BOARD OF DIRECTORS



**Haley Barbour**  
Chairman, Republican National Committee  
Washington, D.C.

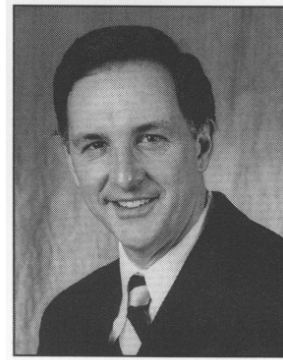


**W. Graham Claytor, Jr.**  
Chairman  
National Railroad Passenger Corporation  
(Amtrak)  
Washington, D.C.

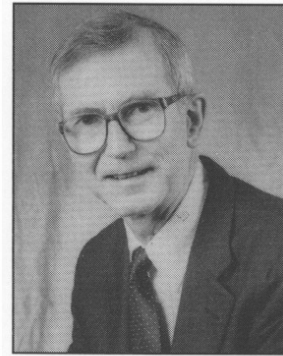


**Robert R. Kiley**  
President and C.E.O.  
Fischbach Corporation  
New York City, New York

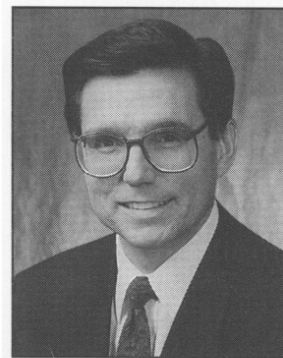
*The Board of Directors selected Thomas M. Downs to succeed W. Graham Claytor, Jr. as Chairman and President, effective Dec. 7, 1993. Daniel W. Collins, Retired International Union Officer and Consultant to United Transportation Union, was also appointed to the Amtrak Board of Directors in early FY94.*



**Leon J. Lombardi**  
Partner, Warner & Stackpole  
Boston, Massachusetts



**Don J. Pease**  
Former U.S. Congressman from Ohio  
Oberlin, Ohio



**Federico Peña**  
United States Secretary of Transportation  
Washington, D.C.



**Tommy G. Thompson**  
Governor, State of Wisconsin  
Madison, Wisconsin



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the Amtrak  
Public Affairs Office,  
Washington, DC.*

*Design, production and  
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by Amtrak  
Reprographic Services,  
Washington, DC.*

*Cover photography  
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*Other photography  
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Paul Lukens;  
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Dave Agnew;  
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Tracy K. Davis;  
and Scott McKiernan.*

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