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A N N U A L

R E P O R T

## A LETTER FROM THE PRESIDENT

December 1, 1997

As is often the case in business, it was a year of contrasts for Amtrak®. The hard work of employees resulted in ridership and revenue totals that exceeded the previous year's—even as we continued preparing for the mandated elimination of federal operating support. We came the closest we may have ever come to a debilitating financial crisis—but the year ended with us headed toward receipt of a portion of our long-sought capital funding, created as FY98 began in the form of a \$2.3-billion capital investment fund.

We remained steady in our progress toward meeting the dictates of the Administration and Congress to be free of federal operating support by 2002. Our business plan, which is designed to meet that deadline, continued to reap encouraging results.

For instance, difficult FY96 decisions to eliminate some long-distance service led to FY97 ridership gains as the freed equipment permitted expanded service on more productive routes. Those included the *City of New Orleans*, the *Three Rivers*,® the *Empire Builder*, and the *California Zephyr*.

The process of growing our ridership and revenue also resulted in exciting new services, and the achievement of some milestones. The *Silver Palm*, a third New York to Florida train, was added, and the *Twilight Shoreliner* made a flashy debut. This new train not only expands Northeast Corridor service to include Williamsburg and Newport News, VA, but it offers the newest technology in single-level sleeping accommodations: Viewliner® equipment. The media loves it, and so do our customers—ridership has jumped significantly. The *Metroliner*® Service also broke prior ridership records.

A good part of our growing strength can be attributed to the power of partnership. Some of those important partners are state governments. Thanks to commitments made by states, California has service to four new cities; Texas and Oregon have continued service; Vermont has new service to Rutland; and Illinois and Wisconsin have new multi-year agreements.

Infrastructure improvements made possible by partnership efforts resulted in the start of facility upgrades in our Delaware shops; higher track speeds in Michigan; a commitment to improve 30th Street Station in Philadelphia; improvements to tracks in New Jersey; and building repairs at Beech Grove, IN. And design was completed this year on the innovative European-style Talgo trains, funded jointly by Amtrak and the state of Washington.

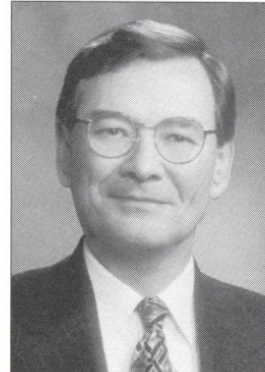
But our greatest partners, as always, were our employees. Whether dealing with mud slides in the West, or a freak April near-blizzard in New England, they continued making Amtrak the highest-quality way to travel America at "see level."

Together, we all look forward to a year of continued progress, both in our performance measures, and in the future of passenger rail in America.

Sincerely,



Thomas M. Downs  
Chairman, President and  
Chief Executive Officer



Thomas M. Downs  
Chairman, President and CEO



## BOARD OF DIRECTORS & MANAGEMENT COMMITTEE

### Board of Directors

(left to right)  
 Amy Rosen  
 Don J. Pease  
 Thomas R. Carper  
 Daniel W. Collins  
 Roy M. Neel  
 Thomas M. Downs  
 Mortimer L. Downey  
 Celeste Pinto McLain  
 Sylvia A. de Leon  
 (Not pictured)  
 Jolene M. Molitoris



### Management Committee

(left to right)  
 Gilbert Mallery  
 Clayton Brown  
 Anne Hoey  
 Christina Casgar  
 Lorraine Green  
 George Warrington  
 Lee Bullock  
 Thomas Downs  
 Richard Donnelly  
 Sarah Duggin  
 Alfred Altschul  
 Thomas Gillespie  
 Ann Linnertz  
 Joseph Bress

### Corporate Officers (as of 9/30/97)

Thomas Downs  
 Chairman, President and CEO  
 Brian Adam  
 Treasurer  
 Alfred Altschul  
 Chief Financial Officer  
 Stephanie Audette  
 Controller  
 Joseph Bress  
 Vice President – Labor Relations  
 Clayton Brown  
 Acting Vice President – Operations  
 Lee Bullock  
 President, Amtrak Intercity SBU  
 John Carten  
 Assistant Corporate Secretary  
 Christina Casgar  
 Acting Vice President – Planning & Development

Richard Donnelly  
 Vice President – Marketing & Sales  
 Sarah Duggin  
 Vice President & General Counsel  
 Thomas Gillespie  
 Vice President – Government Affairs  
 Lorraine Green  
 Vice President – Human Resources  
 Anne Hoey  
 Vice President – Customer & Corporate Communications  
 Ann Linnertz  
 Corporate Secretary  
 Gilbert Mallery  
 President – Amtrak West SBU  
 Medaris Oliveri  
 Assistant Corporate Secretary  
 George Warrington  
 President – Northeast Corridor SBU





**The results are starting to come in—** and the American traveling public is the winner. The results come from a directive given us three years ago by Congress and the White House: Make the changes and improvements necessary for Amtrak® to be free of federal operating support by 2002.

So that's what we've been doing. Some of it would be described casually as "belt tightening," which does no justice to the degree of change it represents for employees and customers. Some of it has meant a total reexamination of everything we do, and how we do it—a process called Crossing 2002, in which "We've always done it this way" is an unacceptable answer. It's meant new teams to coordinate Amtrak's marketing plans, to manage the company's capital assets, to maximize the availability of equipment, and much more.

And *all* of it has meant thinking, working, and acting like whatever gets improved today could mean whether a national passenger rail system survives tomorrow. It has meant treating each customer as the one person who could make the difference in our future.

Early in this fiscal year, we told Congress about our need for a "three-legged stool." We said the three legs were restructuring of the railroad into a more businesslike, customer-focused organization, adequate capital funding, and a reauthorization bill with changes in law to allow Amtrak to act more

efficiently. We've done the restructuring, and, just after our fiscal year ended, Congress did *its* parts—passage of a reauthorization bill, which in turn unlocked access to a \$2.3-billion capital investment fund.

Amtrak's goal, as reflected throughout this report, is to continue building on the accomplishments of the past three years. We will do so by investing our new capital wisely, particularly in High-Speed Rail and other efforts that offer attractive returns, and by pursuing every means of providing passengers with the highest quality of service.

Getting to this encouraging point has required great dedication from all of our 23,000 employees, and we're gratified by the results. We're beginning to see a positive trend—ridership in FY97 was up 2.7 percent. Charts and graphs throughout this report illustrate similar improvements in other key indicators during these past three years. Whether in passenger-related income, equipment utilization, or other important measurements, the movement is positive.

If that trend continues, our future will be a successful one. And if that trend continues, more than 65 million passengers a year who rely on Amtrak either directly, or via commuter agencies, will know that they're the true winners in this ongoing challenge.

**Welcome to America's national passenger rail system.**



## CUSTOMER SERVICE

Amtrak's® ultimate success hinges on achieving consistently high levels of customer service. In 1995, the company restructured corporate decision-making to bring it "closer to the train platform." In 1996, it was honored by Knowledge Exchange as the transportation company with the "Most Improved Customer Service." And in 1997, Amtrak continued to implement significant customer-service improvements.

### Making it Easier to Get On Board

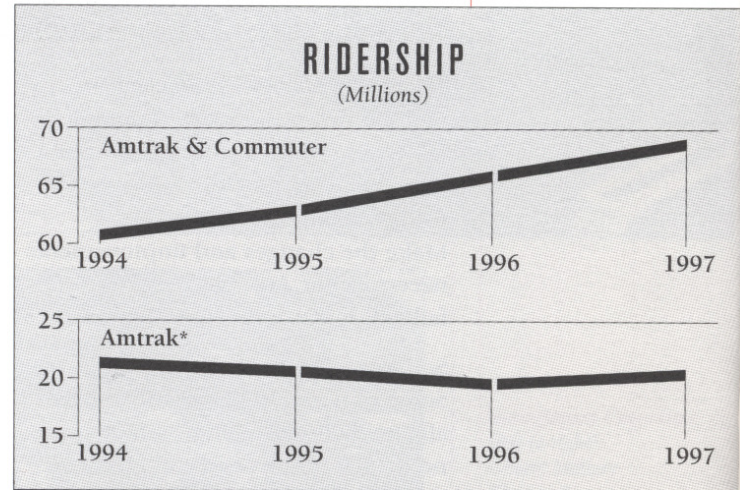
Several new computer, telephone and communication technologies introduced in FY97 make it easier for customers to use Amtrak's services.

Customers can now use credit cards to make advance payment for "will-call" tickets, using either the telephone or a personal computer. At Amtrak's Internet web site... [www.amtrak.com](http://www.amtrak.com)...customers around the world can make reservations, purchase tickets, and learn about Amtrak's trains, routes, and accommodations. The site offers customers quick, convenient access to our products, and also reduces the costs associated with each transaction substantially. The Internet is expected to generate a minimum of \$18 million in sales in FY98.

And, customers calling Amtrak's reservation line, 1-800-USA-RAIL, now benefit from a new computerized voice response unit (VRU). The VRU provides schedule and fare information, allows callers to make reservations, and enables customers to learn the status of any train in the system.

Finally, nearly 190 self-service ticket machines are now in service in major stations across the nation.

Amtrak also unveiled a new interactive CD-ROM for travel agents. The "Amtrak Accommodations Guide"



allows agents to show clients colorful, engaging information about train interiors, sleeping accommodations and on-board services—directly on a computer screen.

### Customer Service Support

Customer satisfaction is often a reflection of something as simple as how well everything is working on a

\*Route and service actions resulted in a nine percent reduction in seat miles between 1994 and 1996.

On Amtrak®, you travel at "see level."



New technologies were introduced in 1997.



### Taking Amtrak Just Got Easier

Amtrak's new technologies save time when you're on the go!

#### Quick Access to Information

1-800-USA-RAIL has easy touch-tone options.

#### Surf the Net to Board the Train

Book and pay for your trip on the Internet at [www.amtrak.com](http://www.amtrak.com)

#### Credit Card Payment by Phone

Call 1-800-USA-RAIL to purchase tickets.

#### Quik-trak Ticket Express

New machines available at busy Amtrak stations. Make reservations and pay on the spot.

#### No Cash? No Checks? No Problem

Amtrak ticket counters and machines now accept many major debit cards.



1-800-USA-RAIL

[www.amtrak.com](http://www.amtrak.com)





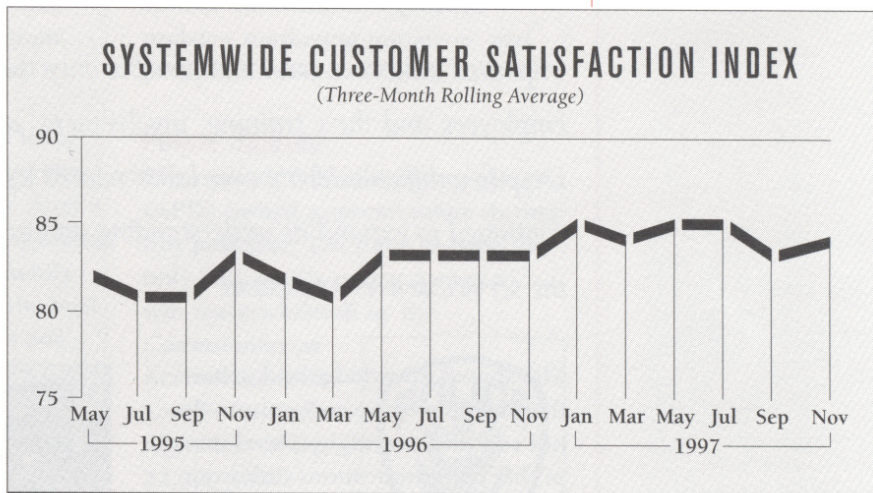
*Amtrak® operates service on 24,000 miles of track, of which only 730 are owned and controlled by the company.*

train. Starting this year, reporting and tracking of on-board mechanical problems became easier with the advent of the Interactive Defect Relay System on many of Amtrak's trains. The system allows any on-board employee with telephone access to report equipment defects en route. Reports are automatically transmitted to the next en route maintenance facility, thereby speeding up repairs and corrections.

Amtrak also continued implementing a unique two-way mobile satellite communications and tracking system that links trains and support facilities. The system enhances train scheduling, maintenance activities, the placement of commissary orders, and the resale of "no-show" seats.

### Customer Satisfaction Index

Aside from measuring repeat ridership, how does Amtrak know how it's doing in satisfying the customer? Since FY95, the company has conducted monthly surveys of customers to get feedback on their travel experience.



Through this process, customers have been asked about their overall level of satisfaction with Amtrak, as well as their satisfaction with 13 specific aspects of their actual trip.

During this fiscal year, the company initiated an upgrade to the customer satisfaction tracking system. The improvements are intended to provide employees with more detailed feedback from customers, which in turn help employees provide better service. For example, schedules have been changed; menus have been upgraded; on-board announcements have been revised; and restroom technology has been improved.

### Bikes On Board

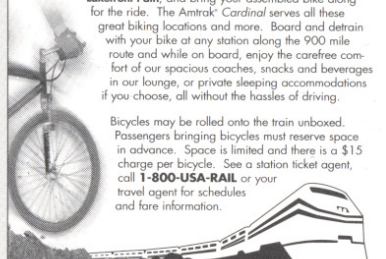
It's a transportation mode within a mode. Responding to the requests of passengers, Amtrak began testing new bike policies on various trains throughout the system this year. Fully assembled bikes were taken onboard for the first time, and either stored in special racks in the lower level of a Superliner coach or secured in overhead luggage racks.

**A M T R A K®**

**Effective August 1, 1997, the Amtrak® Cardinal operating between Washington, Cincinnati, Chicago and intermediate points will accept Bicycles On Board.**

Now you can explore the wild and scenic beauty of the Greenbrier River Trail, the New River Gorge National River Trails, the historic wonder of the Mount Vernon Trail, the pastoral vistas of the Monon Rail Trail, or the urban vitality of Chicago's Lakefront Path, and bring your assembled bike along for the ride. The Amtrak® Cardinal serves all these great biking locations and more. Board and detain with your bike at any station along the 900 mile route and while on board, enjoy the carefree comfort of our spacious coaches, snacks and beverages in our lounge, or private sleeping accommodations if you choose, all without the hassles of driving.

Bicycles may be rolled onto the train unboxed. Passengers bringing bicycles must reserve space in advance. Space is limited and there is a \$15 charge per bicycle. See a station ticket agent, call 1-800-USA-RAIL or your travel agent for schedules and fare information.





## EMPLOYEE RELATIONS

*Improved customer service is possible only through greater emphasis on employees and their training, involvement, and service empowerment. Despite a difficult debate over labor-related legislation, Amtrak® in FY97 continued to expand its understanding and involvement of employees in the service delivery equation.*

The shared knowledge and values that define a company's culture do not coalesce overnight. Development of that communications link is an evolutionary process.

Like any service provider aiming for excellence, Amtrak seeks recognition—by its customers and work force alike—as a unified, customer-focused business that values and engages the skills, passion, and creativity of all its employees. Because no effort to unite the company in such a purpose can succeed if it doesn't carry the voice of the employees, employee forums in FY96 solicited ideas on what needs to be done.

Participants concluded that front-line and middle managers carry the heaviest burden as agents of cultural change. To launch new directions, they must be educated on the goals, and consulted on what they need to achieve them. Accordingly, a series of "managers' assemblies" were held in 1997.

Approximately 500 managers attended assemblies of various formats in locations throughout the company, such as Oakland, Chicago, Washington, D.C., Jacksonville, Albany, Beech Grove, Los Angeles, Seattle, and Boston. For the most part, sessions were day-long, interactive workshops. In his opening remarks at the assemblies, CEO Tom Downs said his desire is to bring Amtrak's corporate culture to the level of successful companies that "totally engage their work force."



*Employee Development Program participants, left to right: Sharon Allen, Cindy Ray, John Eisenhower, and Judith Bevelheimer.*

Assembly leaders from the company's three Strategic Business Units (SBUs) explained elements of the workplace culture Amtrak is striving to achieve. Presidents of the Northeast Corridor, Amtrak Intercity, and Amtrak West® SBUs briefed participants on business initiatives, with emphasis on areas that will benefit from deeper employee involvement. In break-out groups, participants identified and analyzed examples of successful employee involvement practices, and "brainstormed" issues that need to be addressed for managers to become stronger leaders.

### Employee Input

As Amtrak sharpens its focus on superior customer service, it is the employees who have played a crucial role in redefining training programs, service levels, on-board amenities, overall efficiencies, and business strategies. Why? Because employees know what works and what doesn't in delivering service to our passengers.

For that reason, investment in employee training and development across every level of our business not only gives employees the tools they need to do their jobs effectively, but it contributes to the success of the corporation.

*Amtrak's® revenue covers more of its operating expenses than does any other national passenger railroad in the world.*

For instance, this year an Amtrak Employee Development Program was started on the West Coast. It provides agreement-covered employees an opportunity to learn more about our business by serving in various management roles. After a successful pilot project, management adopted the program permanently. One employee from each of the business unit's three regions, plus one from the Reservation and Sales Call Center in Riverside, are chosen for three-month tours in the program.

Employees were also an integral component of several new-equipment design teams during the year. In the West and Northeast, employees participated in the design of the coming Talgo tilt-technology trains, and the new High-Speed Rail trains that will operate between Boston and Washington, D.C. Both have benefited from the advice of engineers, conductors, lead service attendants, and others. Also, Amtrak Intercity employees contributed to the decisions made in creating designated smoking lounges on 59 cars.

### New Means of Communicating

Two new employee communications tools made their debut in FY97. "Because You Asked" (BYA) now accompanies the paycheck of all agreement-covered employees every two weeks. Produced by Employee

Communications, "BYA" is a short and snappy piece that answers questions from employees: "What's the deal with this

half-cent that Amtrak needs?...Why do part-time employees have to pay the same union dues as full-time people?"

Also this year, employee communications capabilities expanded with the launch of a regional toll-free number with weekly updates on that region's news and information. These regional and corporate services feature recorded messages that include Amtrak success stories,

system information, legislative updates, marketing initiatives, and personnel news and notes.

### Police Saluted

The Amtrak Police Department (APD) earned a special salute during this past year. The force became the only nationwide police agency to win reaccreditation by the

Commission on Accreditation for Law Enforcement Agencies. Of the 22,000 police agencies across the country, only 383 have won

reaccreditation. A team of on-site assessors from the prestigious program evaluated the APD on policy and procedure, administration, operations, and support services.



### Diversity in the Workplace

In order to assist Amtrak in its continuing efforts to encourage more diversity and understanding in the workplace, an Advisory Committee on Diversity was formed this year. The committee of outside authorities on diversity and related issues has begun work on filling a new senior management position to direct diversity efforts. The committee will meet periodically and continue to advise Amtrak.

### 'Employer of the Year'

Each year, the Women's Transportation Seminar (WTS) recognizes businesses that have enhanced the industry through outstanding affirmative action in hiring and promoting; by supporting the continuing education of their employees; and by encouraging women students to enter the field. So, it was an honor when the Philadelphia chapter of the WTS named Amtrak's Northeast Corridor SBU as the "1996-97 Employer of the Year."

**BECAUSE  
YOU ASKED!**

*Amtrak® carries  
over 40 percent  
of the combined  
air-rail market  
between  
Washington, D.C.  
and New York City.  
Without Amtrak,  
10,000 packed  
DC-9s would have  
to be added to the  
skies between  
the two cities  
every year.*



## Business Education

Amtrak's Business Education Training Program, begun in FY96, aims to make managers and senior labor leaders even more familiar with financial issues affecting the company. That knowledge is critical to their ability to help the company increase efficiency and grow the business.

By the end of FY97, more than 80 percent of the eligible employees had taken "Business Education I," and nearly 200 had gone through a more in-depth follow-up course, "Business Education II." In FY98 a third course, "Business Education Orientation," will be added and made available to all levels of agreement-covered and management employees.

## Labor Relations

The majority of Amtrak's labor contracts have been open for changes since January 1995. Two contracts—with ASWC (on-board service employees) and TCU (clerical employees)—have been open for changes since January 1997.

At the end of the fiscal year, Amtrak was in mediation with all unions except the ASWC and the BMW (maintenance of way employees). Early in the current fiscal year an agreement was reached with the BMW, and a strike was averted.

Amtrak has been meeting with all of the other unions, and will continue to do so on a regular basis.



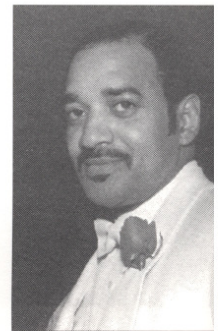
*Memorial plaque for John Jensen at the Wilmington Maintenance Facility.*

## Those Who Were Lost in Service

A pair of tragic incidents involving employees marred the fiscal year ending Sept. 30. A shooting at Amtrak's locomotive repair shop in Wilmington, DE, resulted in the loss of two lives. Foreman John Jensen died at the scene and two other employees were seriously injured. The assailant, Amtrak machinist Richard Herr, was shot and killed at the scene by Wilmington police. In August, employees in Wilmington dedicated a memorial to John Jensen.

In November 1996, Amtrak Maintenance of Way employee Aaron King Jr. was struck by a train and killed while working on the Secaucus Transfer project in New Jersey.

Aaron King Jr. has been recognized on the memorial plaque displayed at Washington Union Station, as will John Jensen.



*Aaron Coleman King Jr.  
Trackman/Watchman*



*Increased passenger satisfaction, and resulting ridership and revenue growth, are related directly to Amtrak's® ability to acquire and deploy modern equipment, designed for 21st-century travel needs. The past fiscal year brought significant new strides in equipment replacement, enhancement, and utilization.*

## Viewliner® and Superliner® II Equipment

The last of the 50 new Amtrak-designed Viewliners®—the first new single-level sleeping cars manufactured in the U.S. in 40 years—were added to Midwest and East Coast trains this year. Roomier and brighter, they've been a major hit with passengers and employees alike. Plus, a Viewliner® car can accommodate eight more revenue passengers than its predecessor, the Heritage sleeping car.

Amtrak took delivery of the last of 195 new Superliner® II cars which are operating on the *Auto Train®* and several western trains. These bi-level cars have bigger windows and larger compartments than the original Superliner® equipment.

In an effort to provide to a smoke-free environment for its passengers and employees without losing the patronage of its smoking customers, Amtrak devised a way for both

"camps" to co-exist peacefully on the same long-distance train. After extensive testing of enclosed exhaust and ventilation systems, self-contained smoking rooms were created within 59 cars—34 Superliner® coach/baggage cars, and 25 Heritage sleepers now used as crew dorms. Soon, every Amtrak long-distance train will have a designated smoking room, and the lounge cars will be smoke-free.

## Concept 2000 Metroliner® Cars

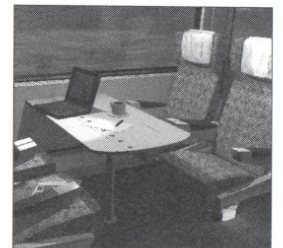
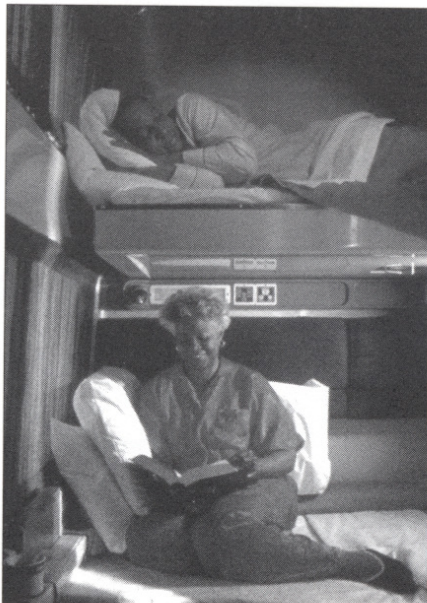
The transition from existing equipment to reworked Concept 2000 cars began on the *Metroliner®* Service. The renovated cars offer brighter new interiors and color schemes, halogen lighting, and computer hook-ups at each seat. Cafe cars feature large photographs of city skylines along the route—including one of New York taken by Mayor Rudolph Giuliani. The equipment, constructed by Amtrak's workers, received rave reviews from passengers.

## High-Speed Rail Trainsets

Preparation continues for the 1999 introduction of the new era in High-Speed Rail between Boston and Washington, D.C. Trainset design ideas were gathered from 20,000 customers through surveys and focus groups. Just as important, focus groups and design-studio site visits have allowed the input of employees. This unprecedented program of customer and employee research will ensure that the groundbreaking trainsets are both comfortable and workable.

*If all the pieces of Amtrak® passenger equipment – locomotives and cars – were coupled together, they would form a train 32 miles long.*

New Viewliner® sleeper cars are all in service now.



Design of the High-Speed Rail trains will reflect the input of customers and employees alike.





The modular Flexliner features a rubber front and a unique "fold-back" door design that allows easy passage between coupled trains.

## Equipment Demonstrations

In partnership with states and other interested parties, Amtrak tested and demonstrated some new equipment in FY97. Displays and demonstration service of the Danish-built Flexliner in Missouri during April attracted thousands and resulted in a 45-percent increase in revenue for the month. In June, the Flexliner test on the *Hiawatha* Service, between Chicago and Milwaukee, resulted in a ridership increase of 10 percent.

Amtrak-Siemens demonstrations of the RegioSprinter were completed in the West and Midwest. The self-propelled diesel unit is being promoted as a local transit alternative.

## Talgo

Design was completed this year on the new Talgo tilt trains, and the first partially-completed coach shells arrived on the West Coast as the fiscal year ended. The first trainsets Amtrak has ever bought in cooperation with a state transportation agency, the equipment will be placed in *Cascades* service within the Northwest Corridor in 1998.

Bought by Amtrak and the Washington State Department of Transportation, the trains begin assembly at the Talgo plant in Spain, and then will be finished at Talgo's Seattle facility. Pulled by new F59 locomotives, the new Talgo trains will feature comforts and amenities that build on the success of the leased Talgo trains that have been operating in the Pacific Northwest service since April 1994.

The new Talgo consist will be 12 cars (each about half the length of an existing Amtrak car), including six standard coaches, two custom-class cars, a completely redesigned bistro car, dining car, baggage car with bicycle racks and space for skis and snow boards, and an end service car to generate all electrical, audio, video and air conditioning needs. Meeting the requirements of the Americans with Disabilities Act, it will be the most accessible train in North America.

## Amtrak California Cars

The final delivery of passenger rail equipment purchased by the state of California was completed this year.

Amtrak California, the partnership between the California Department of Transportation (Caltrans) and Amtrak, is used as the distinctive equipment's brand identity, and as the banner under which cooperative corridor marketing efforts are made.

In all, California has invested in 32 coaches, 14 coach/cab cars, 14 dining cars, six coach/baggage cars and 11 locomotives. This investment has contributed to the continuous rise in ridership on all three routes using the new equipment.



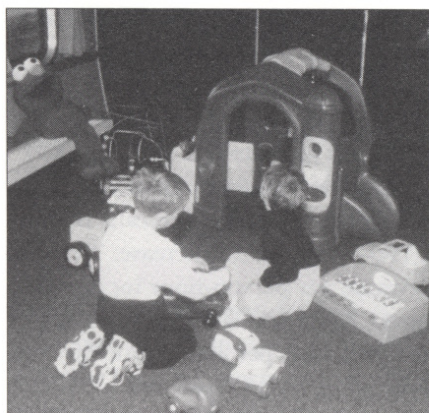
The sleek, bi-level California Coach Cars feature panoramic windows, comfortable reclining seats, overhead storage bins, bicycle storage areas and in-seat audio systems.

The new Talgo will feature redesigned interiors, a dramatic green and creme exterior paint scheme and new state-of-the-art F59 locomotives.





This custom-designed "Kiddie Kar" features colorful benches and toys, stuffed animals, board games and a video monitor for cartoons and movies.



### Coast Starlight Gets Even Better

Amtrak's premier West Coast long-distance train, the *Coast Starlight*, unveiled equipment enhancements in FY97 that are making the customer's travel experience even more enjoyable.

New first-class lounge cars, available exclusively to passengers in sleeping accommodations, challenge the quality of grand-lounge cars of another era. The Pacific Parlor cars are modified Heritage Santa Fe dual-level cars, refurbished by Amtrak specialists.

The cars feature an upper-level lounge and bar area with lustrous wood paneling, and a lower-level mini-theater with a large video screen and surround-sound audio system. All four *Coast Starlight* train-sets will feature the Pacific Parlor car by early 1998.

Also new in FY97 was a custom-designed "Kiddie Kar" on the lower level of selected Superliner® II coach/baggage cars, featuring colorful benches and toys, stuffed animals, board games, and a video monitor for cartoons and movies.

### Locomotives

Faced with an aging locomotive fleet, Amtrak began a replacement program with powerful new locomotives from General Electric. The company ordered 120 P42 locomotives, and eight P32 dual-mode locomotives, all of which offer high reliability and lower maintenance costs. More than 100 of the P42s had

been delivered and placed in long-distance service as the fiscal year ended, with the last units scheduled to arrive in October. The P32s will be delivered in the Spring of 1998.

All of the new locomotives are capable of 110-mph speeds in high-revenue corridor service. Specifically designed for passenger service, the P42 features an additional 1,000 horsepower over its predecessor, improved fuel efficiency, lower emissions, increased crew comfort and crash resistance tolerance, lighter weight, and a low-profile design. The unit sets new standards for higher-speed passenger equipment on North American railroads.

This year, the company also ordered 21 of the General Motors Electro-Motive Division's F-59PHI locomotive. These units are planned to serve Amtrak West's corridor routes in the states of California, Washington, and Nevada. Delivery will begin in the Spring of 1998. The units deliver fuel efficiency through electronic fuel injection, and comply with the most stringent California emissions standards.

In July, Amtrak signed a contract with GEC Alsthom Transportation, Inc., to provide the "kits" necessary to rebuild 31 AEM-7 locomotives, with an option for an additional 22 units. The work will be done at our Wilmington (DE) Maintenance, and is scheduled to be completed within the next four years.



More power — 120 new P42 locomotives were ordered.

### EQUIPMENT UTILIZATION

	1994	1995	1996	1997
<b>Locomotives</b>				
Availability	338	313	299	332
Average Age (years)	85%	88%	88%	88%
	13.4	13.9	14.4	12.0
<b>Cars</b>				
Availability	1,852	1,722	1,730	1,728
Average Age (years)	88%	90%	90%	91%
	22.4	21.8	20.7	19.8



## Reservation System Improvements

The call handling capability of the reservation sales system equipment increased significantly this year. Major technology upgrades were installed, featuring new functions that include advance-payment, automated voice-response service, Internet booking and expanded self-service ticketing.

Concurrently, reservation agent productivity soared. That was the

result of improved sales training and techniques, team management, sales incentive programs, and closer coordination with corporate, business unit, and product line staff. In FY97 the reservation system handled nearly one million more calls than in FY96—a 3-percent increase. Ticketed revenue per person-hour increased by 42.7 percent, with the ratio of ticketed sales per expense dollar improving by 35.9 percent.

## WhistleStop Tour

America came out to “see the train” as the WhistleStop Tour of the Great American Station Foundation<sup>SM</sup> attracted thousands of visitors, plus heavy media attention.

With the tour continuing as the fiscal year ended, the special Amtrak equipment had welcomed more than 50,000 visitors in over 70 cities small and large. Amtrak is a principal contributor to the foundation, whose mission is to encourage the preservation and restoration of train stations in America.

The train and its custom-designed displays on the history of stations became a media favorite, and they reminded people of the convenience and comfort of passenger rail travel.

As the year was coming to a close, print coverage reached a total circulation of 15.6 million; television coverage reached 8.9 million viewers; and radio had 406,000 potential listeners. It was estimated that the same exposure as advertising would have cost \$2.46 million.

As examples of the tour’s mission, renovations of stations led to expanded Amtrak service this year. Daily service on the New

York-Chicago *Three Rivers*<sup>®</sup> returned to the restored station in Youngstown, OH, as did Amtrak service to the renovated station in Mendota, IL—the first long-distance train to stop there in 26 years.

Also, renovation and restoration of the historic King Street Station in Sacramento, CA, began. Ground was also broken for the \$3-million renovation of Florida’s Tampa Union Station, in partnership with Amtrak. Amtrak had been operating from a temporary building on the property. The first phase of that project is expected to be completed in 1998. Amtrak also completed improvements to 30th Street Station in Philadelphia, and Penn Station in New York City.



A happy WhistleStop Tour visitor.



Coming out to “see the train” was a festive event for more than 50,000 people.





## SAFETY PROGRAMS

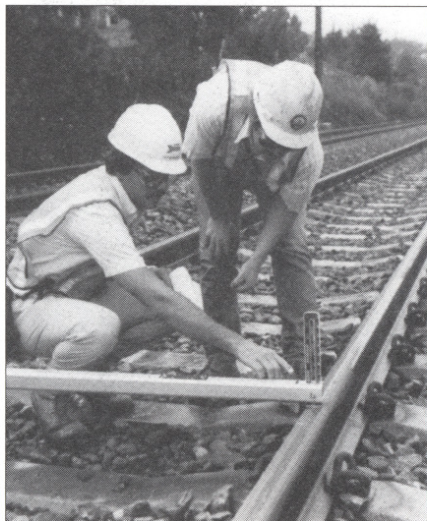
*Safety is Amtrak's® foremost concern. That concern is integrated into all phases of the railroad's activities, ensuring that passenger rail in the U.S. remains one of the safest ways to travel in the world.*

### Roadway Worker Protection

Many of the safety policies and programs already in place at Amtrak were the basis for a new federal safety program, Roadway Worker Protection, which became law this year. Some of the key components of the program are formal briefings before the start of shifts; clearly defined responsibilities of track workers and watchmen; minimum clearing times; and a worker's right to refuse to work if he or she is not satisfied with the on-track protection.

Not only did the cooperation between Amtrak and the Brotherhood of Maintenance of Way Employees on these policies serve as a model for the new regulation, but the company officially implemented it well ahead of the federally-mandated schedule.

Amtrak has seen steady improvement in an already solid safety record among employees. We continue working with federal agencies, labor organizations, and community groups to help us do even better. Following are just some examples of the company's commitment to a safe working and traveling environment.

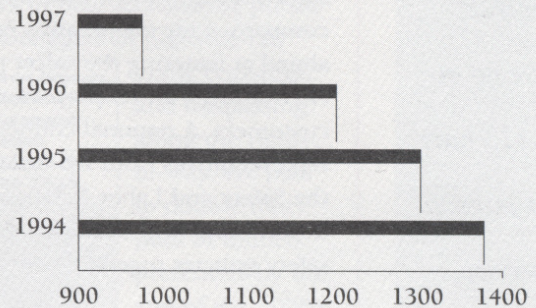


*Safety awareness is an integral part of maintenance of way functions.*

### FRA REPORTABLE INJURIES

(Employees on duty)

Calendar Years 1994 & 1995  
Fiscal Years 1996 & 1997



### Customer Safety

The safety of our customers is primary. Amtrak is committed to providing the safest possible means of public transportation. During the year, we worked to improve communications with our customers, through more frequent safety announcements in stations and on trains, station videos, ticket stuffers, and on Amtrak's web site and within our Travel Planner. And, as always, we continue to train our employees in injury prevention measures.

Amtrak's goal is to reduce customer and employee injuries by 15 percent a year over the next five years. If the injury reduction goals are met over the next five years, the current reportable employee injury ratio of 4.2 (injuries per 200,000 person hours) will drop to 1.9 by the end of fiscal year 2002. While that will require the dedication of everyone at Amtrak, we are certain it is an achievable goal.



*Of the 510  
communities across  
the country served  
by Amtrak®,  
130 have no air  
service, 113 have  
no direct intercity  
bus service,  
and 35 have  
neither air  
nor bus.*

## **Joint Labor/Management Safety Efforts**

It has been proven time and again that the surest route to a continuing culture of safety awareness is through management and labor working together. Safety cannot be imposed. It has to be developed together, from the ground up.

In January, Amtrak and representatives of participating labor unions signed an agreement establishing a company-wide cooperative program aimed at fostering the safest possible environment for employees and customers. A national council of representatives from the unions and the Safety and Labor Relations departments will formulate corporate safety policies together.

At many locations around the corporation, Labor/Management Safety Teams have been formed. Front-line employees, supervisors, and labor union representatives meet regularly to devise and implement solutions to our safety challenges. Teams are now in place in Los Angeles, Oakland, Sunnyside Yard and Penn Station (NY), Miami, and New Orleans. More will be coming.

Because of its outstanding accomplishments, the Sunnyside Yard team was chosen to receive an Amtrak

President's Award this year. As the citation said, "The committee successfully focused the efforts of labor and management, working together toward the common goal of a safer workplace. On this committee, individual job titles have no meaning. All members function as equals with one task in mind—improving job conditions and work processes for the benefit of all. By enlisting the side-by-side cooperation of labor leaders and management, the committee achieved unshakable credibility."

An effort in the Northeast Corridor is typical of similar activities that are being conducted in all three business units. An NEC Safety Committee, made up of representatives from each division, product line, and support group, was formed this year to research customer injuries; determine their causes; identify locations of frequent occurrences; associate costs; and draft a program to reduce those injuries. The draft was revised by senior managers, as well as employees from various crafts, and the final program will be implemented in the 1998 fiscal year.



*The Sunnyside Yard Safety Committee won a 1997 President's Service & Safety Award.*



*It takes an  
eight-car  
passenger train  
approximately  
1.13 miles to stop  
when traveling at  
an average speed  
of 79 mph.*

## Industrial Hygiene and Environmental Control

Amtrak has begun an enhanced audit inspection program for its facilities, and committed to develop an Environmental Management System (EMS) based on the newly developed International Standards Organization (ISO) 14001 standards.

**Audits** – The new audit program will result in over 240 environmental compliance audits/inspections in FY98, and over 250 industrial hygiene facilities inventories.

**ISO 14001 EMS** – Late in the year, a training class was held to orient key representatives of the three business units and corporate headquarters on the environmental control principles of ISO 14001, and to lay the foundation needed to set up pilot EMSs. Additional training classes will be held in the SBUs over the first six months of FY98.

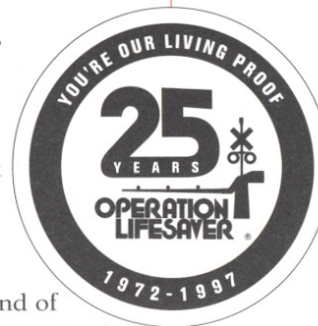
## Safety and State Partners

When Connecticut, one of our state partners, was honored for its safety efforts this year, the state turned and tipped its hat to Amtrak. Connecticut's Department of Transportation was cited by the Connecticut Workers' Compensation Commission (CWCC) for its work in promoting workplace safety—and the department publicly gave much of the credit to Amtrak.

The department's Office of Rail—the only public agency to ever win a CWCC award—last year trained 1,200 public- and private-sector employees in railroad safety, and the state commuter rail system has not had a personal injury in more than six years. Amtrak had provided presenters and background material for the training program.

## Operation Lifesaver®

Operation Lifesaver, Inc., (OLI) is a national, non-profit organization that stresses education, engineering and enforcement in the effort to reduce collisions, injuries and fatalities at highway-rail grade crossings. By the end of the fiscal year, Amtrak had trained a total of more than 100 of its own presenters to help educate the public about the dangers of highway-rail



Railroad tracks are dangerous.  
Trains going in either direction  
can travel at extremely  
fast speeds.  
DON'T TAKE SHORT CUTS  
ACROSS THE TRACKS!



USE ONLY  
AUTHORIZED  
UNDERPASSES AND  
OVERPASSES

grade crossings, and trespassing along the right-of-way. We plan to double that pool of trained presenters by the end of the 1998 fiscal year.

The Operation Lifesaver® program works. Since it was first established 25 years ago by the Union Pacific Railroad, the program has spread to 49 states, and has helped to reduce crashes and casualties at highway-rail grade crossings by 50 percent.

## BUSINESS PRACTICES

*Amtrak's® success depends on more than just our internal efforts. Success also requires maximum involvement by our stakeholders. Thus, a key focus of the FY97 business plan was on growing the development and leverage of strategic partnerships.*

### Partnerships and Promotions

Amtrak continued to focus on developing targeted partnerships and promotions to increase ridership and revenue. Some programs successfully introduced in FY96 were expanded.

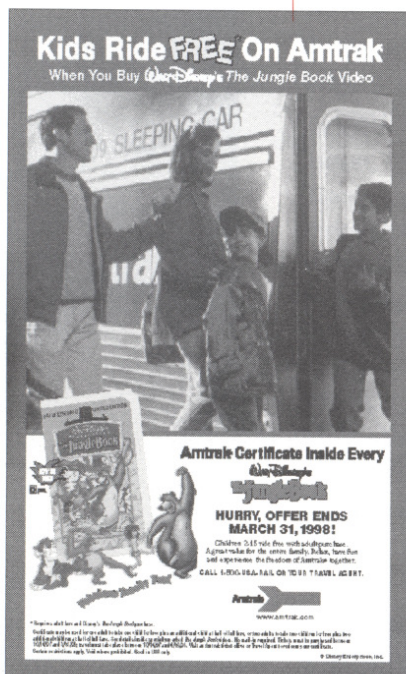
**Disney** – Based on an extremely effective “Kids Ride Free” promotion with Disney’s *Aristocats* home video

release in FY96, a similar offer was repeated in FY97—Amtrak certificates were included in all 12 million of *The Jungle Book* videos sold nationally. The previous year’s *Aristocats* tie-in generated sales of 259,000 tickets and over \$13 million in revenue.

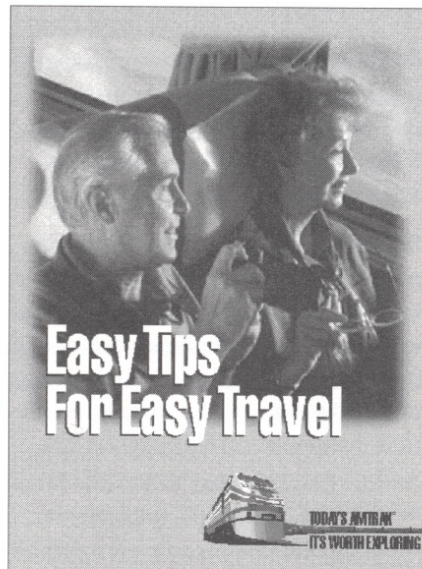
**General Mills** – Revenue continued from one of the most successful promotions of FY96 continued into FY97—a 50-percent-off companion fare offer printed on over 15 million General Mills cereal packages. The national offer, which was supported by in-store

displays and General Mills and Amtrak advertising, is expected to generate 325,000 tickets and \$21.3 million in revenue.

**AT&T** – Amtrak also continued two large loyalty programs with AT&T: True Rewards and Universal Rewards. Members in the True Rewards program receive a 25-percent-off companion fare discount from Amtrak. Sales in the past year were \$1.1 million. Universal Rewards members earn points toward Amtrak trips by using participating credit cards. This program is helping to attract new users to Amtrak.



*Amtrak® certificates were included in all 12 million of *The Jungle Book* videos sold.*



*Seniors represent a large growing customer segment for Amtrak®.*

**AARP** – One of Amtrak's key customer segments is seniors. An Amtrak advertising program in AARP's *Modern Maturity* magazine featured offers that generated sales of nearly one million dollars in FY97. The partnership was expanded to include Internet advertising and travel tips on AARP's web site, and participation in their national mall tour program.

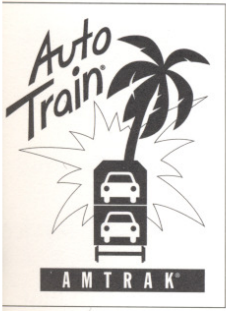
**Student Advantage®** – Amtrak and the Student Advantage® program completed their second successful year as partners in marketing to college students. This year the program was extended to junior- and senior-high school students.

Members receive a 15-percent discount on most Amtrak rail fares.

The program generated revenue of more than \$6 million in FY97, a 51-percent increase over FY96.







### National and Regional Advertising –

Advertising was continued or expanded for such promotions as Air-Rail packages, regional Explore America Fares, tour packages via *Auto Train*®, and others. Revenue generated by the programs increased significantly. The advertising and promotion efforts for Amtrak Intercity's long-distance trains were the most extensive in the business unit's history. Advertising was carried in 46 cities, as well as in such national publications as *Parade*, *USA Weekend*, *Readers Digest*, and *McCalls*.

**SmartPass<sup>SM</sup> Tickets** – Monthly and multi-ride tickets were expanded greatly this year to cover almost every city pair in the Northeast Corridor, and the change was well received—sales increased 22 percent.

**Sports Marketing** – This program was launched with the National Basketball Association's "Legends Train," part of the NBA's 50th Anniversary celebration. The train carried legendary players from the Boston Celtics and New York Knicks, as well as 700 of their guests. Promoting its easy, all-weather access to many of the Northeast's major sporting venues, Amtrak attracted fan and team business with such football, baseball, and hockey teams as the Denver Broncos, Philadelphia Eagles, Baltimore Ravens, New England Patriots, New York Giants, New York Jets, Buffalo Bills, New York Mets, Kansas City Royals, and Washington Capitols.

**Corporate Contracts** – Amtrak began a new marketing program aimed at travel managers within the New York-Washington corridor. Targeted at accounts currently with high air shuttle usage and low *Metroliner*® usage, it offers corporate discount contracts. The program resulted in 28 new contracts in FY97, representing a 700-percent boost in contract ridership.

### Special Events and Packages –

Special Rail Days were held for the Northeast Corridor's *Keystone* and *Virginian* services; the promotions featured half-off Saturdays...Niche-market tour packages were developed with the Niagara Falls Casino and for an *Adirondack* "Rail/Sail" program...A "Kids-Ride-Free" program was repeated this summer by Amtrak California, generating an additional \$12 million in revenue.

The NEC and the New York Racing Association ran a joint promotion for the summer racing season at Saratoga, resulting in a 111-percent increase in ridership on the special Saturday trains...Amtrak West's® "1-2-FREE!" program linked promotions for the major cities in the region and generated \$3.9 million in revenue...The "Romance on the Coast" promotion for the *Coast Starlight* resulted in 2,500 additional first-class bookings.

### Increased Train Service

Although fiscal pressures have required reductions of service in this past year and others, ridership improvements enabled Amtrak to expand or improve some service in 1997.

For instance, the *Three Rivers*® service between Pittsburgh and Chicago was expanded, and a third Florida train, the *Silver Palm*, made its debut this year. Daily service returned on the *Empire Builder*, Chicago-Seattle/Portland; the *California Zephyr*, Chicago-Oakland/San Francisco; and the *City of New Orleans*, Chicago-New Orleans.

An improved, premium-class overnight train was launched in the Northeast Corridor this summer. The *Twilight Shoreliner* extended service from Boston all the way to Newport News, VA. The new train offers enhanced services and on-board amenities, including new *Viewliner*® sleeper equipment; upgraded menus; a larger on-board

## TAKE A FREE TRAIN HOME

WHEN YOU RIDE AMTRAK'S  
KEYSTONE SERVICE DURING RAIL DAYS

KEYSTONE RAIL DAYS  
JUNE 21 & 22

June 21 & 22 is a great time to leave your car and take the train because during Keystone Rail Days, you can travel anywhere from Harrisburg to Philadelphia and your return trip is free. As always, fares for kids, ages 2-15, are half off.



For information, visit the Keystone web site at <http://www.microserve.net/amtrakpa> or call Amtrak at 1-800-USA-RAIL. Tickets can be purchased from Amtrak ticket offices or your travel agent.

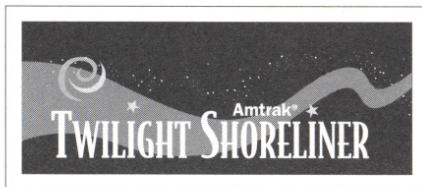
FARE CONDITIONS: Rail Days free return ticket offer is valid only for travel on June 21 and June 22, 1997. Valid for travel between Philadelphia, PA, and Harrisburg, PA, and intermediate stations only. Initial round trip travel purchase required for free return. Other restrictions may apply.

Promotions build ridership.



LSA Donna Bonanno prepares to serve a customer aboard the new *Twilight Shoreliner*. Customer service and attention to their needs is the hallmark of the new train.





crew for more personal service; and a crew that is even more attuned to passenger needs, thanks to enhanced customer services training. Media coverage generated by the train, plus intensive marketing efforts, helped improve ridership on this route, and on all Virginia trains.

Amtrak also continued its aggressive efforts to make the entire train-travel experience more comfortable by focusing on improvements to its own stations. As just one example, "Penn Station Pride," a year-long effort by a labor-management partnership to create a cleaner, safer Penn Station in New York, won praise from customers.

### State Relations

Amtrak enjoys successful partnerships with the transportation departments of its 11 partner states. State investment in intercity rail has grown over the last several years and will become increasingly more important as highway and airway systems reach capacity.

This year, Amtrak and state governments continued to appeal to Congress that states be allowed the flexibility to choose the best use of their federal transportation funds. Current law prevents the funds from being spent on intercity rail, but allows spending on highways, airports, mass transit and commuter rail, including light rail.

In addition to providing operating support, more states are now using their own funds to invest in rail infrastructure improvements, such as station construction and restoration, maintenance facilities, marketing programs, and the purchase of passenger rail equipment.

For example, this year Washington made a \$20-million investment in

the completion of design for the innovative European-style Talgo trains destined for Pacific Northwest Corridor service. California's multi-million-dollar investment in infrastructure and stations enabled Amtrak to deliver service to four new cities during the year. Oregon's commitment of \$4 million in state lottery funds allowed continuation of the Portland-Eugene section of the *Cascadia*.

After devoted work by state and local government representatives, state legislators, and members of the congressional delegation, Texas provided the loan needed to continue the San Antonio-St. Louis portion of the *Texas Eagle*. The segment had been scheduled for discontinuation.

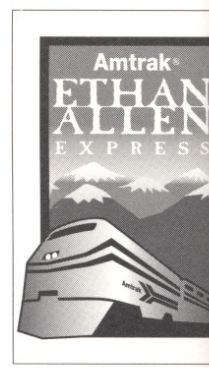
In Illinois, Amtrak reached a precedent-setting three-year agreement that features a fixed price, plus incentives based on customer satisfaction and on-time performance standards. For more than 25 years, the state has been a partner with Amtrak, which operates the *Illini* and the *Illinois Zephyr*.

Also, thanks to state support, New York City and Rutland, VT, were linked by rail for the first time in 40 years with the debut of the *Ethan Allen Express*. The quick connection with ski slopes in the state, promoted through a partnership with local ski resorts, attracted ridership quickly.

In Wisconsin, Amtrak and the state agreed on a three-year contract to continue daily state-supported *Hiawatha* Service between Chicago and Milwaukee. The contract commits Amtrak to meeting a variety of performance goals, including specific customer approval ratings, plus on-time performance, employee courtesy, and equipment cleanliness levels.

Amtrak and the state of Michigan continued to work together on infrastructure improvements to reduce travel times on the Detroit-Chicago

In New York City  
alone, traffic  
planners have  
estimated that  
Amtrak's® service  
capacity eliminates the need for  
20 additional  
highway lanes  
and 10 new  
tunnels under the  
Hudson River.







Caltrain rolls out of San Francisco.

corridor. When the entire project is completed, the downtown-to-downtown trip will be reduced by two hours, or almost 40 percent.

**Infrastructure Projects** — Amtrak and NJ TRANSIT signed a landmark joint funding agreement that will provide \$250 million for infrastructure investments within the New Jersey segment of the Northeast Corridor—benefitting both NJ TRANSIT commuters and Amtrak passengers. Similar agreements have been reached with Delaware and Maryland, and Amtrak is seeking to arrange these types of capital agreements throughout the corridor.

Aided by a grant from the state of Delaware, the company began construction of a \$3.5-million warehouse at Bear, DE. The new facility is part of a multi-year program to upgrade the Delaware maintenance shops, and to make Amtrak more competitive for insourcing. Similarly, the state of Indiana committed almost \$1 million for building repairs at Beech Grove. That allowed Amtrak to fund an upgrading of the Beech Grove wheel shop, and thus retain up to 24 jobs that would have been relocated to Wilmington.

Pennsylvania announced a \$1.2-million state investment in Philadelphia's 30th Street Station. The work will not only increase the efficiency of the NEC headquarters, but it will also help prepare the station for High-Speed Rail.

## Commuter Contracts

Amtrak is a partner in the operation of some of the nation's largest daily commuter rail services, such as the Massachusetts Bay Transportation Authority (MBTA) in the Boston area.

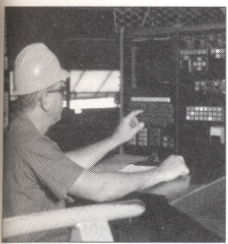
The company operates seven services, with 708 trains carrying 174,000 passengers daily. In addition, four large commuter services operate on Amtrak's tracks or use its facilities. Those services operate 1,407 trains daily, carrying 357,000 passengers.

Amtrak's relationship with the MBTA represents its largest commuter contract, one which entered its 10th year in FY97. Also this year, Amtrak and the MBTA reopened the Old Colony line, connecting Boston with more than two dozen suburban stations. The line had not seen rail service for nearly 40 years.

Three services operated by Amtrak for the state of California alone carry more than 50,000 passengers every weekday. Caltrain, serving the San Francisco Bay area, had a 10-percent ridership increase and a 99.1-percent on-time performance in FY97. The Coaster, Amtrak West's® newest commuter contract train, began in 1995 with 60 trains per week serving San Diego and is now up to 102. It ended the fiscal year with a 23-percent ridership increase, and 99-percent on-time performance.

 **COASTER**

*On a typical cross-country journey, the snack bar in the lounge car of the Sunset Limited will sell 314 sandwiches, 215 cans of Pepsi, 423 cups of coffee and 100 bags of potato chips.*



State partnerships have enabled Amtrak® to upgrade facilities.



During this fiscal year, the Southern California Regional Rail Authority (SCRRA) prequalified Amtrak as the exclusive bidder to continue operation of Metrolink trains during the contract period beginning July 1, 1998. The authority cited Amtrak's safety and service record, and the extensive experience of its agreement-covered and management workforce as principal factors in its decision.

Amtrak will also be bidding to retain Metrolink's equipment maintenance contract. To increase Amtrak's competitiveness, the Joint Council of Carmen, Helpers, Coach Cleaners and Apprentices signed an agreement with the company, modifying work rules. The changes provide more flexibility in job performance.

The operations contracts with both Metrolink and Caltrain include pre-set fines for failure to meet performance standards, and incentives for exceeding expectations. During the year, Amtrak and its workforce were able to minimize fines and maintain high quality service, both of which contributed to the company's bottom line.

Another state partner, Maryland Rail Commuter (MARC), benefitted from Amtrak's procurement structure for High-Speed Rail locomotives. Because of Amtrak's large order with the manufacturer, MARC was able to order similar locomotives for its own use. Through a recently updated service contract between Amtrak and the commuter agency, the locomotives will be maintained by Amtrak employees.

### Relationships with Freight

Amtrak signed new operating agreements with CSX Transportation, Norfolk Southern, the Florida Department of Transportation, and the Vermont Railway.

This year was not a good one for on-time performance by the contract carriers. Only five out of the 13 railroads improved their performance from the previous year, and only two reached their performance goals. For

the carriers whose track Amtrak uses for long-distance trains, just one out of eight showed improvement. The remainder experienced an average decrease of 3.2 percent. Amtrak will continue to work with the railroads to emphasize the importance of on-time performance in the success of intercity passenger service.

### Mail and Express

As directed by both Congress and the White House, Amtrak has been pursuing means of reaching operating support self-sufficiency. In addition to working toward greater operating efficiency, increased mechanical reliability, and consistently high customer satisfaction levels, a key to the effort will be expansion of the railroad's mail and express business.

During this year, the company contracted for the acquisition of 250 box cars and 283 RoadRailers®. Most of the equipment has been delivered, with the remainder to follow during the first half of fiscal year 1998.

The box cars are designed for carrying baggage, mail, and express at speeds up to 90 mph, to be compatible with Amtrak passenger trains. Similarly, RoadRailers are designed to operate on both rails and highways, and are well-suited for dock-to-dock service.

### Non-Passenger Revenue

In addition to its ongoing commitment to increasing mail and express business, Amtrak continued to develop means of leveraging its resources and creativity in building more non-passenger revenue.

**Insourcing** – In June, Amtrak successfully competed with outside businesses and won a contract to repair a MARC cab control car, a contract that was later expanded after a follow-up competition. Late in the summer, Amtrak was an active competitor for a contract to overhaul 116 Comet cars for NJ TRANSIT. The preparation for a bid of this magnitude

Even if they  
were jammed f  
to a car, the  
people who ri  
Amtrak® train  
plus commute  
trains operated  
supported by  
Amtrak® – wo  
otherwise ad  
167,000 cars  
the nation's hig  
ways every da





provided valuable experience that will be useful in future efforts.

**Right-of-way leasing** – Amtrak is pursuing revenue-growth opportunities by permitting private businesses to string cable on its right of way, and to install cellular phone relays. Amtrak has also been contracted to activate cables that were installed in an earlier project but have been dormant.

**Real estate management** – Substantial changes have been made in Amtrak's management agreements, and standard forms now govern every retail lease on company property. Standards and terms are consistent, and both local and national retail management firms can compete to provide services in the larger stations.

**Innovative equipment utilization** – A first this year for Amtrak was "wrapped" cars. Shrink-wrap advertising on a train that traveled from New York City to Philadelphia on Valentine's Day created the world's largest "cheesecake" for Philadelphia Brand Cream Cheese. A San Diegoan

passenger car was wrapped to promote the "Wheel of Fortune" TV show. Finally, as the year ended, wraps were being completed to highlight such San Diego attractions as Sea World, the San Diego Zoo, and the Wild Animal Park...Amtrak facilities and equipment were also leased for use in several movies, TV series and advertisements.

### **Metroliner® Service**

Metroliner® Service broke all ridership records this year. Final ridership for the year was 2,081,326, an increase of nearly 20,000 over the previous record.

Also this year, Metroliner® Service revenues exceeded expenses, allowing the service to help support other Amtrak operations. That accomplishment was the result of attention to customers' needs, and the delivery of quality service. In recognition of that feat, the American Railroad Conference and Progressive Railroading magazine honored Metroliner® Service with its productivity award for passenger service.

## **SPECIAL RECOGNITION**

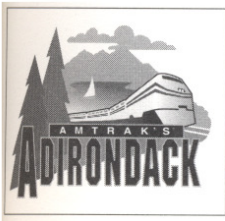
**Amtrak** appeared on MTV's "Real World" when the cast and crew of the popular show traveled with us between Boston and Philadelphia for the national Volunteer Summit in April.

**The Adirondack** was highlighted on the PBS series "America's Scenic Rail Journeys" in an episode featuring David Hyde Pierce of NBC's hit show, "Frasier." Redesign of the service also earned the *Adirondack* the Travel Industry Association's top honor, an Odyssey Award, in the Cultural Heritage category.

**Amtrak Intercity** won three Gold Awards in advertising and sales promotion at the 40th Annual Meeting of Hospitality Sales and Marketing Association International.

**NEC** customer notification materials for a 1996 timetable change in the Northeast Corridor won a Silver Award, and the business unit's customer newsletter ("Working on the Railroad") won a Bronze Award in the 10th anniversary of the International Mercury Awards, an international competition honoring excellence in communications.

**Amtrak** won a Building Excellence Award for restoration of Philadelphia's 30th Street Station, and for the critical importance the restoration has in advancing a positive view of the city. The award was given by Commerce Bank and the Philadelphia Business Journal.



The NEC's award-winning customer newsletter.



## PRESIDENT'S SERVICE & SAFETY AWARDS

The President's Service & Safety Awards Program is the highest employee recognition at Amtrak®. The program honors employees who have made outstanding contributions to the corporation, exhibited exemplary work performance, and leadership.



### Achievement

**Kurt G. Laird**

General Manager, Seattle, WA

**Ronald M. Truitt**

Foreman III, Washington, D.C.

**Robert S. Vandergriff**

Carman/Mechanical Quality Inspector, Beech Grove, IN

**Nelson Veliz**

Machinist, Los Angeles, CA

### Sustained Excellence

**David A. Brooks Sr.**

Conductor/UTU Local Chairman, Washington, D.C.

**Kristina L. Economos**

Manager, Chicago, IL

**Paul M. Hanson**

Foreman II, Boston, MA

**Patricia Hughes and Melodie Salter**

Station Agents, Glacier Park, MT

**Charles B. Roebuck III**

Administrative Chief, Los Angeles, CA

### Valor

**Cristy Pacheco**

Conductor, Los Angeles, CA

### In Memory of

**Aaron Coleman King Jr.**

Trackman/Watchman, Secaucus, NJ

### Safety Achievement

**Dennis M. Conlan**

Baggageman, Philadelphia, PA

### Environmental Achievement

**Frank P. Claar**

Foreman III, Wilmington, DE

### Champion of the Rails

**Ruth Bascom**

Former Mayor of Eugene, OR

**Michael L. Taylor**

Ticket Agent, Charleston, SC

**Partners in Performance Team**

Pittsburgh, PA

*Amtrak:* James H. Bruder, Randell G. Jones, James H. Kruhm, Roy E. Noel Jr., Stephen M. Planey, Donna M. Pollin *Conrail:* Joseph A. Bishop, Richard A. Chambers, Ronald J. Hardesty, Max Solomon II, Steve M. Timko Jr., Robert T. Woodruff

**The Texas Eagle Coalition**

Mayor Kenneth Barr, Fort Worth, TX; Mayor Celia Boswell, Mineola, TX; Mayor Audrey Kariel, Marshall, TX; Mercy Rushing, Mineola, TX; Barbara Musgraves, Mineola, TX; Natalie Rabicoff, Longview, TX

### State Partner

**The Honorable Howard Dean**

Governor, Vermont

### Safety Committee of the Year

**Sunnyside Yard Safety Committee**

Sunnyside, NY

### Charles Luna Award

**Glenn T. Burgess**

Engineer, Chicago, IL

### President's Safety Contest Winners

**Northeast Corridor SBU**

**Amtrak Intercity Midwest Division, Reservations and Sales Office**

### AMTRAK® CORPORATE VALUES

**Customers**

*They come first.*

**Employees**

*The strength of  
our product.*

**Excellence**

*A commitment to  
safety and quality.*

**Integrity**

*Truth even when  
it hurts.*

**Trains**

*Our passion.*



## Strategic Plan

The Strategic Business Plan describes how Amtrak expects to achieve its short- and long-term goals, given its operating and capital resources. Currently, Amtrak is operating on a “glidepath” of federal support that is planned to enable operating self-sufficiency in 2002. This plan was adopted by Amtrak’s Board of Directors in December 1994. It was predicated on:

### ■ Adequate federal operating support—

For the period 1995 through 1997, the operating glidepath was underfunded by a total of \$138.5 million.

### ■ A predictable and adequate capital fund—

Subsequent to the end of FY97, federal legislation was passed that provided Amtrak access to \$2.3 billion to fund capital expenditure needs (after congressionally-required payments to states without Amtrak service, Amtrak will actually have use of \$2.1 billion). This funding significantly improves Amtrak’s ability to achieve its capital goals in the near term; however, it is only a portion of what Amtrak needs to reach operating self-sufficiency **and** it does not address Amtrak’s longer-term need for a dedicated capital funding source.

### ■ The enactment of legislation to allow Amtrak to behave in a commercially oriented, business-like manner—

Included in that same legislation were provisions for repealing the requirement that Amtrak operate a federally-mandated basic route system for passenger service; authorization for Amtrak to negotiate changes in how it contracts out certain labor functions; and significant liability reforms.

### ■ Amtrak’s continued operation as a customer-focused, market-responsive company, accompanied by substantially increased productivity, lower costs, and increased revenue—

Amtrak made dramatic changes for the better in FY95, FY96, and FY97, although both FY96 and FY97 performance did not achieve all planned goals.

## Progress to Date

Amtrak has remained focused on its bottom-line goals. The company has a decentralized corporate structure that emphasizes greater market awareness, competitiveness, and customer service. It has eliminated a significant amount of cost through a rationalized commercial network, improved equipment utilization, and re-engineered back-office functions, while increasing revenues.

Internal actions for the period 1995-1997 have closed the original \$5-billion gap projected between 1995 and 2002 by \$3.6 billion, despite the operating glidepath underfunding of \$138.5 million. During this period, Amtrak has also initiated two new capital programs, High-Speed Rail and an Express pilot program, which are expected to provide over \$1 billion net improvement to the company’s bottom line over the 1998-2003 period.

## 1997 Highlights

Highlights in FY97 included:

■ Passenger-related revenue increased 7.2 percent, compared to FY96, to over \$1 billion, as a result of a ticket yield increase of 5.3 percent and a ridership increase of 2.7 percent.

■ Amtrak began the year having been named the “most improved in customer service” among American transportation organizations by Knowledge Exchange, a California-based financial analysis and publishing firm.

■ On-time performance, a key driver of the company’s financial performance because of its critical importance to passengers, rose to 74.4 percent in FY97, from 71.0 percent in FY96.

■ During FY97 Amtrak continued to invest in the High-Speed Rail program and initiated an Express pilot program.

*If Amtrak® were  
an airline carrying  
the same number  
of passengers,  
it would be the  
third largest airline  
in the U.S.*



■ Amtrak also continued its comprehensive corporate effort to re-engineer business processes to increase efficiency across the corporation—the Crossing 2002 program.

### Crossing 2002

Crossing 2002, one of Amtrak's key programs aimed at meeting the congressional target of eliminating federal operating support by 2002, moved from the planning phase into the implementation phase during FY97.

The program's goal is to identify, prioritize and redesign activities that offer the greatest potential for quality improvement and cost savings, while maintaining or improving customer service.

Thirteen design teams were launched during the year, focusing on issues ranging from marketing, to manpower allocation, to equipment maintenance and utilization. These teams, drawing on the wisdom and experience of individuals throughout the company, analyzed in detail some of the most fundamental activities required for Amtrak to conduct its business.

One of the key systems developed through the Crossing 2002 program is the cost of quality measure. Through this measurement system, Amtrak is evaluating the quality of its activities by keeping track of money spent ensuring high-quality work, and the money lost when failures occur. The system is now in place throughout the company, and a baseline cost-of-quality figure has been established. As a part of the FY98 business plan, specific actions have been developed which are projected to reduce the cost of quality through the elimination of \$18.2 million in failure costs.

### 1997 Performance

The 1997 Strategic Business Plan approved by the board was overridden by the Omnibus Consolidated Appropriations Act approved by Congress in early October 1996. This legislation mandated that Amtrak continue to operate six routes for an additional six months beyond that which was planned. The additional \$22.5 million provided under the Act did not cover the full \$36.0 million cost of the service continuation. That resulted in an increase from the original plan's budget result deficit of \$30.8 million, to a budget result deficit of \$44.3 million.

The actual budget result deficit in FY97 of \$70.4 million, although not at plan levels, still reflected significant improvement. The 1997 plan included actions which would have reduced the projected baseline budget result deficit (\$243.5 million) by \$212.7 million. Actual results reflected \$173.1 million of net improvements, not to plan level, but still a significant achievement.

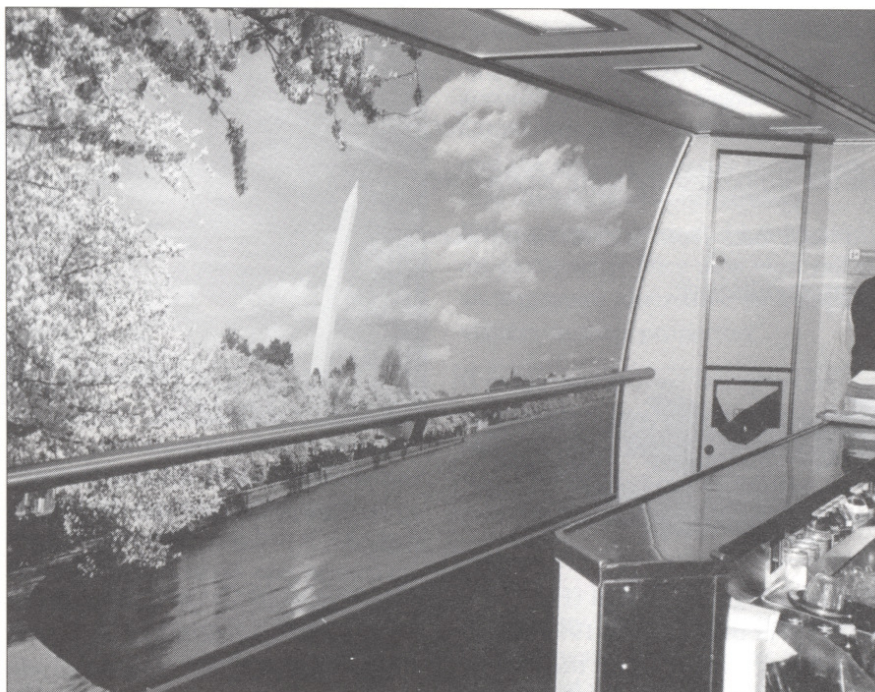
The most significant events affecting performance for the period included:

■ Weather related events: Hurricane Fran stopped service for the *Auto Train*, the *Silver Service* and the *Crescent* for several weeks and caused serious train delays for months as a result of damage to the infrastructure. Severe weather conditions on the West Coast disrupted service on the *Coast Starlight*. Midwest floods curtailed the *Empire Builder* route through North Dakota for weeks. The full FY97 impact across the corporation was \$14 million in unanticipated weather costs.

■ Planned savings of \$23 million in power costs were not realized in the period.







*A Concept 2000 cafe car on the Metroliner® Service.*

■ During FY97, two one-time events, the sale of property in Providence, RI, and the sales of telecommunications rights in the Northeast Corridor, resulted in improvements of \$54 million to the bottom line, which in part offset plan-action shortfalls.

### **Future Outlook**

Amtrak's business portfolio is structured to enable the company to cross-subsidize the public aspect of the business with the revenues generated by high-dollar-return programs, such as High-Speed Rail and the Express pilot program. Amtrak's Strategic Business Plan addresses how the portfolio of business lines must be managed and

focused to give Amtrak an understandable national brand. This has been essential in Amtrak's selection and balancing of strategies for FY98.

Factors critical to the achievement of Amtrak's FY98 strategic plan are:

- The \$2.3-billion capital fund, which is vital to Amtrak's ability to pursue major initiatives that would enable operating self-sufficiency, and the restoration of a state of good repair in its core business.
- The success of the Express pilot program.
- The successful balancing of cost reductions with the need to support growth in ridership.



## THE FUTURE OF PASSENGER RAIL

*The future of passenger rail in the United States, as guided by Amtrak's® Strategic Business Plan, will be reflected in a vibrant national network of trains supported by state partnerships, federal capital investment, and the revenues from lucrative services such as High-Speed Rail and the express initiative.*

### HIGH-SPEED RAIL

Amtrak's High-Speed Rail (HSR) is on track to debut in late 1999, revolutionizing train travel in the critical Washington, D.C.-Boston corridor. It will also help preserve the national passenger rail system by providing more than \$150 million annually for reinvestment in other routes.

Built largely in this country by American workers, the innovative trainsets are being custom designed to meet the specific and extensively-researched expectations of Northeast Corridor travelers, and also to provide the optimum working conditions suggested by Amtrak employees.

This year Amtrak reached an important milestone in bringing HSR on line by completing site preparation for a facility to maintain the new high-speed trains. On Aug. 1, four months ahead of schedule, the company's Washington, D.C., Ivy City

Maintenance Yard was readied to permit construction of a new facility. Not only was the preparation completed ahead of schedule, it was completed injury-free and under budget.

Also, due to careful coordination, trains operated through the area without delays during the year-long project. Finally, by delivering the site ahead of schedule, Amtrak earned a monetary credit in its contract with the consortium of Bombardier and GEC ALSTHOM, which is building the maintenance facility and the fleet of up to 18 high-speed trains.

Preparation for HSR continued throughout the corridor. Thanks to the cooperation of freight companies and commuter agencies Amtrak was able to maintain passenger service while electrification work progressed. Detailed track plans ensured that access to freight sidings was available for business deliveries carried by rail, and that the least amount of track was occupied by construction when commuters were in motion.

*The High-Speed Rail revolution begins in late 1999.*



*When it debuts in 1999, Amtrak's High-Speed Rail will slash the Washington, D.C. – New York City trip to two hours 45 minutes, and the New York– Boston segment to just three hours.*





Artist's rendering of the  
Bistro car in the new  
Talgo train.

Not only was the work of HSR evident on the tracks and yards of the corridor this year, but it even got into Harvard. Amtrak was named a semifinalist in the prestigious Innovations in American Government Awards, given by the Ford Foundation and Harvard's John F. Kennedy School of Government.

The company was recognized for its contract with Bombardier and GEC ALSTHOM to build the trainsets, and to maintain them for up to 20 years at a fixed annual price. The innovative approach was Amtrak's creative solution to the challenge of bringing world-class, high-speed train service to America by the end of the century, while completing the biggest restructuring in Amtrak's history.

In the coming year, Amtrak will unveil the HSR service brand. Production will begin on coaches, power cars, bistro cars, and high-horsepower locomotives; track work will continue; and the HSR test track in Pueblo, CO, will be prepared for testing of the new trainsets.

### Public-Private Partnership

In just one example of working with state partners to expand train service, Amtrak worked with state and federal officials, as well as representatives of the Nevada gaming community, to restore service between Southern California and Las Vegas through a unique public-private partnership.

Nearly half the visitors to Las Vegas originate in Southern California, according to the Las Vegas Convention and Visitor's Authority, and the gaming industry recognizes that the highways and airways linking Los Angeles and Las Vegas are at capacity. They now view rail as an important alternative for bringing visitors to their properties.

If public and private resources are identified, Amtrak anticipates daily service between Los Angeles and Las Vegas by the end of 1998, using a new Talgo train and F59 locomotives.

### Capital Funding

After many hours of congressional testimony and floor debates, the 1997 fiscal year had just ended when Amtrak achieved its top legislative goal, securing an infusion of capital funding.

The \$2.3-billion fund, which is payable over the next two years, is a significant first step toward the \$4 billion in federal capital investment that Amtrak will require to reach operational self-sufficiency.

A broad coalition of employees, state and local partners, vendors, environmental organizations, and customers worked together to convince Congress and the administration that this capital is critical to the future of viable intercity passenger rail service in the United States.

Amtrak hopes to build upon this success in the second session of the 105th Congress by vigorously pursuing the remainder of the necessary capital funding.

In another strong sign of national support for intercity passenger rail, the five-year reauthorization of Amtrak approved by Congress also reforms the company's operations and enables it to act more like a business.

*Government  
support of  
passenger rail  
service is virtually  
universal. On a  
per-capita basis,  
Germany spends  
nearly 70 times  
what the U.S.  
does.*



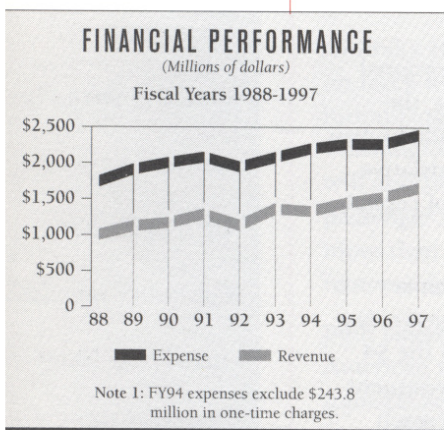
## MANAGEMENT'S DISCUSSION & ANALYSIS

### of Results of Operations and Financial Conditions

#### Results of Operations

Amtrak reported a 1997 net loss of \$761.9 million compared with a 1996 net loss of \$763.6 million.

This result reflects a 7.6% increase in total revenues to \$1,673.7 million in 1997 compared to \$1,554.8 million in 1996. Gains in passenger related, other core and commuter revenues were primarily responsible for this improvement. Graph A displays Amtrak's financial performance from 1988 to 1997.



Graph A

Passenger-related revenues increased 7.2% to over \$1 billion in 1997 from \$964.9 million in 1996 as a result of a ticket yield increase of 5.3% and ridership increase of 2.7%. Ridership increased to 20.2 million compared to 19.7 million in the prior year. Other core

revenues increased as a result of the sales of telecommunication rights and property in the northeast corridor and the sale of an interest in an insurance company.

Total expenses increased 5.1% to \$2,435.6 million in 1997 versus \$2,318.4 million in 1996. This primarily reflected higher salaries, wages and benefits; train operations expenses; and interest expense. Expenses related to maintenance-of-way goods and advertising and sales decreased. More detail is provided for revenues and expenses further in the discussion.

In 1997 and 1996 Amtrak received \$222.5 million and \$285 million in federal operating grants, respectively, and \$142 million and \$120 million of federal payments for excess mandatory RRTA expenses, respectively. These contributions are in addition to the revenues reported in the financial statements. The contributions

can be seen on the consolidated statements of cash flows and statements of changes in capitalization.

In 1994 Congress and the Administration directed Amtrak to develop a strategy to achieve operating self-sufficiency by the year 2002. Accordingly, in December 1994, Amtrak's Board of Directors adopted a strategic and business plan to significantly reduce federal operating grants. Results in 1995 substantially were on track with the strategic plan. Results in 1997 and 1996, however, did not meet plan expectations by \$26.1 million and \$82.2 million, respectively. For these two years Amtrak had shortfalls in operating grants compared to the strategic and business plan above totaling \$138.5 million.

The 1997 results included both revenue and cost saving plan actions which were not achieved, offset by new actions in the year which had not been anticipated, primarily the sale of telecommunication rights and property in the northeast corridor. Short-term borrowings under Amtrak's lines of credit at the end of 1997 were \$75 million compared to planned borrowings of \$57.6 million.

Subsequent to fiscal year end, federal legislation was passed that (i) provides Amtrak access to \$2.1 billion to fund capital expenditure needs, (ii) authorizes significant reforms to Amtrak operations, (iii) specifies a goal of operating self-sufficiency in the next five years, and (iv) establishes new and additional oversight processes. While the combination of these events are essential elements in Amtrak's future viability, Amtrak still has many significant challenges to reach operating self-sufficiency and guarantee its survival into the future. See further discussion under Financial Condition and Liquidity.



## Revenues

Graph B displays the sources of Amtrak revenue in 1997.

**Passenger-related revenue** (including transportation, food and beverage revenue and state contributions)

increased by 7.2% to \$1,034.0 million in 1997 from \$964.9 million in 1996. The product lines with the most significant revenue growth were Amtrak Intercity's Atlantic Coast, Western, Gulf Coast and *Auto Train*®; NEC's *Metroliner*®; NortheastDirect® and *Empire*; and Amtrak West's® *Coast Starlight*

and California Corridor. The revenue improvement reflected increases in ridership (2.7%), passenger miles (2.3%), seat miles (1.9%), and ticket yield (5.3%).

The state contributions increased 9.2% to \$70.1 million in 1997 from \$64.2 million in 1996. These state subsidies vary inversely with Amtrak's performance as these payments are a partial reimbursement, tied to the level of Amtrak unrecovered costs. The favorable variance between 1997 and 1996 resulted from higher levels of contributions from states. Subsidies were higher from the states of California, Missouri, New York, North Carolina, Oregon, Vermont and Washington.

**Other core revenues** (from commuter fees, freight railroad access fees, real estate operations and development, mail, baggage and express, interest and other) increased 23.7% to \$307.0 million in 1997 from \$248.1 million in 1996. This increase is principally the result of sales of telecommunication rights (\$48.0 million), property (\$21.3 million) and an insurance company's stock (\$8.6 million).

Mail revenue also increased 5.8%, to \$66.7 million in 1997 from \$63.1 million in 1996. This growth largely

reflects new business with the U.S. Postal Service as a result of holiday mail, heavier shipping demand in certain lanes and the UPS strike.

Express revenue was level over the two years. In the latter part of 1997, Amtrak initiated an express pilot project. Although the impact on 1997 was not material, this project is expected to have a very positive impact in 1998. Amtrak has taken delivery of the equipment to support this initiative. Currently, Amtrak is awaiting a ruling by the Surface Transportation Board to determine restrictions on this project, if any.

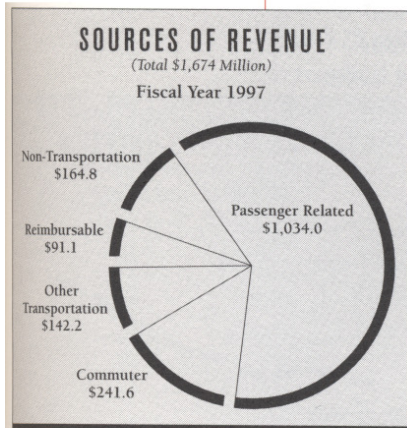
Partially offsetting the increases above was a decrease in fees for use of Amtrak's right-of-way by commuter rail companies, which totaled \$72.5 million in 1997 versus \$84.4 million in 1996. Revenue in 1996 included access fees from the Massachusetts Bay Transportation Authority (MBTA) which are included in their commuter operating revenue in 1997.

Freight railroad access fees also decreased 13.3% to \$15.7 million in 1997 from \$18.1 million in 1996. This decrease was due principally to decreased net activity by certain freight railroads on Amtrak-owned rail.

Interest income decreased to \$3.9 million in 1997 from \$4.9 million in 1996 reflecting primarily a decrease in average cash balances.

The \$9.2 million remaining balance of safe harbor revenue from the 1981 sale of tax benefits associated with certain qualified assets was recorded in 1996.

**Commuter operating revenue** increased 3.1% to \$241.6 million in 1997 from \$234.4 million in 1996. The increase primarily reflected higher revenue from Massachusetts Bay Transportation Authority (MBTA) as a result of the inclusion of access fees in the commuter revenue beginning in 1997. This revenue was included in other core revenue in 1996. In



Graph B



addition, 1996 included revenue from Maryland Area Rail Commuter Service related to prior periods and to a one time contribution.

**Reimbursable revenues** decreased 15.3% to \$91.1 million in 1997 from \$107.5 million in 1996. This decrease primarily reflects lower maintenance of way reimbursable revenue due to reduced funding levels by Long Island Rail Road, New Jersey Transit, New York City and Maryland DOT involving construction work.

## Expenses

Graph C displays the categories of expense for Amtrak in 1997.

**Salaries, wages, and benefits** increased 5.0% to \$1,298.5 million in 1997 from \$1,236.3 million in 1996. During 1997 there was a 1.7% increase in the workforce. Employee

benefits expenses increased 6.5% primarily reflecting higher Railroad Retirement and other payroll taxes along with increased union health and welfare benefit costs.

Also, subsequent to year end 1997, Amtrak approved and the Brotherhood of Maintenance of Way Employees (BMWE) ratified an agreement which provided

for wage increases for the period July 1995 through December 1999, to be paid over the next three years. A liability for the retroactive portion of this increase is included in the 1997 Consolidated Balance Sheet. This agreement also includes certain work rule changes and contingencies related to Amtrak's funding. Amtrak has labor agreements with 12 other labor unions which are up for renegotiation. While it is possible these unions will enter into negotiations to secure agreements similar to that of

the BMWE, any amounts related to such agreements cannot be reasonably estimated.

## Non-labor train operations expenses

increased 14.0% to \$365.4 million in 1997 from \$320.5 million in 1996. These expenses include fuel and electric power along with maintenance of equipment and food, beverages and supplies to support on board services, all of which reflected increases in the period.

**Facility and office costs** increased 3.2% to \$187.1 million in 1997 from \$181.3 million in 1996 as a result of higher building maintenance and communication costs.

**Expenses related to maintenance-of-way goods and services** decreased 22.9% to \$45.8 million in 1997 from \$59.4 million in 1996. The decrease is associated with work performed by Amtrak for other parties.

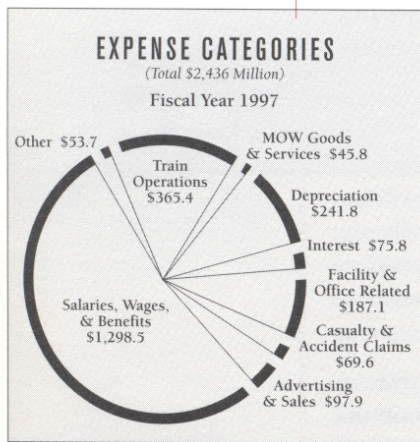
**Advertising and sales costs** decreased 9.9% to \$97.9 million in 1997 from \$108.6 million in 1996, primarily reflecting lower advertising expenses.

**Casualty and accident claims expense** increased 5.8% to \$69.6 million in 1997 from \$65.8 million in 1996. This increase results from higher costs of incidents.

**Interest expense** increased 25.9% to \$75.8 million in 1997 from \$60.2 million in 1996, primarily as a result of increased borrowings related to rolling stock equipment.

**Depreciation and amortization expense** increased 1.6% to \$241.8 million in 1997 from \$238.0 million in 1996, principally due to purchases of equipment.

**Other expenses** increased to \$53.7 million in 1997 from \$48.3 million in 1996. This increase reflects in part higher costs related to computer services.



Graph C



## Financial Condition and Liquidity

At September 30, 1997, Amtrak had cash and cash equivalents of \$36.4 million. The working capital ratio decreased to .42 in 1997 from .52 in 1996. Current debt and capital lease obligations increased by \$62.3 million as \$75 million of borrowings were required to fund current operations.

Graph D displays Amtrak's working capital ratio from 1988 to 1997.

Long-term debt and capital lease obligations increased \$287.1 million related to equipment purchases.

Amtrak has a \$150 million unsecured bank credit facility expiring in

December 1998. Borrowings under this agreement bear interest based on the London Interbank Offered Rate (LIBOR), certificate of deposit rates, or prime rate and are subject to certain conditions. Amtrak pays various fees on its credit lines.

In November 1997 Amtrak secured financing related to 250 material handling cars and has also financed 283 RoadRailers. This equipment is in support of the express pilot project. Amtrak is also planning a major strategic acquisition and investment involving high-speed train service which will include 18 trainsets, 15 locomotives, and related maintenance facilities. When complete, Amtrak estimates that this investment will result in additional

borrowings totaling in excess of \$800 million by fiscal year 2000.

As shown in Graph E, Amtrak has shown improvement in its operating ratio (the ratio of total expenses to total revenue) improving from 1.59 in 1988 to 1.46 in 1997.

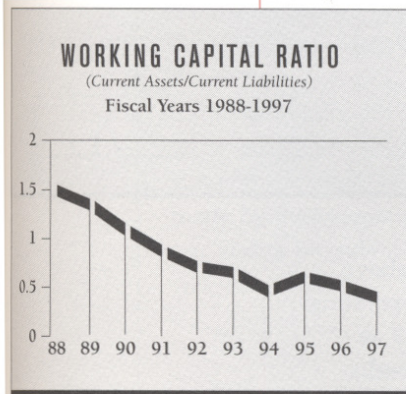
## Outlook

Subsequent to year end, federal legislation was passed which had a significant positive impact on Amtrak's financial condition. Following is a discussion of this legislation.

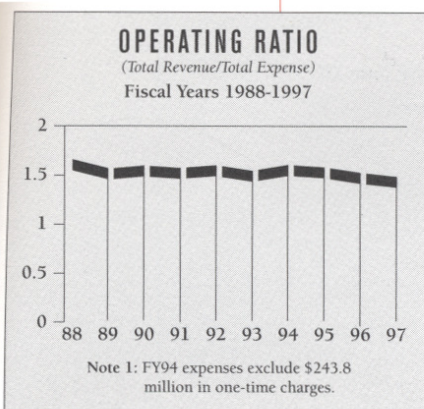
The Amtrak Reform and Accountability Act of 1997 provides Amtrak access to \$2.1 billion under the Taxpayer Relief Act of 1997 and authorizes operating and capital grants for 1998 through 2002.

These grants decline from \$1,138 million in 1998 to \$955 million in 2002 reflecting gradually reducing operating grants. Significant components of the Act also include repeal of the requirement for Amtrak to operate a federally-mandated basic route system for passenger service, authorization for Amtrak to negotiate changes in how it contracts out certain labor functions, significant liability reforms and replacement of the existing Board of Directors. In addition, the Act provides for the establishment of a Reform Council, responsible to Congress, to review, evaluate and recommend changes to improve Amtrak's financial performance. The Council is required to provide quarterly reports to Congress; if at any time more than two years after enactment of the law the Council finds that Amtrak will not meet the goal of operating self-sufficiency by 2002, plans for Amtrak's restructuring or liquidation will begin. Therefore, it will be critical for Amtrak to continue its efforts to improve operations, further reduce costs, and increase revenues.

The Taxpayer Relief Act of 1997 provides Amtrak with \$2.1 billion in funds to be used for qualified expenditures as defined in the Act, which include future equipment and facility acquisitions and improvements, as well as any interest and debt associated with these purchases. Amtrak expects to be dependent on federal capital expenditure grants well into the future. Although this funding



Graph D



Graph E



	Intercity		NEC		West		Corporate		Total	
	FY96	FY97	FY96	FY97	FY96	FY97	FY96	FY97	FY96	FY97
REVENUE	\$ 483.8	\$ 515.1	\$ 867.9	\$ 931.4	\$ 184.1	\$ 204.5	\$ 19.0	\$ 22.7	\$1,554.8	\$1,673.7
EXPENSES	<u>738.5</u>	<u>801.1</u>	<u>1,018.9</u>	<u>1,053.2</u>	<u>272.0</u>	<u>284.1</u>	<u>289.0</u>	<u>297.3</u>	<u>2,318.4</u>	<u>2,435.7</u>
Operating Loss	(254.7)	(286.0)	(151.0)	(121.8)	(87.9)	(79.6)	(270.0)	(274.6)	(763.6)	(762.0)
Federal Operating Grant	7.0	22.5	—	—	—	—	—	—	285.0	222.5
Other Federal Contributions	<u>62.2</u>	<u>98.1</u>	<u>65.4</u>	<u>83.6</u>	<u>13.3</u>	<u>23.2</u>	<u>15.5</u>	<u>16.6</u>	<u>156.4</u>	<u>221.5</u>
Net Operating Loss	(185.5)	(165.4)	(85.6)	(38.2)	(74.6)	(56.4)	(254.5)	(258.0)	(322.2)	(318.0)
Noncash	<u>80.1</u>	<u>90.9</u>	<u>142.0</u>	<u>146.0</u>	<u>14.7</u>	<u>14.2</u>	<u>3.2</u>	<u>(3.5)</u>	<u>240.0</u>	<u>247.6</u>
Budget Result	<u>\$ (105.4)</u>	<u>\$ (74.5)</u>	<u>\$ 56.4</u>	<u>\$ 107.8</u>	<u>\$ (59.9)</u>	<u>\$ (42.2)</u>	<u>\$ (251.3)</u>	<u>\$ (261.5)</u>	<u>\$ (82.2)</u>	<u>\$ (70.4)</u>

**Table 1**  
FY 1996 and 1997 operating  
results by major business unit  
in millions of dollars.

significantly improves Amtrak's ability to achieve its capital goals in the nearer term, it does not address Amtrak's longer term needs for a dedicated capital funding source.

### Results of Major Business Units

One of Amtrak's most important initiatives in 1995 was to create strategic business units to provide greater market awareness, competitiveness, and customer focus.

Table 1 shows the 1996 and 1997 operating results for Amtrak's three strategic business units—the Intercity, Northeast Corridor, and Amtrak West—and for the corporate service centers and offices which collectively serve all three units. This data is supplemental, unaudited information. Note that the federal operating grant (except for \$7 million in 1996 and \$22.5 million in 1997) is attributed to the company as a whole rather than any individual organizational unit.

As can be seen in the table above, the Intercity business unit operating loss was unfavorable in 1997 as compared to 1996. These results reflect primarily increased costs related to: financing new equipment; wages and benefits; maintenance of equipment; and fuel, which were partially offset by higher passenger related revenues.

The Northeast Corridor business unit revenues increased for the core and commuter lines of business. The core increase reflected higher passenger revenues and telecommunication rights and property sales. Higher expenses were primarily related to wages and benefits, fuel and power and advertising.

The West business unit results were favorable reflecting higher passenger and state supported revenue partially offset by higher costs for wages and benefits, equipment maintenance, and schedule adherence.

Corporate revenues reflect the sale of stock in 1997 and safe harbor revenue in 1996.



# REPORT OF INDEPENDENT ACCOUNTANTS

## To the Board of Directors of National Railroad Passenger Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, cash flows, and changes in capitalization present fairly, in all material respects, the financial position of National Railroad Passenger Corporation (Amtrak) and its subsidiaries at September 30, 1997 and 1996, and the results of their operations and their cash flows for the years then ended in conformity with generally accepted accounting principles. 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 of these statements in accordance with generally accepted auditing standards which require that we plan and perform the 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

*Price Waterhouse CP*

Arlington, Virginia  
December 18, 1997

National  
Railroad  
Passenger  
Corporation  
and  
Subsidiaries  
(Amtrak)



# CONSOLIDATED BALANCE SHEETS

National  
Railroad  
Passenger  
Corporation  
and  
Subsidiaries  
(Amtrak)

## Assets:

September 30,  
1997

September 30,  
1996

(Thousands of dollars)

### Current Assets:

Cash and cash equivalents .....	\$ 36,376	\$ 21,168
Accounts receivable, net of allowance for doubtful accounts of \$629 and \$6,366 in 1997 and 1996, respectively .....	81,647	81,889
Materials and supplies .....	91,201	104,799
Other current assets .....	12,010	4,330
<b>Total current assets .....</b>	<b>221,234</b>	<b>212,186</b>

### Property and Equipment:

Property and equipment .....	8,275,366	7,395,482
Less - Accumulated depreciation and amortization .....	(2,841,163)	(2,605,599)
	<u>5,434,203</u>	<u>4,789,883</u>

Other Assets and Deferred Charges .....	81,869	73,593
<b>Total assets .....</b>	<b>\$ 5,737,306</b>	<b>\$ 5,075,662</b>



**Liabilities and Capitalization:**

September 30,      September 30,  
1997                      1996  
(Thousands of dollars)

National  
Railroad  
Passenger  
Corporation  
and  
Subsidiaries  
(Amtrak)

**Current Liabilities:**

Accounts payable .....	\$ 191,627	\$ 162,570
Accrued expenses and other current liabilities .....	161,571	151,051
Deferred ticket revenue .....	47,740	36,106
Current debt and capital lease obligations .....	120,188	57,854
<b>Total current liabilities</b> .....	<b>521,126</b>	<b>407,581</b>

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

Capital lease obligations .....	791,193	552,230
Equipment and other debt .....	425,044	376,911
	<b>1,216,237</b>	<b>929,141</b>

**Other Liabilities and Deferred Credits:**

Casualty reserves .....	138,453	155,795
Postretirement employee benefits obligation .....	115,549	111,294
Advances from railroads and commuter agencies .....	15,258	15,884
Environmental reserve .....	49,383	39,454
Other .....	1,455	6,106
	<b>320,098</b>	<b>328,533</b>
<b>Total liabilities</b> .....	<b>2,057,461</b>	<b>1,665,255</b>

**Commitments and Contingencies****Capitalization (see Consolidated Statements of**

<b>Changes in Capitalization)</b> .....	<b>3,679,845</b>	<b>3,410,407</b>
<b>Total liabilities and capitalization</b> .....	<b>\$5,737,306</b>	<b>\$5,075,662</b>

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,      September 30,  
1997                      1996  
*(Thousands of dollars)*

**Revenues:**

Passenger related .....	<b>\$1,034,004</b>	\$ 964,867
Other .....	<b>306,992</b>	248,086
<b>Total revenues from Core business .....</b>	<b>1,340,996</b>	1,212,953
Commuter .....	<b>241,570</b>	234,378
Reimbursable .....	<b>91,138</b>	107,505
<b>Total revenues .....</b>	<b>1,673,704</b>	1,554,836

**Expenses:**

Salaries, wages, and benefits .....	<b>1,298,477</b>	1,236,257
Train operations .....	<b>365,413</b>	320,542
Facility and office related .....	<b>187,112</b>	181,333
Maintenance of way goods and services .....	<b>45,803</b>	59,369
Advertising and sales .....	<b>97,888</b>	108,590
Casualty and accident claims .....	<b>69,621</b>	65,818
Interest .....	<b>75,844</b>	60,223
Depreciation and amortization .....	<b>241,764</b>	237,972
Other .....	<b>53,731</b>	48,310
<b>Total expenses .....</b>	<b>2,435,653</b>	2,318,414
<b>Net loss .....</b>	<b>\$ 761,949</b>	\$ 763,578

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



# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended

September 30,  
1997

September 30,  
1996

(Thousands of dollars)

National  
Railroad  
Passenger  
Corporation  
and  
Subsidiaries  
(Amtrak)

## Cash Flows From Operating Activities:

Net loss	\$ (761,949)	\$(763,578)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	241,764	237,972
Provision for losses on accounts receivable	3,172	4,309
Provision for inventory loss and obsolescence	14,157	-
Other	(2,127)	-
Changes in assets and liabilities:		
Decrease in accounts receivable	19,970	3,761
Increase in materials and supplies	(559)	(2,967)
(Increase) decrease in other current assets	(7,680)	4,235
Increase in other assets and deferred charges	(9,621)	(3,319)
Increase in accounts payable, deferred ticket revenue, and accrued expenses and other current liabilities	65,185	23,563
Decrease in other liabilities and deferred credits	(8,435)	(19,893)
<b>Net cash used in operating activities</b>	<b>(446,123)</b>	<b>(515,917)</b>

## Cash Flows From Investing Activities:

Purchases and refurbishments of property and equipment	(560,443)	(419,522)
Proceeds from disposals of property and equipment	2,886	3,082
Cash released from restricted proceeds of tax benefits sales	-	9,125
Cash investments	-	(54)
Proceeds from dispositions of cash investments	-	54
<b>Net cash used in investing activities</b>	<b>(557,557)</b>	<b>(407,315)</b>

## Cash Flows From Financing Activities:

Proceeds from issuance of preferred stock	602,100	619,100
Proceeds from federal paid-in capital	385,597	270,842
Proceeds from federal and state capital payments	20,790	23,563
Proceeds from debt and lease financings	181,483	41,553
Repayments of debt and capital lease obligations	(171,082)	(38,500)
<b>Net cash provided by financing activities</b>	<b>1,018,888</b>	<b>916,558</b>
Net increase (decrease) in cash and cash equivalents	15,208	(6,674)
Cash and cash equivalents—beginning of year	21,168	27,842
Cash and cash equivalents—end of year	<u>\$ 36,376</u>	<u>\$ 21,168</u>

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1997 and 1996

National  
Railroad  
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(Amtrak)

At the close of fiscal year 1997, management estimated it would end fiscal year 1998 with a cash shortfall of \$312 million, absent the success of any initiatives to further improve revenues and reduce costs. The combination of lower than expected operating grants, lack of a dedicated source for capital funding, unsuccessful efforts to revise operations, and delays in needed legislative reforms resulted in a prediction that without significant improvement Amtrak risked insolvency. In its fiscal year 1998-2000 Strategic Business Plan, Amtrak developed plans to reduce the projected fiscal year 1998 cash shortfall to \$100 million. Amtrak expected to cover its projected fiscal year 1998 cash shortfall through borrowings from private lending institutions under a line of credit facility.

Subsequent to fiscal year-end, federal legislation was passed that (i) provides Amtrak access to \$2.1 billion to fund capital expenditure needs, (ii) authorizes significant reforms to Amtrak operations, (iii) specifies a goal of operating self-sufficiency in the next five years, and (iv) establishes new and additional oversight processes. While the combination of these events essentially eliminates the risk of insolvency in fiscal year 1998, Amtrak must continue on a path toward reaching operating self-sufficiency in order to guarantee its survival into the future.

Also subsequent to fiscal year end, Amtrak and the Brotherhood of Maintenance of Way Employees (BMWE) ratified an agreement which provided for wage increases for the period July 1995 through December 1999, to be paid over the next three years. A liability for the retroactive portion of this increase is included in the 1997 Consolidated Balance Sheet. This agreement also includes certain work rule changes and contingencies related to Amtrak's funding. Amtrak has labor agreements with 12 other labor unions which are up for renegotiation. While it is possible these unions will enter into negotiations to secure agreements similar to that of the BMWE, any amounts related to such agreements cannot be reasonably estimated.

## **Amtrak Reform and Accountability Act of 1997**

In 1994, Congress and the Administration directed Amtrak to develop a strategy to achieve operating self-sufficiency by 2002. Accordingly, in December 1994, Amtrak's Board of Directors adopted a 1995-2000 strategic business plan to

achieve the elimination or significant reduction of federal operating grants.

The Amtrak Reform and Accountability Act of 1997 (Public Law 105-134) reinforces the requirement for Amtrak to reach operating self-sufficiency, and authorizes gradually reducing operating grants through 2002. Significant components of the Act include repeal of the requirement for Amtrak to operate a federally-mandated basic route system for passenger service, and the statutorily prescribed protections for employees affected by a route discontinuance, authorization for Amtrak to negotiate changes in how it contracts out certain labor functions, significant liability reforms and replacement of the existing Board of Directors. In addition, the Act provides for the establishment of a Reform Council, responsible to Congress, to review, evaluate and recommend changes to improve Amtrak's financial performance. The Council is required to provide quarterly reports to Congress; if at any time more than two years after enactment of the law the Council finds that Amtrak will not meet the goal of operating self-sufficiency by 2002, plans for Amtrak's restructuring or liquidation will begin. Therefore, it will be critical for Amtrak to continue its efforts to improve operations, further reduce costs, and increase revenues.

## **Taxpayer Relief Act of 1997**

Amtrak expects to be dependent on federal capital expenditure grants well into the future to fund major repairs to and replacements of its facilities, railway, and equipment, and for repayment of principal under long-term loans and lease arrangements. Federal capital grants will also be necessary for Amtrak to realize the revenue expected from planned new service lines, such as high-speed rail service, mail and express services.

The Taxpayer Relief Act of 1997 (Public Law 105-34) provides Amtrak with \$2.1 billion in funds to be used for qualified expenditures as defined in the Act, which include future equipment and facility acquisitions and improvements, as well as the related interest and debt principal obligations incurred for such acquisitions and improvements. While this funding significantly improves Amtrak's ability to achieve its capital goals in the nearer future, it does not address Amtrak's longer term needs for a dedicated capital funding source.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1997 and 1996

## Outlook

Amtrak management continues to seek and plan for increased revenues, operating changes to reduce costs and increase efficiency, and a predictable capital expenditure funding flow. Although neither management's success in attaining operational self-sufficiency in the established time frame nor the company's ability to secure a longer term source for capital expenditures funding can be predicted, the events above improve Amtrak's ability to achieve these goals.

## Note 4: 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 prior to December 2, 1997, the Rail Passenger Service Act (49 U.S.C. 24304) required 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 105-66 approved on October 27, 1997, provides \$543,000,000 in federal funds to Amtrak for fiscal year 1998, of which \$344,000,000 is for operating purposes and designated mandatory passenger rail service payments, and \$199,000,000 for capital improvements. Currently the law specifies that Amtrak's access to the \$2.1 billion in tax refunds under the Taxpayer Relief Act of 1997 (see Note 3) will make it ineligible for the \$199,000,000 for capital 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.

## Note 5: Preferred and Common Stock

At September 30, 1997, 106,334,478 shares of \$100 par value preferred stock were authorized, all of which were issued and outstanding. During October 1997, 783,000 shares were issued at par value increasing the total number of authorized shares issued and outstanding to 107,117,478. At September 30, 1996, 100,313,478 shares were authorized, all of which 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. Prior to March 2, 1998, the preferred stockholder was 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.

The Amtrak Reform and Accountability Act (see Note 3) results in significant modifications to Amtrak's capital structure. The Act abolishes the voting rights and the liquidation preference of the preferred stockholder, and continued accrual of the 6% annual cumulative preferred stock dividend; and establishes that no additional preferred stock will be issued by Amtrak in exchange for federal grants received. The Act also requires that Amtrak redeem at fair market value the shares of common stock outstanding as of December 2, 1997, by the end of fiscal year 2002.

At September 30, 1997 and 1996, 10,000,000 shares of \$10 par value common stock were authorized, of which 9,385,694 shares were issued and outstanding.

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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1997 and 1996

National  
Railroad  
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## Note 6: Property and Equipment

Total fixed assets presented in the Consolidated Balance Sheets consisted of the following at September 30, 1997 and 1996 (in thousands):

	1997	1996
Locomotives .....	\$ 901,046	\$ 647,354
Passenger cars .....	2,044,042	1,992,870
Other rolling stock .....	170,845	149,341
Right-of-way properties .....	3,687,783	3,237,020
Other properties .....	1,260,352	1,166,037
Leasehold improvements .....	211,298	202,860
	<u>8,275,366</u>	<u>7,395,482</u>
Less—Accumulated depreciation and amortization .....	(2,841,163)	(2,605,599)
Net property and equipment .....	<u>\$ 5,434,203</u>	<u>\$ 4,789,883</u>

## Note 7: Borrowing Arrangements

Total equipment and other debt presented in the Consolidated Balance Sheets consisted of the following at September 30, 1997 and 1996 (in thousands):

	1997		1996	
	Current	Long-term	Current	Long-term
Equipment obligations .....	\$10,260	\$347,935	\$ 4,751	\$292,049
Credit agreements .....	78,000	-	34,500	3,000
Notes payable .....	5,540	32,059	5,540	31,999
Bonds .....	-	30,000	-	30,000
Construction loan .....	4,683	2,823	4,683	7,506
UDAG loan .....	130	12,227	130	12,357
	<u>\$98,613</u>	<u>\$425,044</u>	<u>\$49,604</u>	<u>\$376,911</u>

Under separate base order and option order financing arrangements, Amtrak has taken delivery of 195 passenger cars. Principal repayments of all remaining outstanding debt pertaining to the 140 base order cars are due in consecutive quarterly installments through September 2015. Principal repayments of all outstanding debt pertaining to the 55 option cars are due in consecutive quarterly installments through October 2016. Interest on the base order is fixed while interest on the option order debt is LIBOR based. All outstanding base and option order debt amounts are secured by the finished passenger cars.

Under a financing arrangement Amtrak has taken delivery of 50 passenger cars. The related borrowing bears interest at the LIBOR and management intends to refinance it on a long-term basis.

Amtrak had a \$150,000,000 revolving credit facility with a consortium of banks expiring in December 1997. Borrowings under this agreement bore interest based on the London Interbank Offered Rate (LIBOR), certificate of deposit rates, prime rate, or federal funds rate. Amtrak paid various fees on these credit lines. As of September 30, 1997, Amtrak had drawn



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1997 and 1996

\$75,000,000 from this facility, all of which was repaid in October 1997. In December 1997, Amtrak secured a new \$150,000,000 revolving credit facility with a consortium of banks under substantially the same terms, expiring in December 1998.

Under a credit agreement, Amtrak has a \$3,000,000 outstanding balance at September 30, 1997, bearing interest at the LIBOR. This amount is being repaid in \$1,500,000 quarterly installments through March 1998.

Under a term note, Amtrak has a \$4,095,000 outstanding balance due at September 30, 1997, bearing interest at the LIBOR. This amount is being repaid in \$585,000 quarterly installments through June 1999. Amtrak acquired a parking facility located in Chicago in exchange for a \$20,000,000 promissory note bearing a fixed rate of interest and due in full in December 2003. The seller has secured a mortgage on the facility as well as an irrevocable unconditional \$4,000,000 letter of credit as collateral.

At September 30, 1997, CUS is obligated to repay \$7,904,000 under a noninterest bearing note payable. The note is being repaid in \$3,200,000 annual installments each October 31st through 1997, and on November 2, 1998. The remaining balance is then due on November 1, 1999. Amtrak is guaranteeing payment of all amounts due.

Included in TSL's long-term debt at September 30, 1997 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. Amtrak is required to make annual deposits into a sinking fund to be used to pay off the bonds when they mature. As of September 30, 1997 Amtrak's aggregate deposits into the fund were \$3,000,000. 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, 1996. Principal is being repaid in \$130,000 annual installments each November 29th through 2011 with the balance due on November 29, 2012. 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 interest-bearing borrowings was 7.0% and 7.2% per annum at September 30, 1997 and 1996, respectively.

At September 30, 1997, scheduled maturities of long-term equipment and other debt over the next five years are as follows:

Year Ending September 30	Amounts (In Thousands)
1998 .....	\$ 98,613
1999 .....	25,633
2000 .....	14,600
2001 .....	12,560
2002 .....	13,262
Thereafter .....	358,989
	<u>\$523,657</u>

## Note 8: Leasing Arrangements

### Capital Leases

Amtrak leases items of equipment, primarily passenger cars and locomotives, under capital leasing arrangements. At September 30, 1997 and 1996, the gross amount of assets recorded under capital leases was \$881,071,000 (55% for locomotives, 42% for passenger cars, and 3% for other assets), and \$638,505,000 (34% for locomotives, 58% for passenger cars, and 8% for other assets), respectively, with accumulated amortization of \$148,645,000 and \$130,960,000, respectively. At September 30, 1997, future minimum lease payments under capital leases were as follows:

National  
Railroad  
Passenger  
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Subsidiaries  
(Amtrak)



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1997 and 1996

National  
Railroad  
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Corporation  
and  
Subsidiaries  
(Amtrak)

Year Ending September 30	Amounts (In Thousands)
1998 .....	\$ 73,694
1999 .....	71,898
2000 .....	72,112
2001 .....	80,883
2002 .....	77,483
Thereafter .....	1,014,249
	<u>1,390,319</u>
Less amount representing interest .....	<u>577,551</u>
Present value of minimum lease payments at September 30, 1997 .....	<u>\$ 812,768</u>

## Operating Leases

At September 30, 1997, Amtrak was obligated for the following minimum rental payments, principally for station and office space, under operating leases that have initial or remaining noncancelable lease terms in excess of one year:

Year Ending September 30	Amounts (In Thousands)
1998 .....	\$ 10,970
1999 .....	11,403
2000 .....	11,117
2001 .....	10,254
2002 .....	9,786
Thereafter .....	88,810
	<u>\$142,340</u>

Rent expense for the years ended September 30, 1997 and 1996 was \$32,684,000 and \$28,805,000, respectively.

## Note 9: Investment in Captive Insurance Company

In January 1997, Amtrak organized and acquired a 100% interest in PRIL through an \$8,182,000 capital infusion. Incorporated under the laws of Bermuda on December 18, 1996, as a Class I captive insurance company, PRIL provides property insurance coverage to Amtrak, and insurance covering Amtrak employees performing third-party work. PRIL reinsures a significant portion of the risk it assumes.

## Note 10: Contingencies

Amtrak is involved in various litigation and arbitration in the normal course of business. 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 \$10,000,000 to \$200,000,000 is provided through a railroad industry captive insurance company and commercial insurance companies. The Amtrak Reform and Accountability Act of 1997 limits the amount passengers may recover from a single accident to an aggregate of \$200,000,000.

## Note 11: 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 periodically contribute amounts recommended by outside actuaries. The following tables set forth the Plan's funded status, amounts recognized in the Consolidated Balance Sheets at September 30, 1997 and 1996, and components of the net pension expense for 1997 and 1996:



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended September 30, 1997 and 1996

	1997	1996
	(Thousands of dollars)	
Actuarial present value of benefit obligations:		
Accumulated benefit obligation, including vested benefits of \$83,499 and \$81,170, respectively	\$ 84,132	\$ 82,013
Plan assets at fair value, primarily fixed income investments and listed stocks	\$142,156	\$121,085
Projected benefit obligation for service rendered to date	107,698	101,328
Plan assets in excess of projected benefit obligation	34,458	19,757
Unrecognized prior service cost being amortized over 13.9 years	4,244	5,031
Unrecognized net gain	(44,701)	(29,203)
Unrecognized net asset existing at October 1, 1986 being amortized over 11.6 years	(690)	(1,735)
Other	(22)	-
Accrued pension expense recognized in Consolidated Balance Sheets	\$ (6,711)	\$ (6,150)
Net pension expense for 1997 and 1996 included the following components:		
Service cost—benefits earned during the period	\$ 3,913	\$ 3,837
Interest cost on projected benefit obligation	7,393	7,059
Actual return on Plan assets	(25,718)	(16,586)
Net amortization and deferral	14,350	6,695
Curtailment gain	-	(1,394)
Net pension credit	\$ (62)	\$ (389)

The weighted average discount rate used in determining the projected benefit obligation was 7.5% in 1997 and 1996. The projected rate of increase in future compensation levels was 4.0% in 1997 and 1996. The assumed long-term rate of return on Plan assets was 8.0% in 1997 and 1996. The unfunded accrued pension cost at September 30, 1986, is being amortized over the remaining average service life of Plan members, and \$203,000 and \$511,000, net of amortization, is included under "Postretirement employee benefits obligation" in the Consolidated Balance Sheets at September 30, 1997 and 1996, respectively.

## Other Postretirement Benefits

Amtrak provides medical benefits to its retirees and life insurance to some retirees in limited circumstances. Substantially all salaried employees may become eligible for medical benefits if they meet the service requirement and reach the normal retirement age while still working for Amtrak. Company-provided medical benefits are reduced when covered individuals become eligible for Medicare benefits or

reach age 65, whichever comes first. Medical benefits are subject to copayment provisions and other limitations. Amtrak continues to fund its postretirement benefits program on a pay-as-you-go basis. Cash payments on these benefits were \$4,069,000 and \$3,318,000 for 1997 and 1996, respectively. Effective January 1, 1997, Amtrak incorporated its railroad agreement employees' healthcare benefits into its single employer plan (Plan). These benefits are subject to the provisions of FAS 106, and resulted in a \$24,888,000 increase in the Plan's accumulated postretirement benefit obligation relating to prior years' service. This unrecognized prior service cost is being amortized to postretirement benefits expense over 20.7 years. Railroad agreement employees' life insurance benefits are covered by a separate multiemployer plan, and therefore are not subject to the provisions of FAS 106. The following tables set forth the liability recognized in the Consolidated Balance Sheets at September 30, 1997 and 1996 and components of the net postretirement benefits expense for 1997 and 1996:

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# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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	1997	1996
	(Thousands of dollars)	
Accumulated postretirement benefit obligation:		
Former employees . . . . .	\$ 40,686	\$ 38,288
Fully eligible active employees . . . . .	9,642	7,664
Other active employees . . . . .	62,295	31,983
Unrecognized prior service cost . . . . .	(24,287)	-
Unrecognized net gain . . . . .	23,621	28,197
Total postretirement benefits liability . . . . .	<u>\$111,957</u>	<u>\$106,132</u>
Net postretirement benefits expense for 1997 and 1996 included the following components:		
Service cost—benefits earned during the period . . . . .	\$ 3,521	\$ 2,488
Interest cost on accumulated benefit obligation . . . . .	6,895	5,461
Net amortization . . . . .	(522)	(1,450)
Curtailment gain . . . . .	-	(1,174)
Net postretirement benefits expense . . . . .	<u>\$ 9,894</u>	<u>\$ 5,325</u>

The weighted average discount rate used in determining the accumulated benefit obligation was 7.5% in 1997 and 1996. For measuring the expected benefit obligation, 7.0% and 7.5% annual rates of increase in the per capita claims cost were assumed for fiscal years 1997 and 1996, respectively. This rate was assumed to decrease to 6.5% in 1998, then gradually decrease to 4.5% by 2002, and remain at that level thereafter. If the assumed healthcare cost trend rate were increased by one percentage point each year, the 1997 net postretirement benefit expense and the related accumulated benefit obligation would increase by \$1,910,000 and \$18,367,000, respectively.

## Note 12: Environmental Matters

Some of Amtrak's past and present operations involve activities which are subject to extensive and changing federal and state environmental regulations which can give rise to environmental issues. As a result of its operations and acquired properties, Amtrak is from time to time involved in administrative and judicial proceedings and administrative inquiries related to environmental matters.

In 1976, Amtrak acquired its Northeast Corridor properties. These properties had been occupied and used for many years by a railroad which had declared bankruptcy during the early 1970's. It is Amtrak's policy to capitalize recoverable remediation costs for properties acquired with existing environmental conditions and to expense remediation costs incurred on properties for environmental clean-up matters occur-

ring after acquisition. This reserve is periodically adjusted based on Amtrak's present estimate of the costs it will incur related to these sites and/or actual expenditures made. At September 30, 1997 and 1996, the reserve balance stood at \$49,383,000 and \$39,454,000, respectively. Of these amounts \$48,803,000 and \$38,458,000 relate to estimated capitalizable costs to be incurred as of September 30, 1997 and 1996, respectively. Costs of future expenditures for environmental remediation obligations are not discounted to their present value. Accordingly, at September 30, 1997 and 1996, a deferred charge for each amount is included in the Consolidated Balance Sheets under "Deferred charges and other". Amtrak has not recorded any receivables for recoveries from other parties or from insurance because such recoveries are not sufficiently certain.

Amtrak's management and counsel believe that additional future remedial actions that might be taken or required, if any, will not be material to Amtrak's financial position.

## Note 13: Fair Value of Financial Instruments

For cash and cash equivalents and accounts receivable, the carrying amounts approximate fair value because of the short maturities of these instruments. The carrying amounts of the credit agreements, bonds, construction loan, and portions of notes payable and equipment obligations 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, 1997 and 1996

The estimated fair values of remaining equipment obligations and notes payable were based upon discounted cash flow analyses using interest rates available to Amtrak and CUS at September 30, 1997 and 1996 for debt with the same remaining maturities. Although by nature interest free, the UDAG loan was also valued based upon a discounted cash flow analysis using September 30, 1997 and 1996 market interest rates. The estimated fair values of these financial instruments are as follows (amounts in thousands):

	1997		1996	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Notes payable .....	\$ 37,599	\$ 28,346	\$ 37,539	\$ 27,646
Equipment obligations .....	\$358,195	\$370,320	\$296,800	\$303,886
UDAG loan .....	\$ 12,357	\$ 4,432	\$ 12,487	\$ 4,337

## Note 14: Restructuring Reserve

In 1994, Amtrak announced its plan for a major reorganization of the corporation around definable strategic business units (SBUs) and as a result recorded a restructuring charge. The charge included severance and other personnel reduction costs, as well as the writedown of old and inefficient rolling stock to be disposed of as routes and services were adjusted. Through 1996, workforce and equipment related charges were made against the reserve leaving a remaining reserve balance at September 30, 1996 of \$15,213,000. This balance is included in the Consolidated Balance Sheets under "Accrued expenses and other current liabilities" for 1996.

During 1997, final charges were made against the reserve relating to workforce severances and equipment disposals. The remaining reserve balance of \$11,160,000, virtually all equipment related, was reversed and credited to depreciation expense in the Consolidated Statements of Operations.

## Note 15: Supplemental Cash Flow Information

For the years ended September 30, 1997 and 1996, Amtrak engaged in the following investing and financing activities that affected recognized assets and liabilities, but did not result in a change in cash and cash equivalents (amounts in thousands):

	1997	1996
Net increase in obligation due to third-party lenders in connection with the construction and lease refinancing of passenger cars .....	\$ 71,229	\$112,810
Interest earned on escrowed proceeds of tax benefits sales .....	\$ -	\$ 112
Capital lease obligations incurred in connection with the leasing of new equipment .....	\$267,800	\$ 34,160

Cash interest of \$73,530,000 and \$62,890,000 was paid during the years ended September 30, 1997 and 1996, respectively.

National  
Railroad  
Passenger  
Corporation  
and  
Subsidiaries  
(Amtrak)



## MANAGEMENT REPORT

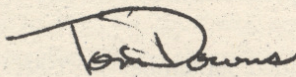
National  
Railroad  
Passenger  
Corporation  
and  
Subsidiaries  
(Amtrak)

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 judgment. Management considers that the financial statements present fairly Amtrak's financial position, results of operations, and cash flows.

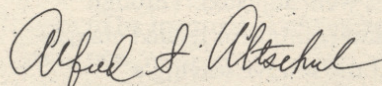
To meet its responsibility, management maintains a comprehensive system of internal controls, policies and procedures to assure the proper authorization of transactions, the safeguarding of assets and reliability of financial information. The system provides reasonable assurance, not absolute, that the related records fairly reflect all transactions in accordance with management's authorization, and are properly recorded so that reliable financial records are maintained and reports can be prepared. 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.

An important part of the internal controls system, is Amtrak's 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 reviews the system of internal controls and financial reporting. The Board 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 Price Waterhouse LLP has performed an independent examination of the financial statements and has full and free access to meet with the Board, without management representatives present, to discuss the results of the audit.



Thomas M. Downs  
Chairman, President and CEO



Alfred S. Altschul  
Chief Financial Officer



# STATISTICAL APPENDIX TO AMTRAK® FY97 ANNUAL REPORT

PERFORMANCE INDICATOR:		FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97
<b>Revenues: (in millions of dollars)</b>											
Transportation		703	801	85	887	856	870	809	808	838	895
Food & Beverage		64	69	75	78	74	73	71	66	63	69
403B Services		9	8	13	16	21	26	33	36	64	70
<b>Passenger Related</b>											
		775	879	942	980	950	969	913	910	965	1,034
Commuter Fees		58	73	76	80	81	84	83	92	84	72
Freight		27	21	18	15	17	16	17	19	18	16
Real Estate		40	52	39	39	34	42	38	31	37	55
Mail Baggage & Express		35	37	38	47	48	53	59	61	67	70
Other		38	50	46	32	16	22	42	64	41	94
<b>Other</b>											
		197	233	218	214	196	217	239	267	248	307
Commuter Operating		79	83	90	99	116	162	184	213	234	242
Reimbursable		55	75	58	65	63	55	77	107	108	91
<b>Total Revenue</b>		<b>1,107</b>	<b>1,269</b>	<b>1,308</b>	<b>1,359</b>	<b>1,325</b>	<b>1,403</b>	<b>1,413</b>	<b>1,497</b>	<b>1,555</b>	<b>1,674</b>
<b>Expenses: (in millions of dollars)</b>											
Salaries Wages and Overtime		680	722	738	733	746	811	856	865	857	893
Employee Benefits		287	312	338	342	330	343	349	355	354	377
Postretirement Benefits		-	-	-	-	-	-	101	-	-	-
Employee Related		14	19	21	19	20	23	24	21	25	29
Facility and Office Related		121	131	144	140	148	149	153	172	181	187
Train Operations		317	354	381	408	382	359	358	321	321	365
Maintenance of Way Goods and Services		40	48	40	40	42	43	45	73	59	46
Advertising and Sales		72	89	93	96	92	90	91	90	109	98
Financial		65	80	72	79	81	102	185	144	149	160
Depreciation		154	166	182	203	206	206	245	230	238	242
Restructuring Charges		-	-	-	-	-	-	72	15	-	-
Other Expenses		7	14	3	20	(10)	7	12	19	25	39
<b>Total Expenses</b>		<b>1,757</b>	<b>1,935</b>	<b>2,012</b>	<b>2,081</b>	<b>2,037</b>	<b>2,134</b>	<b>2,490</b>	<b>2,305</b>	<b>2,318</b>	<b>2,436</b>
One-time Charges		-	-	-	-	-	-	244	-	-	-
<b>Total Expenses excluding one-time charges¹</b>		<b>1,757</b>	<b>1,935</b>	<b>2,012</b>	<b>2,081</b>	<b>2,037</b>	<b>2,134</b>	<b>2,246</b>	<b>2,305</b>	<b>2,318</b>	<b>2,436</b>
<b>Operating Loss</b>											
		(650)	(665)	(703)	(722)	(712)	(731)	(834)	(808)	(764)	(762)
<b>Federal Grants: (in millions of dollars)</b>											
Federal Operating Grant		532	554	520	343	331	351	352	392	285	223
Excess Railroad Retirement Taxes		-	-	-	145	150	147	150	150	120	142
Federal Capital - Interest		-	-	-	-	-	-	-	-	-	42
Federal Capital - Progressive Overhaul		-	-	-	-	-	-	-	-	36	37
<b>Total Federal Grants</b>		<b>532</b>	<b>554</b>	<b>520</b>	<b>488</b>	<b>481</b>	<b>498</b>	<b>502</b>	<b>542</b>	<b>441</b>	<b>444</b>
<b>Net Loss</b>											
		(118)	(111)	(183)	(234)	(231)	(233)	(332)	(266)	(322)	(318)
Noncash		154	166	182	203	206	206	256	254	240	248
<b>Budget Result</b>		<b>35</b>	<b>54</b>	<b>(2)</b>	<b>(31)</b>	<b>(25)</b>	<b>(27)</b>	<b>(76)</b>	<b>(12)</b>	<b>(82)</b>	<b>(70)</b>



# STATISTICAL APPENDIX TO AMTRAK® FY97 ANNUAL REPORT

## PERFORMANCE INDICATOR: FY88 FY89 FY90 FY91 FY92 FY93 FY94 FY95 FY96 FY97

### Federal Grants Appropriated: (in millions of dollars)

Federal Operating Grant	532	554	520	343	331	351	352	392	285	223
General Capital Funding	46	29	84	132	175	190	195	230	230	223
NECIP / NHRIP Funding	28	20	24	179	205	204	225	200	115	175

### Federal Grants Drawn: (in millions of dollars)

Federal Operating Grant	532	554	520	343	331	351	351	392	286	223
General Capital Funding	31	23	39	186	173	114	140	264	213	238
NECIP / NHRIP Funding	37	38	20	37	180	117	110	125	264	339

### Financial Ratios:

Operating Ratio (Total Expenses/Revenue)	1.59	1.52	1.54	1.53	1.54	1.52	1.59	1.54	1.49	1.46
Current Assets (in millions of dollars)	323	366	341	270	246	234	199	223	212	221
Current Liabilities (in millions of dollars)	211	282	314	306	313	334	426	372	408	521

### Working Capital Ratio

	1.53	1.29	1.08	0.88	0.79	0.70	0.47	0.60	0.52	0.42
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### Cash: (in millions of dollars)

Year-end Cash and Cash Equivalents	108	113	77	31	36	25	24	30	21	36
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### Customer Satisfaction Index:<sup>2</sup>

Amtrak Systemwide	n/a	n/a	n/a	n/a	n/a	n/a	n/a	81	82	84
Northeast Corridor	n/a	n/a	n/a	n/a	n/a	n/a	n/a	79	81	83
Intercity	n/a	n/a	n/a	n/a	n/a	n/a	n/a	81	83	83
Amtrak West	n/a	n/a	n/a	n/a	n/a	n/a	n/a	87	87	87

### On-time Performance:

Total System	71%	75%	76%	77%	77%	72%	72%	76%	71%	74%
Short Distance (under 400 miles)	76%	81%	82%	82%	82%	79%	78%	81%	76%	79%
Long Distance (400 miles or more)	54%	54%	53%	59%	61%	47%	49%	57%	49%	53%

### Hours of Delay:

Equipment Malfunctions	3,117	2,712	1,855	3,007	3,256	3,809	3,422	1,576	1,353	1,737
Train Servicing in Stations	1,387	256	673	988	1,041	1,701	2,015	1,421	1,259	982
Passenger Related Delays	2,821	2,056	1,037	1,920	2,137	2,979	3,101	2,530	2,581	2,591

### Delay due to Amtrak

Maintenance of Way/Slow Orders	7,325	6,025	3,565	5,915	6,433	8,488	8,538	5,527	5,193	5,310
Freight Train Interference	4,073	3,400	1,261	3,010	2,636	4,721	4,934	4,165	4,417	4,843
Signal Delays	2,072	2,257	1,252	1,479	2,033	3,923	4,699	3,360	3,459	3,749

### Delay due to Freight Railroads

Passenger Train Interference	3,070	3,240	1,732	3,254	3,560	4,183	4,686	3,699	3,562	4,312
Waiting for Connections	9,215	8,898	4,244	7,743	8,229	12,827	14,319	11,224	11,438	12,904
Miscellaneous	2,685	2,284	1,056	2,631	2,971	3,803	4,175	3,551	3,105	3,434
Running Time	1,952	1,842	1,019	1,180	1,049	1,647	1,652	446	865	483
Weather Related Delays	2,916	2,628	1,478	2,246	2,903	4,346	4,245	3,231	2,949	2,962
	1,270	897	414	1,051	1,046	1,183	1,127	1,091	972	237
	409	379	350	318	216	696	672	177	534	495

### Delay due to Other Factors

	9,232	8,029	4,316	7,426	8,185	11,675	11,871	8,497	8,425	7,611
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### Total Hours of Delay

	25,773	22,952	12,126	21,084	22,847	32,991	34,729	25,248	25,056	25,825
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29%

100%



# PERFORMANCE INDICATOR:

## Operating Statistics:

	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97
Passenger Miles <sup>3</sup> (in millions)	5,678	5,859	6,057	6,273	6,091	6,199	5,921	5,545	5,050	5,166
Northeast Corridor	n/a	n/a	n/a	n/a	n/a	n/a	1,730	1,730	1,618	1,612
Intercity	n/a	n/a	n/a	n/a	n/a	n/a	3,658	3,298	2,893	2,959
Amtrak West	n/a	n/a	n/a	n/a	n/a	n/a	533	517	539	595
Seat Miles (in millions)	10,692	11,328	12,052	12,251	11,955	11,914	11,972	11,939	10,902	11,094
Northeast Corridor	n/a	n/a	n/a	n/a	n/a	n/a	4,085	4,327	4,004	3,956
Intercity	n/a	n/a	n/a	n/a	n/a	n/a	6,646	6,288	5,528	5,728
Amtrak West	n/a	n/a	n/a	n/a	n/a	n/a	1,241	1,324	1,370	1,410
Load Factor (Passenger Miles/Seat Miles)	53%	52%	50%	51%	51%	52%	49%	46%	46%	47%
Northeast Corridor	n/a	n/a	n/a	n/a	n/a	n/a	42%	40%	40%	41%
Intercity	n/a	n/a	n/a	n/a	n/a	n/a	55%	52%	52%	52%
Amtrak West	n/a	n/a	n/a	n/a	n/a	n/a	43%	39%	39%	42%
Amtrak Systemwide Route Miles (in thousands)	24	24	24	25	25	25	25	24	25	25
Northeast Corridor	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2	2
Intercity	n/a	n/a	n/a	n/a	n/a	n/a	21	20	21	21
Amtrak West	n/a	n/a	n/a	n/a	n/a	n/a	2	2	2	2
Train Miles (in millions)	30	31	33	34	34	35	34	32	30	32
Passenger Miles Per Train Mile (PM/TM) <sup>1</sup>	188.3	188.4	183.3	184.5	176.8	177.6	172.6	171.7	168.3	161.4
Ticket Yield (Ticket Revenue per Pax Mile) (cents)	12.7	14.0	14.5	14.5	14.3	14.3	14.0	14.9	16.9	17.7
Yield (Pax Related Revenue per Pax Mile) (cents)	13.6	15.0	15.6	15.6	15.6	15.6	15.4	16.4	19.1	20.0
Average Trip Length of Passengers (miles)	264.1	274.2	273.0	284.1	285.2	280.9	271.1	267.6	256.9	255.8
Total Revenue per Seat Mile (cents)	10.4	11.2	10.9	11.1	11.1	11.8	11.8	12.5	14.3	15.1
Total Expense per Seat Mile <sup>2</sup> (cents)	16.4	17.1	16.7	17.0	17.0	17.9	18.8	19.3	21.3	22.0
Core Revenue per Seat Mile (cents)	n/a	n/a	n/a	n/a	n/a	n/a	9.4	9.5	10.9	11.1
Core Expense per Seat Mile <sup>2</sup> (cents)	n/a	n/a	n/a	n/a	n/a	n/a	16.8	16.7	18.0	18.9

## Ridership (Passenger Trips): (in millions)

Northeast Corridor	11.2	11.1	11.2	10.9	10.1	10.3	11.7	11.6	11.0	11.1
Intercity	10.3	10.3	11.0	11.1	11.2	11.8	6.3	6.1	5.4	5.4
Amtrak West							3.1	3.0	3.3	3.7

{ Intercity and Amtrak West ridership are combined in the above number }

<b>Amtrak System</b>	<b>21.5</b>	<b>21.4</b>	<b>22.2</b>	<b>22.0</b>	<b>21.3</b>	<b>22.1</b>	<b>21.2</b>	<b>20.7</b>	<b>19.7</b>	<b>20.2</b>
Contract Commuter Passenger Trips <sup>4</sup> (in millions)	15.4	17.4	18.0	18.1	20.3	32.9	39.5	42.2	45.9	48.5
Total Ridership (Amtrak & Commuter) (in millions)	36.9	38.8	40.2	40.1	41.6	55.0	60.7	62.9	65.6	68.7
Stations Served by Amtrak	498	504	516	523	524	535	540	530	542	516



# STATISTICAL APPENDIX TO AMTRAK® FY97 ANNUAL REPORT

PERFORMANCE INDICATOR:	FY88	FY89	FY90	FY91	FY92	FY93	FY94	FY95	FY96	FY97
<b>Locomotive Units:</b>										
Operating Fleet	298	312	318	316	336	360	338	313	299	332
Available for Service (Year-end Daily Average)*	87%	84%	84%	86%	83%	84%	85%	88%	88%	88%
Diesel Units (New Deliveries)	9	8	-	-	20	26	18	10	-	111
Electric Units (New Deliveries)	2	5	-	-	-	-	-	-	-	-
Year-end Average Age of Locomotives (years)	10.0	11.0	12.0	13.0	13.0	13.2	13.4	13.9	14.4	12.0
<b>Passenger/Other Train Cars:</b>										
Operating Fleet	1,710	1,742	1,863	1,786	1,796	1,853	1,852	1,722	1,730	1,728
Available for Service (Year-end Daily Average)*	87%	90%	90%	92%	90%	89%	88%	90%	90%	91%
Cars (New Deliveries)	-	45	58	-	-	-	64	76	105	104
Superliner	-	45	58	-	-	-	64	72	56	-
Viewliner	-	-	-	-	-	-	-	4	36	10
Non-Passenger Roadrailer Vans	-	-	-	-	-	-	-	-	13	44
Non-Passenger Express Cars	-	-	-	-	-	-	-	-	-	50
Year-end Average Age of Cars (years)	-	-	-	-	-	-	-	-	-	-
Passenger Cars	16.6	17.5	20.0	21.0	21.5	22.6	22.4	21.8	20.7	19.8
Non-Passenger Cars	-	-	-	-	-	-	-	-	-	20.5

## Notes:

- \* FY94 expenses exclude one-time charges of \$243.8 million consisting of restructuring cost (\$71.5M), prior year post-retirement benefits (\$90.6M), and casualty and accident liability (\$81.6M).
- \* The overall CSI is a calculated number based on a 100 point scale reflecting the composite of 13 drivers of customer satisfaction. FY 1995 numbers are based on an average of May - September, 1995.
- \* Passenger Miles do not include contract commuter passengers.
- \* FY93-96 amounts have been restated to conform with the current year amounts.
- \* Includes active units only.
- \* Available for Service Units are Active Units less Backshop Units undergoing heavy maintenance less Bad Ordered Units undergoing progressive maintenance and running repairs.







UNIVERSITY OF ILLINOIS-URBANA



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National Railroad Passenger Corporation  
60 Massachusetts Avenue, N.E.  
Washington, D.C. 20002

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