



February 17, 2009

Honorable Joseph R. Biden, Jr.  
President of the Senate  
U.S. Capitol  
Washington, DC 20510

Honorable Nancy Pelosi  
Speaker of the House of Representatives  
U.S. Capitol  
Washington, DC 20515

Dear Mr. President and Madam Speaker:

Pursuant to Section 24315(b) of Title 49 U.S. Code, we are transmitting Amtrak's FY 2010 Grant and Legislative Request to you. In this letter, we briefly summarize the operational improvements achieved over the last two years, outline Amtrak's views on the need for passenger rail growth, and provide an overview of our FY 2010 funding request.

## **Introduction**

Amtrak finished FY 2008 with a record-setting performance. The company set an annual ridership record, carrying 28.7 million passengers, an increase of 11.1% over the previous fiscal year. Each of the three rail business lines (Northeast Corridor, short distance corridors, and long distance trains) grew markedly, and both May and July were record ridership months. Load factors (the percentage of a train's seats or sleeping accommodations that are occupied) have been rising across the system and in some time slots and services, the existing fleet was very near capacity at the end of FY 2008. This robust record gave us a great sense of the strong demand for intercity passenger rail service and of the importance inherent in a mode of travel that can be greener, safer and healthier than its competitors. Our performance demonstrates a national recognition of the unique advantages intercity passenger rail can offer travelers, and we intend to build on it in coming years.

While the company's performance was strong in FY 2008, the outlook for FY 2009 may not be as promising. Amtrak's FY 2008 financial results were driven by ridership growth, and that ridership was driven in part by the spike in gas prices. While some of Amtrak's routes continued to grow after the turn of the fiscal year, the Northeast Corridor (NEC) services began to show drops in ridership in October. It is unclear what this portends, although deterioration in NEC ridership is probably due in part to the larger economic picture. Northeast Corridor ticket



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revenues are currently below the level budgeted for FY 2009. Our *Acela* service is used primarily by business travelers, and the economic downturn in New York has affected ridership.

Amtrak finished FY 2008 with a Federal net operating need of about \$394 million. This improvement in our financial performance was due in large part to increases in ridership and revenue. The recessionary pressure we expect to see on ridership in FY 2009 cannot be expected to produce a comparable performance. To date, our ticket revenues for the first quarter of FY 2009 are less than one percent below the level we attained in the first quarter of FY 2008, and about seven percent below the budgeted level. This indicates that the company may be facing a pause in the cycle of growth. For FY 2010, Amtrak will request the full authorized amount for both its capital and operating appropriations.

Federal appropriations under a continuing resolution (which is slated to end on March 6, 2009) will fund principal and interest payments of up to \$285 million out of a total capital and debt service appropriation of \$850 million (see Table 1). Amtrak improved its debt situation in FY 2008 by repaying a Railroad Rehabilitation and Improvement Financing (RRIF) loan in advance of its maturity. By the end of FY 2008, Amtrak had repaid \$157 million in debt, a sum that will reduce its annual debt service payment in FY 2009 by about \$21 million. Amtrak's overall indebtedness at the beginning of FY 2009 is now just under \$3 billion, the majority of which relates to equipment acquisitions.

**Table 1. FY 2009 Grant request versus FY 2010**

Amtrak Funding Needs (in millions of dollars)	FY 2009			FY 2010 Grant Request
	Grant and Legislative Request	Board-Approved Budget	Continuing Resolution Appropriation	
Operating	525	475	475	<b>580</b>
Inspector General				<b>21</b>
<i>Subtotal Operating</i>				<b>601</b>
Capital	801	798	565	<b>975</b>
Debt Service	345	264	285	<b>264</b>
<i>Subtotal</i>	<b>\$1,671</b>	<b>\$1,537</b>	<b>\$1,325</b>	<b>\$1,840</b>
Add'l cash for labor payments	114			
ADA Needs*				<b>144</b>

### Amtrak and Intercity Passenger Rail Policy

On October 16, 2008, President Bush signed the Rail Safety Improvement Act and the Passenger Rail Investment and Improvement Act (PRIIA) into law. This legislation is of great importance to Amtrak and the railroad industry as a whole. It provides the legal and policy framework for America's intercity passenger rail in the coming years. The PRIIA establishes recommended

\* Amtrak does have capital money in its FY 10 plan for ADA needs; the sum shown is needed to fund our ADA compliance plan at levels outlined in this report (see page 6).



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funding levels for Amtrak and the goals the company will be expected to meet in the coming years. The law assigns Amtrak the mission of providing high-quality, trip time-competitive intercity passenger rail mobility. It also authorizes a new Federal matching grant program for state investments in intercity passenger rail service and higher speed rail corridor development.

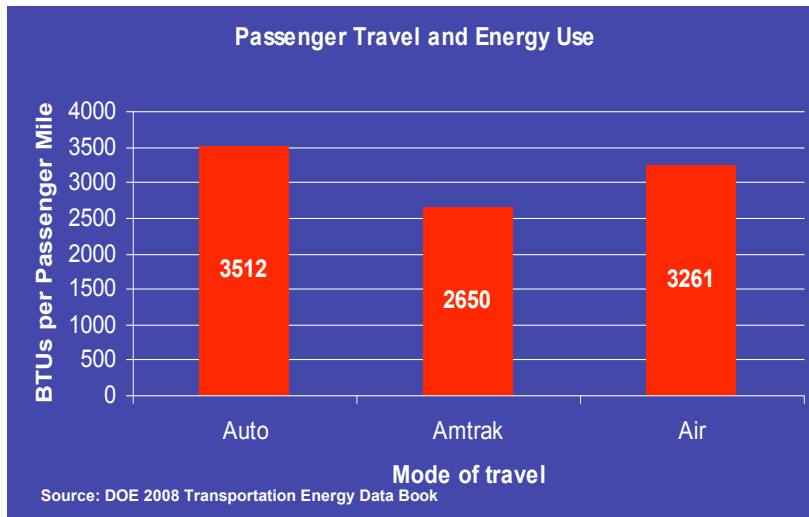
States and regions will play an important role in the development of state corridor rail service. States that demonstrate a serious commitment to investing in rail mobility will require an effective partner if they are to develop these services, and Amtrak must focus its efforts on becoming the partner they need to perform certain essential functions, such as train operation and staffing. It must also focus on developing viable services that can leverage the regional advantages of the current network.

To do this, Amtrak intends to refine its business processes to improve our allocation of the overhead costs incurred by our various business lines and train services. This vital need will help us to improve the transparency that provides a solid foundation for relationships based on openness, credibility, and trust. We also need to improve train performance (both operational and financial), and leverage the advantages of network, workforce, equipment and system capabilities so that Amtrak can be the partner of choice for emerging and existing state rail programs. Our skilled workforce is aging, and we intend to begin human capital planning and investment programs to ensure that we are developing and retaining the skilled employees we will need in the future, and ensuring that they internalize our core Amtrak values.

The authorizing legislation requires the development of a number of metrics, requirements and plans that will provide yardsticks for success. In addition to the improved cost accounting and allocation measures, the law mandates, among other items, the development of a five year financial plan, improvements to existing corporate metrics and standards, on-time performance improvements, upgrades and repairs to the Northeast Corridor, a performance improvement plan for the long distance services and a plan to make Amtrak stations and services fully accessible.



**Figure 1.** Energy Intensity of selected modes of travel



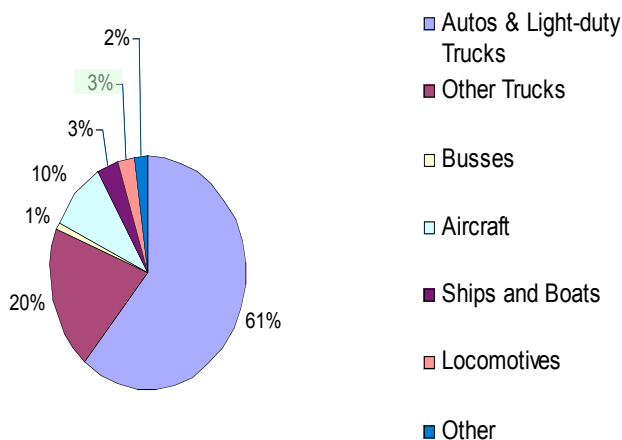
To carry out these mandates, Amtrak will advance a strategy that will emphasize the need for a company that becomes greener, safer, and healthier. The goal of *greener* transportation is a critical one, both for the company and the nation. Amtrak can perform a vital service, both by reducing our dependence on foreign oil, and by helping to reduce emissions. Rail has a smaller carbon footprint than its competing modes, and it is more fuel-efficient. While

transportation is the source of more than a quarter of greenhouse gas emissions, rail travel is responsible for a very small proportion of the transportation sector's emissions, and passenger railroads (a category that includes Amtrak and the commuter railroads) emit a very small percentage – about 0.2% of the transportation sector's total. To this end, we are working to increase the capacity of our infrastructure and our fleet, so that we can provide the range of services that will attract more customers. We will use this system to build connectivity by facilitating journeys – a process that includes the physical improvement of intermodal connections and facilities. This means the improvement of the ticketing and information systems that allow travelers to plan their trips with greater ease and peace of mind than they have ever known. Finally, we must invest the money to bring our facilities into full compliance with the Americans with Disabilities Act (ADA), so that we extend the promise of interconnected service to every American.



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**Figure 2.** Transportation-related carbon dioxide emissions



**“Locomotives” includes both freight and passenger emissions**

Source: EPA Inventory of U.S. Greenhouse Gases and Sinks, 1990-2005

Amtrak will also be *safer* – both for our employees and our passengers. The single most important effort will be the implementation of Positive Train Control (PTC) across the national system. This will be a prime focus of our efforts over the next few years, and we expect to complete it on Amtrak-owned lines by 2012, if funding is available. We intend to seek the funding to finish PTC installation, and we will make the completion of this system a top priority. This technology will prevent collisions and derailments, and

Amtrak also intends to undertake a companion program aimed at improving employee safety. Many railroads have found that a focused safety campaign is a vital component of any effort to build morale and revitalize an organization, and we expect this one to play a major part in the development of our human capital program, and the training and acclimatization of the next generation of our employees – and of course, safer systems and services also mean a fully accessible passenger rail network. Safety will be a key component of a *healthier* system – a company distinguished by improved financial performance, better cost recovery, higher workforce and customer satisfaction, and improved asset utilization. Greener, safer, healthier - this is our vision for Amtrak, and it will underpin the strategy we will soon give you.

To realize our vision, our strategy directs wise investment of our capital funding to address our ongoing and future needs. Amtrak’s investment will come in four key areas:

- Amtrak-owned infrastructure
- Mandates and commitments
  - Full accessibility and compliance with the Americans with Disabilities Act
  - Retroactive Pay for Labor Settlement
  - Positive Train Control
- Rolling stock
- Host railroad infrastructure



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## **Amtrak-owned Infrastructure**

Of these four categories, full accessibility and Amtrak-owned infrastructure are the largest and encompass the company's station development, accessibility improvement, and ADA compliance work across 481 of the 527 stations Amtrak serves. These activities also include basic state of good repair (SOGR) activities, and other investments to increase capacity and reduce trip times. The infrastructure category includes, but is not limited to, the NEC and its growing network of supporting corridors, such as the New Haven to Springfield line and the Keystone and Empire Corridors. It includes the large terminal and maintenance facilities Amtrak maintains in Chicago and Los Angeles, and the Amtrak-owned lines off the NEC, such as the 95-mile Michigan line.

The good repair of our facilities and infrastructure is a vital matter for Amtrak, and we will invest heavily in it in the coming years. At projected levels of investment, however, we will continue to defer capital maintenance, a process that will cause us to lose ground on our effort to return the NEC to a state of good repair. The much-needed recent labor settlement has increased wages, which has meant a diminution of the spending power of our capital. This is a serious issue, and one that we will need to address in coming years.

As growth continues over the long term on the NEC, Amtrak and the other users will face some significant capacity issues. Amtrak has been working with the states, commuter authorities, and representatives from the freight railroads that use the NEC to develop a planning process for capacity investment. This process began two years ago, and the role of this group closely parallels that established by Section 212 of PRIIA for the proposed Northeast Corridor Infrastructure and Operations Advisory Commission. Section 212 directs the Secretary of Transportation to convene such a commission, with a membership that closely parallels that of the existing body. In order to make use of the existing organization and the progress it has made to date, Amtrak strongly recommends that the existing body become the basis for the organization envisioned in Sec. 212.

## **Mandates and Commitments**

### **Full Accessibility and Compliance with the Americans with Disabilities Act**

Amtrak has always been a major provider of transportation services to citizens with disabilities. We take this role very seriously, and we are proud of it. Since enactment of the ADA in 1990, we have worked to make our systems, stations, and equipment – every public aspect of our operations and train travel experience – accessible to persons with disabilities. At this time, 73% of our stations, serving 94% of our passengers, are either accessible or barrier-free to passengers with mobility impairments (e.g., passengers in wheelchairs).



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The ADA requires that Amtrak make all intercity passenger rail stations “readily accessible to and usable by individuals with disabilities, including individuals who use wheelchairs, as soon as practicable, but in no event later than [July 26, 2010].” Full and complete compliance with the many aspects of this requirement represents a substantial expense, and that expense is one of several reasons why, despite our significant progress to date, Amtrak will not be able to meet this deadline. There are 527 stations in the Amtrak system, and 481 must be made ADA-compliant; moreover, most of these stations are owned by entities other than Amtrak, making for a complex pattern of ownership and responsibility.

Amtrak has requested additional funding assistance for ADA compliance efforts in its annual grant request since 2005. Estimates for the total cost of compliance vary dramatically, depending on the scope of the required improvements and Amtrak’s share of the responsibility for implementing them. Under existing law, the cost of compliance could range from \$1.38 to \$1.56 billion, from all sources. Amtrak estimates that it is responsible for between 63% and 76% of the costs to achieve compliance (The Department of Transportation is currently considering the introduction of a rule requiring standardized platform heights and the provision of full length platforms for level boarding. Amtrak and the Class I railroads oppose this proposal, but if it were to be implemented, both the cost and the time required to attain full compliance would more than double). As the report we submitted to Congress on February 1, 2009 demonstrates, we will need at least six years to meet the existing requirements of the ADA (exclusive of any additional level boarding requirements), and we would therefore ask that the deadline be moved to September 30, 2015.

Amtrak will comply fully with the ADA, but it cannot do so within the scope of existing capital budgets. Section 219(b) of the PRIIA authorizes the appropriation of such sums as may be necessary to improve the accessibility of Amtrak stations. We therefore request that Congress appropriate \$144 million above the capital appropriation for FY 2010 to allow Amtrak to address the ADA-related capital project backlog. The full scope of the need, and a funding proposal to address it, are detailed in the report Amtrak submitted to Congress on February 1, 2009. Amtrak plans to provide Congress with an annual progress report detailing the status of its accessibility programs, as well as updated estimates of costs and timelines.

### **Retroactive Pay for Labor Settlement**

Between 2002 and 2008, Amtrak and the organizations that represented the majority of its employees engaged in a protracted period of negotiations that were aimed at concluding new labor contracts. The two parties were unable to reach a negotiated agreement, and President Bush appointed a Presidential Emergency Board (PEB) to hear the dispute in December, 2007. This PEB recommended a wage and lump sum retroactive payment package totals \$573 million through the end of FY 2010; \$311 million of this sum covers wage increases. Amtrak accepted



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these recommendations, with one important proviso. Because the company did not have the funds to pay the entire lump sum out in one fiscal year, it agreed to pay 40% of the payment in FY 2008 and 60% in FY 2009, contingent on Amtrak's ability to pay – without which the contract can be reopened for negotiation this year. The total cost of the first lump sum (which Amtrak met out of its resources in 2008) was \$117 million; the company expects the second lump sum (this year's requirement) will cost \$145 million, of which Amtrak will be able to provide \$31 million from its own revenues. Of the total cost of \$573 million, Amtrak has thus far funded approximately \$428 million out of its own revenue and budget.

Amtrak paid the wage increases and the first installment of back pay in FY 2008 out of its budget. The FY 2009 payment was contingent on the appropriation of Federal funds, and Amtrak had expected to make this payment based on the funding levels contained in the proposed FY 2009 appropriation bills. In fact, the House has specifically approved funding of the back pay package in 2009 – the House approved funding of \$114 million, and the Senate has approved an operating funding package of \$550 million, which is about \$75 million larger than the House-approved operating figure of \$475 million.

At this time, the appropriations process for FY 2009 is unresolved, but we look forward to a resolution and the availability of these funds, so that we can meet our payment deadlines. Amtrak is committed to meeting our agreements, and holds the skills of its employees and the dedication they bring to their job in high esteem. To that end, we are meeting and intend to continue to meet on a quarterly basis with the unions' leadership to ensure that we are communicating frankly and clearly with them. We hope that this will improve an already open and productive relationship.

### **Positive Train Control**

In October, 2008, Congress passed the Rail Safety Improvement Act, which mandated the installation of PTC systems on passenger trains and most rail lines. Positive Train Control enforces operator compliance with wayside signal indications and speed restrictions due to track conditions. This prevents collisions or derailments. Amtrak has been a pioneer of PTC; the ACSES system on the Northeast Corridor is one of the largest PTC installations in the United States, and Amtrak has also installed a PTC system on a portion of the line it owns in Michigan.

These systems have contributed significantly to the already high level of safety Amtrak enjoys on the lines where they are installed. Consequently, Amtrak strongly supports the installation of PTC systems on the rail network, and we intend to complete it by 2012 (3 years prior to the deadline). Such installation will require significant investment in both equipment and wayside installations. While Amtrak's fleet of electric locomotives and our *Acela* trainsets are fully equipped with the necessary onboard PTC systems, the wayside installation of ACSES on the Northeast Corridor is incomplete.





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In many places it is installed only on two tracks, which are used exclusively for our high speed services. Amtrak estimates that the cost of completing the ACSES installation on Amtrak-owned track on the NEC will be \$100 million, and the cost of completing the installation of our Incremental Train Control System (ITCS) on our Michigan line will be an additional \$20 million. In both cases, only the cost of Amtrak-owned infrastructure and equipment is included in our estimate.

Amtrak will also need to install PTC systems on its diesel fleet that will be compatible with any systems our hosts adopt. We are coordinating our efforts with them through industry working groups, and while we do not have a final number for costs, they are probably around \$20-30 million. While Amtrak plans to include PTC in its FY 10 capital budget, we will report regularly to Congress and the FRA on our progress toward our self-imposed goal of PTC implementation by 2012; funding requests will follow accordingly. We do expect that funding needs will be higher than the current budgeted level, and we will inform Congress about those needs as the program proceeds.

### **Rolling Stock**

Modernization of Amtrak's fleet is a key priority. While capacity investments in rail infrastructure offer us potential increases in traffic, we cannot realize that potential without new equipment. Our fleet's average age has reached an all time high, and it is hard-pressed to keep up with the existing demand on large segments of the system, let alone growth. Amtrak has improved maintenance processes to reduce the amount of time each car spends in periodic maintenance. We have changed work assignments to balance shift staffing, made improvements in quality processes and material availability, and improved the flow of work in the shops. These improvements have halved the time required to perform periodic maintenance on Amfleet coaches, from 4.2 days to 2.1 days. The result has been the equivalent of a return of twelve Amfleet cars to service, providing in excess of 850 additional seats available for sale per day.

These improvements will bring some relief to a fleet that is run hard and stretched thin, but they are no substitute for new equipment, which is urgently needed. The average age of Amtrak's equipment has reached an all-time high. The average age of an Amtrak car is now 25 years, topping the previous high of 24.7 years, which Amtrak reached in 1975. In that year, Amtrak took delivery of the first of 492 Amfleet I coaches, which became the backbone of our NEC services. Thirty-four years later, those same Amfleets are still in service – but Amtrak cannot look forward to the delivery of new equipment in this year or the next. This situation requires action, and we intend to address it.

As state-supported corridor services expand, Amtrak will need to initiate the process of procuring new equipment for use on both new and existing services. Amtrak has already begun



discussions with several states about equipment pooling, and the Passenger Rail Investment and Improvement Act authorizes Amtrak to establish the “Next Generation Corridor Equipment Pool Committee” to determine the types and quantities of equipment the different corridor services will require, to manage the establishment of an equipment pool, and to establish designs and specifications suitable for corridor equipment.

Amtrak’s most pressing equipment needs are listed in Table 2, below. Undertaking these investments sets the stage for the eventual replacement of much of Amtrak’s fleet. Electric engines are required for the Northeast Corridor services to augment the existing AEM-7 DC fleet, which entered service in the early 1980s. New engines will be powered by alternating current, allowing for improved mechanical simplicity, lower maintenance costs, and the implementation of cost-saving and environmentally friendly features such as regenerative braking. New dining and baggage cars will be needed to replace a fleet of cars that predate Amtrak. Finally, new single level sleepers are needed for our long distance trains. The existing single level sleeper fleet is not large enough to accommodate existing daily demand or growing requirements, and revenue opportunities that would improve the financial performance of long distance trains are lost if passengers are turned away because there is no sleeper space to accommodate them. As state-supported corridor services expand in coming years, Amtrak will need to initiate procurement of new equipment for use in many areas of the country.

**Table 2.** Amtrak near-term equipment needs

Equipment Type	Service	Quantity	Estimated Unit Cost	Estimated Total Cost
Electric locomotives	NEC	60	\$8 to \$9 million	\$540 million
Single level dining cars	Long Distance	25	About 3.5 million	87.5 million
Baggage cars	Long Distance	75	About \$2 million	\$150 million
Single level sleepers	Long Distance	25	About \$3.5 million	\$87.5 million
Bilevel corridor equipment	SD Corridors	130	About \$4.2 million	\$550 million

## Host Railroad Infrastructure

In addition to the infrastructure needs of the Amtrak-owned system, Amtrak sees a need for investment in the infrastructure of the host railroads that we use for over seventy percent of our train-miles. In some cases, new passenger rail service on a line may require expansion of a line’s capacity to handle the additional trains. In other cases, it may be desirable to invest in a host railroad line to reduce Amtrak travel times. Finally, investing in additional capacity may be necessary to improve train performance, which will enhance energy efficiency and reduce the emissions from our locomotives.



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The PRIIA establishes a framework for the introduction of a Federal capital matching program states can use for the development or expansion of intercity service. To ensure these funds are usefully disbursed, states are required to develop rail plans. Amtrak will also be responsible for the development of a set of uniform cost allocation standards, to ensure that the operating and capital costs of state-supported services are fairly allocated. Amtrak supports such investment, provided that any public investment in a private railroad's infrastructure include a commensurate public benefit, such as a number of passenger train "slots," and specified train performance improvements.

### **Fiscal Year 2010 Operating Funding Need**

Amtrak's request for the authorized level of operating funding of \$580 million is based upon a conservative evaluation of likely and potential drivers of costs and revenues. We project a drop of almost 3.6% in ridership in FY 2009, compared to FY 2008. We expect FY 2010 ridership levels will be nearly the same as FY 2009, with no significant gain or loss of riders in FY 2010 over FY 2009. The postulated level of inflation is about 4.5%, and we have built in a 4.5% increase in wage levels. Our existing labor contracts are open for negotiation in 2010, but the 4.5% increase is consistent with annual increases in the current contracts, as required by the agreements on raises to be paid in FY 2009 and FY 2010. Under these conditions, Amtrak would require the full authorized amount of \$580 million to sustain its current level of operations<sup>†</sup>.

In the coming months, Amtrak will develop a detailed budget for FY 2010. It will also develop multi-year projections for the FY 2011-14 period, as required by the PRIIA. If the revenue or expense estimates used in the preparation of this request prove to be too conservative, our FY 2010 budget and multi-year plan will revise them to take the changed conditions into account. The PRIIA mandates several route studies that could result in additional service. If economic and operational conditions permit, Amtrak would also submit plans to the Congress for the implementation of such service, within the limits of the sums authorized for operating support. Regardless of the ultimate source of funding, any new service would incur additional operating costs borne by Amtrak.

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<sup>†</sup> This does not include funding for Amtrak's Inspector General, which is discussed separately.



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**Table 3. Amtrak Operating Forecast**

<i>Millions of Dollars</i>	Forecast FY2009	Projection FY2010
Ridership (millions of riders)	27.2	27.6
<b><u>PROJECTED OPERATING LOSS</u></b>		
REVENUES:		
Ticket Revenue	1,637	1,656
Food and Beverage	93	94
State Supported Train Revenue	178	178
Passenger Related Revenue	1,908	1,928
Other Revenue	470	482
<b>Total Operating Revenue</b>	<b>2,378</b>	<b>2,410</b>
EXPENSES:		
Salaries	232	239
Wages & OT	924	965
Benefits	550	621
Train Operations	230	238
Fuel, Power, & Utilities	295	300
Materials	176	183
Depreciation	542	542
Facility, Communication, & Office	162	162
All Other	322	338
<b>Total Expenses</b>	<b>3,433</b>	<b>3,588</b>
<b>Operating Income (Loss)</b>	<b>(1,055)</b>	<b>(1,178)</b>
Adj for Deprec & NonCash OPEB	598	598
<b>Net Operating Loss</b>	<b>(457)</b>	<b>(580)</b>
<b>Amtrak Office of Inspector General</b>	<b>(19)</b>	<b>(21)</b>
	<b>(476)</b>	<b>(601)</b>

### Inspector General FY 2010 Grant Request

The Office of Inspector General (OIG) was established April 1, 1989, as an independent and objective organization within Amtrak in accordance with the 1988 amendments (P.L. 100-504)



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to the Inspector General Act of 1978 (P.L. 95-452; 5 U.S.C. Appendix 3). The OIG's mission is to detect fraud, waste, and misconduct involving Amtrak's programs and personnel; to promote economy and efficiency in Amtrak operations; and to keep Congress and the Amtrak Board of Directors fully informed about problems and deficiencies, and the necessity for, and progress of, corrective action. The OIG investigates allegations of violations of criminal and civil law, regulations, and ethical standards arising from the conduct of Amtrak employees in performing their work. The OIG audits, investigates, inspects, and evaluates Amtrak operations, policies, and procedures, and assists management in promoting integrity, economy, efficiency, and effectiveness.

Pursuant to the provisions of Section 206(a) of division B of Public Law 110-432, Amtrak is required to submit grant requests of the Office of Inspector General to the Secretary for funds authorized to be appropriated to the Secretary for the use of Office of Inspector General under Section 101(b) of division B of Public Law 110-432. For Fiscal Year 2010, the OIG is requesting the full authorized amount of \$21 million to support a staff of 92 full-time equivalent employees (funding payroll, benefits and training costs), as well as professional fees for consultants. In addition, this level of funding will enable us to: significantly enhance our IT capabilities for our audit and investigations groups; improve training of our auditors, investigators and support staff; support our plans to increase OIG oversight of Amtrak's health care and real property management; and to fully implement the requirements of the Inspector General Reform Act of 2008 (Public Law 110-409).

### **Capital Investment Needs**

Amtrak will require capital support of \$975 million, the level authorized in the PRIIA to sustain its capital programs in FY 2010. While Amtrak has also requested funding through the economic recovery package development process, annualized capital funding support continues to be vital to the company<sup>‡</sup>.

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<sup>‡</sup> In December, 2008, at the request of members of Congress, Amtrak submitted a list of critical but currently unfunded capital projects for inclusion in the economic recovery package that lawmakers were then considering. Amtrak's request totaled \$7.2 billion in capital funding for a broad range of projects it would like to undertake during the FY 2009-2011 period, many of them vital to the ongoing project of returning the system to a state of good repair. The funds requested in the economic recovery request are not currently included in Amtrak's FY 2009-2011 capital budget. Because FY 2009 appropriations levels have not yet been established, Amtrak's economic recovery package request does include some projects that were originally components of its FY 2009 Board approved budget, but are unfunded at the level of continuing resolution funding. The economic recovery package includes support for Amtrak's full compliance with the Americans with Disabilities Act (ADA) and the implementation of positive train control (PTC) systems; neither of these necessary programs can be funded within the constraints of the company's annual capital budget.

Amtrak's economic recovery request does not overlap with the operational or capital needs detailed in this request.



**Table 4.** Amtrak Federal Capital Spending, FY 2009-2010 (in millions of dollars)

Project Category	FY 2009 Capital	FY 2010 Capital
ADA related	\$4.0	\$10.8
Environmental	4.1	7.3
Customer Service Improvements	2.7	11.6
Joint Investments	1.0	-
Productivity Improvements	71.1	95.1
Safety	12.5	38.1
Security	3.8	2.8
State of Good Repair	503.7	697.7
Equipment Acquisition	10.8	111.6
Totals	\$613.7	\$975.0

### Capital Spending Plans in FY 2009

Amtrak has requested Federal funds in the amount of \$798 million to fund its capital program in FY 2009. This program is currently funded at the continuing resolution level of \$586 million. To ensure that no opportunities are wasted if and when the company receives a higher level of funding, Amtrak is currently managing an FY 2009 capital budget of \$623.7 million, with the expectation that it will spend the Federal appropriation of \$586 million – a measure meant to ensure we do not fall behind on our investment program.

The bulk of our capital (\$503.7 million) will be spent on projects designed to bring our infrastructure and equipment into a state of good repair. The FY 2009 capital budget includes funding to allow the return of 12 stored Amfleet I cars to service, and we plan to return another 12 cars to service in FY 2010. Amtrak will also begin the much-needed replacement process for our switcher fleet by purchasing a low-emission “Genset” switcher in FY 2009. To sustain the popular appeal of our *Acela* service and expand capacity, Amtrak is in the process of overhauling the twenty *Acela* trainsets. Recent improvements to the maintenance processes for our *Acela* fleet will allow us to maintain our existing schedule for the duration of the overhaul period, which will extend into FY 2010.

To continue our work on state of good repair, Amtrak’s Engineering Department will receive approximately \$294 million of the Federal capital investment in Amtrak in FY 2009. These funds will be distributed among the range of engineering capital projects listed in the Appendix. Track replacement and interlocking renewal will be the largest components of the investment package. Electric traction system improvements and upgrades will proceed, and the company will also continue work on its program to replace defective concrete ties.



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Last year's grant request noted the problems Amtrak was having with the premature deterioration of concrete ties on the NEC and feeder lines. Amtrak immediately began an inspection program to identify ties in need of replacement and a replacement program aimed at replacing the defective ties. Amtrak replaced approximately 95,000 ties in FY 2008. In FY 2009, it expects to replace an additional 120,000 ties – approximately 10% of the total estimated need. Amtrak is leasing an additional track laying machine to expedite the process, which should be complete within a five to seven year timeframe, provided the equipment and funding to sustain the program are both available.

Amtrak will also continue its program of improving and repairing the bridges that carry our tracks over roads, waterways, and other railroads in the Northeast. These projects are summarized in the attached Appendix, as are our plans to address some outstanding issues with our stations. The state of good repair program at stations will proceed in close coordination with the effort to comply fully with the provisions of the Americans with Disabilities Act.

Many of Amtrak's information systems are outdated and inefficient, and increasingly prone to failure. The potential for key system failure is a risk area that must be addressed concurrently with our efforts to improve our business processes. We have begun to address these needs with new systems to manage payroll and human resources requirements, and we have improved our internet booking system and rewritten the software for our Quik-trak machines. We will continue to address them in FY 2010 through investments outlined in this request. Amtrak recently completed an enterprise architecture blueprint as part of a comprehensive information systems strategy to guide our investments in systems. This strategy will guide modernization and replacement efforts, and direct improvements to our business processes.

Our "ARROW" reservation system is the backbone of our company's information system. We use it to manage our sales, customer service, ticketing and operational processes. The underlying system is over 30 years old and is based on outdated technology that will soon be unsupported. This is a key risk area, and ARROW must be redesigned as soon as possible. We intend to invest \$6 million in FY 2010 to support a multi-year program to create a next-generation system. We estimate that this system will cost approximately \$50 million and will require about five years to complete. Our important eTicketing project builds on ARROW to improve the customer experience, reduce costs, and further modernize our reservation system. We plan a program of phased investment, with \$11 million in FY 2010 and an additional \$15 million through FY 2013.

The goal of Amtrak's investment in customer service and productivity systems has been to deliver quality customer service while simultaneously reducing costs through automation. Foremost among these investments (and heavily reliant on the ARROW system) is the next generation of "Amtrak.com", our web sales system. In addition to enhancements designed to improve accessibility to users with disabilities, the site will feature a completely new customer



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interface. Customers will be able to access a larger range of trip choices, with enhanced features such as service alerts and notification of limited seat availability as trains approach “sold out” status. The new site will also include an integrated shopping cart that will combine hotel, rental car and other travel activity purchases, thereby allowing passengers to plan and book trips more easily. Amtrak expects the upgraded website will be fully functional in early FY 2010.

Amtrak has also begun implementation of plans for our onboard “point-of-sale” system, an electronic sales and food and beverage inventory management program that will allow onboard credit card sales and eliminate the need for time-consuming, manual inventories and accounting by its employees before and after station arrivals. The company is taking its industry-leading telephony systems to the next level by automating customer contacts in the event of service disruptions or schedule changes, thereby reducing the need for time-consuming agent transactions. Amtrak has begun installing cameras, engine monitoring systems, and advanced GPS in its locomotives to improve safety, the accuracy of information on engine performance, and train status (arrival/departure) information. Ultimately, the impact of these measures will be improved customer service, cost savings, and new revenue opportunities.

In addition, Amtrak has initiated a Strategic Asset Management (SAM) program, to integrate key operational, financial and human resources business processes and replace outdated management systems. Like many of the other outdated systems in Amtrak’s portfolio, the current legacy financial and human resources systems are either stand-alone or disparate aging applications that do not interface well. Much of this software is approaching the end of its useful life and is no longer supported by the vendors. It cannot be upgraded to current versions, and this forces Amtrak to rely heavily on costly manual processes.

The SAM program described above will include a complete replacement of the Amtrak financial information systems. It will address managerial accounting requirements mandated by the PRIIA. An integrated suite of core financial applications on SAP software will replace General Ledger, Billing, Accounts Receivable, Accounts Payable, Fixed Assets, Treasury, Inventory, and Purchasing and Materials Management systems. The SAM project will also involve Transportation, Engineering and Mechanical systems and business processes, providing management with better access to key financial and managerial data. Ongoing investment in Human Capital Management Systems will continue, building on early experience with implementation of SAP Payroll and Human Resources processes. Amtrak anticipates spending approximately \$29 million in FY 2009 toward this effort with a continued investment need of approximately \$51 million in FY 2010. Total cost for the project is approximately \$210 million, over a five year period.





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## Conclusion

The future of passenger rail in the United States is a bright one – in spite of the bleak short-term economic picture, Amtrak has managed to sustain its operations, and this is indicative of strong interest and demand for passenger rail service all over the country, as well as opportunities for investment and improvement in the months and years to come. Our ridership growth and the strong public support we have enjoyed from our state partners have underlined the statement of support that Congress made when it passed the PRTIA. The unsettled economy will require prudent management on our part, but our industry has long acknowledged that difficult economic times are often the most optimal moments for capital investment. We intend to concentrate on refining our organization and policies and developing our system so that we are prepared to handle the next round of growth opportunities when they come.

To realize these opportunities, we are going to have to use the breathing space that the current economic slowdown necessarily provides to undertake significant improvements in our fleet and infrastructure. Our goal of a greener, safer, and healthier system depends in part upon a strong program of support and investment. Those are always challenges, particularly on the Northeast Corridor, where demand for track and equipment is high. The investment we need to make in critical capital improvements such as ADA compliance and PTC implementation will help us to realize great improvements in the safety and connectivity of our system – and these, in turn, will make it more attractive, more efficient, and more resilient. They will be the foundations of a true renaissance in intercity passenger rail service.

We believe that a greener, safer, and healthier system will be even more appealing to our state partners, and that interconnectivity will make us even more attractive to passengers. We intend to work with the states and to attract the passengers – and by so doing, to provide and fund a system that is in every respect a stronger component of the national transportation network. We are working now to implement the systems that will make it possible. We look forward to working with you in the years ahead to ensure that Amtrak meets the transparency and efficiency goals laid down for the company in the PRTIA, and to ensure that the funding is available to realize the important improvements we all want to see. It's going to be a challenge, but the Congress has provided a sound blueprint, and we are confident that the company will be up to meeting the goals you have set.

Sincerely,

A handwritten signature in black ink, appearing to read "Joseph Boardman". The signature is fluid and cursive, with a long horizontal stroke at the end.

Joseph Boardman  
*President and Chief Executive Officer*

## Appendix – Engineering Asset Investment Plan

Category of Work	Major Projects, FY 2009
Track	Replace 78 turnouts
	Install 120,000 concrete ties
	Clean 190 miles of roadbed shoulder
	Surface 570 track miles of roadbed
	Replace 16 track miles of rail
	Install 93,800 wood ties/timbers
	Purchase 15 pieces of MW equipment
Structures	Begin procurement process to replace Niantic bridge
	Continue preliminary design of Portal bridge replacement in cooperation with New Jersey Transit
	Complete environmental assessment and begin final design of Connecticut River bridge
	Complete Portal bridge fender system
	Replace 836 ties on 12 undergrade bridges
	Improve maintenance facilities in Chicago and Hialeah
	Improve and repair 38 undergrade bridges (including Susquehanna River Bridge) and replace 1 signal bridge
	Make ADA and SOGR improvements to Philadelphia 30 <sup>th</sup> Street, Washington Union, BWI Airport, Baltimore Penn, and New York Penn Stations
	Improve 17 other stations for a total of \$30 million
Communications & Signals	Place Cork, Conestoga, and Holland Interlockings in service
	Replace and retire 23 Remote Terminal Units in interlockings on the NEC (control indication and interface with CETC)
	Continue Dock Interlocking replacement project
	Design and begin installation of new control system at K Tower (Washington Union Station)
	Continue base radio station upgrades to meet new FCC requirements
	Replace Philadelphia and Boston CETC systems with more modern equipment
Electric Traction	Renew 47 miles of catenary hardware
	Improve 18 substations
	Renew or replace 104 catenary poles
	Complete final leg of B&P tunnel 138 kV cable project
	Install 15 HVAC units at various substations on the New England Division
	Continue Hell Gate catenary project
	Upgrade Metuchen frequency converter
Fire & Life Safety	1 <sup>st</sup> Avenue Vent Shaft Construction
	Long Island City Vent Shaft Construction
	NY Tunnels Emergency Power Design and Construction
Other major projects	Shell at Grade Interlocking improvement project
	Seattle Maintenance Facility Upgrade
	Wilmington Station Restoration