

National Railroad Passenger Corporation

FY05 Comprehensive Business Plan

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FY05 Executive Summary

Context

The FY05 Appropriations Act requires the submission of a Comprehensive Business Plan to the Department of Transportation and Congress within 60 days following passage of the Act. In late December 2004 Amtrak submitted a Comprehensive Operating Business Plan to allow for an infusion of cash to support operations prior to the expiration of the 60-day period, and to meet the requirements set forth by the Federal Railroad Administration. The level of funding appropriated required a reset of the capital budget, which has now been completed. This Comprehensive Business Plan incorporates the previously submitted Comprehensive Operating Business Plan as well as the capital plan.

In order to put the FY05 budget into context, it is important to understand Amtrak's recent history and federal funding levels, as well as the accomplishments achieved during FY04.

Recent History and Financial Condition

In May 2002, David Gunn took charge as Amtrak's President and Chief Executive Officer. Upon his arrival, the outlook for the company was bleak: the company was in financial crisis, with a projected cash shortfall well over \$200 million within four months and no lines of credit available to cover the shortfall, the annual financial audit had not been completed despite being seven months into the fiscal year, and accounting restatements related to the year under audit as well as prior years were projected to be nearly \$200 million. Financial controls and processes were weak and financial reporting did not provide sufficient management information to make informed decisions. The organization was bloated and in many areas no clear management lines of authority existed.

The financial crisis, which could have resulted in bankruptcy with a corresponding shut down of the entire system, was averted through a combination of a \$205 million supplemental appropriation and a \$100 million loan from the Department of Transportation to support capital spending. Capital spending programs were significantly reduced during the year in order to manage corporate cash flow and fit within the available capital.

In response to this crisis and to begin to stabilize Amtrak, new senior management was put into place in late FY02 and early FY03 and was charged with a focus on revitalizing the railroad in a fiscally responsible and prudent manner. Emphasis was placed on strengthening financial controls and placing responsibility and accountability with the line managers in charge of each area. The company was reorganized, and a more traditional railroad management structure was established, resulting in a reduction of duplicate functions and an overall streamlining of operations. Organizational charts were developed that clearly indicated each authorized position, which became the control document for authority to hire.

In late FY02, new financial reporting was developed that provided clear and specific information about Amtrak's financial progress. Significant focus was placed on improving the quality of the financial information during FY03. The reporting provides not only summary information on the financial performance of the company, but also detailed departmental level reports on both operating and capital spending results. FY04 actions focused on continuing to improve the quality of the forecasting and analysis included in the reporting package.

For FY04, a budget was developed that would have required \$1.812 billion in federal funding, consistent with the grant request submitted to Congress in February. As the year began, Amtrak was funded under a continuing resolution, and in January 2004 learned that the appropriation was \$1.218 billion¹ with deferred repayment of the \$100 million loan from the DOT obtained in late FY02. The company reset the capital budget to reflect the lower appropriation amount. The reduced budget was developed based on refined lead times for critical infrastructure and fleet materials and production capacity. The budget reflected a reevaluation of the ability to execute required work consistent with the availability of materials. Any projects originally earmarked for 2004 but not included in the budget were deferred into later years.

Deferred maintenance from chronic capital under funding has left the infrastructure and the fleet in disrepair. Continued degradation has and will continue to lead to slower trip times on the Northeast Corridor, equipment breakdowns, and eventually to the potential loss of operations on the Northeast Corridor. Several critical system failures have occurred over the past two years, which highlight just how fragile the system is and underscore the need for capital investment. The failures include the loss of a key 12 kilovolt electric cable during the Northeast blackout in August 2003, catenary that fell on the Hellgate line between New York and New Rochelle during July 2003 causing disruption of the entire system, four broken bolts on the Thames River bridge during August 2004, the loss of signal systems in the Dock and County interlockings several times between July and October 2004 causing train traffic to be manually dispatched during the failure, and the loss of a high voltage electric cable in the Baltimore tunnels in November 2004. While the Engineering Department has found short-term fixes for these problems that ensure the safe operation of the Northeast Corridor, the final resolution will require hundreds of millions of dollars across several years to replace the worn infrastructure. When juxtaposed with record demand for service, under-investment in the Northeast Corridor is simply not feasible. The need for continued and increased investment in the Northeast Corridor is essential to restore and maintain safe and efficient high speed train operations.

FY04 Activity and Budget Results

The results reported in this document for FY04 represent preliminary, unaudited results. The financial audit is expected to conclude by February, and therefore final results will not be available until that time. No major changes in accounting policy were adopted by Amtrak during FY03 or FY04, nor are any anticipated during FY05. Late in FY04, the

¹ \$1.225 billion less .59% recission

company made the decision to exit the Mail and Express business segment completely, and accordingly is reporting this business segment as discontinued operations, consistent with Generally Accepted Accounting Principles (GAAP).

Capital Spending

Since FY03, Amtrak has undertaken the largest capital rebuilding effort in many years. This is not only evident in the increase in year-over-year capital spending, but more importantly in the actual production achieved. Capital spending in FY03 totaled \$417 million.

During FY04, Amtrak expended \$678 million on capital versus a budget of \$824 million. Of the \$146 million variance, \$43 million remains funded by the FY04 federal capital grant and is carried over in the FY05 capital budget discussed later. The remainder represented funding from other sources, and is incorporated into the FY05 budget as appropriate. The primary driver for under spending the budget was the unavailability of long-lead materials, primarily for the mechanical programs. At fiscal year end, the materials began to arrive and some work originally planned for FY04 has been incorporated into the FY05 budget.

The majority of capital investment in FY04 occurred in the Northeast Corridor. The Engineering Department invested \$387 million on infrastructure; of that amount 70% was expended on projects on the Northeast Corridor between Boston and Washington, with another 9% in the NEC feeder routes (Albany, Harrisburg and Springfield lines). A substantial portion of the spending outside of the NEC was funded by state and local agencies, including METRA in Chicago and Caltrain in California. Capital investment in rolling stock totaled \$117 million; of the 205 cars completed by the Mechanical Department in FY04, 39 were Superliner car overhauls (long distance) and 125 were Amfleet cars (primarily corridor). The remainder was maintenance of way, baggage and other support equipment.

Table 1 below compares actual capital spending by department with the budget.

Table 1: FY04 Preliminary Results: Capital Spending²

(\$ millions)				
Classification	FY04 Actual	FY04 Budget	Variance	
Infrastructure	\$ 387	\$ 396	\$ 9	
Rolling Stock	114	195	81	
Debt Service	117	117	-	
Environmental	14	19	5	
Information Technology	11	15	4	
Real Estate	19	37	18	
Procurement	8	10	2	
Marketing & Sales	4	7	3	
Strategic Planning	2	23	21	
Security	1	2	1	
Operations Planning	-	1	1	
Transportation	1	2	1	
Total	\$ 678	\$ 824	\$ 146	

Table 2 summarizes key capital production measures for FY02 – FY04³.

Table 2: FY02-FY04 Capital Production

		FY04 Actual	FY03 Actual	FY02 Actual
Engineering				
	Track Miles of Rail	121	13	4
	Concrete Ties	152,268	103,573	-
	Wood Ties	59,203	44,800	15,505
	Track Miles of Undercutting	40	10	9
Mechanical				
Cars	Remanufacture	61	-	11
	Heavy Overhaul	125	26	6
	Wreck Repair	19	22	6
	Subtotal Cars	205	48	23
Locomotives	Remanufacture	-	-	13
	Heavy Overhaul	52	51	48
	Wreck Repair	10	-	4
	Subtotal Locomotives	62	51	65
Other			-	-
Total Mechanical Capital Units		267	99	88

² Includes project-related operating costs (\$7 million actual, \$9 million budget) reported in the operating results as required by Generally Accepted Accounting Principles. These costs are incurred solely as the result of the capital activity and are tracked and analyzed with the capital projects.

³ During FY02, little capital production was completed, and marks the year prior to the launch of the recapitalization effort. During FY02, the heavy mechanical shops were focused on 180-day and annual preventive maintenance. This work has been redirected to terminals, and work within the shops has been refocused to heavy overhaul of cars and locomotives.

Operating Results

Amtrak's net loss for FY04 was \$41 million better than budget, but \$42 million worse than FY03. The FY04 budget had incorporated the decision to exit the Express business. At the end of FY04, Amtrak made the decision to also exit the Mail business, which resulted in the recognition of a non-cash asset impairment charge of \$92 million. Excluding this charge and federal and state capital revenues, Amtrak's net loss was \$128 million better than budget and \$47 million better than FY03. A full discussion is found below. Table 3 summarizes FY04 results.

Table 3: FY04 Preliminary Unaudited Results

(\$ millions)	FY04 Actual	FY04 Budget	Better/ (Worse)	FY03 Actual	Better/ (Worse)
Operating Revenue	1,897	1,901	(4)	2,058	(161)
Operating Expense (excluding impairment charge below)	3,005	3,133	128	3,206	201
Income/(Loss) from Operations	(1,108)	(1,232)	124	(1,148)	40
Interest Expense, Net	138	142	4	145	7
Income/(Loss) Prior to Impairment Charge	(1,246)	(1,374)	128	(1,293)	47
Impairment	92	-	(92)	-	(92)
Net Income/(Loss)	(1,338)	(1,374)	36	(1,293)	(45)
Adjustment for Deprec/OPEBS/Impairment	703	621	82	649	54
Adjusted Income/(Loss)	(635)	(753)	118	(644)	9
RECONCILIATION TO CONSOLIDATED STATEMENT OF OPERATIONS:					
Total Operating Revenue	1,897	1,901	(4)	2,058	(161)
Federal and State Capital Payments	22	17	5	19	3
Total Revenue	1,919	1,918	1	2,077	(158)
Operating Expenses	3,005	3,133	128	3,206	201
Impairment Charge	92	-	(92)	-	(92)
Total Expense	3,097	3,133	36	3,206	(109)
Income or (Loss) from Operations	(1,178)	(1,215)	37	(1,129)	(49)
Interest, net	138	142	4	145	7
Net Income or (Loss)	(1,316)	(1,357)	41	(1,274)	(42)

Management reports monthly on the operating results of the organization. The operating results exclude federal and state capital payments, which result from capital contributions primarily from states and which GAAP requires be recognized as revenue over the life of the asset. In addition, the impairment charge, primarily due to the exit from Mail and Express, will be reflected in the external financial statements as part of discontinued operations. The accounting for the discontinued operations will be finalized and reflected in the audited financial statements. All analysis herein will be presented based on the operating results, as this represents a more accurate reflection of management activity.

Revenues

Total revenues during FY04 were \$4 million worse than budget and \$161 million worse than prior year. The following table summarizes revenues by line of business:

Table 4: FY04 Revenue by Line of Business

<i>(\$ millions)</i>	Core	Commuter	Reimbursable	Commercial	Total
FY04 Actual	1,630	119	89	59	1,897
FY03 Actual	1,610	269	94	85	2,058
Change	20	(150)	(5)	(26)	(161)

Amtrak's core business includes all activities associated with running intercity passenger train service including revenues from tickets, food and beverage, mail and express and other miscellaneous revenues.

Early in 2004, domestic travel appeared to trend upward versus 2003 on the strength of what were believed to be modest economic recovery and potential resolutions to global conflicts that in 2003 had dampened travel demand because of safety and security concerns. The total national travel market grew about 1% vis-à-vis 2003. However, late in the third quarter, the economy softened, there were fewer available jobs than expected, average weekly earnings were flat, and many of the new jobs created in the economy were lower paying jobs in job market sectors that did not require business travel or support discretionary intercity travel. As such, both business and leisure travel were negatively impacted, and the growth in the travel market that had been experienced earlier in the year was reversed at year's end.

There was, and remains, a significant shift in travel toward closer-to-home car trips despite the high cost of gasoline. The airline industry teeters on the edge of financial collapse. In order to stimulate demand and recapture market share from low-cost carriers, the airlines have reduced fares so deeply that revenue has been reduced despite a 5% ridership increase versus year to date November 2003.

In-spite of a difficult travel market and challenges due to the economy, Amtrak's ridership in FY04 was its best ever. The corporation operated a record 101,000 trains (up 2.3% from FY03) and saw 25.1 million trips, a 4.3% increase over FY03. That ridership growth in FY04 came in low-yield markets, resulting in only a 3.5% gain in ticket revenues. Ridership in higher yield markets such as the Acela/Metroliner services in the northeast and long distance trains were well below budget. The softening of the travel market noted above particularly drove this trend, and Amtrak saw the demand for these services soften significantly in the last months of FY04. Table 5 below summarizes the change in ticket revenues between FY04 and FY03.

Table 5: FY04 versus FY03 Ticket Revenue Comparison

<i>Revenue (in millions)</i>	
FY03 Results	\$ 1,213.9
Leap year calendarization	3.0
Strong 1st 4 months due to market growth & advertising	22.0
FY03/FY04 Pricing Actions	5.0
FY04 NEC service changes	5.0
Long distance train schedule improvements	2.0
All other	4.9
FY04 Results	<u>\$ 1,255.8</u>
% increase	3.5%

FY04 ticket revenues fell short of budget by \$27 million, due to a variety of factors, including a market slow down beginning late in the third quarter, severe weather, host railroad track work service disruptions, reduced demand during the Republican National Convention in New York, quality of service delivery, equipment shortages, and increased low cost carrier competition.

Amtrak also provides various services to commuter agencies, including train operations, dispatching, crews and mechanical services. These activities are reported in the Commuter line of business. During FY03, Amtrak made the decision not to seek a renewal for the Massachusetts Bay Transportation Authority (MBTA) commuter contract. This is the reason for the reduction in commuter revenues from FY03 to FY04. Amtrak continued to run the service until the contract expired on June 30, 2003, and worked with the new organization to ensure a smooth transition.

From time to time, an outside party may request that Amtrak perform work on its behalf. Usually, this work is on Amtrak infrastructure but the sole beneficiary of the project is the outside party requesting the work. In addition, Amtrak occasionally performs mechanical services for outside agencies. These activities are reported in the reimbursable business line. The revenues for this business were down \$5 million from FY03 to FY04, reflecting the completion of several major projects for outside agencies, including the Secaucus Transfer project for New Jersey Transit.

The commercial line of business includes activities related to retail activities (rentals in stations) or telecommunications revenues from the rental of pipe and wire rights. This business line also includes the sale of any real estate. Revenues were \$26 million lower in FY04 than in FY03, reflecting a one-time \$30 million air rights sale recorded in June 2003.

Expenses

Amtrak continued to reduce expenses and absorb inflation in FY04. Total expenses, excluding interest and the non-cash asset impairment charge resulting from the elimination of the mail and express business, were \$201 million lower than FY03. Table 6 below summarizes the change in expense by line of business.

Table 6: FY04 Expense by Line of Business⁴

<i>(\$ millions)</i>	Core	Commuter	Reimbursable	Commercial	Total
FY04 Actual	2,825	94	77	9	3,005
FY03 Actual	2,888	228	82	8	3,206
Change	(63)	(134)	(5)	1	(201)

Core expenses were lower than FY03, driven primarily by \$57 million in lower depreciation expense, and \$17 million in increased overhead allocation to capital projects based on higher capital activity rates. The commuter expense is lower, reflecting the elimination of the MBTA contract. Reimbursable expenses were down \$5 million, while the contribution margin on this business was virtually unchanged from FY03. Commercial expenses increased \$1 million, driven by higher facilities costs.

FY05 Budget Synopsis

In its FY05 grant request, Amtrak requested \$1.798 billion. This request was predicated on supporting operations at current levels pending the outcome of Amtrak's reauthorization discussions, and on continuing to restore the railroad to a state of good repair. In December 2004, Public Law 108-447 was signed, which included an appropriation for Amtrak totaling \$1.207⁵ billion. In total, the appropriation provides \$708.8⁶ million for operating support and provides that Amtrak must spend at least \$492.0⁷ million for capital investment. In addition, the law contains a provision whereby the Secretary of the Department of Transportation may withhold \$2.5 million to support development of alternative operators for state supported services, \$4.0 million for an asset valuation and cost allocation study⁸ and must reserve \$59.5 million until the last quarter of the fiscal year to ensure the continued operation of commuter services. The bill also calls for the \$100 million FY02 DOT Railroad Rehabilitation and Improvement Financing Program (*RRIF*) loan to be repaid in five equal annual installments beginning in FY05.

Amtrak has reset the FY05 capital budget to manage to the lower funding level. The operating budget was not reset because the required level of operating support has not changed, and in fact will be a challenge to meet. The remainder of this document will discuss these budgets.

⁴ Core excludes non-cash asset impairment charge

⁵ \$1.217 billion, with a 0.8% rescission

⁶ \$717 million with a \$2.5 million reduction authorized to be retained by the Secretary of Transportation to support development of alternative operators for state supported services and with a 0.8% rescission

⁷ \$500 million with a \$4 million reduction authorized to be retained by the Secretary of Transportation for a comprehensive asset valuation and with a 0.8% rescission

⁸ The operating and capital grant totals have been reduced to reflect these holdbacks

In addition to the programs in the operating and capital budgets, a major effort was undertaken to gain greater control of inventory during FY04, and this effort will continue into FY05. Millions of dollars of material that had been issued in anticipation of pending work but ultimately not applied to specific projects were returned to inventory and have been made available for future operating and/or capital programs. While the initial result of this effort will be a non-cash increase in inventory-on-hand, the net result of this effort should be better material availability, lower safety stock requirements, and in some cases the avoidance of future cash material expenditures. Obsolete materials will be disposed of generating cash where possible.

Budget Development Methodology

The FY05 budget process continued and expanded upon the process initiated for the FY03 budget. The process places budgetary responsibility on individual department heads, with oversight, analysis and review provided by the Finance Department. The process is driven by the development of detailed Goals and Objectives and linkage with Organization Charts. The FY05 budget expanded upon the development of detailed capital project budgets by month at an account level. This required significantly more analysis during the cost estimation phase and better project scheduling to ensure that sufficient resources were available.

The operating budgets discussed in this document were developed prior to the end of FY04, and all comparisons in the detailed appendices are to the July forecast for FY04, which was based on actual results through June with three months of forecast. With the exception of Table 7 below that compares the FY05 Operating Budget with preliminary, unaudited results for FY04, all comparative discussion in this document will be against the FY04 forecast, to be consistent with the supporting detail in the operating appendix.

Major Management Initiatives and Assumptions

The FY04 budget and actual activity during the year included a downsizing of the express business segment. At the end of FY04, management made the decision to exit the mail and express business segment completely. This business segment provided hauling services for the US Postal Service for contracted mail transportation as well as transportation for certain types of goods for other customers. At the end of FY04, Amtrak evaluated this business and determined that it was marginal at best and chose to shut down operations. This action also allows Amtrak to reduce authorized headcount by nearly 522 positions by the end of FY05.

The elimination of this activity resulted in the ability to eliminate the Three Rivers train service between New York and Chicago, which had been added solely to support this business. That train will cease operation in early March 2005, following the statutory 180-day notification period required prior to service elimination. The elimination of this train will also allow the company to redeploy equipment to trains that yield a higher revenue return, specifically the Silver Services between New York and Miami.

Additional opportunities to reduce the travel times of trains and improve operating performance are being evaluated, and will be introduced over time, beginning with the spring schedule in April 2005. Additional financial improvements from these actions have not been included in the budgets but represent an opportunity for additional revenues and/or expense reductions.

Budget Results

The following table compares the use of federal funding in the FY05 Budget with FY04 preliminary unaudited results:

Table 7: FY05 Budget versus FY04 Preliminary Unaudited Results

<i>(\$ millions)</i>	FY05 Budget	FY04 Actual
Operating Costs	\$ 570	\$ 491
Debt Service -- Interest	150	151
Debt Service -- Principal	113	108
Capital Program	492	403
FY04 Capital Funding Carried into FY05	(43)	43
FY03 Capital Funding Carried into FY04	-	(92)
Working Capital Addition/(Usage)	(81)	114
Total Federal Subsidy	<u>\$ 1,201</u>	<u>\$ 1,218</u>
Operating Subsidy reduction for alternative state service providers	2	-
Capital Subsidy reduction for asset valuation/cost allocation study	4	\$ -
Total Federal Subsidy Appropriated	<u><u>\$ 1,207</u></u>	<u><u>\$ 1,218</u></u>

The focus of the company has been the return to basics: delivery of comfortable and reliable safe service, and the return of the physical plant and equipment to a state of good repair. For a number of years, the amount of capital available to the company for reinvestment both in right of way and in rolling stock has been far less than even steady state investment would require. Amtrak has identified basic needs, and the FY05 Capital Budget reflects the most pressing of those needs. The capital budget for FY05 calls for investments of \$840 million, which is funded through FY05 federal grants (\$492 million), state and local funding (\$200 million), carryover funding from FY04 federal grants (\$43 million) and cash reserves (\$85 million). The budget assumes that the capital projects that are federally funded will under spend by approximately 4%, which allows the corporation to defer \$20 million of capital work into FY06. This is a conservative estimate as it is less than half the rate experienced in FY03 and FY04. Included in the FY05 capital grant funding is \$10 million for expenditures directly related to capital projects but not capitalizable according to Generally Accepted Accounting Principles (GAAP).

Specific analysis for expenditure levels in the capital budget will be updated in this document upon completion of the capital budget reset that is required for the appropriations level provided.

Organizational Structure and Headcount

Following a restructuring of the company during the summer of FY02, Amtrak management continued to streamline its operations. At the end of FY04, a decision was made to eliminate the Mail and Express business segment. This allowed not only a restructuring and headcount reduction in the terminals, but also the restructuring of several routes, including the elimination of the *Three Rivers* train between New York and Chicago. This decision, along with continued focus on streamlining operations, allows for the elimination of 522 positions by September 30, 2005. The additional management positions required for the assumption of high-speed maintenance activity from the consortium⁹, the addition of management trainees, and the conversion of employees from Agreement to Management primarily drives the increase in management headcount in FY05. Table 8 below summarizes authorized headcount reductions since May 2002.

Table 8: Summary of Changes in Authorized Headcount

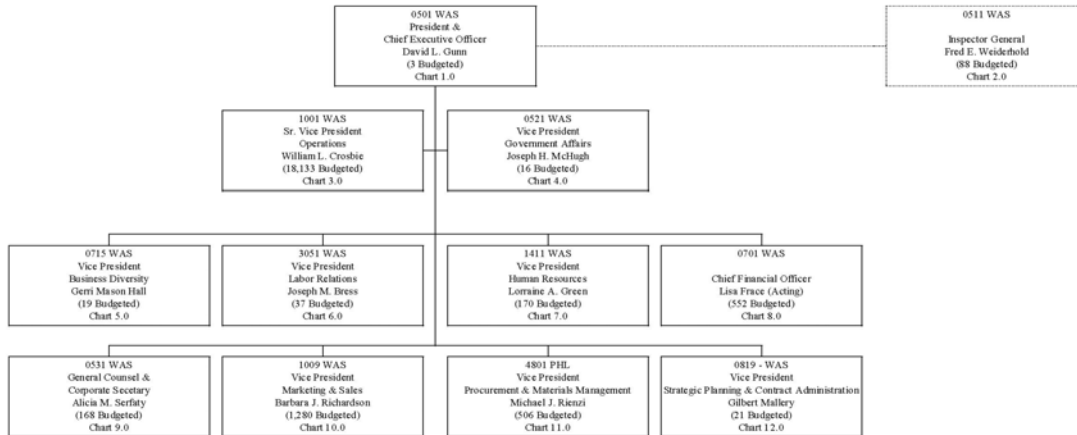
	Total		Management		Agreement		Contractor	
	#Employees	Change	#Employees	Change	#Employees	Change	# Contractors	Change
May 2002 Actual	24,113		2,746		21,236		131	
September 2002 Authorized [Note 1]	23,874	(239)	2,741	(5)	21,002	(234)	131	-
September 2003 Authorized [Note 2]	22,951	(923)	2,611	(130)	20,243	(759)	97	(34)
September 2004 Authorized	21,515	(1,436)	2,559	(52)	18,889	(1,354)	67	(30)
September 2005 Authorized	20,993	(522)	2,652	93	18,261	(628)	80	13
Net Change in Headcount		(3,120)		(94)		(2,975)		(51)
Note 1: May 2002 Organization Charts								
Note 2: April 2003 Organization Charts								

⁹ Bombardier and Alstom formed a consortium to manufacture and maintain the high speed trainsets purchased by Amtrak.

The following is Amtrak's approved Organization Chart as of September 30, 2004:

PRESIDENT & CHIEF EXECUTIVE OFFICER
Approved Workforce by Classification As of September 30, 2005

	OP	CA	CM	RE	CML	TOTAL
OM	1,174	46	66	15	6	1,307
AP	730	31	23	12	16	812
OC	197	4	7	3	2	213
TE	277	38	-	5	-	320
SU	672	104	29	16	-	821
CR	14,548	1,776	759	349	6	17,438
CO	50	30	-	-	-	80
SE	-	-	-	-	-	-
IN	2	-	-	-	-	2
TOTAL	17,650	2,029	884	400	30	20,993



Dated: October 25, 2004
CHART NO. 1.0

Approved: _____ Date _____
David L. Gunn, President and Chief Executive Officer

General Economic Outlook

As part of the budgeting and forecasting process, Amtrak regularly receives and analyzes economic data. This data is used to develop specific inflation factors for use in the expense budgeting process and is used in support of revenue forecasting.

Revenue

For the FY05 budget, Amtrak assumed a modest recovery in the economy. This recovery calls for a 0.5% increase due to market growth during the year. In addition, Amtrak estimates that it lost significant ticket revenues between July and September due to lower demand through New York Penn Station during the Republican National Convention, host railroad track work, and the unusually severe hurricane season. The value of these lost ticket revenues are assumed to be restored in FY05.

The overall travel market will be largely influenced by the economy, which through the time period of the budget development has been sending mixed signals regarding a continued recovery. For that reason, Amtrak has taken the conservative view of revenue market growth described above. In fact, after the revenue budgets were developed, the

travel market began to contract, contrary to general economic forecasts. Generally, the near-term outlook for the domestic travel industry is suspect, influenced by unemployment, health concerns and global conflicts.

The most recent forecast indicates that the budget assumptions may not have been conservative enough, as the travel market in general continues to be weak at the end of calendar year 2004. For a more complete discussion of current trends, please see the section entitled *Financial Results through November 30, 2004* beginning on page 36.

Expense

The FY05 expense budget assumes modest inflation at an average rate of 1.4%. The rates for non-labor expense are based on the appropriate econometric measure (e.g., CPI for materials, steel, energy, food, etc). Table 9 below describes the indices used and the rate applied.

Amtrak is currently negotiating labor settlements with a number of crafts and expects that any settlement would generally follow the agreements negotiated with the settled unions. Unsettled contracts continue in force and are subject to a cost of living provision that is built into the budget assumptions.

Health care continues to be a major challenge with double digit increases. This is despite moving to managed care and implementing other cost saving measures. Amtrak is seeing the same types of increases as other businesses and must continue to aggressively identify ways to reduce the growth of this cost area.

Fuel oil is budgeted at a level consistent with \$42 a barrel crude and the corporation has entered into hedge agreements to manage a portion of the risk associated with the volatility in the energy market. Approximately 15 million gallons, or 22% of the volume, of fuel oil is hedged, with hedges valid between January and June.

Table 9: Inflation Assumptions in FY05 Budget

ITEM	2005
CPI - All Items Less Food and Energy	1.5235%
CPI - All Items	1.2489%
CPI - Food and Beverages	1.4555%
Finished goods less food and energy	1.3658%

The Capital Budget

Overview

Amtrak's capital budget for the last several years has been aimed at overcoming years of deferred maintenance. It has been focused on the existing system. The needs of the

system have been documented in our Board-approved strategic plan, which is a rolling five-year needs assessment.

The capital investments identified are those considered necessary and essential to insure safety, reliability and high-speed service (in the northeast corridor.) To the extent inadequate capital funds are made available, the objectives of the capital program are sacrificed in reverse order; that is, high-speed service and then reliability. Safety will not be compromised: service would be discontinued first.

The capital budget for FY05 originally approved by the Board of Directors in our strategic plan was \$940 million, which included \$173 million in funding from sources other than Amtrak. Federal funds requested, therefore, were \$767 million.

The capital budget approved by the Board of Directors in September 2004 was \$985 million, which included \$160 million from non-Amtrak sources as well as principal, thus requiring \$825 million of federal support. This budget assumed an appropriation of \$1.5 billion. Amtrak’s final appropriation for FY05 was \$1.2 billion of which only \$492 million is earmarked for capital. This required significant cuts in our capital budget. Utilizing available cash to supplement the federal appropriation partially reduced the magnitude of the cuts. It should be noted that this can only be a one-time action, as once the cash is used it will be unavailable for future programs.

The resulting plant and equipment capital budget for FY05 is \$716 million comprised of \$516 million federal funds supplemented by cash balance and \$200 million of funding from other sources. Debt service of \$123 million brings the total capital budget to \$840 million including the \$200 million from other sources.

Table 10: FY05 Budget Summary

(\$ millions)	FY05		
	Strategic Plan	Original Budget	Reset Budget
Capital			
Infrastructure	503	507	418
Fleet/Facilities	312	223	208
Other	124	146	90
Subtotal, Capital	939	876	716
Less 3rd Party Funding	173	160	200
Net Amtrak/Federal Capital Grant Funding	767	716	516
Operating	570	570	570
Debt Service (Including DOT Loan)	358	263	273
Working Capital	103	(55)	(158)
Total Federal Grant	1,798	1,494	1,201

Note: Strategic Plan Numbers may not add due to rounding

The net effect of the reduction in the capital budget was a 24 percent reduction in planned Amtrak expenditures versus the Strategic Business Plan, even with an increase in funding from others, which provided some small measure of relief.

The gross infrastructure budget is reduced from the Strategic Business Plan by 17 percent or \$86 million. The gross capital budget for fleet is reduced by \$104 million or by 33 percent. All other gross capital budgets are reduced by \$34 million or 27 percent. Gross is the total budget including funds from non-Amtrak sources.

The strategy followed in reducing the capital budget was to maximize other sources of funding which rose from \$173 to \$200 million and to eliminate items which had the least immediate impact on revenue or safety.

The reductions in the capital budget are serious and the impact is shown in the following tables. We will make progress, but at a reduced pace.

Infrastructure Life Cycle Replacement Projects Included in FY05 Budget

The FY05 budget includes a number of large multi-year projects, which will have a significant impact on future year capital budgets. Many of these projects have been deferred for years due to the size of the project, but they can no longer be deferred. They are generally once-in-a-lifetime replacements, (bridges, tunnels, cables). It is important to understand that these projects will limit the flexibility to change future capital budgets, because once begun, the company will have a contractual requirement with a general contractor to complete the projects. The projects are listed in the following table.

Table 11: Funding Required for Life Cycle Replacement Projects

<i>(\$ millions)</i>				
Project	FY05	FY06	FY07-10	Total Investment
Connecticut River Bridges (Thames, Niantic, Connecticut)	8.0	32.0	63.0	103.0
Tunnel Cable Replacements	2.5	8.0	8.0	18.5
Wilmington High Speed Rail Material Control Facility	1.8	13.2	-	15.0
NY Tunnels	20.0	20.0	40.0	80.0
Shell Interlocking Replacement/Metro North Infrastructure	25.0	20.0	40.0	85.0
Total	\$ 57.3	\$ 93.2	\$ 151.0	\$ 301.5

Note: Excludes 3rd Party Funding

Planned Production

The following tables summarize both expenditure levels as well as key production for planned projects included in the FY05 capital budget, compared to the Strategic Plan.

Table 12: FY05 Infrastructure Production Summary

			Production Estimates	
	Strategic Plan	Budget	Strategic Plan	Budget
<i>(millions)</i>				
Track	\$ 196	\$ 172		
			Concrete ties (thousands)	180 183
			Rail installed (rail miles)	93 88
			Ballast renewed (track miles)	45 21
			Wood ties (thousands)	41 64
			Interlockings renewed (each)	6 6
			Interlocking turnouts (each)	26 26
			Turnouts replaced (each)	133 119
Structures	47	32		
			Undergrade bridges improved (each)	31 22
			Bridge ties replaced (each)	4,500 3,940
			Fencing (thousands feet)	10 10
Major Bridges	20	11	Includes \$8 million to begin construction on the replacement of the Thames River Bridge, \$2 million for design for the replacement of the Niantic River Bridge, and \$1 million for preliminary engineering work on Portal and Miamicock Bridges.	
Stations	22	18	Includes funding for various upgrades. Larger projects include King Street Station Renovation (\$1.9 million), New Carrollton Platform Improvement (\$1.4 million), Newark, NJ Platform Upgrade (\$2.0 million).	
Communications & Signals	42	35		
			Interlocking signals improved (each)	15 10
			Automatic Block Signals (track miles)	93 44
			Signal cable (miles)	32 2
Electric Traction	39	33		
			Catenary hardware (miles)	65 75
			Catenary poles / foundations	374 10
			Substations Improved (each)	26 26
Life Safety	90	83	Safety upgrades to NY Tunnels; includes FRA special grant funds and LIRR funding	
Other Projects/Partnerships	21	9	Includes Sunnyside Yard design (\$2.8 million), Seattle King Street Coach Yard design (\$2.1 million), Oakland Maintenance Facility (\$1.5 million), track improvements in Washington State (\$2.0), other miscellaneous projects (\$0.5 million)	
Metro North Projects	26	25	Primarily Shell interlocking improvements for reliable service; also other infrastructure upgrades to Metro North.	
Funding from Other Sources	(162)	(194)		
Total Infrastructure	\$ 341	\$ 224		

Table 13: FY05 Fleet & Facility Production Summary

	Strategic Plan		Production Estimates	
	Strategic Plan	Budget	Strategic Plan	Budget
	<i>(millions)</i>		<i>(Units)</i>	
EXISTING EQUIPMENT				
Passenger Cars	\$ 148	\$ 105	<i>Overhauls / Remans</i> Amfleet 125 105 Amfleet - Cab Cars 8 8 Superliner 66 52 Horizon 36 28 Surfliner 20 12 Other (Acela plus 2 Viewliners) 0 0 <i>Subtotal</i> 255 205 Wreck repairs 20 20 Coach-baggage modifications 0 23	
Locomotives	61	56	<i>Heavy overhauls</i> Electric 7 10 Road Diesels 50 50 Switchers 17 14 <i>Subtotal</i> 74 74 AEM7 transformer replacement 7 7 Switchers/Work ACSES & Cab Signal Install 42 12 Wreck repairs 6 6	
Non-Passenger Equipment	6	6	Baggage Car Overhauls 24 24 M/W Equipment Overhauls 30 30 Also includes investment in Work Management, CAD Systems	
NEW EQUIPMENT				
Diesel Multiple Units	52	-	DMU Purchase 4 - Deferred pending definition of state partner requirements and business case development.	
Viewliner (Heritage Replacement)	5	1	Viewliner/Heritage Replacement - - \$0.5 million for design in FY05, procurement of 70 Units anticipated in FY06.	
Auto Racks	23	20	Auto Rack Purchase 80 80	
Diesel Switchers	-	10	Work Engine/Switcher Purchase - 10	
Corridor Equipment	2	-	Placeholder for Amtrak share of joint equipment procurement with state partners. Design funding included in Strategic Planning budget (Other)	
Facilities	15	10	State-of-good repair improvements to back shops/ S&I facilities.	
Total Fleet	\$ 312	\$ 208		

Financial Results

The table below summarizes the capital budget:

Table 14: FY05 Capital Budget by Department

<i>(\$ millions)</i>			
<i>Classification</i>	Amtrak	3rd Party	Total
Infrastructure	224.1	193.9	418.0
Rolling Stock	208.2		208.2
Debt Service Principal	123.4		123.4
Environmental	21.5		21.5
Information Technology	21.5		21.5
Real Estate	11.6	6.2	17.8
Procurement	8.4		8.4
Marketing & Sales	9.4		9.4
Strategic Planning	2.3		2.3
Security	4.0		4.0
Operations Planning	2.1		2.1
Transportation	3.1		3.1
Total Estimated FY05 Capital Budget	639.6	200.1	839.7
Less FY04 Carryover Funding	(43.1)		
Less Estimated FY05 Underspend	(20.5)		
Less Cash Funding	(84.0)		
Net FY05 Grant	492.0		

The nature of Amtrak's capital program is contained in the Amtrak Strategic Plan FY2005-2009. Basically, the entire budget is aimed at bringing Amtrak-owned plant and equipment to a state of good repair.

We are in a race against time regarding a number of critical assets, which are at risk of failing. We have included these projects in the FY05 capital budget. The most important such assets are the Connecticut bridges (Thames, Niantic, Connecticut, Miamicock) and the high voltage Baltimore cables.

Fire and Life Safety

Critical fire and life safety upgrades to the New York Tunnels will move forward during FY05 funded by federal appropriation, a special FRA grant and Long Island Railroad (LIRR) funds. This work includes ventilation of the North River Tunnel (NRT), the East River Tunnel (ERT), the ERT First Avenue Ventilation Project, the Long Island City (LIC) project, Tunnel Standpipe Installation, and miscellaneous construction and design projects. Ongoing work included the installation of updated ventilation systems with wider, safer stairs, a new remote-controlled fire suppression system, improved communication and fire detection systems, enhanced emergency power and evacuation systems, upgrades to the computerized interface system (SCADA), structural rehabilitation of tunnel leaks, upgrade of tunnel floodgates, and portal access

improvements to enhance security and create a staging area for emergency evacuation. Work that will be completed in FY05 included the construction of the NRT ventilation project, upgrade of tunnel floodgates, design of the emergency power upgrades, and a fire alarm condition assessment.

Harrisburg Line

We have reached an agreement with the Commonwealth of Pennsylvania to begin to return the Harrisburg Line to a state of good repair. The overall agreement calls for splitting the costs on this Amtrak-owned line 50/50. The table below highlights the FY05 budget and work.

Table 15: FY05 Keystone Program Improvements

	Budget (\$ millions)	Units
Program Budget	\$ 62.8	
Interlockings Reconstructed		1
Concrete Ties Installed (thousands)		164
Rail Replacment (rail miles)		65
Turnouts Replaced		25
Undergrade Bridges Improved		5
Interlockings Improved		1
ABS (track miles)		14
Catenary Hardware Renewal (miles)		9.5
Substations Improved		3

Oakland Maintenance Facility

The FY05 budget contains \$1.5 million for the Oakland facility. \$1 million is carryover related to completion of the new service and inspection (S&I) facility. \$500,000 is related to improvements at Jack London Square station, which will allow Amtrak to vacate leased space.

Seattle Maintenance Facility

The budget contains \$2 million, which completes the preliminary work on a joint project with the state of Washington. Any additional work beyond FY05 will require state or local funding.

Metro North Railroad

The budget includes \$25 million, which is Amtrak’s contribution to Metro North capital for use of its facilities. This relationship is codified in a Memorandum of Understanding. The bulk of the money will fund a rebuilt New Rochelle interlocking.

Investment in Cars and Locomotives

The capital budget for cars and locomotives provides for the overhaul or remanufacture of existing rolling stock. The objective is twofold: first, to correct serious physical and mechanical deficiencies and, second, to improve vehicle availability. The capital

program should gradually allow us to increase availability by over 10 percent, which would be the equivalent of acquiring approximately 100 cars. Production is described in Table 13.

The only new equipment contained in the FY05 budget relates to orders placed in FY04 for ten new switch engines and 80 auto carriers. These units are being delivered. The budget contains \$0.5 million to begin design for replacement units for our 50+-year-old Heritage cars.

No new major facilities are included in the FY05 budget with the exception of two warehouses primarily for car parts. In Sunnyside Yard, Amtrak plans to build a replacement warehouse, which should be funded by the MTA's West Side Access project. In Wilmington, Amtrak must build a new warehouse to replace a decrepit existing facility and to provide for takeover of the high speed inventory.

Investments in Support Activities

In addition to the major investment programs for infrastructure and fleet, other departments in Amtrak have identified investments that support overall operations. These investments are described below.

Transportation

Amtrak capital investments also address the goal of keeping the company's non-revenue equipment and facilities up to a state-of-good-repair. Of the \$3.1 million that Amtrak's Transportation Department has budgeted for capital projects in FY05, \$1.35 million will be spent on:

- Replacement of support equipment – \$350,000 will be spent to address a backlog of support vehicle purchases, including tractors, forklifts, Red Cap carts, baggage floats, commissary carriers and self-service luggage carts.
- Standardization of station signage – \$300,000 will be spent in FY05 to upgrade identification signs, direction signs within the stations, platform signs, trailblazing signs that provide directions to and from train stations, and to identify signage improvements needed to comply with ADA requirements.
- Building and facility upgrades – \$700,000 will be spent in FY05 on upgrades to the Chicago crew office and various other improvements to Amtrak building and facilities.

The remaining \$1.7 million of the Transportation Department's FY05 capital budget will be in information technology investments, including investments in the engineer training simulator, tracking software and ticket vending machines purchased in partnership with Metrolink.

Procurement

Amtrak's Procurement Department supports the company's infrastructure and equipment investments, primarily through materials management. Capital investments of \$8.4 million include:

- Facility improvements (\$3.1 million) – the construction of new warehouses at Wilmington¹⁰ and Sunnyside, as well as improvements to existing facilities and installation of warehouse systems.
- Equipment replacement (\$4.9 million) – the replacement of non-revenue vehicles and material handling equipment.
- Vending machines (\$0.4 million) – the purchase of vending machines used to control distribution of small tools and disposable goods in mechanical shops. The vending machines have proven a good tool to reducing costs in shops.

Security Plan

Given the events of 9/11 and the subsequent Madrid rail bombings, Amtrak has developed a long-term security plan to ensure the safety of its passengers on the trains and in the stations. In April 2003, Amtrak submitted a draft plan to the Transportation Security Agency totaling \$110 million in security-related investments. This plan was approved but without accompanying dedicated funding. Subsequent to the 3/11 Madrid rail bombings, Amtrak provided written testimony to Congress and participated in several hearings. Legislation recently passed that makes Amtrak eligible for special grant funding in FY05 from the Federal Department of Homeland Security (DHS). At this time, however, it is not clear how much dedicated external funding will be available to fund Amtrak's security plan.

The security plan submitted to Congress falls into the following major categories:

- Tunnels on the Northeast Corridor – using closed circuit TV, security lighting and physical barriers to entry (fencing and vehicle blocks)
- Trains – deploying explosive and radiological detection devices and installing critical communications to improve incident response and train location
- Communications and control – combining dispatch and train control centers with security offices and investing in related technology system interfaces
- Stations – using a combination of physical barriers, lighting, and monitoring tools (CCTV, motion detectors etc.)
- US Borders – interfacing with US Customs on who is traveling to and from Canada on Amtrak

¹⁰ Amtrak anticipates assuming maintenance activities for the high speed trainsets from Bombardier in FY06. This will require assuming millions of dollars of related inventory that cannot be physically stored in current facilities. The Wilmington warehouse will modernize existing material control as well as accommodate the additional inventory for the high speed equipment

- Number of Police and security officers - hiring additional officers along with canine units and vehicles (operating expense)¹¹

Amtrak has included some of the proposed investments in its FY05 plan but cannot fund all of the projects within the appropriation provided. In FY05, Amtrak has budgeted approximately \$9.8 million for security-related capital work. Within the major security investment categories, Amtrak expects to spend \$5.7 million for tunnel work, \$0.2 million for trains, \$1.8 million for communications and control, and \$2.1 million for stations. In addition, another \$1.0 million will be spent for miscellaneous projects such as providing automatic external defibrillators, and upgrading police vehicle and office equipment. It should be noted that these budgets do not reflect any additional DHS funding that Amtrak hopes to secure in FY05. Most of this investment is included in the infrastructure improvements discussed beginning on page 14; \$3.0 million of the investments detailed below are in the Police and Security Department budget.

The following table summarizes the security plan:

Table 16: FY05 Security Investments

(\$ millions)		FY04	FY05
Secure Major Tunnel Access Points		0.2	5.7
Secure Amtrak Trains		0.0	0.2
Secure Amtrak Stations		0.0	2.1
Train Tracking, Communications & Critical Incident Response			
	CETC Consolidation--New Control Center	0.0	1.0
	Train communications	0.0	0.2
	Security response tracking	0.0	0.1
	National Communications Center upgrades	0.3	0.1
	Police Incident Tracking System		0.3
	Mobile Command Center upgrades	0.0	0.1
	Subtotal	0.3	1.8
Total Capital Projects		0.5	9.8

Information Technology Strategy

Amtrak’s information technology investments target six business objectives:

- Increasing Command and Control – which improve the management of train location, makeup, and movements, improve operating manpower management, and increase Amtrak’s management of maintenance resources;
- Security – which will enhance information flows and responsiveness;
- Enhancing Passengers’ Experience – which includes projects that improve customer interface and convenience
- Increasing Internal Financial Controls – to reduce losses from fraud and slippage

¹¹ additional officers will not be hired unless specifically funded by a DHS grant

- Employee productivity and materials management – which enables Amtrak to do more with what we have; and
- Expanding IT Reliability – which involves investments in our IT infrastructure.

Technology projects can be found in all departments across the company. Some projects are managed directly by a support department with Amtrak Technologies support; others are directly managed by Amtrak Technologies. Across all departments, Amtrak will spend \$38.94 million on these types of investments in FY2005 as shown below.

Table 17: FY05 Technology Investments

<i>(\$ millions)</i>	
Managing Department	FY05 Budget
Information Technology Budget	19.08
Engineering Department Budget	3.19
Finance Department Budget	2.30
Mechanical Department Budget	1.37
Marketing Department Budget	9.43
Operations Planning Department Budget	0.50
Police & Security Department Budget	0.38
Procurement Department Budget	0.96
Transportation Department Budget	1.73
Total: All Technology Projects	38.94

The Information Technology budgets include continued investments to keep the computer network and legacy systems in a state of good repair. Investments include server redundancy investments, network infrastructure investments, and a required email replacement. In addition, \$8 million is included for the replacement of the SAP HR/Payroll system, as the legacy system Amtrak uses will no longer be supported after 2005.

The specific investments included in each of the above budgets are discussed in the respective departmental summaries.

Marketing and Sales

All capital investments made by the Marketing and Sales Department are technology projects, and either are required to maintain current operations or to support continued transition of sales to lower-cost distribution channels and to those that improve customer interface. The Marketing and Sales Department will invest \$9.4 million in such projects in FY05. Projects in the FY05 budget include the following:

- Replacement of Quik Trak machines (ticket kiosks) - \$4.4 million
- Call center system upgrades - \$2.0 million

- Internet booking engine upgrades - \$0.4 million
- Replacement of station ticket printers - \$1.0 million
- Development of a customized internet site for travel agents - \$1.3 million
- New train status displays for station - \$0.3 million

Finance

Amtrak's Finance Department has budgeted for \$2.3 million in technology investments, aimed at better financial controls and improved efficiency. Included in the FY05 budget are the following projects:

- Preliminary design for the replacement of the accounts receivable system - \$0.4 million
- Preliminary design work for the implementation of an integrated financial system - \$0.8 million
- System programming to provide improved control over station refunds - \$0.7 million
- Improvements to treasury systems to improve processing and administrative requirements - \$0.4 million

Environmental Investments

Amtrak is cognizant that running a legacy rail system has existing environmental issues. Also, to keep passenger rail as an environmentally friendly mode of transport, continuing control projects are needed. In this context, Amtrak's Environmental Department will spend \$21.5 million in FY05 for both pollution prevention and for remediation of contaminated sites.

Amtrak's remediation efforts are directed by site cleanup standards set through a Remedial Investigation/Feasibility Study (RI/FS) approved by the applicable Federal or state environmental agency. Several factors can either delay or accelerate the anticipated spending for environmental remediation projects. These include:

- Required state and/or Federal regulatory agency review and approval of work plans
- Partnering with other Potentially Responsible Parties (PRPs) at the site
- Required third party approvals at sites where Amtrak works with predecessor railroads and previous site operators

These factors can delay anticipated spending at the site by as much as 75% over the course of a fiscal year. If events require that remediation be expedited, the impact to the spend plan can be as much as a 50% increase.

Pollution prevention capital projects include installation of spill pans at locomotive fueling areas, construction of waste storage facilities, wastewater treatment plant upgrades, and storm water control measures.

Law/Real Estate

Capital projects managed by Amtrak's Law and Real Estate Department cross subsidize core railroad operations by generating revenues from real estate assets. During FY05, the Department expects to spend \$17.8 million toward this end. The greatest portion of those funds (\$13.7 million) will go toward the 30th Street Station Development project in Philadelphia, of which \$6.2 million is funded through 3rd party sources. Amtrak will construct a pedestrian bridge to link the newly built parking garage to the station. In addition, capital funds will be used for adjacent roadway improvements, new garage entry lanes, site improvements to improve access to the Amtrak owned development site where a 29-floor office building is currently under construction by a private developer, and other garage and station improvements. The project will provide increased revenues expected to equal \$3 million per year (starting in FY07), escalating 3 percent per annum. Additional revenues are expected from annual office lease payments, starting at \$822 thousand in FY04 and increasing by 10% every 5th year anniversary of the lease.

The remaining portion of the Department's capital budget for FY05 (\$4.1 million) will fund a variety of other real estate projects. They include:

- Chicago Union Station Redevelopment – to redevelop the station headhouse for mixed-use commercial activity.
- Chicago West Loop Parking Garage Improvements – to replace the existing parking garage revenue equipment, expected to reduce operating expenses by about \$150,000 per year beginning in FY05.
- Lanvale Development – to develop a 1.5-acre parcel north of the Baltimore train station.
- Wilmington Station Redevelopment – the final design for the development and restoration of Wilmington's historic station.
- St. Louis Multimodal Station – Amtrak's contribution toward the construction of a new station by the City of St. Louis.
- Retail Improvements – to support Amtrak's contractual obligations to upgrade station retail areas (e.g., floor resurfacing, lighting and utility improvements, stairway upgrades) in partnership with existing or new tenants.
- San Diego REA Building – Amtrak's contribution toward the construction of a building to provide storage space for maintenance equipment and materials used for Amtrak- and California-owned rolling stock at the San Diego terminal.

Operations Planning

Operations Planning focuses on opportunities to improve service performance. With an FY05 capital budget of \$2.1 million, the Department plans to accomplish the following:

- BWI Northbound Platform Extension (\$0.6 million) – reduce track occupancy times between Baltimore and Washington, DC by lengthening the existing 350-foot northbound platform at the BWI Airport. FY05 funding includes construction design.
- BWI Interlocking (\$0.2 million) – install an interlocking near the BWI Airport Station, eliminating overtake time delays between Amtrak trains and MARC commuter trains. FY05 funding anticipates beginning design work late in the fiscal year.
- Washington Union Station High Level Platform (\$0.8 million) - convert the existing low platform serving Tracks 23-24 to a high-level platform, simplifying passenger loading/unloading while reducing the risk of injuries. FY05 funding includes construction design. When complete this platform will reduce the need for assistant conductors on certain regional trains.
- Train and Crew Scheduling Software Upgrades (\$0.5 million) – upgrade software and database storage used for train scheduling and optimizing crew assignments. FY05 funding will complete this project.

Strategic Planning And Contract Administration

In FY05, the Department has budgeted \$2.3 million for capital work; \$131,000 of that is budgeted in support of the corridor initiative outlined in Amtrak's FY05-09 Strategic Plan (Corridor Fleet Acquisition). This project provides design, specification and procurement for the next generation of corridor equipment. The project schedule calls for design and specification development to take place in FY05, procurement in FY06, and equipment delivery in FY07 through FY09. This schedule will depend in large part on the progress of negotiations with participating states. It is assumed that states will contribute approximately 50 percent of car acquisition costs, with Amtrak covering design, procurement, and spare costs, although the level of state participation is still to be determined.

The remainder of the Department's FY05 capital budget, \$2.2 million, will contribute toward a joint capital investment between Amtrak and the California Department of Transportation to design, permit and construct a third main line along Amtrak's Pacific Surfliner service (Bandini CA Infrastructure), based on an agreement entered into prior to 2002. The FY05 funding represents Amtrak's final payment.

The Operating Budget

The operating budget is built on a series of operating and funding assumptions. First, it assumes that the federal appropriation for Amtrak will cover the operating cash loss. The

budget also assumes that the basic rail transportation network is operated with minor adjustments to schedule and frequencies on the Northeast Corridor to improve revenue and on-time performance. The revenue budget assumes economic recovery and restoration of revenues lost in late FY04 as a result of the two political conventions and the severe weather disruptions. The budget also is built on a series of goals and objectives supporting the rebuild of the infrastructure and fleet, mainly in the capital program, but to a lesser extent in the operating budget. Very modest inflationary growth is assumed (0.5% for revenues, 1.4% for expenses). Changes in the operating pattern on the Northeast Corridor, resulting in improved trip times, also add to revenues and are assumed in the budget.

The operating budget includes savings from actions estimated at \$79 million that at the time of budget production was undefined and which are needed to meet the operating bottom line budget. Subsequent to completing the operating budget, management identified a series of actions to close the budget gap. A number of these actions are confidential, and have been shared with the Board of Directors as well as the Federal Railroad Administration. The identified actions have been taken into account in preparing the forecast discussed later. A complete analysis has been provided to the Board of Directors and the Federal Railroad Administration. Amtrak intends to report on these actions separately to the Board and the Federal Railroad Administration to ensure they are met. The actions include a series of pricing actions, improved commuter revenues based on renegotiated contracts, certain legal settlements that have been reached, and reduced operating expenses. See Table 21.

Plan Risks

The condition of the physical plant continues to be a risk. Several major infrastructure failures occurred this past year that seriously disrupted operations and required manual intervention in order to be able to continue to safely operate the railroad. The condition of the plant is the result of years of capital underinvestment, and restoring the physical plant to good repair will take several years of continued capital investment at levels identified in our Strategic Plan.

Freight railroad performance continues to deteriorate, affecting the performance of Amtrak's trains. Continued deterioration will cause a shortfall in ticket revenues if other mitigating actions cannot be identified.

General economic conditions are perhaps among the biggest risks inherent in the plan. While the economy showed improvement in the first half of 2004, during the second half the economy began to send mixed signals, and the travel market in general began to contract. In addition, the increased cost of fuel and electricity will have a negative effect on results if no market correction occurs.

Another area of risk is the ability to continue to operate Acela trainsets reliably and on-time. Amtrak's experience with Acela reliability has been well documented over the past two years. Further deterioration in reliability from current levels would result in both lost

revenues and increased costs. This budget assumes that fifteen of twenty trainsets are available for operations.

A further area of risk is the outcome of labor settlements. Amtrak has generally been successful in reaching agreement with the labor organizations in the past based on patterns set by the first organizations to settle. The budget assumes that continued effort toward reaching agreements with unsettled unions will occur and will be based on the patterns set by those unions that have already reached settlement. The budget anticipates varied timing of settlements, based on management's best estimate, and assumes that the settlements achieved will yield significant work rule change.

Amtrak has built into the budget an elimination of the mail and express business. A potential area of risk is that Amtrak may be unable to reduce related expenses as quickly as anticipated.

Finally, the budget includes a budget gap of \$79 million. This budget assumes that all \$79 million is closed through a combination of revenue improvements (all non-passenger related) and expense reductions. For comparison, last year the actions required to close the budget gap totaled \$67 million, and Amtrak more than closed that gap through aggressive cost controls on spending, senior level review of all proposed position hires, and deferral of discretionary spending wherever possible. Last year the gap was closed by the end of the second quarter.

Each of the business risks discussed above jeopardizes an already precarious cash position built into the FY05 Budget. As noted elsewhere, the FY05 Federal Appropriation was substantially less than requested by Amtrak and supported less than the level of capital investment necessary to meet a state of good repair. Accordingly, Amtrak elected to supplement the appropriated capital funds with its own available cash reserves. But, the consequence of this decision is that the corporation expects to end the current fiscal year with only \$75 million of available cash reserves – assuming none of the adverse risks discussed above materializes.

The low level of year-end cash also creates a challenge of timing. Throughout FY05, the company will be consuming cash at the approximate monthly rate of \$115 million, meaning the year-end balance of \$75 million will only sustain 20 days or so of operations. The company will not have the available cash to self-fund operations and capital for any protracted period unless it obtains an infusion of cash to restore adequate cash balances before year-end.

For each month that Amtrak reports results that are equal to or better than budget, the gap for that month has been closed through improved results in other business areas. In addition, management has identified for the Board and the Federal Railroad Administration a series of actions that will substantially close the gap.

Summary of Financial Results

The budget documents and supporting appendices were completed before preliminary, unaudited results were available for FY04, and therefore rely on a comparison to the forecast for FY04, which was based on actual results through June with three months of forecast. With the exception of Table 17 below, all comparative discussion of the operating budget results will be against the FY04 forecast, to be consistent with the supporting detail in the operating appendix. The following table summarizes the anticipated operating results for FY05 versus the FY04 Forecast as well as FY04 unaudited results.

Table 18: Consolidated Statement of Operations: FY05 Budget vs. FY04 Forecast and FY04 Actual

(\$ millions)	FY05 Budget	FY04 Forecast	FY04 Unaudited Actual	FY05 Better/ (Worse) than Forecast	FY05 Better/ (Worse) than Actual
Revenues					
Passenger Related	\$ 1,362	\$ 1,342	\$ 1,304	20	58
Mail and Express	2	66	64	(64)	(62)
Commuter	122	129	119	(7)	3
Other	399	391	410	8	(11)
Operating Revenue	1,885	1,928	1,897	(43)	(12)
Expenses					
Salaries, Wages and Overtime	1,045	992	963	(53)	(82)
Employee Benefits/ Employee Related	568	543	516	(25)	(52)
Train Operations	202	203	204	1	2
Fuel, Power, and Utilities	196	188	187	(8)	(9)
Materials	146	148	151	2	5
Facility, Communication, and Office Related	133	130	132	(3)	(1)
Advertising and Sales	76	86	77	10	1
Casualty and Other Claims	115	118	93	3	(22)
Deprec. Net of Amort. of Gain on Sale-leasebacks	573	531	549	(42)	(24)
Other	153	217	216	64	63
Indirect Cost Capitalized to Prop. & Equip.	(98)	(81)	(83)	17	15
Operating Expenses	3,109	3,075	3,005	(34)	(104)
Profit/(Loss) from Operations	(1,224)	(1,147)	(1,108)	(77)	(116)
Interest, Net	131	140	138	9	7
Impairment	-	-	92	-	92
Net Loss	(1,355)	(1,287)	(1,338)	(68)	(17)
Adjustment for Depreciation./OPEBS/Impairment	642	600	703	42	(61)
Adjusted Income/Loss	\$ (713)	\$ (687)	\$ (635)	\$ (26)	\$ (78)
RECONCILIATION TO CONSOLIDATED STATEMENT OF OPERATIONS					
Total Operating Revenue	1,885	1,928	1,897	(43)	(12)
Federal and State Capital Payments	25	22	22	3	3
Total Revenue	1,910	1,950	1,919	(40)	(9)
Operating Expense	3,109	3,075	3,005	(34)	(104)
Impairment Charge	-	-	92	-	92
Total Expense	3,109	3,075	3,097	(34)	(12)
Income or (Loss) from Operations	(1,199)	(1,125)	(1,178)	(74)	(21)
Interest, Net	131	140	138	9	7
Net Income or (Loss)	(1,330)	(1,265)	(1,316)	(65)	(14)

For a discussion of the drivers for changes in each of the categories in the income statement, please see the narrative following this section.

Amtrak also measures performance in each of its business segments. The following table summarizes the change in performance from FY04 to FY05 in each business segment:

Table 19: FY05 Budget vs. FY04 Forecast by Business Segment

(\$ millions)	Core	Commuter	Reimbursable	Commercial	Project- related costs	Total
Operating Revenues						
FY05 Budget	1,633	122	79	51	-	1,885
FY04 Forecast	1,651	129	96	52	-	1,928
Better/(Worse)	(18)	(7)	(17)	(1)	-	(43)
Operating Expenses						
FY05 Budget	2,901	111	75	10	12	3,109
FY04 Forecast	2,879	97	84	8	7	3,075
Better/(Worse)	(22)	(14)	9	(2)	(5)	(34)
Operating Profit/(Loss)						
FY05 Budget	(1,268)	11	4	41	(12)	(1,224)
FY04 Forecast	(1,228)	32	12	44	(7)	(1,147)
Better/(Worse)	(40)	(21)	(8)	(3)	(5)	(77)

Revenue

Amtrak's FY05 budget calls for operating revenues of \$1.9 billion, a reduction of \$43 million. The primary driver for the reduction in revenues is the exit from the Mail and Express business and reduced volume of reimbursable work anticipated from external agencies.

Core

Amtrak's core business incorporates the basic activities associated with running the railroad. The core revenues include ticket and food and beverage revenues, state support, mail and express, and other transportation-related revenues, and are budgeted to be \$18 million lower than FY04 forecast. The reduction comes primarily from the elimination of mail and express revenues in FY04.

Amtrak's FY05 ticket revenues are budgeted to be \$1.315 billion, or \$25 million (2.0%) higher than FY04 forecast, with food and beverage revenues contributing \$5 million to the increase in passenger revenues, offset by a \$7 million accounting reclassification for Amtrak guest rewards that was not known when the forecast was complete. The ticket revenue budget assumes modest market growth of 0.5% in FY05, with continued favorable response to Amtrak's advertising campaigns. Specific route and service changes are estimated to have favorable impacts, as well as pricing adjustments. The following table summarizes the expected growth in ticket revenues and ridership that are assumed in the budget:

Table 20: FY05 versus FY04 Ticket Revenue Comparison

Revenue (in millions)	
FY04 Estimate	\$ 1,289.5
Calendarization, Marketing and Economic Growth	15.2
Service Changes	11.7
Equipment changes	(0.5)
Pricing Actions	0.8
New refund policy (offset will be in other revenue)	(1.9)
FY05 Budget	<u>\$ 1,314.8</u>
% increase	2.0%
Ridership (in thousands)	
FY04 Estimate	25,310.3
Calendarization, Marketing and Economic Growth	421.0
Service Changes	248.8
Equipment changes	(21.1)
Pricing Actions	(200.5)
New refund policy (offset will be in other revenue)	(26.1)
FY05 Budget	<u>25,732.4</u>
% increase	1.7%

Following the development of the budget in June, ticket revenues began to fall far short of FY04 budget and forecast, and current forecasts indicate that the FY05 ticket revenue budget, originally a conservative estimate, will now be difficult to achieve. For a full discussion of the current forecast, please see the section entitled *Financial Results through November 30, 2004* beginning on page 36.

Commuter

The Commuter business segment includes the results from the operating activities Amtrak provides to Commuter Agencies through contractual arrangements. Commuter revenues are budgeted to be reduced from \$129 million to \$122 million or a reduction of \$7 million. This reduction is primarily driven by a reclassification of revenues from access fees and purchased power from commuter to core revenue. Additional opportunity exists for Amtrak to perform work above the level specified in the commuter contracts. Since the work is completed on an as-requested basis, Amtrak takes a conservative approach when budgeting both the revenues and expenses associated with any additional work.

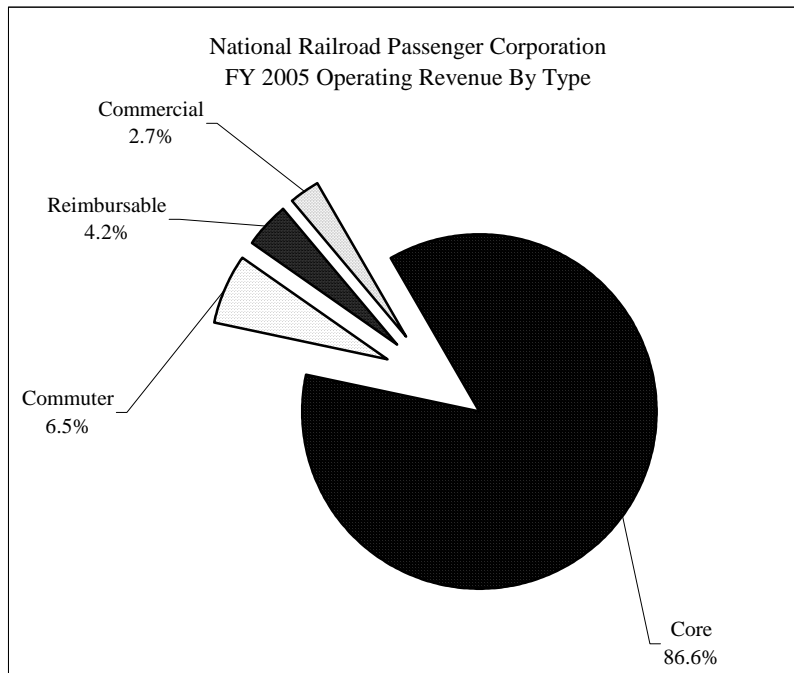
Reimbursable

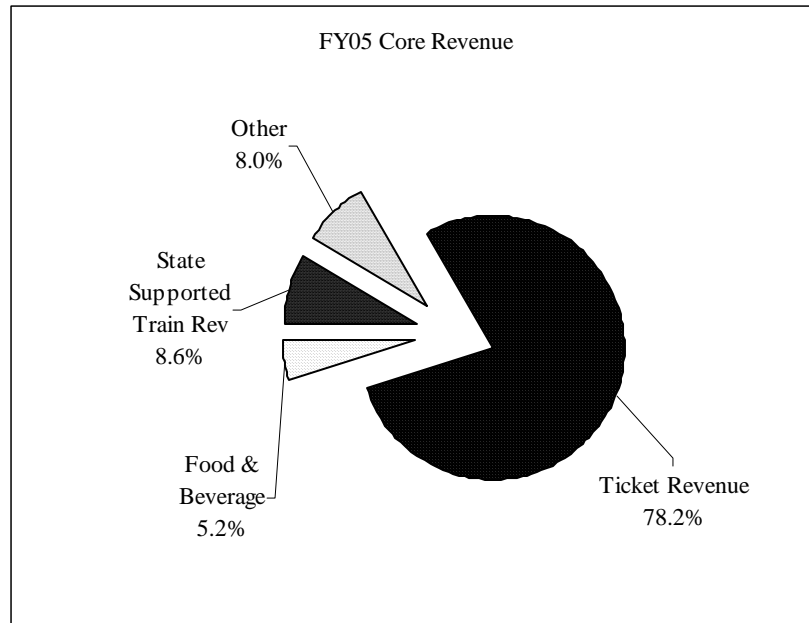
The Reimbursable business segment reports financial results from various activities Amtrak performs for other entities. These include maintenance of way services for the benefit of other railroads or agencies that do not fall under the Commuter umbrella and limited maintenance of equipment activities. Reimbursable revenues are budgeted at \$79 million, down \$17 million from FY04. This reduction is primarily the result of the completion of several major, multi-year maintenance of way projects in FY04.

Commercial

The Commercial business segment includes real estate and retail activities, including pipe and wire communication access rights. Commercial revenues, at \$51 million, are budgeted to be lower than FY04 by \$1 million. During FY04, Amtrak recorded several one-time revenues, including the sale of land in Detroit totaling \$1.9 million, \$1.4 million from the Wedge Yard Easement, \$3.1 million from telecommunications activities and \$1.0 million from various other transactions. Base commercial business including retail and pipe and wire revenue streams is budgeted to increase, based on contractual agreements currently in place, offsetting the one-time revenues.

The following charts illustrate Amtrak’s budgeted sources of revenues for FY05:





Expense

Amtrak’s expense budget is developed through a zero-based activity analysis. Budgets are built within each department based on expressed goals and objectives, by major business segment. At a corporate level, budgets are analyzed against historical trends to ensure that reasonable assumptions have been made in individual budget preparation.

As previously discussed, in FY05, the amount of budget gap to be closed is \$79 million. This budget assumes that the savings required to close this gap, identified subsequent to completion of the budget, are achieved. Specific actions to close this gap have been identified and have been shared with the Board of Directors and the Federal Railroad Administration. Specific changes have not been made to reflect them in the operating budget, but management will track the results of each action throughout the year and report them separately to the Board of Directors and the Federal Railroad Administration.

Core

Core expenses are expected to grow to \$2.9 billion in FY05, up \$22 million from the FY04 forecast. Like most other companies, Amtrak expects to experience double digit inflation related to health care benefits, which is expected to increase \$44 million in FY05 despite reduced staffing and planned employee contributions. Under the old agreements, none of Amtrak’s labor unions contributed to the cost of health care benefits, whereas management employees do contribute. The agreement reached with the TCU at the end of FY03 included the addition of an employee contribution to such benefits; Amtrak is seeking similar agreements with all of its labor organizations. This budget assumes those agreements are reached. Salaries and wages are anticipated to increase with inflation as well as annualized for positions filled mid-year FY04. Fuel, power and

utilities are expected to be up \$8 million primarily due to increased oil and electricity prices. Finally, depreciation is expected to increase \$42 million, the result of increased capital activity.

Commuter

Commuter expenses are budgeted to increase \$14 million, primarily the result of increased labor costs. Amtrak intends to continue to review staffing and labor costs required for the Commuter operations and control expenses appropriately, as well as identify additional opportunities for revenues to offset the expense increases.

Reimbursable

Reimbursable expenses are anticipated to be \$9 million lower than FY04, the result of having completed major reimbursable project work. Amtrak's focus is on rehabilitating owned infrastructure, and therefore is not actively seeking work on behalf of others. Reimbursable work is generally performed by the same maintenance of way work crews used for infrastructure improvements. Increased infrastructure work reduces the availability of these crews to perform reimbursable work.

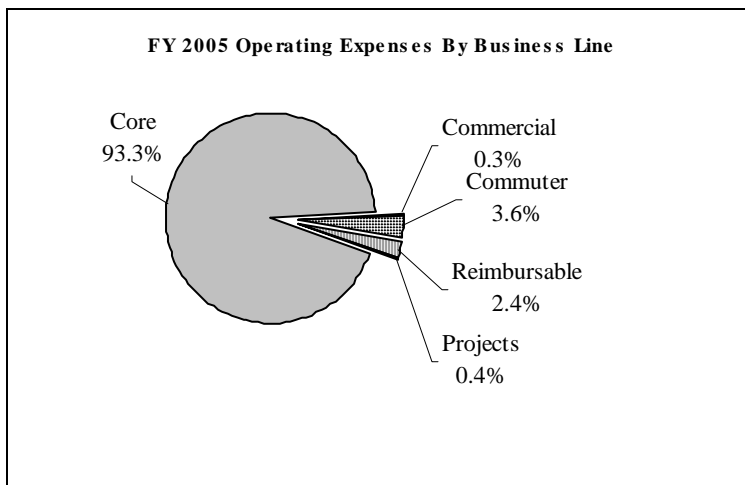
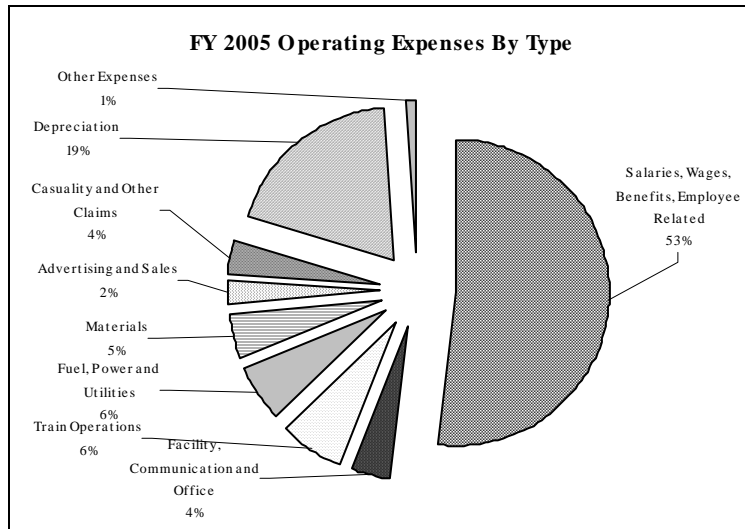
Commercial

Expenses related to commercial activities are budgeted to be \$2 million higher than FY04. Base expenses for the commercial business segment are rather steady and predictable. Contribution margin in the commercial business line tends to fluctuate due to the revenue from an occasional real estate transaction rather than changes in expense. The Commercial business segment is Amtrak's most profitable non-core activity, with a budgeted contribution of \$41 million.

Projects

Beginning in FY03, Amtrak began to track separately those costs that are directly attributable to capital projects but are not capitalizable under generally accepted accounting principles. These include activities such as design, pre-engineering, requirements analysis for software development, communications costs, and other activities that do not qualify for capitalization, but are incurred solely because a capital project is underway. Project related-expenses are budgeted to be \$12 million in FY05 versus a forecast of \$7 million in FY04. While these expenses are reported in the profit and loss statements as required by generally accepted accounting principles, they are funded in the federal capital grant and are therefore excluded from federal operating support calculations.

The following charts illustrate the distribution of expenses by business segment and by type:



Financial Results through November 30, 2004

The financial results through the first two months of FY05 have been mixed. Capital expenditures are \$59 million below the original budget¹², primarily in infrastructure investments. This shortfall is driven by timing of contracts for major projects as well as the distractions caused by reevaluating and reducing the capital budget. Operating results have been worse than budget, driven by a passenger related revenue shortfall of \$15 million and expenses that were \$7 million higher than budget. The expense variance is driven primarily by higher than budgeted fuel costs and a one-time accrual recognizing the cost to repair damaged equipment under lease.

The revenue shortfall is anticipated to continue through FY05. The travel market situation has worsened in recent months and the outlook for FY05 is more challenging

¹² Original capital budget totaled \$985 million.

than the budget anticipated. Ticket revenues are trending below both last year and Plan. Not only does Amtrak have to negotiate its performance in a depressed market and weather the impacts of aggressive airline under-pricing, but Amtrak is also challenged with delivering a consistently reliable and quality service with equipment and physical plant that suffer from years of under-funding. State-of-good repair is critical for Amtrak to establish a serious competitive presence in the travel market. The forecast for ticket revenue shortfall for the year is \$52 million. If this forecast holds true, ticket revenue would be only slightly higher in FY05 instead of the 2.0% improvement budgeted versus the FY04 forecast. The following table summarizes FY05 operating results through November 30, 2004 versus budget:

Table 21: Operating Results through November 30, 2004

Summary Financial Results			
(\$ Millions)			
	2 Months YTD		
	2004 November Actual	2004 November Budget	Variance to Budget Fav/(Unfav)
Passenger Related Revenue	238.7	254.0	(15.3)
Other Revenue	63.8	65.6	(1.8)
Total Operating Revenue	302.5	319.6	(17.1)
Salaries, Wages and Benefits	251.4	255.3	3.9
Depreciation	89.9	92.5	2.6
Operating Expenses (1)	163.0	149.7	(13.3)
Total Expenses	504.3	497.5	(6.8)
Total Operating Profit / (Loss)	(201.8)	(177.9)	(23.9)
Interest, Net	21.7	22.5	0.8
Discontinued Operations (Mail & Express)	1.4	-	(1.4)
Amtrak Income / (Loss)	(224.9)	(200.4)	(24.5)
Adj. For Depreciation / OPEB's / Impairment	98.4	100.2	(1.8)
Adjusted Income / (Loss)	(126.5)	(100.2)	(26.3)

(1) Primarily increased fuel cost (\$3.7M), provision for repair of damaged equipment (\$4.0M) and equipment maintenance materials (\$4.0M).

Given the projected revenue shortfall, Amtrak management has identified additional actions that will help offset the shortfall. The types of actions are summarized in the table below. The details behind these actions have been provided to the Board of Directors and the Federal Railroad Administration (“FRA”) and management will report on those actions to the Board and the FRA on a monthly basis. Additional actions are still required as of the writing of this Comprehensive Operating Business Plan. As further actions are identified, management will update that report accordingly.

Table 22: Summary of Gap Closing Actions

<i>(\$millions)</i>	
Budget actions required	
Budget Gap in Original Budget	\$ 79
Forecasted Revenue Shortfall	52
Expense variance through November 2004 ¹	4
Total Actions to be defined	<u>\$ 135</u>
Actions Defined to Date	
Revenue	23
Expense	68
Actions with balance sheet & cash impact	<u>16</u>
Total Actions defined to date	<u>\$ 107</u>
Actions still required	<u>\$ 28</u>
<i>[1] Excludes depreciation</i>	

Working Capital Requirements

All companies carry working capital on their balance sheets. Working capital is defined as current assets (cash, accounts receivable, inventory, prepaid expenses, other current assets) minus current liabilities (accounts payable, current portion of long-term debt, other current liabilities). “Current” in this definition are those assets that will be liquidated within a year or those liabilities that will come due with a year. Although working capital has become a surrogate for cash when discussing Amtrak’s working capital balances, it is important to understand that working capital actually encompasses all of the accounts discussed above. Most important, with the level of capital investment Amtrak has begun in infrastructure and fleet, the overall investment in inventory has increased substantially.

As the capital grants are currently structured, Amtrak is unable to draw from the grants to cover inventory until the inventory is actually applied to a unit in production and the capital expenditure is recognized. In many cases this occurs several months after the cash payment is made for that inventory. When Amtrak indicates that it is necessary to build working capital, the reference is to building cash balances to mitigate variations in cash flow in the absence of a line of credit as well as to support additional inventory and other working capital needs.

This budget does not build, but rather reduces, available working capital in order to meet projected requirements. During FY04 and continuing into FY05, Amtrak has increased the focus on collecting accounts receivable and a much stronger inventory management program.

It should be noted, however, that the lead times for much of the material required for infrastructure and fleet investment exceed nine months, and that the reduction in capital budgets will likely cause an increase in inventory, further reducing cash balances. This

assumption has been built into the cash flow analysis, but it underscores the critical need for cash to support future working capital funding.

Cash Flow Analysis

Amtrak’s budget assumes federal funding of \$1.2 billion. There is an assumption within the budget that Amtrak continues to have no access to short-term credit lines, and that cash balances will be required to support the FY05 capital program as well as operations. The following summarizes Amtrak’s planned cash flow for FY05:

Table 23: FY05 Cash Flow

<i>(\$ millions)</i>		<u>FY05</u>
Beginning Cash		<u>\$ 237.5</u>
<u>Uses:</u>		
Operating Budget (P&L)	\$ 1,211.4	
Non-Cash Adjustment	<u>(641.4)</u>	
Net operating budget		570.0
Capital Budget		716.3
Offset for assumed underspend		(20.5)
Debt Service Principal & Interest		272.9
Working Capital Requirements [1]		24.7
Total Uses		<u>\$ 1,563.4</u>
<u>Sources:</u>		
Operating	\$ 570.0	
Debt Service	230.9	
RRIF Loan	21.6	
Capital	<u>378.3</u>	
FY05 Federal Grant		1,200.8
Third Party		<u>200.1</u>
Total Sources		<u>\$ 1,400.9</u>
Ending Cash		<u>\$ 75.0</u>

Appendices

- Appendix 1: FY05 Organization Charts
- Appendix 2: FY05 Goals and Objectives
- Appendix 3: FY05 Capital Budget
- Appendix 4: FY05 Operating Budget

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National Railroad Passenger Corporation
FY05 Budget - Route Summary

(all amounts in \$ thousands, except ridership data)

Contribution Summary

Northeast Corridor Trains		FRA Cost FY05	FRA Defined Contribution FY05 / 1	Remaining Cost FY05	Net Contribution FY05 / 2
Route Number	Train Name				
RT01	Acela Express	\$80,332	\$244,897	\$157,621	\$87,276
RT02	Metroliner	8,969	20,250	13,667	6,583
RT05A	Regional/Federal	171,972	167,561	236,253	(68,672)
RT13	Clockier Service	18,473	10,376	14,253	(3,877)
Total		\$279,969	\$443,085	\$421,774	\$21,311

FY05 Grant Capital Spending

Northeast Corridor Trains		Capital Allocated to Route FY05	Route Pertinent Project Cost FY05 / 4
Route Number	Train Name		
RT01	Acela Express	\$45,447	\$285,557
RT02	Metroliner	9,422	252,948
RT05A	Regional/Federal	133,958	326,527
RT13	Clockier Service	4,724	227,897
Total		\$193,550	

FY05 Ridership

Northeast Corridor Trains		Ridership Budget FY05
Route Number	Train Name	
RT01	Acela Express	2,873,340
RT02	Metroliner	284,445
RT05A	Regional/Federal	6,456,232
RT13	Clockier Service	1,987,030
Total		11,601,047

Supplemental Schedule 1. Route Summary

State Supported Trains		Remaining Cost FY05	Net Contribution FY05	FRA Cost FY05	FRA Defined Contribution FY05 / 1
Route Number	Train Name				
RT03	Ethan Allen Express	\$4,125	(\$4,081)	\$4,969	\$44
RT04	Vermont	10,004	(4,014)	9,602	5,990
RT09	The Downeaster	3,826	(1,821)	4,329	2,005
RT14	Keystone Service	27,295	(20,891)	21,154	6,404
RT20	Chicago-St.Louis	8,037	(6,857)	7,397	1,180
RT21	Hiawathas	15,537	(12,560)	11,245	2,978
RT23	Illini	4,155	(2,738)	4,228	1,417
RT24	Illinois Zephyr	3,542	(2,076)	3,927	1,466
RT29	Heartland Flyer	2,333	(853)	3,263	1,480
RT35	Pacific Surfliner	39,449	(17,561)	38,749	21,888
RT36	Cascades	19,945	(8,426)	21,005	11,519
RT37	Cascades	19,550	(10,518)	27,420	9,032
RT39	San Joaquins	20,577	(13,399)	43,936	7,179
RT40	Adirondack	6,965	(4,003)	8,100	2,962
RT41	Blue Water	4,755	(2,082)	4,167	2,893
RT56	Kansas City-St.Louis	4,464	(829)	6,375	3,655
RT65	Perre Marquette	2,892	(248)	2,813	3,140
RT66	Carolinian	16,395	(11,063)	12,897	5,331
RT67	Piedmont	1,439	(1,190)	1,264	1,249
Total		\$215,305	(\$123,694)	\$236,840	\$91,611

State Supported Trains		Capital Allocated to Route FY05	Route Pertinent Project Cost FY05 / 4
Route Number	Train Name		
RT03	Ethan Allen Express	\$2,286	\$212,864
RT04	Vermont	6,302	305,657
RT09	The Downeaster	1,501	118,728
RT14	Keystone Service	41,248	231,680
RT20	Chicago-St.Louis	2,805	146,049
RT21	Hiawathas	4,819	132,370
RT23	Illini	1,579	146,204
RT24	Illinois Zephyr	1,494	146,049
RT29	Heartland Flyer	358	78,821
RT35	Pacific Surfliner	13,209	138,143
RT36	Cascades	5,506	107,827
RT37	Cascades	6,501	89,582
RT39	San Joaquins	5,443	94,434
RT40	Adirondack	3,158	219,872
RT41	Blue Water	2,288	149,355
RT56	Kansas City-St.Louis	1,670	134,245
RT65	Perre Marquette	1,863	151,152
RT66	Carolinian	5,557	283,638
RT67	Piedmont	204	78,821
Total		\$107,790	

State Supported Trains		Ridership Budget FY05
Route Number	Train Name	
RT03	Ethan Allen Express	109,888
RT04	Vermont	255,247
RT09	The Downeaster	249,286
RT14	Keystone Service	943,270
RT20	Chicago-St.Louis	215,106
RT21	Hiawathas	490,847
RT23	Illini	113,784
RT24	Illinois Zephyr	110,198
RT29	Heartland Flyer	54,827
RT35	Pacific Surfliner	2,422,573
RT36	Cascades	594,670
RT37	Cascades	1,214,106
RT39	San Joaquins	733,596
RT40	Adirondack	134,424
RT41	Blue Water	105,065
RT56	Kansas City-St.Louis	128,335
RT65	Perre Marquette	87,899
RT66	Carolinian	324,582
RT67	Piedmont	45,837
Total		8,333,574

Other Short Distance Trains		Remaining Cost FY05	Net Contribution FY05	FRA Cost FY05	FRA Defined Contribution FY05 / 1
Route Number	Train Name				
RT15A	Empire/Maple Leaf	\$40,915	(\$36,588)	\$41,585	\$4,327
RT22	Wolverines	14,259	(16,966)	13,878	(2,707)
RT54	Hoosier State	1,157	(2,166)	1,298	(1,008)
RT57	Pennsylvanian	7,166	(7,516)	6,514	(850)
RT91,92,93	Unallocated Labor	(225)	(2,861)	3,086	(3,086)
RT74-81	Bus Routes	0	0	0	0
RT99A	Special Trains	2,522	578	2,905	3,100
Total		\$65,795	(\$59,028)	\$69,266	\$6,767

Other Short Distance Trains		Capital Allocated to Route FY05	Route Pertinent Project Cost FY05 / 4
Route Number	Train Name		
RT15A	Empire/Maple Leaf	\$21,735	\$221,552
RT22	Wolverines	8,122	145,248
RT54	Hoosier State	515	164,889
RT57	Pennsylvanian	3,147	273,732
RT91,92,93	Unallocated Labor	0	0
RT74-81	Bus Routes	0	0
RT99A	Special Trains	1,638	159,375
Total		\$35,158	

Other Short Distance Trains		Ridership Budget FY05
Route Number	Train Name	
RT15A	Empire/Maple Leaf	1,112,262
RT22	Wolverines	370,045
RT54	Hoosier State	17,745
RT57	Pennsylvanian	166,756
RT91,92,93	Unallocated Labor	0
RT74-81	Bus Routes	0
RT99A	Special Trains	70,630
Total		1,737,438

Long Distance Trains		Remaining Cost FY05	Net Contribution FY05	FRA Cost FY05	FRA Defined Contribution FY05 / 1
Route Number	Train Name				
RT16A	Silver Service	\$75,094	(\$88,527)	\$96,107	(\$23,433)
RT17	Three Rivers	12,919	(18,384)	8,432	(5,465)
RT18	Cardinal	6,649	(12,565)	10,886	(5,917)
RT25	Empire Builder	33,486	(51,051)	60,154	(17,534)
RT26	Capitol Limited	17,208	(25,589)	23,571	(8,352)
RT27	California Zephyr	32,705	(64,239)	56,563	(21,534)
RT28	Southwest Chief	44,465	(74,374)	65,734	(29,910)
RT30	City of New Orleans	11,937	(20,279)	21,641	(8,342)
RT32	Texas Eagle	16,062	(28,693)	30,429	(12,631)
RT33	Sunset Limited	14,162	(30,491)	29,292	(8,342)
RT34	Coast Starlight	26,114	(44,924)	52,953	(18,811)
RT45	Lake Shore Limited	29,129	(40,699)	33,946	(11,570)
RT52	Crescent	28,405	(45,121)	41,533	(16,715)
RT63	Auto Train	17,817	(12,881)	45,658	4,937
Total		\$365,161	(\$557,767)	\$576,900	(\$191,606)

Long Distance Trains		Capital Allocated to Route FY05	Route Pertinent Project Cost FY05 / 4
Route Number	Train Name		
RT16A	Silver Service	\$19,030	\$288,172
RT17	Three Rivers	9,485	274,230
RT18	Cardinal	1,178	164,257
RT25	Empire Builder	9,966	124,477
RT26	Capitol Limited	3,136	130,658
RT27	California Zephyr	10,573	125,501
RT28	Southwest Chief	17,562	117,562
RT30	City of New Orleans	3,180	115,386
RT32	Texas Eagle	3,898	133,581
RT33	Sunset Limited	2,481	103,427
RT34	Coast Starlight	4,064	128,224
RT45	Lake Shore Limited	7,717	240,183
RT52	Crescent	6,071	287,410
RT63	Auto Train	23,001	86,373
Total		\$115,606	

Long Distance Trains		Ridership Budget FY05
Route Number	Train Name	
RT16A	Silver Service	827,501
RT17	Three Rivers	53,236
RT18	Cardinal	92,351
RT25	Empire Builder	444,263
RT26	Capitol Limited	246,200
RT27	California Zephyr	345,378
RT28	Southwest Chief	299,975
RT30	City of New Orleans	196,746
RT32	Texas Eagle	243,104
RT33	Sunset Limited	96,316
RT34	Coast Starlight	441,111
RT45	Lake Shore Limited	296,048
RT52	Crescent	265,214
RT63	Auto Train	212,935
Total		4,060,378

Grand Total	\$1,512,832	\$1,162,975	\$349,857
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Total Allocated Capital	\$450,104
Unallocated Capital	\$137,119
Total Capital	\$587,223

1 FRA Defined Train Contribution / (Cost) represents train revenues less FRA allowable expenses. FRA allowable expenses include train costs, primarily train crews, food and beverage, fuel, railroad costs and commissions and certain shared costs, primarily equipment maintenance and reservations.

2 Excludes all Depreciation and Interest expense.

3 Unallocated Capital spending includes debt service, environmental remediation related to legacy operations and non-route related commercial development, primarily at stations.

4 Route Pertinent Project Cost represents Capital spending that is associated with a particular grouping of trains based on cities served.