NATIONAL RAILROAD PASSENGER CORPORATION
60 Massachusetts Avenue, NE, Washington, DC 20002

February 17, 2015

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

Honorable John Boehner
Speaker of the House of Representatives
U.S. Capitol
Washington, DC 20515

Dear Mr. President and Mr. Speaker:

I am pleased to transmit Amtrak's Fiscal Year (FY) 2016 General and Legislative Annual Report to you. Pursuant to Section 24315(b) of Title 49 U.S. Code, this letter provides you with a brief overview of the past year's activities and financial performance, and outlines our views on financial, legislative, and policy strategies to support the improvement and expansion of high-speed and intercity passenger rail service in the United States.

Introduction

Amtrak has concluded another very successful fiscal year, with unaudited annual revenues totaling approximately $3.2 billion. This is our fifth consecutive year of revenue growth, the eighth in the past nine years. Our company recovered an unprecedented 93% of its operating costs with revenues, and cut its debt to less than half of the 2004 level. Much of this financial performance has been driven by strong ridership performance on the Northeast Corridor (NEC), which had its highest ridership year ever in FY 2014. Both the *Acela Express* and *Northeast Regional* services set new ridership records, as did six of our state-supported services and two of our long distance trains. Just this past November, Moody's Investor Service confirmed Amtrak's A1/ Stable debt rating. Ridership remained strong on our national network of long distance and state supported trains, which provides transportation services to more than 500 communities in 46 states and the District of Columbia. In spite of significant operational challenges, resulting in part from problems in on-time performance on our host railroads, demand for these services remained high enough to sustain revenue growth, and a new organization and strategic plan have dramatically improved our business efficiency and our focus.

This performance is a product of both a growing demand for intercity passenger rail service and two decades of measured, incremental investment in the Amtrak system. While investment capital has always been in short supply, the limited sums Amtrak has received from Federal and other sources over the past 43

years have nevertheless allowed us to make some significant improvements that have in turn generated new revenues or decreased costs – and in some cases, did both. These investments have varied dramatically in size. The largest were multibillion dollar infrastructure construction and equipment procurement plans such as the North End Electrification between Boston and New Haven in the 1990s and the *Acela Express* program which began in 2000. Smaller but no less revolutionary customer-facing programs such as eTicketing and onboard Wi-Fi have also done their part to reduce transaction costs and improve the customer experience, while the American Recovery and Reinvestment Act provided capital for a wide range of meaningful investments whose benefits extend to every corner of the Amtrak system.

The result of these investments was a dramatic improvement in that system – and one that came not a moment too soon. The last fifteen years have seen a swelling in demand for our services across the national network. A rail system that in 2000 carried one person between New York and Washington for every three carried by the airlines has now reversed that ratio, carrying three passengers for every airline passenger. Amtrak ridership on the NEC has risen by nearly 50% since 1998, and much of this growth is attributable to the introduction of the *Acela Express* and other improvements made possible by these investments. Our long distance trains are, on average, almost as full as the *Acela Express* trains.

The investments that our state partners have made in the development of their services have likewise returned tremendous benefits. They have funded a wide range of services and developments, bringing significant transportation improvements that have translated into economic gains. The states of Michigan and Illinois have strongly supported the development of higher speed service between Chicago, Detroit, and St. Louis, and are partnering now with California for the next round of equipment capacity expansion. These improvements are the product of a carefully considered response to further growth in public demand, a growth that is driven by the public's perception that Amtrak service is a good value proposition. Although the NEC has tremendous visibility, the company's state-supported services have become a major source of ridership growth, with ridership almost doubling between 1998 and 2013. Today, nearly half of the passengers who ride an Amtrak train ride a state-supported train, and it is the vision of our state partners that has made this possible.

The Amtrak network covers more than 21,300 miles of rail line, and plays an important role in many travel markets. The growth that we have seen in recent years demonstrates the value we could bring with additional levels of investment to many "city pairs" that are currently underserved – if they are served at all – by passenger rail. Rail is ideally suited to meet the needs of passengers traveling between major cities within 500 miles of one another. About 85% of Amtrak travelers take trips of less than 250 miles. Amtrak also reaches more than 40% of America's rural population, and many of the communities we serve see us as a critical connection to the nation's urban centers. Much of this vital connectivity is created by our long distance trains, which are the only Amtrak service at more than half the stations and in half of the 46 states we serve. As highway and airport congestion problems continue to mount, the importance of these services – both in their current form, and as potential incubators for new services – will only increase.

In spite of the successful performance of our services, passenger rail has yet to realize its full potential in America, in part because investment has lagged, even as demand has grown in emerging urban regions such as the West Coast, the Pacific Northwest, and the Chicago area. Tremendous opportunities exist for a Federal investment that targets such corridor markets and allows our nation to develop a strong rail-based

alternative which would support continued economic growth, sustainable development, congestion relief and improved mobility. Many of Amtrak's most successful corridor services operate in regions where traffic congestion has mounted steadily in recent decades – areas such as Chicago, Los Angeles, and the San Francisco Bay Area. In the Northeast, in addition to Amtrak's intercity traffic, the Northeast Corridor has for decades played host to an escalating number of commuter trains. A railroad that carried about 1,200 daily commuter trains when Amtrak took it over in 1976 today hosts more than 2,000, which carry nearly three quarters of a million commuters a day – on essentially the same infrastructure. Focusing Federal resources on development of rail corridors is a smart strategy that plays to rail's strengths and could materially increase the role that intercity passenger rail plays in moving America. As discussed below, Amtrak strongly supports the Administration's surface transportation reauthorization bill, the Grow America Act, which proposes, for the first time, to create dedicated, multi-year funding for Amtrak and intercity passenger rail and has as its centerpiece expanding Federal investment capacity for both mature and emerging corridors around the country.

In terms of service levels and importance to the city, state and regional economies it serves, the NEC is the prototype for what the future of America's rail system can look like in major corridors nationwide. The NEC demonstrates what many regions could gain by investing in the capacity and performance needed to connect their major metropolitan areas and adjacent communities with high-frequency, trip-time competitive intercity rail services. Unfortunately, our nation is failing not only to invest in other corridors around the country that could emulate the NEC's success, but starving the NEC of the vital capital necessary to maintain and expand upon that success.

Highlighting the crisis brought on by decades of chronic underfunding is the situation in Amtrak's Northeast Corridor tunnel under the Hudson River. Today, during the morning rush hour, almost 20% of the daily commuters between New Jersey and New York enter or leave Manhattan through this tunnel, one of the most critical pieces of infrastructure in the New York Metro area – if not the nation. The tunnel was completed in 1910, and its twin tubes are the most heavily utilized and congested piece of rail infrastructure in America, carrying trains as frequently as every two minutes. The century-old tunnels require constant attention and maintenance, but the volume of traffic is simply too high to permit maintenance and repair work during weekdays. Since 1999, Amtrak has kept the tunnels in serviceable condition only by shutting one of the Hudson or East River tubes on weekends for 55 hours to permit access for essential maintenance. These weekend closures severely constrain service to the nation's busiest rail station.

These measures, while not a permanent solution, were adequate to keep the tunnel conditions at a level sufficient to sustain traffic until Super Storm Sandy struck in October, 2012. Salt water from the storm surge inundated the Hudson and East River tunnels, leaving behind destructive chlorides and sulfates that have seeped into many inaccessible portions of the tunnel components and continue to degrade tunnel materials. Fortunately, as this calamity occurred, Amtrak was already working on the initial planning for a program that is now essential to preserving Northeast Corridor access to New York. This is the Gateway Program, which will improve terminal, tunnel, and track capacity on the Southern approach to New York Penn Station. Although this Program was not – and as yet is not – fully funded, the availability of a sound plan for increasing capacity at Penn Station and under the Hudson River ensured that Amtrak could invest Federal funds to preserve the future tunnel right of way at the Hudson Yards overbuild project site in western Manhattan.

Congress and the Federal Government recognized the critical importance of early investment, and provided Amtrak with the funding it needed to begin work on a right-of-way, before the progress of development on the West Side of Manhattan permanently barred access from Penn Station to the Hudson River. But while the strong support of the DOT and the Congress was sufficient to begin this first step, the funding for Amtrak to design and build the remaining components of the Program, such as Portal Bridge and a new tunnel, is not yet available even though the need has never been more urgent. As Amtrak's Chairman, Anthony Coscia, recently remarked in an interview, "it is time to advance the program now; there is no comfort zone!"

The issues of expanding the nation's rail network to connect our major city pairs with high quality service, reinvesting in Amtrak's essential state-supported and long-distance routes and modernizing and expanding the infrastructure and capacity of the NEC have reached a critical point at the same time as the surface transportation program reauthorization. Congress now has the opportunity, when considering legislation to reauthorize these programs, to address not only the issue of trust fund solvency, but the needs of the intercity passenger rail system – the only mode that does not currently enjoy access to a reliable funding mechanism.

The stakes are enormous, both for those communities that already enjoy (and wish to maintain) significant levels of rail service and for those that deserve new or better service and pay the price of fewer mobility options today. In the northeast, the post-Sandy deterioration of the Hudson River tunnel continues, and at some point in the coming years, a tube will have to be taken out of service for a prolonged period (at least one year per tube) for repair. Ideally, this will only be done after a new tunnel is built to accommodate the existing traffic levels, so that NJ Transit and Amtrak services are not severely disrupted during the rebuilding process. When the new tunnels are in place and the existing ones are rebuilt, we will have the modern four track crossing that is necessary to support the anticipated growth in rail traffic between New Jersey and New York in the coming decades. Unfortunately, if we do not invest now to advance the Gateway Program, the possibility exists that Amtrak will need to begin the Hudson River tunnel rehabilitation process without the alternative capacity needed to sustain existing service levels; the adverse impact and costs to the region's economy of such an outcome would, in the long run, be far greater than the price of the new tunnels. The economic impacts of a closure of some or all of the Northeast Corridor could be enormous. The independent Northeast Corridor Infrastructure and Operations Advisory Commission (NEC Commission), created by Congress in 2008, has estimated that a full closure of the NEC would cost the national economy about $100 million per day.

In recent months, we have had several small service disruptions traceable directly to the problem of deteriorating infrastructure. In December, 2014, the 131 year old B&P Tunnel in Baltimore, one of many projects identified and prioritized for replacement when funding becomes available, suffered from water infiltration that required the closure of one of the two tracks. For several days at the height of the 2014 Christmas season, all of the traffic on the South End of the NEC was funneled through a single track, where speeds were restricted as a matter of course to 30 mph. Thanks to the efforts of our operating and engineering staffs, delays were minimized, and the issue was successfully addressed for the short term. But the fact remains that our service in several critical areas of the NEC depends on aging and outmoded infrastructure that has no capacity for growth, and little flexibility when disruptions occur.

Outside the Northeast Corridor, one can find similar examples of critical infrastructure stressed to the near breaking-point. In Chicago, the most important hub for both the U.S. freight rail network and Amtrak's state-supported corridor and long distance business lines, the rail infrastructure and facilities such as Amtrak's Chicago Union Station (which is also a major commuter rail hub), were designed in the 19th and early 20th centuries. They are inadequate to meet even current demands, let alone future growth. The result is frequent service meltdowns that reverberate from the East to West Coasts, delaying Amtrak passengers and freight traffic, and damaging our national economy by increasing the prices of groceries, electricity, and consumer products. Efforts by Amtrak, the freight railroad industry, and state and local governments to address these problems are thwarted by the lack of adequate and reliable Federal funding to match state and local investments in rail, and to attract private investment capital and facilitate public-private partnerships.

The impact of this is felt with particular force by the communities that increasingly depend on our long distance services, which are the only Amtrak trains at half of our stations, and in half of the states we serve. These trains are very important for regions that have endured the loss of bus or air service in recent decades and consequently lack dependable all-weather travel options, and the travel patterns of our long distance services reflect this. While comparatively few passengers ride a long distance train from terminal to terminal, they are a vital service to online communities, which provide a very large portion of their ridership, and which often contribute to the Amtrak system by maintaining or repairing stations and providing volunteer staff.

These communities are disproportionately impacted by delays to their services, which also reduce the time available for maintenance. Another result is a further straining of our long distance fleet, which could benefit greatly from additional capital investment. Renovations at major terminals such as Chicago Union Station should be properly understood not merely as a contribution to the economy of the Chicago area, but as a benefit potentially felt by the taxpaying citizens of all of our online communities, who use it not only as a destination, but as a connecting point for our state-supported trains or other long distance services.

Amtrak FY 2016 Funding and Reauthorization Request

The Northeast Corridor generated more than a billion dollars in ticket revenues in FY 2014. Those revenues (together with additional sources of revenue generated by the NEC) are largely used to help cover the operating losses incurred by Amtrak's State Supported and Long Distance business lines. Although ticket revenues rose for the short distance trains, both business lines suffered from declines in on-time performance on host railroads, particularly the long distance trains. We hope in the coming year that Congress will consider what might be done to ensure both that these business lines receive the support they need to ensure we can sustain the national system, while simultaneously acting to ensure that the NEC obtains the necessary capital funding to support the regional economy. In the coming year, Amtrak will require Federal operating and capital support funding at the levels specified in Table 1. This request for FY2016 includes several significant changes when compared to Amtrak's Federal requests in previous years.

Table 1. Reconciliation of FY 2016 Federal Grant Proposal
(in millions of dollars)

($'s in Millions)	FY 2016 Operating Estimates				
	Northeast Corridor	State Support	Long Distance	Infrastructure & Corporate Development	Total
Operating Estimates					
[1] Operating Revenue	$1,798.9	$834.2	$629.0	$91.5	$3,353.6
Operating Expense	(1,432.1)	(927.2)	(1,268.2)	(14.6)	(3,642.1)
Net Operating Profit/(Loss)	366.8	(93.1)	(639.2)	76.9	(288.5)
Operating Profits used for Capital Investment	(366.8)	0.0	0.0	(76.9)	(443.8)
Total Operating Loss	**$0.0**	**($93.1)**	**($639.2)**	**$0.0**	**($732.2)**
				Operating Grant Request	**$732.2**

	FY 2016 Capital Estimates				
	Northeast Corridor	State Support	Long Distance	Infrastructure & Corporate Development	Total
Capital Needs					
NEC Shared Infrastructure (PRIIA 212)	$922.1	$57.6	$35.5	$0.0	$1,015.2
Other Infrastructure	52.8	45.8	26.3	0.1	125.0
Train Services and Support	193.1	123.3	265.1	82.2	663.6
Subtotal Capital Needs	**1,168.0**	**226.7**	**326.8**	**82.3**	**1,803.9**
Capital Funds					
Net Operating Profits	(364.8)	(1.0)	(1.0)	(76.9)	(443.8)
Commuter payments (PRIIA 212)	(186.3)	0.0	0.0	0.0	(186.3)
State Contributions to Equipment Capital (PRIIA 209)	0.0	(74.3)	0.0	0.0	(74.3)
Net Capital Needs	**616.9**	**151.3**	**325.8**	**5.4**	**1,099.5**
PRIIA 212 Capital Grant Request (detailed below)	(464.7)	(56.5)	(34.5)	0.0	(555.8)
General Capital Grant Request	**$152.2**	**$94.8**	**$291.3**	**$5.4**	**$543.7**
				Debt Service	160.2
				FRA Holdback	8.5
				General Capital and Operating Request	**$1,444.6**
PRIIA 212 Capital Grant Request					
[2] Transition assistance (FRA/FTA)	97.0	40.1	19.0	0.0	156.1
[2] Federal 80/20 Match - Federal Share (FRA/FTA)	367.7	16.4	15.5	0.0	399.6
PRIIA 212 Capital Grant Request	**$464.7**	**$56.5**	**$34.5**	**$0.0**	**$555.8**
				Total Federal Grant Request	**$2,000.4**

[1] NEC Operating Revenue excludes $29.7M for payment on RRIF loan

[2] Transition Assistance & Federal 80/20 Match are expected to be funded from an additional federal grant, not the General Capital Grant

Section 212 Cost Allocation

Amtrak's request includes a series of changes associated with the FY2016 implementation of the new cost allocation methodology adopted by the NEC Commission for NEC commuter and intercity operating and capital costs, as required by Section 212 of the Passenger Rail Investment and Improvement Act of 2008. The figures in Table 1 include the anticipated payments from NEC commuter authorities for their respective

shares of the allocable operating and capital costs of the shared-use NEC infrastructure operated by Amtrak, with the commuter contributions to capital investment noted specifically under the "Capital Funds" heading. Additionally, the Table reflects Amtrak's required payments to other NEC infrastructure owners for Amtrak's use of the infrastructure they own or control, as well as Amtrak's allocated share of investments in its own infrastructure, as required by the Section 212 cost allocation methodology.

Amtrak supports the NEC Commission's recommendation that a new Federal investment program be established and funded for shared-use NEC infrastructure, consisting of the following two elements:

- An 80-20 matching program for shared-use NEC infrastructure. These matching funds are needed to cover the proposed 80% Federal share of the major state of good repair backlog and improvement investments which Amtrak expects the NEC Commission will include in its 5-Year NEC Infrastructure Capital Plan for FY 2016-FY 2020. Under this proposal, Amtrak and the NEC commuter authorities would match this new Federal investment by providing 20% of the program costs from other sources, split between the beneficiaries in accordance with the cost allocation methodology.

- A transition assistance program for the first three years of implementation of the new cost allocation methodology (FY 2016-FY 2018) to help offset some of the increasing level of investment in the NEC's basic infrastructure by NEC commuter authorities and to ensure a fully-funded program of the basic infrastructure investments necessary to meet normalized replacement levels and help maintain current conditions on the NEC.

The proposed Federal investment program would apply not just to the portion of the NEC controlled by Amtrak, but would include all portions of the NEC, including stations and infrastructure, owned by states or commuter authorities. For that reason, it is anticipated that the proposed program would be administered differently from Amtrak's typical General Capital request, and Federal funds would probably be appropriated and dispersed to NEC entities through the Federal Railroad Administration (FRA) and Federal Transit Administration (FTA). Table 1 therefore identifies those funds separately that would come from the new program, and includes only those costs associated with NEC infrastructure controlled by Amtrak. Regardless of whether the money is provided through Amtrak or the Department of Transportation, there is an urgent need for Federal funds to be identified and appropriated for this important purpose.

Table 2 details that portion of the request related to NEC shared-use infrastructure subject to the NEC Commission cost allocation method. The allocation methodology has minimal impact on Amtrak's overall operating costs, as increases in payments to cover Amtrak-incurred costs of Amtrak's NEC territories are offset by increased payments by Amtrak to others who own assets used by Amtrak in the NEC. Amtrak intends to fund both its contributions to NEC shared-use infrastructure capital renewals, known as the Baseline Capital Charge, and its share of the required 20% required to match the Federal contribution for shared-use infrastructure entirely with NEC operating profits. The identified Baseline Capital Charges for the commuter partners covered under 212 are the minimum contributions that these agencies must make towards basic infrastructure renewals. Reasonable assumptions were made to obtain estimates of additional commuter contributions toward major backlog and improvements, although firm funding commitments have not yet been obtained. As discussed above, the Transition Assistance request would permit all owners

to carry out full basic infrastructure renewal programs as all entities phase in the cost-sharing obligation amounts over the first three years of the policy's implementation.

Table 2. Projected Funding Levels and Sources for Shared NEC Infrastructure, based on Approved 212 Policy
(in millions of dollars)

($'s in Millions)	NEC Shared Infrastructure	
	Planned Expenses	Planned Fund Sources
Operating		
Amtrak-incurred expenses	403.5	
Amtrak share (funded by NEC operating revenue)		(253.3)
Commuter payments		(150.2)
Amtrak payments to other infrastructure owners	32.0	
NEC operating revenue		(32.0)
Total Operating Expenses/Sources	**435.5**	**(435.5)**
Capital		
Basic Infrastructure and Safety / Mandates	513.1	
Amtrak Baseline Capital Charge		(243.0)
Commuter Baseline Capital Charge		(114.0)
Federal Transition Assistance (New Program Request)		(156.1)
Major Backlog and Improvements	502.1	
Amtrak Share of 20% Match		(30.1)
Commuter Share of 20% Match		(72.3)
Federal 80% Match (New Program Request)		(399.6)
Total Capital Expenses/Sources	**1,015.2**	**(1,015.2)**
Total Expenses / Sources	**$1,450.7**	**($1,450.7)**

Note: The dollar figures cited in the first two rows of the capital section include Amtrak Baseline Capital Charge payments to Metro-North Railroad of $16 million.

Additionally, as proposed in Amtrak's FY2015 General and Legislative Annual Report, Amtrak requests the funding that will allow us to sustain the operation of the national system while ensuring that Amtrak-generated funds are available for reinvestment in Amtrak-owned infrastructure, as envisioned by the new agreement. These revenues would be used to support the matching program outlined above and to stabilize and improve Amtrak's NEC infrastructure and equipment, augmenting any additional capital funding provided by Congress. In saying this, however, it must be emphasized that Amtrak strongly supports the perpetuation of the national rail passenger network that has existed (with modifications) since Amtrak was created in 1971 to relieve the railroad industry of the burden of a money-losing business. That network consists of long-distance and state-supported business lines, as well as NEC intercity operations and NEC commuter operations, all of which provide vital services to the American public.

The United States has allowed the NEC infrastructure to deteriorate to the point that it jeopardizes Amtrak's strong financial performance, as well as the reliability of a railroad that carries not only the NEC intercity passenger service, but about half of the nation's rail commuters; immediate investment is an unavoidable priority. In order to simultaneously sustain the Congressionally-defined "National Rail Passenger Transportation System" of long distance and state-supported passenger services, Amtrak requests that the Federal government make a significant service availability grant to Amtrak cover the full operating losses associated with regionally and nationally critical lines of business.

ADA Compliance and Accessibility

Also included in this request is an increase in the capital funding for our ADA compliance program, which has continued to progress. We have moved into a new phase of work, and in partnership with the FRA, are moving forward on the latest phase of our five year plan, which is designed to prioritize the most critical station needs. These typically fall into three categories: stations with known train access deficiencies, where passengers in wheeled mobility devices cannot buy a ticket or access a train; stations with known deficiencies in information display systems; and stations where entrances and exits or key amenities such as restrooms are currently not accessible. A total of 134 stations fall into at least one of these three categories, and Amtrak's goal is to address all these issues within five years. As we address the priority issues, we will then phase in our program to improve access through a new level boarding solution.

Beyond addressing our FY 2016 need, there are two vital areas where Congressional action would greatly assist the efficient and effective operation of the national intercity passenger rail system: The Gateway Program and on-time performance of our trains.

The Gateway Program

As already noted, the condition of the New York tunnels represents a significant point of vulnerability to the regional economy. The three elements of our Gateway Program – approach tracks, Hudson River Tunnels, and Penn Station expansion – are designed specifically to address these issues, and I urge Congress to ensure that the Program planning work, environmental impact assessment and permitting process and preliminary engineering work – which will probably take 3-5 years to complete – as well as the Hudson Yards and Portal Bridge projects are adequately funded. Even with such Federal support and assistance (and assuming that our other potential partners and stakeholders become fully involved in this project), the construction of a replacement tunnel is likely to be a ten year process.

In the meantime, one of the major components of the Program is ready to begin construction, if suitable funding is available. All traffic into and out of the Hudson River tunnel must currently traverse the aging and failure-prone Hackensack River swing bridge, known as Portal Bridge, in the New Jersey Meadowlands. A replacement span has been designed, is ready for construction, and will be a vital component of both the capacity and resiliency improvements promised by the Gateway Program. It is, however, as yet unfunded and will require an investment totaling nearly a billion dollars to complete.

In the light of these facts, we would urge Congress to give favorable consideration to these projects, which are vital to the economic health of the New York Metropolitan region, and provide the appropriate funding in the coming fiscal year.

On-Time Performance

On-time performance is the essential component of service delivery, and thus a vital component of customer service satisfaction and revenues. Since some 70% of Amtrak train-miles are run on tracks owned and dispatched by other railroads, the work these "host railroads" do in dispatching our services is a matter of great importance. Between 2000 and 2006, the performance of Amtrak trains on host railroads deteriorated badly, with long distance train on-time performance bottoming out at an unacceptable 30% in 2006. In 2008, PRIIA was passed, mandating the development of performance metrics and standards (Section 207), and independently providing that on-time performance of less than 80% could trigger an investigation and potentially penalties imposed by the Surface Transportation Board (Section 213). There followed an immediate and important improvement in system performance, which reached an all-around record of 83% in FY 2012. The improvement in performance of long distance trains was particularly marked.

Between 2009 (the first full year after passage of the law) and 2013, system-wide performance stayed consistently in the 78-83% range, and long distance average performance (which is most heavily dependent on host railroad handling) staying generally at or above 70%. However, shortly after a lawsuit resulted in the setting aside of the metrics and standards developed under Section 207 of PRIIA, Amtrak services operating on freight rail lines experienced a steady erosion in on-time performance. Long distance service on-time performance was most severely affected: the long distance business line posted an annual average on-time performance of 50% at the end of FY 2014, and if the evidence of the first quarter of FY 2015 is any indication, the pattern of decline continues in the new fiscal year.

To address some of the most problematic carriers and services, Amtrak has brought several actions under PRIIA Section 213 before the STB, which has the authority to investigate cases involving substandard performance of Amtrak trains, regardless of the status of the Section 207 metrics and standards (currently under review by the Supreme Court), and impose appropriate remedies and, in some cases, sanctions. Unfortunately, the press of other regulatory business has made funding limitations a serious constraint for the STB, and Amtrak would therefore ask that Congress review the levels of funding provided to the STB to ensure that the agency has the resources necessary to carry out its statutory role in ensuring the satisfactory on-time performance of Amtrak trains.

Surface Transportation and PRIIA Reauthorizations

The House intercity passenger rail bill, which was introduced during the 2014 session, provided an excellent starting point for the discussions on passenger rail reauthorization, as does the Grow America bill proposed by the Administration, which we strongly support. We expect that the Senate will also produce such a bill this year, and we will work closely with committee staffs in the coming year on the dual issues of Amtrak and surface transportation reauthorization. Any action must address critical infrastructure issues which jeopardize vital services. We have brought Congress specific recommendations for measures that could help to address these issues, and we will continue to do so in the coming Congress. We expect to

work closely with the US DOT and the House and Senate staff and leadership in the coming year to develop ideas and to help build the consensus for the general agreement that will be necessary in order for any proposal to become law.

Conclusion

While I have elaborated some significant capital needs, I think it is important to keep the scale of those needs in perspective, and to weigh them against both our recent efficiency improvements and the returns those investments will generate for our economy. Whether in New York City, where a significant proportion of the workforce crosses our bridges and traverses our tunnels on their way to or from work, or in Baltimore, where our aging B&P Tunnel serves as the key link between Washington and the Northeast, or on rest of our national network ,where the aging diesel fleet moves the bulk of our long distance and state-supported trains, the condition of Amtrak's assets is a matter of great importance for the national and regional economies – because they will provide not merely the resilience we need to reliably accommodate today's traffic, but the capacity we will need to support future generations of growth.

To accomplish this, however, we will need tools – and no tool will be more important than predictable, dedicated capital funding. While the operating and capital support we are requesting in this letter will provide sufficient provision to operate and maintain our system in FY 2016, Amtrak urgently needs access to the funding we can use to transform that system – for while the need to maintain the existing transportation alternatives in the Northeast is imperative, it is no less important, when viewed with a long term perspective, than the need to provide our nation with the transportation choices it requires to support a twenty-first century economy. At the same time, funding will be necessary to sustain and operate the national intercity passenger rail network – because that network provides millions of Americans with a much-needed transportation alternative at a time when transportation choices are dwindling in many regions. A strong Federal policy and funding strategy will provide the foundation for the development of the next generation of passenger rail service. Initiatives such as the proposed "Grow America" Act represent a good first step toward the sort of multimodal transportation policy America needs to sustain its growth.

Throughout the world, nations are turning to rail to provide an alternative to congested transportation modes that have reached their limits. The United States has also reached a key decision point; the exploitation of the opportunities offered by the development of the Interstate System has reached its natural endpoint, and it is time that we consider a new, balanced strategy for the provision of mobility in the future. Passenger rail could provide our economy with so much more if we were working now to invest to develop better links between cities such as Atlanta and Charlotte, Houston and Dallas, Miami and Tampa, Pittsburgh and Cleveland, and Tucson and Phoenix. As a nation, we are missing an opportunity to invest for growth, development, and improvement.

At each stage in our history, our country has turned to a new mode as it became available, and developed it as a driver of economic growth. First came the canals, then the railroads, the superhighways, and the commercial air system; each, in turn, brought a distinct set of advantages to a young country as it explored, settled, and built its territory. Today, our concern is not physical discovery, settlement, or construction; it is the development, support, and leveraging of all forms of connectivity to drive our economy and renew its

supporting infrastructure on current terms, to support our future vitality and productivity. To do this in transportation requires a solution that is not simply modal, but multimodal; one that recognizes the benefits each mode brings to our economy, and allocates Federal investment accordingly to construct a system that supports the development not simply of rails, transit, aviation, or highways, but of a complex and interconnected system designed to deliver mobility solutions for an increasingly virtual and interconnected economy.

I look forward to working with you in the coming year as Congress discusses the opportunities and challenges before us. This year offers us a unique opportunity, and I hope we can work together to build a transportation solution that will be as useful and enduring as those that have come before it. I would hope that you will interpret this letter not narrowly as a request for our near term funding need, but as a request for the significant changes in national policy to sustain the national transportation system – specifically, access to predictable, dedicated operating and capital funding for Amtrak's non-NEC passengers services and our NEC services and infrastructure.

Sincerely,

Joseph H. Boardman
President and Chief Executive Officer