

# The National Railroad Passenger Corporation

## General and Legislative Annual Report & Fiscal Year 2018 Budget Request

Gary Pancavage photo







May 31, 2017

The Honorable Michael Pence  
President of the Senate  
U.S. Capitol  
Washington, DC 20510

The Honorable Paul Ryan  
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 2018 General and Legislative Annual Report to Congress. Compared with previous versions of this submission, this document has been completely overhauled with the intention of providing better transparency and clarity of our budget request levels. It also is organized to correspond with other budget submissions received and reviewed by the House and Senate Appropriations Committees.

### **Background and FY 2016 Results**

Created by Congress and with service commencing in 1971, Amtrak operates a nationwide rail network serving more than 500 destinations in 46 states, the District of Columbia, and three Canadian provinces, on more than 21,300 miles of routes. Our National Network is comprised of long-distance trains and state-supported corridor services. Amtrak operates 15 long-distance trains which carried 4.6 million passengers in FY 2016. These trains provide service at nearly half of the stations in the Amtrak system. Additionally, Amtrak receives funding from 18 states through 21 agencies for financial support of 29 state-supported corridor routes (less than 750 miles). The growth of state-supported services is a testament to the strength of these routes, which now account for roughly half of our total ridership – 14.7 million passengers in FY 2016. In the Northeast Corridor (NEC), Amtrak owns and operates 363 miles of the 457-mile NEC spine connecting Washington, D.C., Philadelphia, New York City, and Boston. We host 750,000 daily Amtrak and commuter trips and now receive significant investments from many of these agencies towards our common costs. In FY 2016, there were 11.9 million Amtrak passengers on the NEC.

Amtrak reported strong audited financial results for the fiscal year which ended on September 30, 2016, including an all-time ticket revenue record of \$2.14 billion. The increased ticket revenue was fueled by a record 31.3 million passengers on America's Railroad® – nearly 400,000 more than the previous year. This is the sixth straight year Amtrak carried more than 30 million customers. The company covered 94 percent of its operating costs with ticket sales and other revenues, up from 92 percent the year before – a world-class performance for a passenger-carrying railroad. Thanks in part to our strong performance, Amtrak was also able to make a net reduction in long-term debt of \$69.2 million.

### **Corporate Reorganization**

As strong as our FY16 performance was, we can and will do even better in delivering a best-in-class passenger rail service. We must improve our safety culture, modernize and upgrade our products, and strengthen our operational

efficiency and project delivery. The first step we took toward achieving these goals occurred January 4 when Amtrak announced a set of structural changes designed to streamline and improve the company's reporting structure. Amtrak is now organized like most freight railroads and major corporations. Additionally, Amtrak has identified five key objectives that our structure should support. We must:

- Build a world-class safety culture with a relentless focus on training, risk-reduction, positive reinforcement, and personal accountability;
- Develop and consistently provide competitive products and services;
- Create the teams and processes necessary to serve and grow our customers across all business segments;
- Gain support for and deliver on investments that sustain, improve, and grow our business; and
- Harness innovation, technology, and partnerships to enhance and accelerate our business.

### **Amtrak's FY18 Request**

As explained in the attached General and Legislative Annual Report, Amtrak requests \$1.6 billion, the full sum authorized by the FAST Act to support the Northeast Corridor and National Network in FY 2018. The FAST Act also authorized several Federal grant programs, including the Consolidated Rail Infrastructure and Safety Improvement Program, the Rail Restoration and Enhancement Program, and the Federal State Partnership SOGR Program. We encourage Congress to fund each of these at the highest levels possible. As part of a separate but coordinated process, Amtrak is developing five-year service line plans required by Section 11203(b) of the FAST Act and plan to submit those to Congress in June 2017.

In addition to the funding needs identified in this document, a number of policy issues merit Congressional consideration. Amtrak has sought predictable, dedicated funding for our fleet and infrastructure since its founding. It is one of the few Federal transportation modes not funded by a trust fund. Amtrak needs access to such a fund to realize its full potential. If this approach is deemed infeasible at this time, predictable funding could be provided through "advance appropriations," a mechanism used by several other Federal programs. If we are to make meaningful progress addressing the massive backlog of deferred investment in right-of-way infrastructure and rolling stock that constricts growth and reliability today, we must secure additional Federal funding and an 'advance appropriations' would certainly be a welcome approach to do so.

The appendix also includes a list of critical rail projects that could be undertaken if Congress were to pass an "Infrastructure bill", which would supplement the normal annual appropriations process. Such long term Federal investment would help rapidly improve our infrastructure, spur private investment, create jobs, and launch new services to meet public demand.

### **The Administration's FY 2018 Budget Request and Long Distance Service**

The Administration's Fiscal Year 2018 budget request for the U.S. Department of Transportation proposes the elimination of Federal funding for Amtrak's long distance services. Enactment of such a proposal would drastically shrink the scope of our network, could cause major disruptions in existing services, and increase costs for the remaining services across the Amtrak system. Amtrak's initial projection is that eliminating long distance services would result in an additional cost of approximately \$423 million in FY 2018 alone, requiring more funding from Congress and our partners rather than less.

If Congress and the Administration are interested in reexamining the scope of the Amtrak network and the services we provide, such options should be considered and reached through a deliberative and transparent process via the enactment of amendments to the FAST Act, which authorizes Amtrak and recommends funding levels. Included in any evaluation of long distance service should be the consideration of a broad array of impacts on the national rail network, including economic and social impacts.

## **Penn Station**

Recent incidents highlight the vulnerability and fragility of Penn Station, as decades of underinvestment by all users at both the track and station concourse levels, and a massive increase in use, have created a very fragile state. Penn Station is the busiest station in America, and it now handles double the number of trains compared to when Amtrak took in over in 1976.

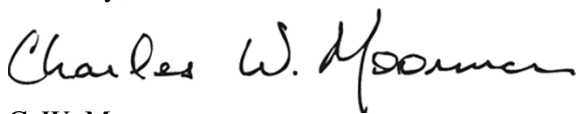
The Penn Station Infrastructure Renewal Program will accelerate needed track work this summer and we are currently working through the service implications with our partners at Long Island Rail Road and NJ Transit. This work, which primarily impacts the western side of the station, has long been scheduled, but is simply taking too long to accomplish using just the very few hours for maintenance and construction activities that are normally available to Amtrak on nights and weekends. In preparation for this work over July and August, we are working closely with our commuter railroad partners and other stakeholders to minimize passenger disruptions and provide ample communication about the planned impacts.

As a result of recent planning work and in response to the aforementioned incidents, Amtrak has also announced a Penn Station Passenger Concourse Coordination Review to help us improve the collaboration between the various railroad concourses within Penn Station. We have also proposed development of a Joint Station Concourse Operations Center to bring together the railroad managers in a common location to improve coordination among the concourses. Finally, we have assembled a Safety and Security Task Force involving partner railroads, first responders, law enforcement, and other stakeholders who have started to review and improve protocols and procedures to respond to and mitigate station disruptions and incidents.

While all these initiatives are critically important, the fundamental challenge at Penn Station is the split control and disjointed nature of the three railroad's respective passenger concourses. We are therefore pursuing creation of a new concourse development entity to unify concourse management and operations, partnering with the private sector to bring in world-class expertise to manage and improve the facilities in this incredibly complex environment.

We applaud the growing consensus that infrastructure investment should be a national priority. The situation at Penn Station, the urgent need to advance the Gateway Program, and our many of long-standing critical infrastructure and equipment needs clearly demonstrate why sufficient and predictable capital funding are so important for Amtrak and the nation's rail network. Amtrak is eager and stands ready to work with Congress and the Administration to advance transportation infrastructure projects that are so critical to our national economy and that will help make America's transportation network the greatest in the world for generations to come.

Sincerely,

A handwritten signature in cursive script that reads "Charles W. Moorman".

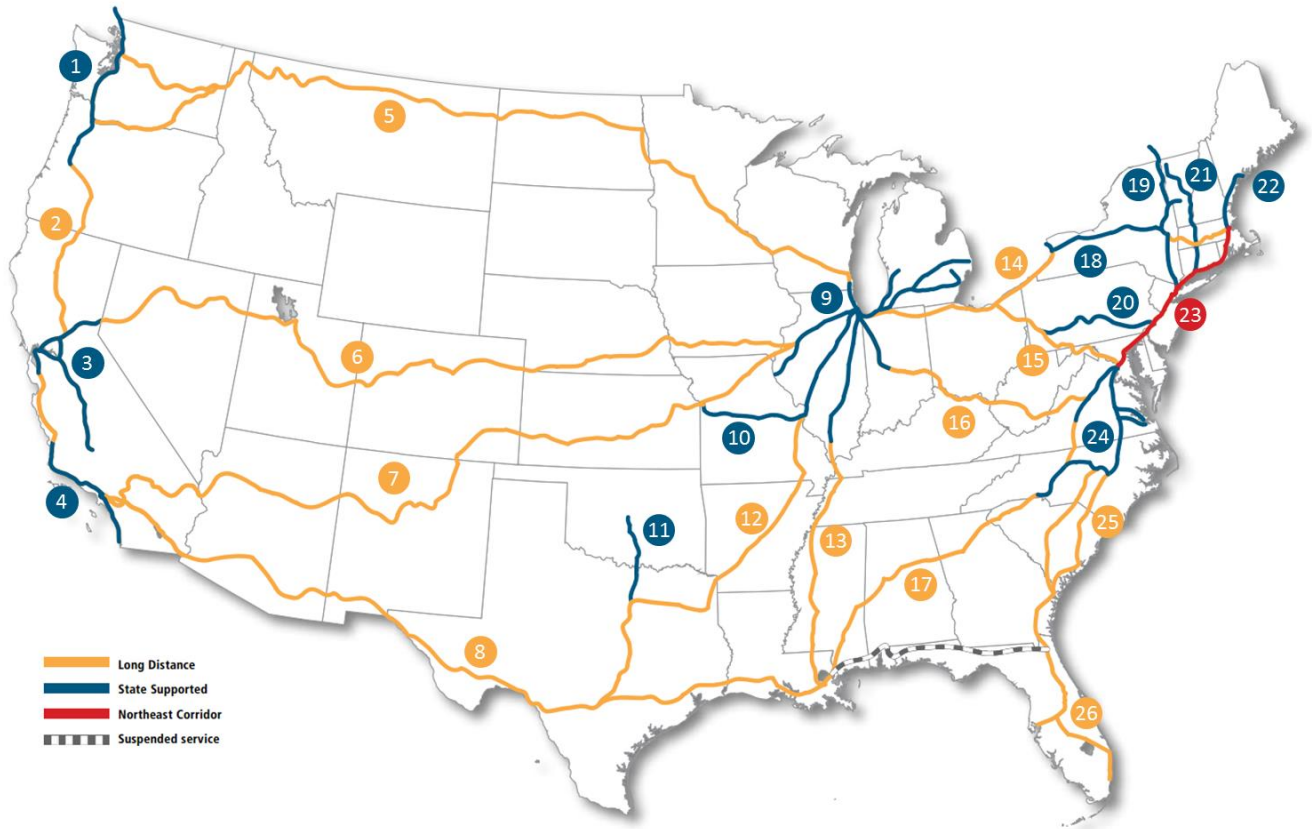
C. W. Moorman  
*President and Chief Executive Officer*

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## **Overview of Amtrak's FY18 Budget Request**

## Map of Amtrak System



1	Cascades	14	Lake Shore Limited
2	Coast Starlight	15	Capitol Limited
3	Capitol Corridor, San Joaquins	16	Cardinal
4	Pacific Surfliner	17	Crescent
5	Empire Builder	18	Maple Leaf
6	California Zephyr	19	Adirondack, Empire, Ethan Allen
7	Southwest Chief	20	Keystone
8	Sunset Limited	21	Vermont
9	Blue Water, Carl Sandburg, Hiawatha, Hoosier State, Illini, Illinois Zephyr, Lincoln, Pere Marquette, Saluki, Wolverine	22	Downeaster
10	Missouri River Runner	23	Northeast Corridor (e.g., Acela Express, Northeast Regional)
11	Heartland Flyer	24	Carolinian, Piedmont, Virginia
12	Texas Eagle	25	Auto Train, Palmetto
13	City of New Orleans	26	Silver Meteor, Silver Star

## Budget Request by Appropriations Account

Table 1. Amtrak FY 2018 Appropriations Request	
Northeast Corridor	National Network
\$358 million	\$1,242 million

### NORTHEAST CORRIDOR GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

To enable the Secretary of Transportation to make grants to the National Railroad Passenger Corporation for activities associated with the Northeast Corridor as authorized by section 11101(a) of the Fixing America's Surface Transportation Act (division A of Public Law 114–94), \$358,400,000 shall become available on October 1, 2017 and shall remain available until expended, \$371,300,000 shall become available on October 1, 2018 and shall remain available until expended, and \$438,800,000 shall become available on October 1, 2019 and shall remain available until expended: *Provided*, That the Secretary may retain up to one-half of 1 percent of the funds provided under both this heading and the National Network Grants to the National Railroad Passenger Corporation heading to fund the costs of project management and oversight of activities authorized by section 11101(c) of division A of Public Law 114–94: *Provided further*, That in addition to the project management oversight funds authorized under section 11101(c) of division A of Public Law 114–94, the Secretary may retain up to an additional \$5,000,000 of the funds provided under this heading to fund expenses associated with the Northeast Corridor Commission established under section 24905 of title 49, United States Code: *Provided further*, That of the amounts made available under this heading and the National Network Grants to the National Railroad Passenger Corporation heading, not less than \$50,000,000 shall be made available to bring Amtrak served facilities and stations into compliance with the Americans with Disabilities Act.

### NATIONAL NETWORK GRANTS TO THE NATIONAL RAILROAD PASSENGER CORPORATION

To enable the Secretary of Transportation to make grants to the National Railroad Passenger activities associated with the National Network as authorized by section 11101(b) of the Fixing America's Surface Transportation Act (division A of Public Law 114–94), \$1,241,600,000 shall become available on October 1, 2017 and shall remain available until expended, \$1,328,700,000 shall become available on October 1, 2018 and shall remain available until expended, and \$1,361,200,000 shall become available on October 1, 2019 and shall remain available until expended: *Provided*, That the Secretary may retain up to an additional \$2,000,000 of the funds provided under this heading to fund expenses associated with the State-Supported Route Committee established under 24712 of title 49, United States Code.



## Explaining the NEC and National Network Requested Amounts

	Total Federal Investment in FY 2018	National Network Share of NEC Investment	FY 2018 Federal Appropriations Request
Northeast Corridor	\$515 million	-\$156 million	\$358 million
National Network	\$1.085 billion	+\$156 million	\$1.242 billion
TOTAL	\$1.600 billion	n/a	\$1.600 billion

Several long distance trains operate over the Northeast Corridor, including the *Cardinal*, *Crescent*, *Palmetto*, *Silver Meteor*, and *Silver Star*, to name a few. Therefore, a portion of NEC costs are allocated to the National Network in accordance with section 11201 of the FAST Act and the Federal Railroad Administration's Account Structure Definition and Account Methodology Improvements memorandum.

To help understand this process, below are just a few examples of the various costs that are physically located on the NEC, but allocated to the National Network:

- **Stations** – Most of Amtrak's major stations are located on the NEC, such as Philadelphia 30<sup>th</sup> Street Station, New York Penn Station, Washington Union Station, and Baltimore Penn Station. Yet these stations are used not only by *Acela Express* and *Northeast Regional* trains, they are also used by several long distance trains. For example, long distance trains' passengers who begin or end their travel at an NEC station may use its waiting areas, ticketing counters, restrooms, and platforms. An appropriate cost is allocated to the National Network based on the PRIIA 212 calculation for corridor stations, which factors in the number of boardings/deboardings and train stops.
- **Infrastructure** – Throughout much of the NEC, facilities such as track, bridges, tunnels, interlockings, and environmental remediation efforts all benefit both the NEC and the long distance trains that operate over the NEC. As such, some of the cost is allocated to the National Network depending on the type of infrastructure; for example, gross-ton miles, electric-unit miles, train-moves, train-miles, and unit-miles are used to allocate various expenses.
- **Equipment** – Non-passenger rolling stock, including catenary, track inspection, and maintenance cars that work to fix and maintain NEC infrastructure also benefit long distance trains. These costs are allocated to the National Network based on the type of infrastructure work; for example, gross-ton miles, electric-unit miles are used to allocate various expenses. The *Acela Express* rolling stock's costs are not allocated to the National Network, and most of the costs of the equipment used for *Northeast Regional* service are allocated to the NEC. The only time any of that equipment's costs are assigned to the National Network is when specific units are used in National Network service, and those allocations follow the rules as noted above.
- **Train Operations** – Terminal and non-terminal dispatching systems and facility upgrades, such as those at our yards and mechanical shops on the NEC, are also utilized by long distance trains. The National Network's allocation of such costs is primarily driven by the number of train-moves and train-miles.

## Comparative Statement of New Budget Authority

<b>Table 2. FY 2018 Comparative Statement of New Budget Authority</b>			
	FY 16 Enacted	FY 17 Enacted	FY 18 Request
Northeast Corridor	—	\$328,000,000	\$358,400,000
National Network	—	\$1,167,000,000	\$1,241,600,000
Operating Grant	\$288,500,000	—	—
Capital Grant	\$1,101,500,000	—	—
<b>TOTAL</b>	<b>\$1,390,000,000</b>	<b>\$1,495,000,000</b>	<b>\$1,600,000,000</b>

## Advance Appropriations

The vast majority of transportation programs are funded through a trust fund via contract authority, including all highway and most transit programs. However, Amtrak does not receive any trust fund dollars and, as such, we are dependent on discretionary funding via the annual appropriations process. Our discretionary funding originates in the Transportation, and Housing and Urban Development, and related agencies (THUD) appropriations bill, competing with other important priorities beyond transportation needs. This puts Amtrak in a precarious position and makes our annual and long-term capital planning extremely difficult, which can result in investment delays, inefficiencies, and higher Federal funding requirements.

We remain committed to the idea of a trust fund for capital investment connected to Amtrak. However, absent Amtrak having access to a trust fund, Amtrak requests that Congress provide its discretionary funding through a mechanism known as “advance appropriations.” This would provide a predictable funding stream that Amtrak has sought since our creation and would improve our ability to plan.

At the very least, Amtrak requests three years of funding, which includes the fiscal year of the annual appropriations bill being considered by Congress, as well the two subsequent fiscal years. For example, the FY 2018 Transportation, Housing and Urban Development, and Related Agencies appropriations bill would include funding for FY 2018, FY 2019, and FY 2020. Based on the FAST Act’s authorized levels, Amtrak requests the following amounts for the NEC and National Network:

<b>Table 3. Amtrak NEC and National Network Advance Appropriations Request</b>			
	<b>NEC</b>	<b>National Network</b>	<b>Total</b>
<b>FY 2018</b>	\$358,400,000	\$1,241,600,000	\$1,600,000,000
<b>FY 2019</b>	\$371,300,000	\$1,328,700,000	\$1,700,000,000
<b>FY 2020</b>	\$438,800,000	\$1,361,200,000	\$1,800,000,000

According to OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget:

*“Advance appropriations of budget authority will be scored as new budget authority in the fiscal year in which the funds become newly available for obligation, not when the appropriations are enacted.”*

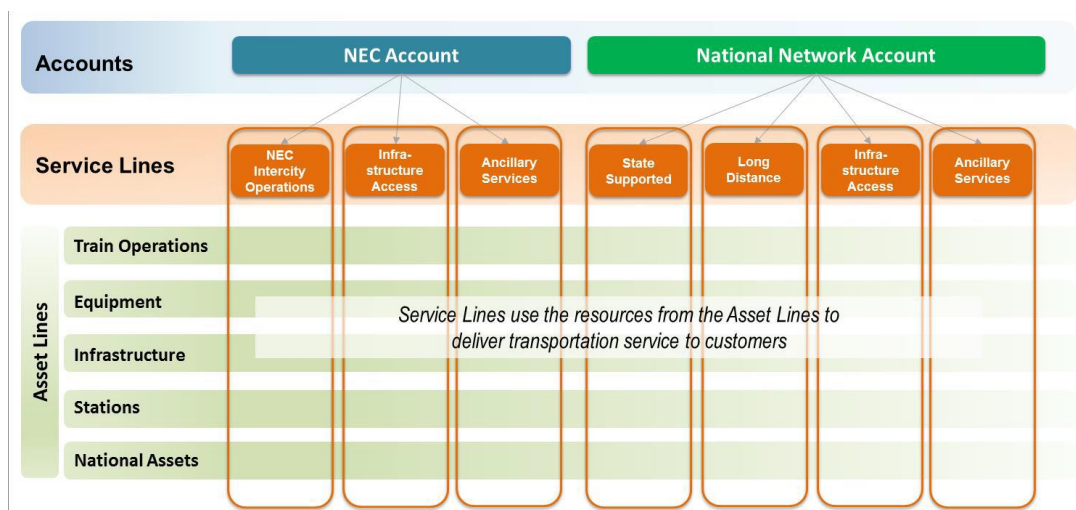
To be clear, these two additional years of advance appropriations (FY 2019 and FY 2020) would not score in FY 2018 and would not count against the FY 2018 THUD appropriations bill’s 302(b) allocation. Also, in order to appropriate funding in this manner, the budget committees would need to authorize Amtrak for advance appropriations in order to comply with budget rules and points of order.

Based on the advantages outlined above, as well as no clear disadvantage to doing this, Amtrak believes providing an advance appropriation is simply the most prudent way to invest of the American taxpayer’s resources in intercity passenger rail.

## The FAST Act, Amtrak's Budget Request, and Five Year Plans

The FAST Act required USDOT, in consultation with Amtrak, to define a new account structure and improvements to accounting methodologies in order to support the NEC and National Network. Throughout calendar year 2016, the FRA worked extensively with Amtrak to create this account structure, thereby establishing a new way that Amtrak reports its financial activities. The goals of this new structure include more effective management of costs and revenues, as well as increased transparency for Amtrak's stakeholders, which include Congress, states, passengers, and other partners.

Through this work, the FRA and Amtrak created an account structure built upon Service Lines (NEC Intercity Operations, State Supported, Long Distance, Infrastructure Access, and Ancillary Services) and Asset Lines (Train Operations, Equipment, Infrastructure, Stations, and National Assets/Corporate Services). Service Lines use the resources from the Asset Lines to deliver transportation service to customers. The account structure functions as a financial sources and uses table showing how funding sources (e.g., Federal appropriations, ticket revenues, railroad access revenues) are expended on company activities (maintenance of way, train and engine crew labor, equipment overhauls).



This accounting methodology will be primarily illustrated in Amtrak's five-year plans. Mandated by the FAST Act, Service Line plans will include: goals and objectives, projected revenues and expenditures, projected ridership levels, debt estimates, annual profit and loss statements, annual cash flow forecasts, and other detailed financial and strategic planning documents for each of Amtrak's businesses (service lines) over a five-year period. Amtrak anticipates submitting its first Five Year Service Line Plans in June 2017. The FAST Act requires that the Five Year Asset plans be produced in February 2019. Congress also repealed the requirement for the legacy Five Year Financial Plan.

While this account structure will be expanded upon in the forthcoming five-year plans, the FAST Act requires such plans to be the basis for the annual budget request to Congress; therefore, this document breaks down how Amtrak proposes to use its requested Federal funding for FY 2018 into the Asset categories for both the NEC and NN. This document also details the operating and capital needs for the service lines.



## Fiscal Year 2018 Request by Service Line

Table 4. Request by Service Line						
	NEC Intercity Operations	State-supported	Long Distance	Infrastructure Access	Ancillary Services	Total
Operating	—	\$66,137,138	\$590,782,042	\$26,607,761	—	\$683,526,941
Capital	\$71,090,788	\$283,777,855	\$245,657,364	\$300,947,052	—	\$901,473,059
Total	\$71,090,788	\$349,914,993	\$836,439,406	\$327,554,813	—	\$1,585,000,000

Table 5. Request by Service Line (NEC/NN Accounts)								
	NEC			National Network				
	NEC Intercity Operations	Infrastructure Access	Ancillary Services	State-supported	Long Distance	Infrastructure Access	Ancillary Services	Total
Operating	—	—	—	\$66,137,138	\$590,782,042	\$26,607,761	—	\$683,526,941
Capital	\$71,090,788	\$280,517,212	—	\$283,777,855	\$245,657,364	\$20,429,840	—	\$901,473,059
Total	\$71,090,788	\$280,517,212	—	\$349,914,993	\$836,439,406	\$47,037,601	—	\$1,585,000,000

As defined by the Federal Railroad Administration, the below Service Lines<sup>1</sup> are responsible for meeting the needs of the respective customers to fulfill their mission.

- **NEC Intercity Operations:** Provides premium and regular intercity rail passenger service along the NEC while seeking to maximize operating surplus. Its customers are intercity train travelers on the NEC.
- **State-supported:** Provides intercity rail passenger service and supporting services under contract to States on corridor routes of not more than 750 miles. Its primary customers are State Departments of Transportation and authorities, and intercity travelers.
- **Long Distance:** Provides intercity rail passenger service on routes of more than 750 miles. Its primary customers are travelers and communities across the National Network and the Federal Government.
- **Infrastructure Access:** Seeks to safely and efficiently plan for, develop, manage, and provide access to Amtrak-owned or controlled infrastructure and facilities consistent with Amtrak’s statutory obligations. Its primary customers include rail operators and other public and private sector entities that currently use, or plan to use, Amtrak-owned assets.
- **Ancillary Services:** Competes to operate commuter rail services, performs reimbursable work for States and railroads, and leverages Amtrak-owned real-estate and commercial assets.

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<sup>1</sup> As defined by the FRA’s May 2016 document “Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015.”

## Fiscal Year 2018 Request by Asset Line

**Table 6. FY 2018 Request by Asset Line**

	NEC	NN	Total
<b>Infrastructure</b>	<b>165,255,760</b>	<b>169,965,088</b>	<b>335,220,848</b>
Operating	-	118,701,286	118,701,286
Capital	165,255,760	51,263,801	216,519,561
			-
<b>Equipment</b>	<b>116,030,640</b>	<b>430,578,222</b>	<b>546,608,862</b>
Operating	-	203,111,628	203,111,628
Capital	116,030,640	227,466,593	343,497,233
			-
<b>Stations</b>	<b>42,192,960</b>	<b>147,303,076</b>	<b>189,496,036</b>
Operating	-	62,017,467	62,017,467
Capital	42,192,960	85,285,609	127,478,569
			-
<b>Nat'l Assets/Corp Svs</b>	<b>28,128,640</b>	<b>385,254,198</b>	<b>413,382,838</b>
Operating	-	299,696,559	299,696,559
Capital	28,128,640	85,557,639	113,686,279
			-
<b>Train Operations</b>	<b>-</b>	<b>100,291,416</b>	<b>100,291,416</b>
Operating	-	-	-
Capital	-	100,291,416	100,291,416
			-
<b>Takedowns</b>	<b>6,792,000</b>	<b>8,208,000</b>	<b>15,000,000</b>
<b>Total</b>	<b>\$ 358,400,000</b>	<b>\$ 1,241,600,000</b>	<b>\$ 1,600,000,000</b>
Operating	-	683,526,941	683,526,941
Capital	351,608,000	549,865,059	901,473,059
Takedowns	6,792,000	8,208,000	15,000,000

## Total Investment in Amtrak

Table 7. Total NEC & National Network Investment				
NEC	Category	FY18 Approps Request	Revenue & Other Sources	Total Investment in the NEC
	Infrastructure	\$165,255,760	\$859,346,594	\$1,024,602,354
	Equipment	\$116,030,640	\$580,937,252	\$696,967,892
	Stations	\$42,192,960	\$193,065,235	\$235,258,195
	Nat'l Assets/Corp Svs	\$28,128,640	\$449,936,910	\$478,065,550
	Train Operations	—	\$903,676,313	\$903,676,313
	Takedowns	\$6,792,000	—	\$6,792,000
	NEC SUBTOTAL	\$358,400,000	\$2,986,962,304	\$3,345,362,304
National Network	Category	FY18 Approps Request	Revenue & Other Sources	Total Investment in the NN
	Infrastructure	\$169,965,088	\$172,767,250	\$342,732,338
	Equipment	\$430,578,222	\$271,118,294	\$701,696,516
	Stations	\$147,303,076	\$104,764,886	\$252,067,962
	Nat'l Assets/Corp Svs	\$385,254,198	\$247,120,641	\$632,374,839
	Train Operations	\$100,291,416	\$985,929,872	\$1,086,221,289
	Takedowns	\$8,208,000	—	\$8,208,000
	NN SUBTOTAL	\$1,241,600,000	\$1,781,700,943	\$3,023,300,943
COMBINED TOTAL		\$1,600,000,000	\$4,768,663,247	\$6,368,663,247

## Northeast Corridor

<b>Table 8. NEC Appropriation Summary</b>	
<b>Category</b>	<b>Amount Requested</b>
Infrastructure	\$165,255,760
Equipment	\$116,030,640
Stations	\$42,192,960
National Assets and Corporate Services	\$28,128,640
Train Operations	—
Takedowns (NEC Commission & FRA)	\$6,792,000
<b>TOTAL NEC</b>	<b>\$358,400,000</b>



**What Is This Asset And Why Is It Necessary?**

The Northeast Corridor (NEC) connects eight States and the District of Columbia with one of the busiest and most complex transportation systems in the world, which makes a vital contribution to the regional and national economies. The NEC carries more than 820,000 people daily and transports a workforce that contributes \$50 billion annually to the American economy. As a steward and majority owner of the NEC, Amtrak moves intercity riders, and also provides access and/or operational support to ten commuter lines and six freight operators (four on the main line). Amtrak's NEC operations include the *Northeast Regional* and *Acela Express* services, providing infrastructure and related services for commuter railroad operations on the Amtrak-owned segments of the NEC, as well as services Amtrak provides for commuter agencies in the region.

Amtrak and the commuter carriers' NEC operations depend heavily on the rail infrastructure to provide safe, reliable, and economical service to the region. Infrastructure includes the track and associated materials, communications and signal systems, electric propulsion generation and transmission, tunnels, bridges, culverts, rights-of-way, signs, real property, and associated air rights buildings. It excludes stations and facilities where equipment is maintained.<sup>2</sup> These facilities require Federal investment to support the Amtrak and commuter services on the NEC, both to ensure that service can be reliably maintained and to provide the necessary capacity the regional economy requires to support future growth.

**Why Do We Want/Need To Fund This At The Requested Level?**

First and foremost, Amtrak is committed to providing the region with an efficient and effective rail service. To do so requires the annual capital maintenance, renewal, and improvement activities across our infrastructure to support the safe and reliable operation of our trains. In addition to the immediate requirements of ensuring a safe and reliable service, Amtrak is responsible to our partners (including States and Commuters) for investing its share of the costs to replace major infrastructure components which have reached the end of their useful lives. Amtrak owns numerous movable bridges that passed their hundredth anniversary, but remain in service because funding is not available to replace them. These include the Susquehanna and Portal swing bridges, built in 1906 and 1910 respectively, and the Pelham Bay and Connecticut River drawbridges, built in 1907.

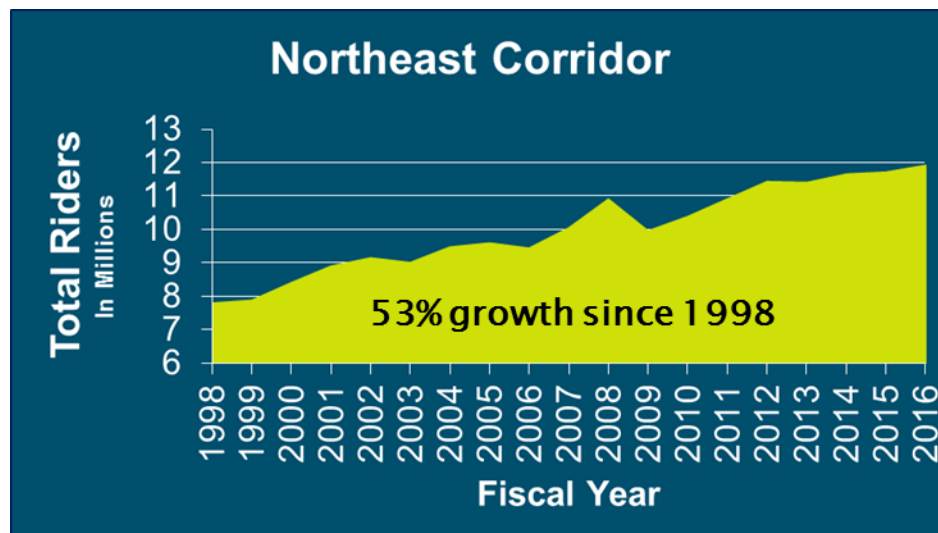
Given the quality of our product offering and the strong demand for service within the region, Amtrak does not require Federal funding to support its basic *Acela Express* and *Northeast Regional* train operations on the NEC. That being said, it is important to understand the state of the corridor for overall context, as well as to understand the daunting challenges of the capital needs on the corridor, as illustrated in the subsequent pages of this budget request. Over the past few decades, investment in the NEC has lagged, resulting in a gradual deterioration in the condition of the infrastructure. Today, the NEC Commission estimates that this backlog has reached \$38 billion. The condition of the NEC will continue to deteriorate if investment lags, impairing the reliability of both intercity and commuter services operations.

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<sup>2</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

### CAPITAL

Tracks & Interlockings	\$60,670,438
Gateway	\$24,923,208
Communications & Signals	\$15,715,551
Bridges, Culverts & Tunnels	\$18,796,228
HSR Improvements	\$10,089,042
Catenary, Traction, & Substations	\$8,975,118
Facility Improvements	\$3,472,525
Environmental & Safety	\$8,054,120
Debt	\$14,559,531



*Fig. 1. NEC Ridership growth, 1998-2016*

Because aging structures are failure-prone and excessively costly to maintain, Amtrak is committed to reduce the state of good repair backlog of its infrastructure in the coming years. Design work for the Pelham Bay, Connecticut River, and Susquehanna River bridges is funded in FY 2017, while design work on the replacement Portal North bridge is complete, and construction work can begin as soon as funding is available. While the absence of a dedicated funding stream makes projects on this scale challenging, Amtrak, along with its partners, are funding work to advance several key projects that are extremely important to the future of the NEC in FY 2018. These would include:

- Key elements of the Gateway Program (For more details, please see pages 48-49)
- Connecticut River Bridge
- Design of replacement for the Pelham Bay Bridge

In addition to reliability concerns, the growth in demand in recent decades created a need for capacity. In order to meet future passenger demands, increased levels of capital investment are needed to improve, expand, and replace the aging infrastructure and equipment that supports intercity passenger rail. There is no headroom for growth in the current infrastructure. This compounds the problems of disruption and delay that result from today's infrastructure reliability challenges, and it puts a definite ceiling on future growth opportunities.

Thanks in part to the introduction of *Acela* and improvements in the NEC, ridership and revenue patterns changed dramatically in recent years. The NEC experienced its highest ridership ever in FY 2016, driven by significant demographic trends as travelers seeking a better travel experience turn increasingly to Amtrak.

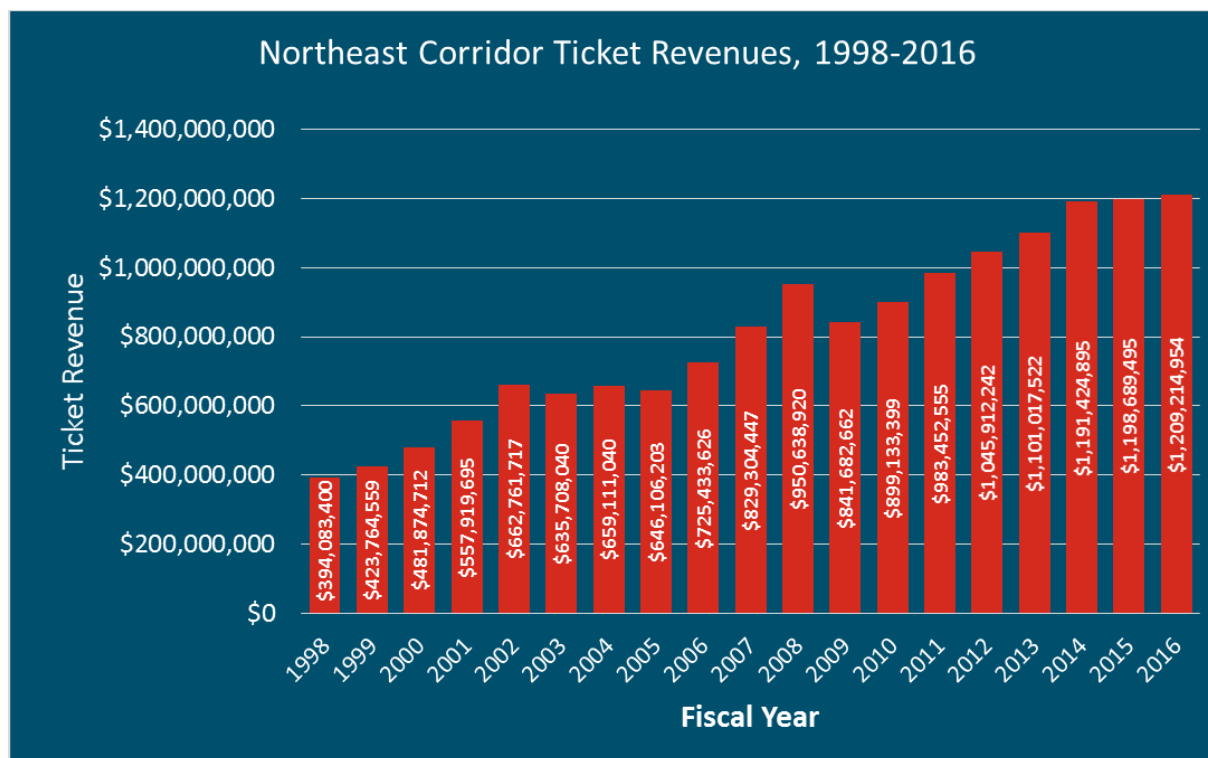


Fig 2. Ticket revenue growth on the NEC, 1998-2016

### What Benefits Will This Request Provide The American Public?

Amtrak's Northeast Corridor is a vital asset for businesses, workers, residents, and visitors to the region; its pivotal economic role also makes it a vital national asset. Its ten commuter rail operators deliver hundreds of thousands of workers to some of the most productive economic centers in the country each day. Amtrak carries more intercity passengers within the Northeast than all airlines combined. The demand for NEC rail services continues to grow, as popular tastes and congestion on competing modes put more and more of a premium on access to public transportation. On just 2 percent of the nation's land area, some 17 percent of its population produces 20 percent of America's GDP.

While Amtrak is the only endpoint-to-endpoint user of the NEC, ten commuter operations share the route. One out of three jobs in the region is located within five miles of an NEC station, and the annual traffic through New York Penn Station is larger than John F. Kennedy, LaGuardia, and Newark Liberty Airports combined. The workforce that uses the NEC contributes more than \$50 billion to the national GDP, and the independent NEC Commission estimated that the potential impact of a one-day shutdown of the NEC to the national economy could total \$100 million.

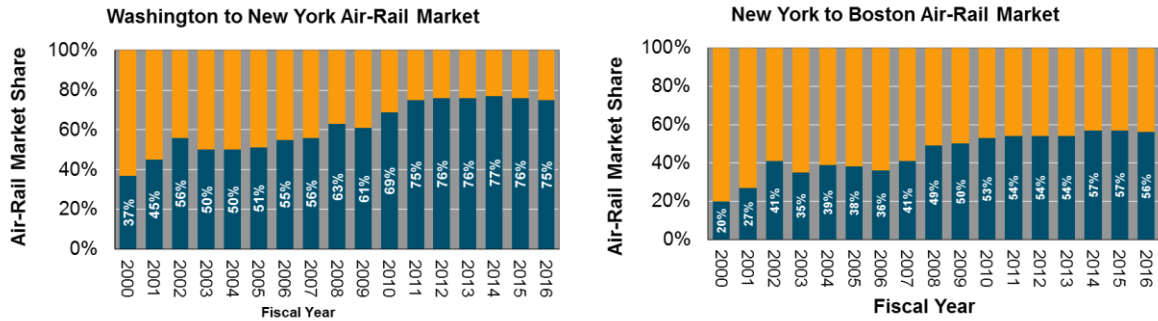


Fig 3. Amtrak's share of the combined air-rail travel market in the Northeast Corridor has risen dramatically over the last 16 years

As these trends accelerate, the NEC's role in the economy, which is already critical, will continue to increase. Infrastructure condition poses a strategic vulnerability for the region and the nation, as the reliability and capacity of the infrastructure fails to keep pace with the growth in demand.



## Equipment (NEC)

**\$116,030,640**

### What Is This Asset And Why Is It Necessary?

This program funds the equipment on the NEC, including Amtrak-controlled locomotives, cars, and trainsets, train servicing, maintenance of facilities where equipment is maintained, and the management, supervision, and support required to perform activities listed here. This also includes any preventive maintenance and minor repair performed by external vendors or contractors to maintain the locomotives, cars, trainsets, and non-revenue equipment.<sup>3</sup>

Amtrak is in the process of investing heavily in its NEC equipment. Last fiscal year, Amtrak completed the replacement of its aging electric locomotive fleet with 70 new locomotives constructed by Siemens in Sacramento, California. These locomotives replaced a hard-run fleet, and will be followed within five years by the NextGen high-speed trainsets, which will replace today's *Acela Express* equipment. Still ahead, however, is the looming requirement to replace the 40-year old Amfleet cars that provide the *Northeast Regional* service. These cars are approaching the point where they will require complete rebuilding or replacement with new equipment, with the replacement of today's fleet with approximately 500 new cars likely being the more cost-effective solution. New equipment would improve Amtrak's product, enhance customer service, reduce maintenance costs, increase safety and accessibility, and support domestic manufacturing.

### Why Do We Want/Need To Fund This At The Requested Level?

Equipment condition is a vital component of the customer experience. Periodic maintenance is necessary to ensure both the basic serviceability of the equipment and its presentation to the traveling public. The Northeast Corridor generates a significant portion of Amtrak's ticket revenues, and the customer experience is a central component of pricing power.

The core of a passenger's experience with Amtrak is the time spent on board, and the condition of our fleet is a significant driver of that experience. Fleet planning at Amtrak, like all capital planning, is constrained by Amtrak's lack of a reliable, multi-year source of capital funding. In the absence of capital for fleet replacement, Amtrak historically spent operating funds on maintaining equipment that is past its expected life cycle, typically at higher cost than the alternative of planned fleet replacement.

#### CAPITAL

Amfleet Overhauls	\$11,070,772
Acela Overhauls	\$10,672,873
Locomotive Overhauls	\$2,056,006
All other overhauls	\$8,869,499
Non-Overhaul Train Capital	\$2,394,376
Facility Improvements	\$4,147,950
Non-Passenger Equipment	\$11,901,221
Debt	\$64,917,944

At this time, Amtrak can undertake acquisitions of significant amounts of new equipment only in those limited situations, such as the new ACS-64 locomotives and the proposed Next Generation High-Speed

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<sup>3</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

Trainsets for the Northeast Corridor, where the company can reasonably expect that net incremental revenues will service most, if not all, of the costs of financing that equipment.

Amtrak's comprehensive fleet plans of 2010, 2011, and 2012 detailed the need for significant capital investment in Amtrak's fleet. While Amtrak might be able to finance the renewal of its NEC equipment from net NEC operating revenues, such an option is not available for the rest of its fleet. In 2012, Amtrak projected the annual required investment to renew the non-NEC fleet to be \$321 million for 30 years. The appropriations in the years that Amtrak prepared those plans and in the years since, however, fell well short of the needed capital investment identified in them. This approach by the Federal government to funding the capital investment needs of intercity passenger rail service continues to leave Amtrak without adequate resources to properly maintain, improve, and expand its fleet and services. Absent a new approach to funding the capital investment needs of intercity rail passenger service, the lack of adequate capital investment in fleet will at some point become a significant, perhaps the most significant, factor in what services are provided. A different funding methodology is needed if capital planning at Amtrak is to be strategic rather than reactive.

With no new deliveries, Amtrak's passenger car fleet, already older than at any previous point in Amtrak's history, will age with another year of heavy use. We are rapidly approaching the time when equipment condition will limit Amtrak's ability to maintain service at current levels.

The NEC services that Amtrak provides utilize Amtrak-controlled rolling stock and locomotives. This equipment is maintained at the 'backshops' at Wilmington and Bear, Delaware, which are included in this program. These facilities and programs include a full range of locomotive and car repair and testing facilities, and cover the management of programs to overhaul equipment, provide the necessary periodic maintenance, and manage the maintenance and repair services.

Examples of projects that will be funded include:

- Diesel Locomotive Life Cycle Preventative Maintenance
- Engineering Track Equipment
- Amfleet Overhauls

### **What Benefits Will This Request Provide The American Public?**

The programs to maintain and overhaul Amtrak locomotives and rolling stock contribute significantly to the efficient and effective operation of our trains. The condition of the train plays a vital role in the customer experience, and these investments play a major role in ensuring that the passenger experience is commensurate with expectations. Investments such as Amtrak's Wi-Fi installation and upgrade programs dramatically improved the customer experience, and contributed to the steady growth of ridership and financial efficiency at Amtrak.

## Stations (NEC)

**\$42,192,960**

### What Is This Asset And Why Is It Necessary?

This program supports investment in passenger rail stations served by Amtrak on the NEC. This includes Amtrak-controlled stations and elements of other stations for which Amtrak has legal responsibility or where it intends to make capital investments. This includes the maintenance and operation of such facilities that serve one or multiple routes.<sup>4</sup>

### Why Do We Want/Need To Fund This At The Requested Level?

While stations require repair work in order to maintain safety and functionality for the millions of passengers we serve every year, we also have to plan for the increasing number of passengers that we see as a trend in the years to come. This requires structural improvements, track and platform maintenance, and master planning to coherently prepare for the highest and best use for each station. Amtrak wants to connect our passengers to services, make them welcome, and be an improvement to the communities and metro areas that we service.

<u>CAPITAL</u>	
Improvements	\$30,230,262
Repairs and Replacements	\$6,330,329
ADA	\$895,324
Corporate & IT Infrastructure	\$150,854
Environmental & Safety	\$1,942,582
Debt	\$2,643,609

Project examples:

- Washington Union Terminal Master Plan
- ADA Compliance Projects (Please see page 45 for more detail.)
- 30<sup>th</sup> Street Concourse and Facility Upgrades

### What Benefits Will This Request Provide The American Public?

The Washington Union Terminal Master Plan, which outlined a vision to redevelop the station and its air rights to address capacity constraints and aging infrastructure, would triple rail passenger capacity and double train capacity by modernizing and expanding station facilities and rail infrastructure. It would integrate three million square feet of transit-oriented development over the existing rail yard. Near-term funding would advance a package of investments that can be advanced in parallel with the preparation of an Environmental Impact Statement for the long-term improvements. Additional funding is required for design and construction of improvements.

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<sup>4</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

**What Is This Asset And Why Is It Necessary?**

National Assets are the Nation's core rail assets shared among Amtrak services, including systems for reservations, security, training, and training centers, and other assets associated with Amtrak's national rail passenger transportation system.<sup>5</sup>

Corporate services are defined to include company-wide functions, such as legal, finance, government affairs, human resources, information technology, among others.<sup>6</sup> These resources play a vital role in ensuring that Amtrak can develop and consistently provide competitive products and services, as well as delivering investments that will sustain, improve, and grow our business.

**Why Do We Want/Need To Fund This At The Requested Level?**

Amtrak has many needs that are unique to its system, and which are most economically provided by a single organization. Foremost among these programs are our Emergency Management and police assets. While a portion of their capital need is furnished by the Department of Homeland Security (DHS) grant funding, in FY 2018 Amtrak will need to use appropriated funding for two projects – upgrades to radio repeaters and infrastructure protection.

The Amtrak Police Department (APD) will focus in six key areas: Building Trust and Legitimacy; Technology and Social Media; Training and Education; Officer Wellness and Safety; Community Policing and Crime Prevention; and Policy and Oversight. APD will continue prevention efforts through partnerships, preparedness, and participation. The Operation RAILSAFE program, where we strengthen the coordination and integration among Amtrak police and emergency responders, host railroads, transit agencies, and other members of law enforcement to protect passengers, employees, and infrastructure from acts of terrorism will continue to be expanded.

Examples of projects that will be funded and defined as "National Assets" include:

- **Radio Repeater Upgrades:** Funding will improve the ability of the Amtrak Police Department (APD) to communicate at locations such as subterranean station areas or stations where we have no radio service. This will materially improve communications between units and with the National Command Center.
- **Infrastructure Protection:** Funding will include improvements to the hardening, tunnel intrusion detection, access control systems, and other security features at various Amtrak locations, including stations, facilities, and on the right-of-way.

In order to drive a corporate mindset with a service mission, Amtrak must serve both its passengers and the corporate infrastructure that supports their travel. Service quality is a vital component of the customer experience. Offerings of competitive products that enhance that experience are a key aspect of Amtrak's vision to develop ridership and better serve our customers.

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<sup>5</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

<sup>6</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

Over the past decade and a half, increases in ridership and revenue played a critical role in improving Amtrak's financial position. To continue this positive trend, the company must not only attract passengers, but make them regular customers. To do that in an era when transportation companies increasingly offer more robust suites of passenger-facing services, we must expand both our range of service offerings, and our definitions of customer service. This expansive definition of customer service is vital to our future competitiveness, and requires capital investment to improve our service offerings.

Examples of projects that will be funded and defined as "Corporate Services" include:

- NEC Tracksides Wireless Broadband Network
- Application Optimization
- Customer Experience Programs

### **What Benefits Will This Request Provide The American Public?**

Investment in national assets will improve both the resilience of the system and its ability to surge resources to respond to threats. As such, they make a vital contribution to the security of our services, and safeguard the traveling public.

Investment in corporate services programs and systems will provide the traveling public with a better travel experience. This will in turn help to generate both new and repeat business, which will improve revenues and cost recovery, making Amtrak into a more efficient and effective organization.



## **Train Operations (NEC)**

**\$0**

### **What Is This Asset And Why Is It Necessary?**

NEC Train Operations includes the train crew operating trains on the railroad, crew moving equipment in the yards, crew providing on-board services on the trains (for example, service attendants, café attendants), on-board food and beverage supplies, commissary management, diesel fuel and electric propulsion costs, host railroad maintenance of way and performance incentive payments, passenger inconvenience payments, passenger claims, connecting bus service, utilities, and the management, supervision, and support required to perform activities listed here.<sup>7</sup>

This category also includes Amtrak's Service Line Management, including but not limited to, planning, administration, business development, contract management, and support.

For NEC Train Operations, all costs are covered by NEC revenue.

### **Why Do We Want/Need To Fund This At The Requested Level?**

The NEC service requires significant investment not only in the rail infrastructure and capital needs (which is covered in several of the preceding sections), but also in the supporting systems that support the day-to-day operation of trains and the management of business for our NEC operations. These systems support a wide range of corporate goals, including the development of consistently competitive products and services, investing to sustain and grow our business, and harnessing information, technology, and partnerships to enhance and accelerate our business.

Project examples:

- Facility Improvements and Rehabilitations
- Work Management System Redesign
- Washington, D.C. Terminal Dispatch Redundancy

### **What Benefits Will This Request Provide The American Public?**

The general objective is for Amtrak to maintain continued safe national passenger rail operations, to pursue activities that support efficient service to intercity passenger rail ridership, and to address and comply with all specified Federal operating requirements and mandates on the NEC. In many cases, this will include work that provides a shared benefit across the NEC and National Network.

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<sup>7</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

## National Network

<b>Table 9. National Network Appropriation Summary</b>	
<b>Category</b>	<b>Amount Requested</b>
Infrastructure	\$169,965,088
Equipment	\$430,578,222
Stations	\$147,303,076
Corporate Services and National Assets	\$385,254,198
Train Operations	\$100,291,416
Takedowns (State-supported & FRA)	\$8,208,000
<b>TOTAL NATIONAL NETWORK</b>	<b>\$1,241,600,000</b>

**What Is This Asset And Why Is It Necessary?**

Infrastructure includes the track and associated materials, communications and signal systems, electric propulsion generation and transmission, tunnels, bridges, culverts, rights-of-way, signs, real property, and associated air rights buildings. It excludes stations and facilities where equipment is maintained.<sup>8</sup> Not only does this include assets physically located on the National Network, but it also includes the National Network's share of the cost associated with infrastructure on the NEC that is used by long distance trains.

Infrastructure on the National Network includes Amtrak-owned assets, such as: the 104-mile Keystone Corridor; the 61-mile Springfield Line; and the 96-mile Michigan Line, as well as Amtrak-leased infrastructure, such as the Hudson Line between Schenectady and Poughkeepsie, New York.

**Why Do We Want/Need To Fund This At The Requested Level?**

Millions of Americans rely on Amtrak to provide efficient and effective transportation, and to deliver them safely to their destination. To meet their expectations, Amtrak must invest in the rail lines that carry our trains, the facilities that service them, and the stations where our passengers board and alight. At their most basic level, these investments ensure that we are capable of providing a safe operation, but Amtrak's recent financial success has been predicated on more than just safety: people expect our services to be reliable and comfortable. These investments ensure that Amtrak can support a commercially viable service that is operated in a reliable manner – and that the travelers' experiences are both safe and comfortable.

**CAPITAL**

Tracks & Interlockings	\$12,898,262
Communications & Signals	\$14,742,711
Bridges, Culverts & Tunnels	\$8,505,690
HSR Improvements	\$914,966
Catenary, Traction, & Substations	\$2,729,098
Facility Improvements	\$656,345
Environmental & Safety	\$5,605,168
Support Costs & Other	\$3,939,052
Debt	\$1,272,508

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<sup>8</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

Project examples:

- The National Network share of the cost associated with projects on the NEC that are also used by long distance trains (i.e., capital investments on the New York to Washington line)
- Host railroad Positive Train Control (PTC)
- Michigan Line West Rail Renewal

**What Benefits Will This Request Provide The American Public?**

National Network's primary customers are Amtrak's state-supported and long distance service lines, commuter and freight railroads, and third parties such as States and localities. These customers provide the traveling public with a wide range of services, and demand continues to grow. Growth, however, will be constrained without investment to improve the condition and capacity of the National Network. Investment in the National Network Infrastructure will help to sustain, improve, and grow our business and help ensure safe and reliable train operations.

## Equipment (NN)

**\$430,578,222**

### What Is This Asset And Why Is It Necessary?

This program funds the equipment on the National Network, including the Amtrak-controlled locomotives, cars, and trainsets, train servicing, maintenance of facilities where equipment is maintained, and the management, supervision and support required to perform activities listed here. This also includes any preventive maintenance and minor repair performed by external vendors or contractors to maintain the locomotives, cars, trainsets, and non-revenue equipment.<sup>9</sup>

The equipment of Amtrak's National Network trains is an important and highly visible aspect of these services. Equipment condition is a vital component of customer satisfaction, and requires constant investment and attention. Because of the nature of our service, Amtrak cars and locomotives run up higher annual mileage than comparable equipment in commuter service. The Superliner fleet, which is the backbone of our Western long distance services, averages more than 200,000 miles per car, per year. The Amfleet II and Superliner I fleets are now approaching forty years of service, and will soon require replacement. The diesel locomotives that operate these services typically have a shorter lifespan, and they are also approaching the point in their service life where replacement will be required. For equipment of all types, investment is the key to ensuring a satisfactory passenger experience, which provides the basis for revenue generation, efficiency improvement, and avoidance of the costs and revenue impacts associated with service disruptions.

### Why Do We Want/Need To Fund This At The Requested Level?

Equipment condition and serviceability are key components of a service that meets customer expectations for safety, performance and comfort. Regular investment in Amtrak-controlled rolling stock and locomotives (as well as the mechanical shop facilities and maintenance management processes that are used to maintain and overhaul equipment) is a necessary component of an efficient and effective service.

#### CAPITAL

Amfleet Overhauls	\$29,757,143
Locomotive Overhauls	\$10,905,484
All other Overhauls	\$32,536,842
Bi-Level Overhauls	\$35,829,758
Non-Overhaul Train Capital	\$16,943,210
Facility Improvements	\$15,609,075
Non-Passenger Equipment	\$48,346,758
Debt	\$37,538,323

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<sup>9</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

Project examples:

- Diesel Locomotive Life Cycle Preventative Maintenance
- Engineering Track Equipment
- Superliner Overhauls

**What Benefits Will This Request Provide The American Public?**

The ready availability of intercity passenger rail as a safe, convenient, and appealing public service depends in large part on the ability of Amtrak to provide equipment that meets customer expectations. Investment in the fleet of locomotives and rolling stock plays a major role in establishing the foundation for the competitive products and services that are needed to serve and grow our customer base.

**What Is This Asset And Why Is It Necessary?**

This program supports investment in passenger rail stations served by Amtrak on the National Network, such as Amtrak-controlled stations and elements of other stations for which Amtrak has legal responsibility or where it intends to make capital investments. This includes the maintenance and operation of such facilities that serve one or multiple routes.<sup>10</sup> Amtrak serves 521 stations in the United States and Canada. Of these stations, Amtrak owns or shares ownership of one or more station components (i.e., station structure, platform, parking facility) at 94 stations, including 81 station structures, 52 platforms, and 42 parking facilities.

**Why Do We Want/Need To Fund This At The Requested Level?**

Station facilities are key components of Amtrak's plan to provide competitive services by delivering on investments that sustain, improve, and grow our business. While stations require repair work to maintain their safety and functionality for the millions of passengers we serve annually, we also have to plan for the increasing number of passengers that we see as a trend in the years to come. This program is designed to deliver improvements in both state of good repair and capacity, and requires structural improvements, track and platform maintenance, and master planning to coherently prepare for the highest and best use for each station. Amtrak wants to connect our passengers to services, make them welcome, and be an improvement to the communities and metro areas that we service.

<u>CAPITAL</u>	
Improvements	\$17,430,545
Repairs and Replacements	\$14,578,160
ADA	\$49,104,676
Corporate & IT Infrastructure	\$235,914
Environmental & Safety	\$2,857,418
Bridges, Culverts & Tunnels	\$934,000
Debt	\$144,895

**Project examples:**

- ADA Compliance Projects (Please see page 45 for more detail.)
- Seattle, Washington Station Improvements
- Chicago Union Station Improvements
- The National Network share of the cost associated with station projects on the NEC that are also used by state-supported and long distance trains (i.e., Washington Union Terminal Master Plan, Philadelphia 30<sup>th</sup> Street Concourse and Facility Upgrades)

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<sup>10</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."



## **What Benefits Will This Request Provide The American Public?**

Investment in Amtrak's stations is central to the customer experience. While the spread of the National Network is vast, and the total number of stations in the Amtrak system exceeds 500, Amtrak's ten busiest stations generate almost half of Amtrak's boardings and alightings, and investment programs in these structures by Amtrak and its partners therefore generate significant benefits to large portions of the traveling public – not merely Amtrak passengers, but rail commuters and members of the communities these stations serve.

As part of a larger, six-year maintenance program, in FY 2018 extensive repairs to Chicago Union Station's 18,000 square foot skylight are scheduled to take place. The current structure does not meet code and is the source of a significant amount of water intrusion into the station structure, resulting in the safety hazard of falling plaster. By repairing the old skylight and capping it with a new atrium, the improved strength and drainage will enable the structure to withstand decades of harsh winters while permitting much more light to reach the Great Hall.

While Washington Union Station is often thought of as an NEC station, it also offers daily service on six long distance routes and multiple state-supported routes. To improve the service passengers receive in Washington, Amtrak's Washington Union Terminal Master Plan is a comprehensive improvement initiative comprised of multiple projects that seek to triple passenger capacity and double train capacity by modernizing and expanding station facilities over the next 20 years. More than 37 million passengers, tourists, and shoppers pass through this station every year; yet its success has come with challenges as the station has reached its capacity at peak travel times, resulting in long lines at the boarding gates, overcrowding, and visible passenger frustration.

To address these issues, this plan seeks to unlock capacity at Union Station by potentially adding several new lower-level concourses, multiple new entrance points, wider platforms, and the addition of new passenger amenities and retail space. Unlocking capacity constraints at Union Station is critical to operations along the Northeast Corridor, as it is the busiest station for MARC commuter service and Metro riders and the second busiest for Amtrak.

**What Is This Asset And Why Is It Necessary?**

National Assets are the Nation's core rail assets shared among Amtrak services, including systems for reservations, security, training and training centers, and other assets associated with Amtrak's national rail passenger transportation system.<sup>11</sup>

Corporate services are defined to include company-wide functions, such as, legal, finance, government affairs, human resources, information technology, among others.<sup>12</sup> These resources play a vital role in ensuring that Amtrak can develop and consistently provide competitive products and services, as well as delivering investments that will sustain, improve, and grow our business.

**Why Do We Want/Need To Fund This At The Requested Level?**

Unlike other transportation modes, Amtrak is a single entity, and must therefore provide many of the assets that are vital to safe and secure operation for itself. The unique nature of the Amtrak system also creates a demand for specific skillsets and capabilities that are not available elsewhere. The effective maintenance of many of these programs helps us to provide for the safety and security of our passengers.

Similarly, Amtrak must develop and consistently provide products and experiences that enhance the customer service in order to provide a competitive product. We must attract passengers to make them regular customers, harnessing innovation, technology, and partnerships to enhance and accelerate our business. To do all of these things, we must also attract and retain the best talent and allow that talent to perform on par with all other major service and travel organizations.

Project examples of "National Assets" include:

- Amtrak Police Department
- Amtrak's Emergency Management and Corporate Security Department

Project examples of "Corporate Services" include:

- Application Optimization
- Customer Experience Programs

**What Benefits Will This Request Provide The American Public?**

By investing in core assets that provide vital functions associated with safety, security, and event response, we provide the traveling public with the assurance that they will be able to complete their journey in safety. Investments of this type provide the assurance that disruptions will be met with a swift and effective response, limiting customer inconvenience, and providing the traveler with a high level of customer service.

In order to compete effectively, grow our business, and improve customer satisfaction, our employees must have technology that provides quick access to information, is linked to critical processes, and

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<sup>11</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

<sup>12</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

connects us to customers in a rapidly evolving marketplace. Information technology can also be leveraged to be more predictive and proactive so that we can provide a safer and more secure environment for our employees and customers. Investments in these types of systemic improvements contribute significantly to the customer experience, and the ability to do so in the future is a major component of our plans to make Amtrak more efficient and more effective, and to provide the passenger with a better travel experience.

## Train operations (NN)

**\$100,291,416**

### What Is This Program And Why Is It Necessary?

National Network Train Operations includes the train crew operating trains on the railroad, crew moving equipment in the yards, crew providing on-board services on the trains (for example, service attendants, café attendants), on-board food and beverage supplies, commissary management, diesel fuel and electric propulsion costs, host railroad maintenance of way and performance incentive payments, passenger inconvenience payments, passenger claims, connecting bus service, utilities, and the management, supervision, and support required to perform activities listed here.<sup>13</sup>

This category also includes the cost of Amtrak's Service Line Management, including but not limited to, planning, administration, business development, contract management, and support.<sup>14</sup> While only \$100,291,416 is being requested for National Network train operations, an additional \$985,929,872 in revenue and other sources is being allocated to support these operations for a total investment of \$1,086,221,289. Amtrak is tying the revenue produced by train operations on the National Network to the direct cost of running these trains in order to cover as much of this associated cost as possible. The difference between the revenue and cost represents the Federal request of \$100,291,416 for National Network train operations.

**Table 10. Amtrak Long Distance Trains**

<i>Silver Star</i>	<i>California Zephyr</i>	<i>Coast Starlight</i>
<i>Cardinal</i>	<i>Southwest Chief</i>	<i>Lake Shore Limited</i>
<i>Silver Meteor</i>	<i>City of New Orleans</i>	<i>Palmetto</i>
<i>Empire Builder</i>	<i>Texas Eagle</i>	<i>Crescent</i>
<i>Capitol Limited</i>	<i>Sunset Limited</i>	<i>Auto Train</i>

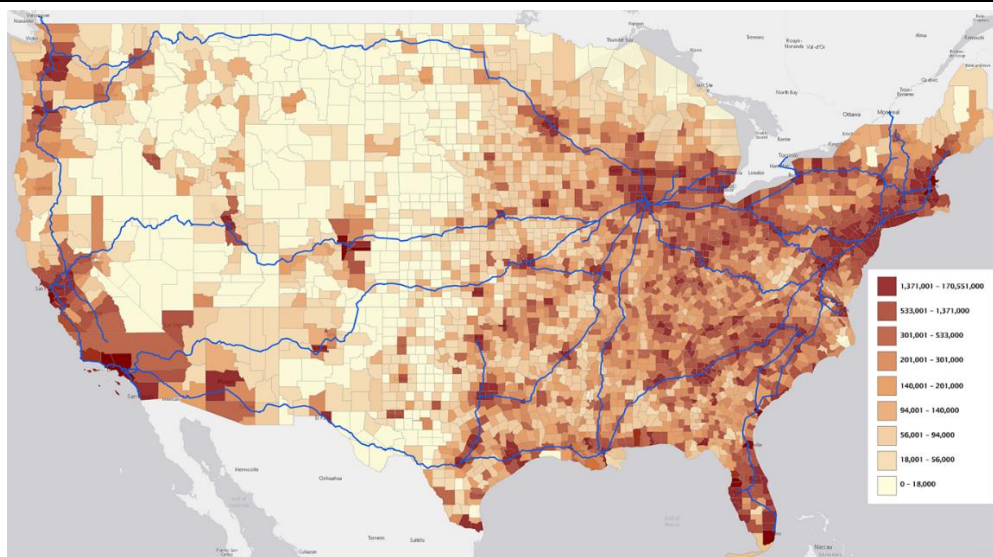


Fig 5. Map of the US, showing population densities, with the Amtrak system superimposed.

<sup>13</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

<sup>14</sup> As defined by the FRA's May 2016 document "Account Structure Definition and Accounting Methodology Improvements to Address Section 11201 of the FAST Act of 2015."

Table 11. Amtrak State-Supported (209) Services		
<i>Ethan Allen</i>	Chicago-Carbondale	Washington-Newport News
<i>Vermont</i>	Chicago-Quincy	Washington-Norfolk
Albany-Niagara Falls-Toronto	<i>Heartland Flyer</i>	Washington-Richmond
<i>Downeaster</i>	<i>Pacific Surfliner</i>	<i>Hoosier State</i>
New Haven-Springfield	Cascades	Kansas City-St. Louis
<i>Keystone</i>	<i>Capitol Corridor</i>	<i>Pennsylvanian</i>
<i>Empire</i> (New York-Albany)	<i>San Joaquins</i>	<i>Pere Marquette</i>
Chicago-St. Louis	<i>Adirondack</i>	<i>Carolinian</i>
<i>Hiawatha</i>	<i>Blue Water</i>	<i>Piedmont</i>
<i>Wolverine</i>	Washington-Lynchburg	

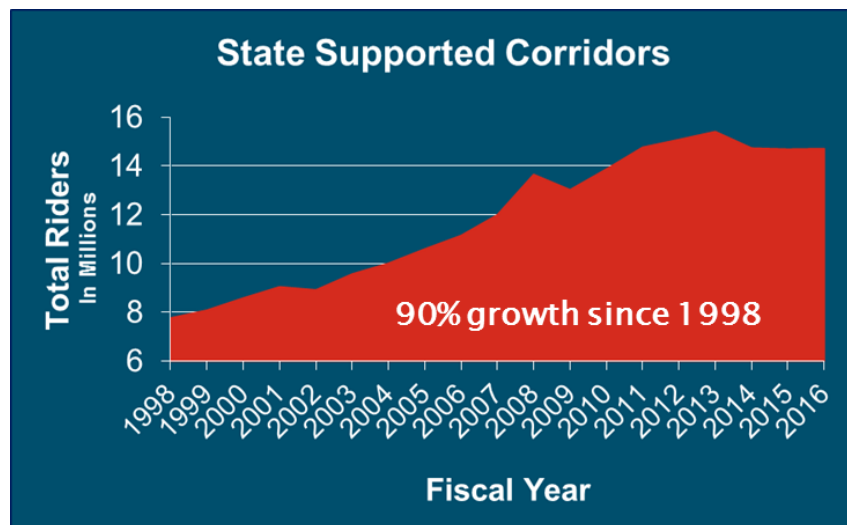


Fig 6. State-supported corridor ridership growth, 1998-2016

### Why Do We Want/Need to Fund The Program At The Requested Level?

This program funds two principal subtasks, Long Distance Operating and State-supported Operating. Each is designed to sustain a specific category of intercity passenger rail service. The Long Distance Operating subtask includes operating activities to provide intercity rail passenger transportation along long-distance routes of more than 750 miles between endpoints. Its primary customers are intercity train travelers along these routes and the Federal Government.

The State-supporting Operating activities provide intercity rail passenger transportation and supporting services along short-distance corridor routes of not more than 750 miles between endpoints. Its primary customers are the intercity train travelers along these routes and State Departments of Transportation or other entities subject to PRIIA Section 209 (or successor legislation), which have responsibility for providing intercity rail passenger services.

Capital projects designed to support the National Network are a vital component of a safe and efficient operation. These projects will help to improve the integration and efficiency of the business, and ensure that Amtrak continues to offer a safe, efficient, and effective train operation on its national system that fulfills customer expectations.

Project examples:

- Facility Improvements and Rehabilitations
- Work Management System Redesign
- Washington, D.C. Terminal Dispatch Redundancy

### **What Benefits Will This Request Provide The American Public?**

The capital projects associated with this funding category will improve the resilience and reliability of key operations management, safety and security functions, and ensure the Amtrak's operations retain the ability to react to unplanned events with a maximum of flexibility and a minimum of disruption. These systems will also enhance the resource accountability and allocation, ensuring that the taxpayers' investment in Amtrak is managed as efficiently as possible.

A glance at a map of America's population densities (Fig. 5, above) illustrates the role that Amtrak's national system plays in the nation's economic life. While 50 percent of America's population lives within fifty miles of the coast, the remaining half is spread throughout the interior of the country. The National Network provides a vital public link between densely populated urban centers and the nation's rural population, 40 percent of which enjoys access to Amtrak service.

Long distance trains have routes that can exceed 2,000 miles in length, connecting smaller towns and rural regions that have few remaining transportation options with larger metropolitan centers and major transportation hubs. Amtrak's long distance routes are the backbone of our national system. They provide the only Amtrak service to more than half of the States and stations we serve. They connect the nation's major regions, provide a foundation of intercity passenger rail service, and preserve intercity mobility for underserved communities and populations. These trains are increasingly important to the communities and people along their routes that lost bus and air services over the last decade.

The state-supported corridors are a major source of Amtrak's ridership growth. Nearly half of the passengers who ride Amtrak ride a state-supported train. The frequency of service on these routes can vary from one train to as many as 30 trains a day. Each of the 29 routes were developed in close partnership with the sponsoring State(s) to fill route-specific transportation needs. In Connecticut, Massachusetts, New York, and Michigan, Amtrak is upgrading Amtrak- and State-owned or leased infrastructure in partnership with States to improve the performance of the state-supported Services. In North Carolina, Illinois, and Washington, States are leading infrastructure improvements to benefit their services in partnership with host railroads and others.

## **Other Federal Grant Programs**



## Capital Investment Grants

The Federal Transit Administration's (FTA) primary grant program for large scale capital investment is the FTA Capital Investment Grants (CIG) program as authorized by Section 5309 of Title 49, United States Code. Under CIG, the FTA is required to rate the proposed projects as they advance through various stages of readiness and FTA proposes funding for these specific projects in its annual budget request to Congress. Based on the project size and type, projects are categorized as New Starts, Small Starts, or Core Capacity projects. Commuter rail is eligible under the CIG program.

Amtrak strongly supports robust funding for the Federal Transit Administration's Capital Investment Grants program. In FY 2017, the Administration requested \$3,500,000,000 for the program and Amtrak believes similar levels of investment are necessary in FY 2018. In particular, Amtrak requests that a NJ Transit project to be partially funded by the Gateway Development Corporation project be included in the FTA's FY 2018 budget request for CIG.

In 2016, Gateway partners applied for two projects: 1) the Hudson Tunnel project; and 2) Portal North Bridge, to be included in the "Project Development" process under CIG. FTA accepted both projects into this process, officially making them eligible for CIG funding. In September 2016, Gateway partners submitted a Portal North Bridge Core Capacity rating package to the FTA for evaluation. The project scored well, and will be further advancing through the CIG pipeline, which would represent an important step toward securing significant Federal grant funding for an essential part of the Gateway program.

As such, Amtrak encourages Congress to include the below project in the report that accompanies the FY 2018 appropriations bill. This funding would represent Year 1 of a multi-year investment under a Full Funding Grant Agreement.

Core Capacity	NJ Portal North Bridge Replacement	Kearny, NJ	\$125 million
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For more information on Portal North and for a status update on the larger Gateway Program, see the Gateway summary on pages 48-49.

## Federal-State Partnership for State of Good Repair

The FAST Act created the Federal-State partnership for state of good repair program to fund capital projects that reduce the state of good repair backlog. Congress recognized the importance of such partnerships and authorized this program to help address the State of Good Repair (SOGR) backlog on top of the annual grants to Amtrak. The Federal share for a project under this program shall not exceed 80 percent as authorized by the FAST Act.

Under this discretionary grant program, the USDOT Secretary is authorized to issue Letters of Intent to grantees in order to announce an intention to obligate an amount from future available budget authority. This contingent commitment is subject to the availability of appropriations for this grant program. Amtrak envisions this working in a similar fashion as the Full Funding Grant Agreement (FFGA) process under the Federal Transit Administration's Capital Investment Grant (CIG) program.

In addition, Amtrak recommends that the USDOT include specific projects in its annual budget request for the Federal-State Partnership for State of Good Repair program, similar to how USDOT already lists specific projects for CIG. To be clear, the draft list found below is meant to be illustrative only and USDOT would be responsible for determining project eligibility, rating, and award amounts. That being said, Amtrak provided an example below of how this program could be funded under such an approach.

**Table 12. State of Good Repair Projects (Funding in Millions)**

Large Projects	Location	FY18 Amount
Baltimore & Potomac Tunnel	Baltimore, MD	\$350
Susquehanna River Bridge	Perryville, MD	\$200
Sawtooth Bridge	Kearny, NJ	\$125
Intercity Passenger Rail SOGR projects in the Gateway Program	Newark, NJ to Manhattan, NY	\$500
East River Tunnel	Manhattan & Queens, NY	\$100
Pelham Bay Bridge	Bronx, NY	\$100
Connecticut River Bridge	New London, CT	\$100
Chicago Union Station Train Shed Ventilation	Chicago, IL	\$100
Wilmington Shops Upgrades	Wilmington, DE	\$100
Total Large SOGR Projects		\$1,675

Small Projects	Location	FY18 Amount
30 <sup>th</sup> Street Station Facade Repairs	Philadelphia, PA	\$50

Wells Double-Track Project	Wells, ME	\$12
Boston South Station	Boston, MA	\$15
Culbertson Station Rehabilitation	Culbertson, MT	\$3
Providence Station	Providence, RI	\$15
Middlebury Bridge and Tunnel Replacements	Middlebury, VT	\$10
Hialeah Maintenance Facility Rehabilitation	Hialeah, FL	\$4
Washington Union Station Sub-basement & Track Replacement	Washington, DC	\$75
Beech Grove Maintenance Facility Rehabilitation	Beech Grove, IN	\$13
Oakland Phase II Facility Improvements	Oakland, CA	\$24
New Orleans Maintenance Facility Rehabilitation	New Orleans, LA	\$5
Harrisburg Line Station Improvements	Middletown, Mount Joy, & Coatesville, PA	\$18
Seattle North and South S&I Facility Replacements	Seattle, WA	\$32
LA Wheel Truing Facility Improvements	Los Angeles, CA	\$3
Total Small SOGR Projects:		\$279
Program Management and Oversight		\$19
Grand Total		\$1,973

## **Miscellaneous Grant Programs That Amtrak Supports**

### **Consolidated Rail Infrastructure and Safety Improvements**

The Consolidated Rail Infrastructure and Safety Improvements (CRISI) grant program is authorized to provide funding to assist in financing the cost of improving passenger and freight rail transportation systems in terms of safety, efficiency, or reliability. This broad based grant program factors in a cost-benefit analysis of the proposed projects, including anticipated private and public benefits relative to the costs. The Federal share of the total project costs shall not exceed 80 percent.

Amtrak requests that Congress provide robust funding for the CRISI grant program for the myriad of challenges that face railroads across the nation.

### **Restoration and Enhancement Grants**

The Restoration and Enhancement Grants program issues operating assistance grants, on a competitive basis, for the purpose of initiating, restoring, or enhancing intercity rail passenger transportation. The FAST Act includes various provisions that the Secretary is supposed to prioritize in awarding grants, including routes formerly operated by Amtrak.

Amtrak requests that Congress provide robust funding for the Restoration and Enhancement Grants program to help restore and enhance routes to communities that desire intercity passenger rail.

### **Transportation Investment Generating Economic Recovery (TIGER)**

The TIGER program is a competitive grant program administered by USDOT's Office of the Secretary that targets Federal investment in road, rail, transit, and port projects that achieve national objectives. Since TIGER was created in 2009, Congress has provided more than \$4.5 billion for TIGER projects including various important railroad projects. Below are some examples of rail projects that have benefited passenger rail:

- \$29 million for track improvements for the *Southwest Chief*,
- \$16 million to support the replacement of the century-old Portal Bridge, and
- \$110 million to support CREATE in Chicago.

In recent years, USDOT has requested that Congress dramatically increase funding for the TIGER grant program. For example, in FY 2017, USDOT requested \$1.25 billion in Federal funding for TIGER. Amtrak concurs with this approach and supports such robust funding levels in FY 2018 in order to support important rail projects across the nation.

### **DHS Intercity Passenger Rail Security Grants**

Congress previously funded Amtrak at \$25 million for intercity passenger rail grants through the DHS. In recently funding cycles, Congress decreased that amount to \$10 million. While Amtrak appreciates Congress providing this critical funding, the needs in rail security far outweigh the amount appropriated. As such, Amtrak requested at a minimum restoring \$25 million for Amtrak security needs. We welcome further discussion of additional investment in the near future.

## **Preclearance**

Amtrak appreciates Congress's action on the Canadian agreement on preclearance. This will materially assist our operations and improve our customer experience for our travelers across the Canadian border. However, as we wait for Canada to ratify the agreement on their end, it is important for Congress to consider capital funding for inspection facilities and customs employees to implement this function on the East and West Coasts.

## **Cybersecurity**

Amtrak takes cybersecurity seriously as a company and we constantly assess our cybersecurity capabilities and functions. As we continue to maintain and improve our industrial controls, corporate systems, and physical security around cybersecurity, we note that additional funding may be needed to significantly boost and upgrade our existing cyber infrastructure considering today's risk environment.

## **Harmonizing Federal Requirements**

While Amtrak is regulated and funded by the Federal Railroad Administration (FRA), we work as a business partner with commuter rail operators that are funded by the Federal Transit Administration (FTA) and with state DOTs that are funded by the Federal Highway Administration (FHWA). Contracts with these agencies typically stipulate a set of standardized provisions, covering a wide range of policy and procedural requirements. These provisions vary widely, and cover matters such as Buy America requirements and Small Business or Disadvantaged Business requirements. These contracts typically require a grant or funding recipient to conform to a very extensive set of requirements. While Amtrak conforms to FRA requirements, the FTA and FHWA requirements can and do differ.

These differences result in both inefficiency and risk. In cases where Amtrak performs maintenance work for a commuter agency, it means that two pools of superficially identical parts must be maintained, one of which conforms to Amtrak Buy America standards, while another meets FTA requirements. In cases where Amtrak performs other types of work on contracts funded with FTA or FHWA money, it often finds that it cannot simultaneously conform to both FTA or FHWA *and* FRA requirements. This entails a non-trivial level of administrative and legal risk, because the company may be liable to comply with both sets of rules, but can in practice only comply with one. Amtrak would suggest that a program of harmonizing these contractual provisions would reduce this risk, and would ensure that the taxpayers receive better value for their investment in transportation, without in any way compromising the goals of the USDOT.

## **Discretionary Spending**

In FY 2018, it is anticipated that there will be some notable restrictions on the availability of Federal funding that could have a negative impact on intercity passenger rail. For example, the FY 2018 budget caps for non-defense discretionary spending will severely limit Congress's ability to make critical investments in our nation's infrastructure, including funding for Amtrak and FRA competitive grant programs. In addition, current law requires that American Recovery and Reinvestment Act (ARRA) funding must be spent by the end of FY 2017, which could potentially leave Federal dollars unspent and not invested in critical rail projects as Congress had intended. One way Congress could address this deficiency is by extending the deadline for ARRA funding by three years and directing the Congressional Budget Office not to score this extension so long as such unspent dollars were obligated in accordance with the grant program authorized and appropriated via ARRA.

## Appendix

### Supplemental Project List for a Proposed Infrastructure Bill

In recent months, there has been much discussion and broad agreement on the need for an “Infrastructure Bill” that would supplement the regular annual appropriations process. If and when Congress considers this endeavor, Amtrak proposes a \$30 billion long-term Federal investment for inclusion. This investment would help rapidly improve America’s passenger rail infrastructure, spur private investment, create new jobs, and launch new services to meet public demand. This proposal includes:

- \$2.35 billion for Locomotives and Passenger Cars
- \$12.58 billion for Bridges and Tunnels
- \$2.34 billion for Stations and Facilities
- \$700 million for Infrastructure
- \$2.175 billion for Safety, Security and Accessibility Improvements
- \$10 billion for New Corridor Development.

Below is a list of specific projects that would benefit from this Federal investment. All projects can initiate construction over the next four years, have broad positive impacts on the U.S. economy and jobs, create tangible assets providing real public benefits, and can unlock private sector, state, and local funding in order to maximize the impacts of Federal dollars. All costs are in 2016 dollars, represent a Rough Order of Magnitude estimate, and it is important to note that costs could change if construction start dates are delayed.

Project	Federal Share	Total Project Cost	Location	Construction Start Date	Construction Duration	Impacted Regions
<b>Locomotives and Cars</b>						
Mainline Diesel Locomotives	\$1.45 billion	\$1.45 billion	N/A	2017	3 years	System-Wide
Single-Level Coaches	\$900 million	\$1.55 billion	N/A	2019	5 Years	Northeast & South
<b>Bridges and Tunnels</b>						
North Portal Bridge	\$950 million	\$1.5 billion	Kearny, NJ	2017	6 years	Northeast, South & Midwest
Hudson Yards ROW Preservation, Phase II	\$235 million	\$470 million	Manhattan, NY	2017	2 years	Northeast, South & Midwest
East River Tunnel Rehabilitation	\$250 million	\$750 million	Manhattan & Queens, NY	2019	5 years	Northeast, South & Midwest
Hudson Tunnel Project	\$5 billion	\$10 billion	Secaucus, NJ & Manhattan, NY	2019	10 years	Northeast, South & Midwest
Sawtooth Bridge Replacement	\$650 million	\$1.3 billion	Kearny, NJ	2019	7 years	Northeast, South & Midwest
Baltimore & Potomac Tunnel Replacement	\$3.6 billion	\$5 billion	Baltimore, MD	2019	10 years	Northeast, South & Midwest
Susquehanna Bridge Replacement	\$1 billion	\$1.25 billion	Perryville, MD	2019	5 years	Northeast, South & Midwest
Pelham Bay Bridge Replacement	\$410 million	\$410 million	Bronx, NY	2019	4 years	Northeast
Connecticut River Bridge Replacement	\$470 million	\$660 million	New London, CT	2018	3 years	Northeast
Spuyten Duyvil Bridge Fender Replacement	\$10 million	\$10 million	Bronx, NY	2017	2 years	Northeast, Midwest
<b>Stations and Facilities</b>						



Washington Union Station Sub-Basement & Track Replacement	\$96 million	\$96 million	Washington, DC	2017	4 years	Northeast, South & Midwest
Chicago Union Station Train Shed Ventilation	\$175 million	\$350 million	Chicago, IL	2017	3 years	Midwest & System-Wide
Chicago Union Station Improvements	\$150 million	\$265 million	Chicago, IL	2019	3 years	Midwest & System-Wide
Oakland Maintenance Facility – Phase II	\$32 million	\$32 million	Oakland, CA	2018	2 years	West
Washington Union Station Improvements	\$110 million	\$110 million	Washington, DC	2018	6 years	Northeast, South & Midwest
New Sunnyside Yards Crew & Admin Building	\$140 million	\$140 million	Queens, NY	2018	4years	Northeast, South & Midwest
Baltimore Penn Station Improvements	\$13 million	\$13 million	Baltimore, MD	2018	4 years	Northeast, South & Midwest
30 <sup>th</sup> St. Station Facade Repair	\$50 million	\$81 million	Philadelphia, PA	2017	2 years	Northeast, South & Midwest
Penn Station South Property Acquisition	\$1.2 billion	\$1.2 billion	Manhattan, NY	2018	2 years	Northeast, South & Midwest
Wilmington Shops Upgrades	\$343 million	\$343 million	Wilmington, DE	2018	5 years	Northeast, South & Midwest
Ivy City Yard Improvements	\$30 million	\$30 million	Washington, DC	2019	4 years	Northeast, South & Midwest
<b>Infrastructure</b>						
Chicago Terminal ROW Acquisition & Improvements	\$500 million	\$500 million	Porter, IN to Chicago, IL	2019	3 years	Midwest & Northeast
Northeast Corridor Trackside Broadband Network	\$200 million	\$200 million	Washington, DC to New York, NY	2017	4 years	Northeast, South & Midwest
<b>Safety, Security, and Accessibility</b>						
PTC Implementation Costs	TBD	TBD	System-Wide	2017	2 years	System-Wide
Station Accessibility Program	\$1.8 billion	\$1.8 billion	System-Wide	2017	10 years	System-Wide
System-Wide Security Upgrades	\$25 million	\$25 million	System-Wide	2017	3 years	System-Wide
<b>New Corridors</b>						
Various	\$10 billion	\$20 billion	Midwest, South & West	2019	10 years	Midwest, South & West

## Fiscal Year 2016 and 2017 Statement of Revenues and Expenditures

### Consolidated Operating P&L

<i>(\$s in Millions)</i>	Actual	Budget	Growth Inc/(Dec) vs Prior Year	
	FY 2016	FY 2017	\$	%
Ticket Revenue (Adjusted)	\$ 2,136.1	\$ 2,169.4	\$ 33.3	1.6%
Food & Beverage	132.3	134.7	2.4	1.8%
State Supported Train Revenue	227.0	242.7	15.7	6.9%
<b>Subtotal Passenger Related Revenue</b>	<b>2,495.3</b>	<b>2,546.8</b>	<b>51.4</b>	<b>2.1%</b>
Other Core Revenue	225.5	254.8	29.3	13.0%
Ancillary Revenue	425.0	425.7	0.7	0.2%
<b>Total Revenue</b>	<b>3,145.9</b>	<b>3,227.3</b>	<b>81.4</b>	<b>2.6%</b>
Salaries, Wages & Benefits	1,995.7	2,038.8	43.1	2.2%
Train Operations	297.8	305.5	7.6	2.6%
Fuel, Power & Utilities	223.5	251.1	27.6	12.3%
Materials	110.1	117.2	7.1	6.5%
Facility, Communication & Office	153.5	162.0	8.5	5.6%
Advertising and Sales	104.2	107.7	3.5	3.3%
Casualty and Other Claims	72.8	73.4	0.6	0.8%
Professional Fees & Data Processing	215.2	229.5	14.3	6.7%
All Other Expense	113.9	71.9	(42.0)	(36.8%)
Transfer to Capital & Ancillary	(252.4)	(254.2)	(1.8)	(0.7%)
<b>Core Expense</b>	<b>3,034.4</b>	<b>3,103.1</b>	<b>68.7</b>	<b>2.3%</b>
Ancillary Expense	341.7	354.3	12.6	3.7%
<b>Total Expense</b>	<b>3,376.0</b>	<b>3,457.3</b>	<b>81.3</b>	<b>2.4%</b>
<b>Adjusted Operating Loss</b>	<b>\$ (230.2)</b>	<b>\$ (230.0)</b>	<b>\$ 0.1</b>	<b>0.1%</b>
Revenue Reserved for RRIF Loan & Non Fed Match	32.5	40.6	8.1	25.0%
<b>Federal Funded Adjusted Operating Loss</b>	<b>\$ (262.7)</b>	<b>\$ (270.6)</b>	<b>\$ (8.0)</b>	<b>(3.0%)</b>

*Note: FY 2016 does not include Superstorm Sandy Insurance Proceeds; results are as of May 2017 and include Final Audit adjustments*

## Debt Overview

Amtrak takes on debt from time to time to finance the completion of capital projects or the acquisition of infrastructure or rolling stock when it does not have sufficient capital grant funds in hand to conclude these essential transactions. The use of debt is a serious decision and is not taken lightly. Amtrak debt peaked at \$3.6 billion in 2005, but the majority of that debt has been retired. Amtrak's total outstanding debt, including capital leases, now (as of March 31<sup>st</sup>, 2017) stands at just \$1.37 billion. Debt service per annum peaked at nearly \$300 million in the 2005 timeframe, but is now approximately \$200 million per annum.

The Company uses the vast majority of debt (and lease) financing to acquire rolling stock or construct assets that are critical to passenger rail operations. If there was sufficient grant funding in every year, or sufficient operating cash flow, to allow Amtrak to commence all capital projects with grant funding or operating cash flow, Amtrak would not have borrowed or leased in the vast majority of cases. Since there is not historically adequate capital grant funding, or operating cash flow, Amtrak has judiciously and carefully financed projects and leased rolling stock, where critical to operations.

Debt financing for the NEC includes debt for the acquisition of high-speed trainsets for *Acela* service, high-speed trainset maintenance facilities, ACS-64 electric locomotives, Philadelphia 30<sup>th</sup> Street station parking garage, and a share of the cost associated with other projects on the NEC that are also used by state-supported and long distance trains. National Network debt service is generally related to financings (leases or secured loans) that were used to acquire, or construct, assets used by Amtrak to provide service to the American Public. If Amtrak received adequate capital funding, it would not have borrowed these funds, or alternatively, leased the assets. The debt was taken on as the only possible alternative to receiving direct capital grant money up front adequate to acquire the needed assets to operate passenger rail service on the National Network.

To be clear, the above mentioned outstanding debt figure does not include debt associated with the Railroad Rehabilitation & Improving Finance (RRIF) program. Amtrak does not use Federal appropriations to pay for any costs associated with its current RRIF loans. For more information on Amtrak rolling stock, see the Next Generation High-Speed Sets and Fleet Strategy Needs sections on pages 49-50.

## **Miscellaneous Updates Relevant to the Fiscal Year 2018 Budget Request**

### **Americans with Disabilities Act**

Amtrak initiated its ADA stations program in 2009 as a comprehensive program to make our stations ADA-compliant. The program began with ARRA funding, and was initially targeted at providing access to train service and path of travel challenges, rather than station access or full ADA compliance. The program focus has shifted over time. While Amtrak's program does seek to address all aspects of our compliance responsibility, program work is now typically prioritized by three core components:

(1) addressing stations with known or potential train access deficiencies; (2) addressing stations with Passenger Information Display System (PIDS) deficiencies; and (3) addressing stations with known or potential station access and/or key amenity deficiencies.

Since 2009, Amtrak has installed 187 lifts at stations that did not have them, and removed the barriers to boarding a train at the vast majority of its stations. Work is in progress on the program, which is complicated by the complex patterns of ownership and the division of responsibility for compliance. Amtrak has sole responsibility for compliance at 138 stations, and work is complete (save in some cases for platform work) at 57 stations, while construction work is currently ongoing at another 22.

In FY 2018, Amtrak plans to continue investing in our ADA Stations program, including in NEC stations such as Aberdeen, Maryland and Harrisburg, Pennsylvania, as well as Passenger Information Display System (PIDS) installation in several stations across the NEC and National Network. To be clear, this is still a draft plan, and specific details and stations will be finalized and outlined in the coming months via our FY 2018 ADA Stations Program plan and our grant agreement with the FRA.

### **Section 209**

Amtrak continues its work on the implementation of Section 209 of PRIIA, which took effect in October 2013, to create a "single, nationwide, standardized methodology" for sharing the costs of corridor service on the National Network. In July 2015, the States, Amtrak, and the FRA approved the creation of the State-Amtrak Intercity Passenger Rail Committee (SAIPRC), to create a more structured forum to resolve the outstanding issues of Section 209. SAIPRC filled the requirements of the State-Supported Route Committee called for in the FAST Act.

In its short existence, SAIPRC has created numerous working groups where representatives from States, Amtrak, and the FRA address the details of issues related to state-supported service. The efforts of the working groups produced an update to the allocation rules for contact centers and certain station costs, and together with a subcommittee of the PRIIA 305 Next Generation Equipment Committee, developed a joint process for equipment capital planning for state-supported services. SAIPRC also approved two rounds of clarifications to the Section 209 methodology based on our experiences to date.

In the fall of 2016, with SAIPRC funding, Amtrak began a strategy development exercise for the state-supported business line in collaboration with our State partners. Working together with States, we are developing the mission, vision, objectives, measures, and strategic initiatives for the business line. We believe this project has been a valuable way for Amtrak and our State partners to better articulate, clarify, and prioritize our shared goals, and will be a useful tool for the business line to communicate these goals across the Amtrak organization. The SAIPRC officers undertook a similar exercise to articulate the mission, vision, and goals of SAIPRC itself.

## **Section 212**

Amtrak continues its work with its state and commuter agency partners on the implementation of Section 212 of PRIIA, which took effect in October 2015, to allocate fully the costs of shared use infrastructure on the Northeast Corridor among Amtrak and the commuter agencies. By FY 2018, Amtrak expects to have implementation agreements with all NEC commuter authorities in place, meaning that all commuter authorities using Amtrak infrastructure will be paying a Baseline Capital Charge (BCC) to Amtrak for their use of shared infrastructure. As of the end of FY 2016, only three commuter authorities were paying BCCs. In any case, the NEC Commission Cost Allocation Policy requires that all commuter authorities must make payments retroactive to the October 1, 2015 effective date of the policy.

In accordance with the policy, all users, including Amtrak, are required to pay BCCs equal to 80 percent of Amtrak's estimated Normalized Replacement need. The Cost Allocation Policy calls for BCC payments to increase to 100 percent of Normalized Replacement by FY 2019. However, because of the backlog of deferred investment, even 100 percent of Normalized Replacement will not cover the actual investment needed to bring assets to a state of good repair, and it will not even begin to cover the need to begin replacing or rehabilitating major bridges, tunnels, stations, and other critical infrastructure. To that end, Amtrak is working with commuter authorities to identify shared benefit projects that the parties may be willing to advance with additional funds beyond the BCCs, in accordance with the Cost Allocation Policy and Section 212, which prohibits cross-subsidization. Matching Federal funding commitments will be essential to gaining Amtrak and commuter authority funding commitments.

### **Long Distance Service**

Amtrak's Long Distance routes are the backbone of our national system and the "face" of Amtrak in most of America. We provide the only passenger rail service to more than half of the States and stations in the Amtrak network connecting the nation's major regions, providing a foundation of intercity passenger rail service and preserving intercity mobility for underserved communities and populations.

Over the past two years, the Long Distance team has driven efficiencies and reduced the need for taxpayer investment with a commitment to excellence in safety and customer experience. We are striving to serve even more communities and customers and improve their experience while driving additional taxpayer value.

Amtrak's fifteen Long Distance trains make a unique contribution to Amtrak's mission of helping to move people and the national economy. As stated above, they are the only Amtrak services at half the States we serve, and at half of our stations, but they are, on average, almost as full as our Northeast Corridor services. These trains provide about 40 percent of rural Americans with a web of useful connectivity links to urban centers and metropolitan transit hubs. Although the size of Amtrak's Long Distance network has decreased over the past 20 years, ridership on our Long Distance trains has grown by 14.6 percent since 1998.

The popularity of these trains stems from the range of choices they offer to riders, as well as the cutbacks in competing modes. While Amtrak's Long Distance trains can operate on routes that exceed 2,000 miles in length, the average passenger travels only 569 miles. Unlike aircraft, which serve only their terminal points, Long Distance trains serve many communities along the way – and those communities typically generate a very large percentage of the ridership. Many of these communities lost bus or air service over the past two decades, as the bus companies contracted rural service in favor of a renewed focus on routes between major urban areas. Similarly, as airline consolidation raised prices and changed flight patterns, many airports lost services and service choices. While many areas in the middle of the country are

increasingly finding themselves with fewer service choices, Amtrak trains continue to serve these communities – which originate or receive approximately 90 percent of Long Distance riders.

## **Gulf Coast**

In partnership with the Federal Railroad Administration (FRA) and the Southern Rail Commission (SRC), Amtrak continues to evaluate the proposed service restoration model on the rail route linking New Orleans, Louisiana with Orlando, Florida. Service between these points has been suspended since Hurricane Katrina. However, Amtrak most recently studied the possibility for service restoration in partnership with the SRC in 2015. The resulting report identified several possibilities for service restoration. The SRC and subsequently, the Gulf Coast Working Group (facilitated by the FRA) selected the analysis that included a daily long distance train between New Orleans and Orlando and a state-supported service between New Orleans and Mobile. In February 2016, the SRC worked with Amtrak to operate a successful “Gulf Coast Inspection Train”.

Today, thanks in large part to the support generated by these efforts, the SRC’s campaign to revive service between New Orleans and Orlando enjoys strong support from a host of State officials and Federal lawmakers across the Gulf Coast. Under FRA leadership, the next stage of the project – the identification of necessary capital projects – has advanced, and discussions are ongoing among Amtrak, CSX Transportation, FRA, and SRC to identify associated costs and potential funding sources. In the meantime, with administrative support from the FRA, the SRC made grants totaling more than \$1.2 million dollars available to communities on the Gulf Coast for investment in their stations. These grants will fund the development of a plan to build a new station in Mobile, Alabama, and the rehabilitation of various components of the existing stations at Bay St. Louis, Gulfport, Biloxi and Pascagoula, Mississippi.

## **Safety**

Amtrak is committed to building a world-class safety culture with a relentless focus on training, risk reduction, positive reinforcement, and personal accountability. The best way to build this culture is through behavior-based safety processes. Such processes help to develop a culture where everyone works together to identify and remove barriers to safety. Amtrak has been on a journey in recent years to build this kind of culture, and measures taken in 2016 – including our proactive efforts to extend and improve our drug testing program – will continue the process.

Based on our key metrics in FY 2016, it is clear that we are making progress. We reduced the number of injuries with “severe injury/fatality potential” (SIF) by 24.7 percent from our five-year average (excluding attacks), far exceeding our FY 2016 goal of a 15 percent reduction. We also decreased our number of sprains and strains injuries by 3 percent, our FRA Reportable Rate by 9 percent, and our Lost Time Rate by 20 percent on a year-over-year basis. Together, these improvements represent an important step forward for us in safety. It shows what is possible when we work together to make sure our people return home in the same condition that they came into work.

A completely drug- and alcohol-free workforce and workplace – again, each shift, each day, 24/7/365 – is an essential component of our safety culture. This goal is achievable as it is built on the integrity, responsibility, and accountability of every Amtrak employee. Amtrak operates a robust drug and alcohol testing program to help ensure that everyone comes to work fit for duty, every day. Our drug and alcohol policy goes beyond expectations on testing, reporting violations, and consequences; it also provides more employee education and enhanced rehabilitation. The use and abuse of over-the-counter medicines and prescription medicines is a major health issue in the United States. Our new policy recognizes and deals with this reality.

We have two significant changes coming up that will further advance our goal of achieving a drug- and alcohol-free workplace. This year, Amtrak will move forward with a Company Random Testing Program for Maintenance of Way employees, as directed by the Federal Railroad Administration. In addition, we are going to redouble safety training with all managers and supervisors to help them focus on preventing and better recognizing drug- and alcohol-related problems.

### **The Gateway Program**

The Gateway Program is Amtrak's highest infrastructure investment priority, focused on rail service preservation and expansion on the busiest stretch of the Northeast Corridor between Newark, New Jersey and the heart of the corridor, Penn Station, New York. Critical structures more than a century old and in distressed condition must be replaced and infrastructure to support doubling of capacity must be built. In the absence or delay of the Gateway Program, continued operation of the Northeast Corridor would be at risk, threatening 200,000 daily commuter and intercity trips between Penn Station, New York and points west and south, and in turn, the New York-New Jersey regional transportation network and the national economy. In the last year, the Gateway Program has taken major steps forward, with the creation of the Gateway Program Development Corporation – an independent corporation led by a bi-state-Federal partnership to fund, finance, and deliver the program. Major commitments of funding toward the two projects comprising Gateway Phase 1, Portal North Bridge and the Hudson Tunnel Project, are secured, and the Environmental Impact Statement for the Hudson Tunnel Project enjoyed rapid progress on an aggressive, expedited schedule.

The Gateway Program is a comprehensive rail expansion and improvement program for the Northeast Corridor to double capacity on the busiest stretch between Newark, New Jersey and Penn Station, New York. The program of projects will replace single points of failure and bring aging infrastructure to a state of good repair. Key elements include construction of a new Hudson River Tunnel connecting to an expanded Penn Station, New York, rehabilitation of the existing tunnel under the Hudson River, which has been in service for over a century and was seriously damaged by Super Storm Sandy, as well as the replacement of the century-old Portal Bridge over the Hackensack River in New Jersey, and other track expansion and bridge projects in New Jersey.

In June 2016, the two Phase 1 projects of the Gateway Program, Portal North Bridge and the Hudson Tunnel Project, took the first step toward qualifying for major USDOT funding as they entered the first phase (Project Development) of the Capital Investment Grant program. The Hudson Tunnel Project is now going through an expedited Federal environmental review and preliminary engineering, funded jointly by Amtrak and the Port Authority of New York and New Jersey. A Record of Decision (ROD) and preliminary engineering is expected to be completed in March 2018. The Portal North Bridge project is fully designed and permitted and submitted a Core Capacity rating package to the Federal Transit Authority for evaluation in late 2016. Early work construction on Portal North Bridge will begin in 2017, and if fully funded, the project can be completed by 2024, resulting in a high-level fixed span, delivering a safer, more reliable experience for the 200,000 intercity and commuter passenger trips that rely on it daily.

In November 2016 the Gateway Program Development Corporation was incorporated in the state of New Jersey. The Corporation's purpose is coordinating, developing, operating, financing, managing, owning or otherwise engaging in activities to effectuate the Gateway Program. It has four trustees, appointed by New York State Department of Transportation, NJ TRANSIT, USDOT, and Amtrak, respectively, and all board actions require unanimous approval. The Corporation will bring together funding

from the States of New York and New Jersey, the Federal government, Amtrak, and potentially other public and private sources, and will be responsible for project delivery.

Additional elements of the Gateway Program are reliant on continued Federal funding to advance through design, environmental review, and construction. Near term projects include design of the replacement of the Sawtooth Bridges, near Harrison, New Jersey, and initiation of the environmental impact statement for Penn Station expansion in Manhattan.

A formal Benefit Cost Analysis of the Gateway Program recently determined that every dollar spent returns nearly four dollars in the region.



*Figure 7. A rendering of the fully designed Portal North Bridge, which will begin early construction work in 2017.*

### **Next Generation High-Speed Trainsets**

Amtrak is working with Alstom to produce the next generation of high-speed trainsets. Built to international standards, these trains will replace the equipment currently used to provide Amtrak's premium *Acela Express* service on the heavily traveled NEC. As part of this multifaceted investment program, Amtrak is also investing in infrastructure needed to improve the onboard and station customer experience and accommodate the increased high-speed rail service levels made possible by the new trains. Each trainset will have roughly one-third more passenger seats, while preserving the spacious, high-end comfort *Acela* customers expect, and feature an improved boarding experience and more comfortable seating.

Amtrak is ordering 28 trainsets, 40 percent more equipment than its current high-speed fleet. The additional equipment will provide half-hourly *Acela Express* service between Washington and New York City during peak hours and hourly service between New York City and Boston. As part of a \$2.45 billion loan from the FRA RRIF program, Amtrak will invest in significant station improvements at Washington Union Station and Moynihan Station in New York, as well as safety, track capacity, and ride quality improvements to the NEC. Amtrak is funding this project on its own through this loan, which it will repay through growth in NEC revenues.

### **Fleet Strategy Needs**

While our recent investments in electric locomotives have contributed significantly to the reliability of our services in the Northeast, our single-level coach and diesel fleets are aging and hard run, and are approaching the point where replacement will be required. Our 1970s-era Amfleet I coaches are the backbone of both our *Northeast Regional* services and many of our National Network services. Our diesel locomotive fleet averages about 137,000 miles per year, and supports the entire National Network.



Both fleets are reaching the point in their services lives where either complete rebuilding or replacement will be required. Failure to replace or rebuild this equipment poses a significant risk to Amtrak's ability to operate trains over virtually the entire system, both on the NEC as well as the National Network.

### Amtrak Gross Ticket Revenue

Amtrak's FY 2018 gross ticket revenue forecast of \$2,271 million will continue our steady growth of increased ticket revenue. It represents a 2 percent increase over our FY 2017 forecast of \$2,227 million. We are forecasting a ridership total of 32.5 million trips, another year of record ridership.

Our forecasts take into consideration forecasted economic conditions for each of the more than 500 communities that we serve, as well as the impact for continued improvements and expansions in our service, which include continued expansion and improvement of our Wi-Fi service as well as transporting pets and bikes on our trains. We are forecasting especially robust growth in demand over the next two years in our State Corridor routes as well as the *Northeast Regional* route. The State Corridor route growth includes added service and the *Northeast Regional* growth is in response to effective marketing and pricing actions.

#### Ticket Revenue (\$ millions)

	FY13	FY14	FY15	FY16	FY17	FY18	Growth		2-year growth
Acela	\$530.8	\$585.8	\$584.9	\$593.7	\$588.6	\$600.1	\$11.5	1.9%	1.1%
Northeast Regional	\$570.2	\$605.7	\$613.8	\$615.5	\$638.2	\$650.9	\$12.4	1.9%	5.7%
State Routes	\$460.1	\$456.6	\$458.6	\$490.7	\$511.2	\$522.2	\$10.7	2.1%	6.4%
Long Distance	\$525.9	\$510.7	\$497.4	\$492.3	\$489.0	\$498.1	\$8.9	1.8%	1.2%
<b>Total</b>	<b>\$2,087.0</b>	<b>\$2,158.7</b>	<b>\$2,154.7</b>	<b>\$2,192.2</b>	<b>\$2,227.0</b>	<b>\$2,271.3</b>	<b>\$43.5</b>	<b>2.0%</b>	<b>3.6%</b>

#### Ridership (000s)

	FY13	FY14	FY15	FY16	FY17	FY18	Growth		
Acela	3,343	3,545	3,474	3,489	3,405	3,413	9	0.2%	-2.2%
Northeast Regional	7,933	8,101	8,233	8,410	8,674	8,766	92	1.1%	4.2%
State Routes	11,450	14,199	14,157	14,709	15,231	15,626	395	2.6%	6.2%
Long Distance	4,754	4,543	4,489	4,656	4,623	4,667	44	1.0%	0.2%
<b>Total</b>	<b>27,479</b>	<b>30,389</b>	<b>30,352</b>	<b>31,264</b>	<b>31,932</b>	<b>32,472</b>	<b>540</b>	<b>1.7%</b>	<b>3.9%</b>

#### Ticket Revenue: Percent Change

	FY13	FY14	FY15	FY16	FY17	FY18
Acela		10.4%	-0.1%	1.5%	-0.9%	1.9%
Northeast Regional		6.2%	1.3%	0.3%	3.7%	2.0%
State Routes		-0.8%	0.4%	7.0%	4.2%	2.2%
Long Distance		-2.9%	-2.6%	-1.0%	-0.7%	1.9%
<b>Total</b>		<b>3.4%</b>	<b>-0.2%</b>	<b>1.7%</b>	<b>1.6%</b>	<b>2.0%</b>

#### Ridership: Percent Change

	FY13	FY14	FY15	FY16	FY17	FY18
Acela		6.0%	-2.0%	0.5%	-2.4%	0.2%
Northeast Regional		2.1%	1.6%	2.1%	3.1%	1.1%
State Routes		24.0%	-0.3%	3.9%	3.5%	2.6%
Long Distance		-4.4%	-1.2%	3.7%	-0.7%	1.0%
<b>Total</b>		<b>10.6%</b>	<b>-0.1%</b>	<b>3.0%</b>	<b>2.1%</b>	<b>1.7%</b>