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DEPARTMENT OF TRANSPORTATION AND RELATED
AGENCIES APPROPRIATIONS FOR 1979

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HEARINGS
BEFORE A
SUBCOMMITTEE OF THE
COMMITTEE ON APPROPRIATIONS
HOUSE OF REPRESENTATIVES

NINETY-FIFTH CONGRESS
SECOND SESSION

SUBCOMMITTEE ON THE DEPARTMENT OF TRANSPORTATION AND
RELATED AGENCIES APPROPRIATIONS

JOHN J. McFALL, California, *Chairman*

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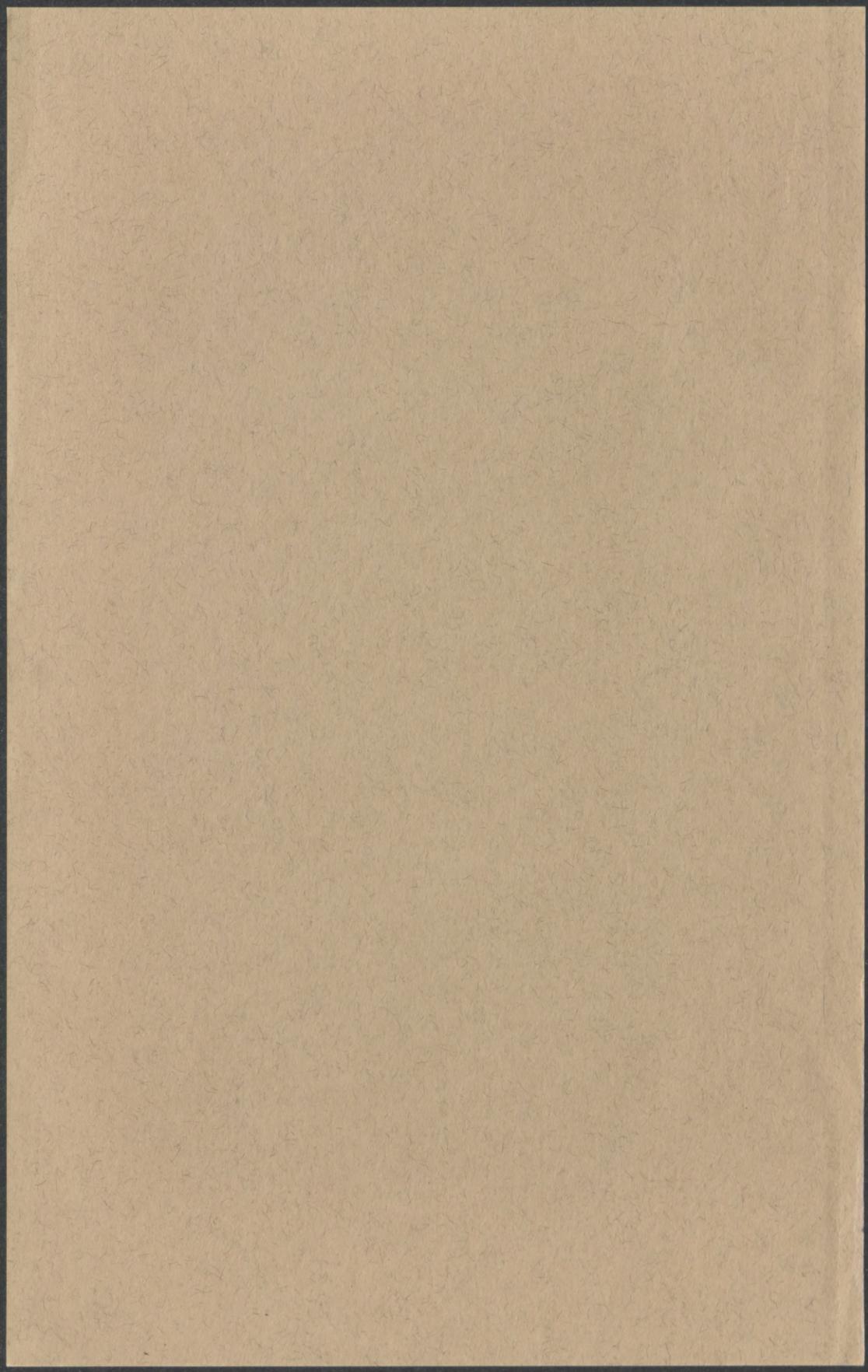
PART 1

SECRETARY OF TRANSPORTATION
FISCAL YEAR 1978 REPROGRAMMINGS
AND SPECIAL HEARINGS

Printed for the use of the Committee on Appropriations



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U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1978

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DEPARTMENT OF TRANSPORTATION AND RELATED AGENCIES APPROPRIATIONS FOR FISCAL YEAR 1979

TUESDAY, MARCH 7, 1978.

SECRETARY OF TRANSPORTATION

WITNESSES

THE HON. BROCK ADAMS, SECRETARY OF TRANSPORTATION
MS. LINDA H. KAMM, GENERAL COUNSEL
CHESTER C. DAVENPORT, ASSISTANT SECRETARY FOR POLICY AND INTERNATIONAL AFFAIRS
MORTIMER L. DOWNEY, III, ASSISTANT SECRETARY FOR BUDGET AND PROGRAMS
WALTER R. BOEHNER, DIRECTOR, OFFICE OF BUDGET
DAVID A. JEWELL, DIRECTOR, OFFICE OF PUBLIC AND CONSUMER AFFAIRS
TERRENCE L. BRACY, ASSISTANT SECRETARY FOR GOVERNMENTAL AFFAIRS
ADMIRAL OWEN W. SILER, COMMANDANT, U.S. COAST GUARD
LANGHORNE M. BOND, ADMINISTRATOR, FEDERAL AVIATION ADMINISTRATION
LES LAMM, EXECUTIVE DIRECTOR, FEDERAL HIGHWAY ADMINISTRATION
MS. JOAN CLAYBROOK, ADMINISTRATOR, NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION
JOHN M. SULLIVAN, ADMINISTRATOR, FEDERAL RAILROAD ADMINISTRATION
RICHARD S. PAGE, ADMINISTRATOR, URBAN MASS TRANSPORTATION ADMINISTRATION
DAVID W. OBERLIN, ADMINISTRATOR, ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION
JOHN J. FEARNSIDES, ACTING DIRECTOR, RESEARCH AND SPECIAL PROGRAMS DIRECTORATE

CHAIRMAN'S INTRODUCTORY REMARKS

Mr. McFALL. The committee will come to order.

Mr. Steed will offer a motion.

Mr. STEED. Mr. Chairman, in accordance with the rules of the committee, I move we permit filming of the hearings.

Mr. McFALL. All those in favor say aye.

(Chorus of ayes.)

Those opposed, say no.

(No response.)

Mr. McFALL. I want to welcome back our colleague, Mr. Yates, who went to another subcommittee and decided to come back, where he is at home.

Mr. YATES. I am glad to be back, Mr. Chairman.

Thank you very much.

Mr. McFALL. As we start our fiscal 1979 hearings on the Transportation budget, it is my pleasure to welcome back our good friend and former colleague, Brock Adams, the Secretary of Transportation.

Mr. Secretary, last year you indicated that when you returned this year you hoped that you would be able to make a report of "substantial progress" toward improving our Nation's transportation system.

We will be very interested in hearing your report on the improvements made to date as well as on how your fiscal year 1979 budget will provide us with a better coordinated, safer and more efficient national transportation system. We also want to welcome all of your administrators who will be presenting their budgets to the committee. All of us on the committee enjoy these hearings because of the high caliber of the people that you have in the Department.

Mr. Secretary, we welcome you and we will be delighted to hear your statement at this time.

INTRODUCTION OF SECRETARY OF TRANSPORTATION STAFF

Secretary ADAMS. Thank you, Mr. Chairman.

I asked today that our Administrators and most of our Assistant Secretaries that the Members of the committee had not met, to attend with me. I know they will appear individually before the committee, but I wanted the committee Members to know who they are and also to give them an opportunity to hear the general overview. We will not be doing this in future years unless the Chairman and the committee wants us to, but since many of the Administrators are new to the committee, having arrived in the Executive Branch since the last meeting, I would like, Mr. Chairman, if I might, to introduce them.

Mr. McFALL. Fine; go ahead, Mr. Secretary.

Secretary ADAMS. Many of you are acquainted with Admiral Siler, who is Commandant of the Coast Guard. I have asked Admiral Siler to be here with us today. Next is the Administrator of the St. Lawrence Seaway, and again many are acquainted with Mr. David Oberlin; the acting head of the new Research and Special Programs Directorate, which I will explain during the course of my testimony and which is part of the reorganization of the Office of the Secretary, Dr. Jack Fearnside. This organization was established in an effort to get line authority out in the field; the new Administrator of the Federal Aviation Administration, who will be testifying before you later, Mr. Langhorne Bond; the new Administrator of the Urban Mass Transportation Administration, Mr. Richard Page.

I am sorry that Mr. William Cox could not be here today, but there is a death in his family. He is in Kentucky, and, of course, with the weather, he cannot return. But we have asked Mr. Les Lamm to be here in the event that I need some highway information as we go along. I think many of you know Les who is the Executive Director of the Federal Highway Administration. Next to him is Mr. David Jewell, who is the Director of the Office of Public and Consumer Affairs in the Department.

I do have a policy statement for you today, Mr. McFall, and one of those who has worked very hard with us on it is Assistant Secretary for Policy and International Affairs, Mr. Chester Davenport. He is with us today. Our Assistant Secretary for Congressional Affairs, whom I am sure you all have met is Mr. Terry Bracy. He worked on the Hill in the House for many years, and you probably have known him from those days.

On my immediate left is Mr. Mort Downey. Again, I would like to explain that we reorganized the Office of the Secretary and created an Assistant Secretary for Budget and Programs and he is in that post.

Mr. Walt Boehner is next. I think a lot of you have met before. He is the budget officer and the one who tells me what the answers are to all of the questions, so I don't make bad mistakes. Next, are the Administrator of the Federal Railroad Administration, also new, Mr. Jack Sullivan; Administrator of the National Highway Traffic Safety Administration, Ms. Joan Claybrook. I think most of you know Linda Kamm, who is General Counsel of the Department. She has worked for various committees on the House side here in Congress. Thank you, Mr. Chairman.

I thought the Members of the committee might want to know who they were, and that they will be appearing before the committee at your pleasure.

TRANSPORTATION POLICY STATEMENT

Mr. Chairman, I did indicate to you, and I know this is something in which you have had a great deal of interest, that when I appeared before you again I would have available a policy statement for the committee, and I have that available.

I would like at this time, with your permission, to place it in the record and then refer to it. It is entitled, "Transportation Policy for a Changing America." It is a statement to your committee dated February 6, 1978.

Mr. McFALL. We will put it in the record, Mr. Secretary.
[The statement referred to follows:]

TRANSPORTATION POLICY FOR A CHANGING AMERICA

A Statement by Secretary of Transportation Brock Adams
February 6, 1978

PREAMBLE

Federal transportation policies profoundly affect the lives and fortunes of all Americans. Transportation is a fundamental, indeed an essential, part of our country's economic life, of our individual working lives and of our family and social lives. It is our lifestream.

I believe it is important for the Secretary of Transportation to set before the country the broad directions and goals he expects to pursue in developing Federal transportation policies and programs for the future. That is what this statement will attempt to do.

Having this vision of the future, murky and controversial though it may be, is an essential prerequisite to the development of the new transportation philosophy we will need for the future. It, of course, will not be an entirely new viewpoint. Long-standing objectives and concerns such as economic development, national security, the efficient management of the public transportation sector and a vital, competitive and responsive private transportation sector are still important elements of our philosophy. But other concerns and priorities will have to be accommodated to a far greater degree than in the past, in particular:

- Energy conservation and production. Although we have lived with the energy "crisis" for some years now, we have yet to come to terms with it. Transportation, as the greatest consumer of energy and the key to much of its future supply, must take the lead in changing wasteful habits and transporting alternative sources of energy.
- Environmental protection and enhancement. Transportation has long been a valued servant of commerce, an engine of development and a good employer. We must also make it a good neighbor. While much has already been done or begun to meet the most obvious concerns, closer study is revealing that transportation's impact on lives, especially on the quality of community life, is even more pervasive and far reaching than we had heretofore appreciated.

- Safety. The hazards to life and health inherent in most transportation modes, but particularly in motor vehicle travel, have become increasingly amenable to various control measures. While important gains have been made in the last decade, the potential for improvement is still so large that safety can claim nothing less than our all-out efforts.

- Quality of life. A recognition of transportation's ability to affect, for good or bad, the quality of life of both the individual and the community in the most basic and fundamental ways must be made a more explicit and overt consideration in our transportation decisions. Access to transportation is vital for employment, for education, for delivery of health and other social services, for obtaining the essentials of daily life and for social well being. For far too many people today--the young, the poor, the physically handicapped, the unemployed, the aged, the carless rural resident--such access is either totally lacking or sadly deficient.

- Improved resource allocation, both human and material. In the decades to come, America's own living standards and quality of life and, to a significant extent, that of the rest of the world will depend importantly on a better, more rational use of our human and material resources. In the past, ours has been a spendthrift society, not only in energy, but across the whole spectrum of increasingly scarce and non-renewable resources. We must change. In transportation, this will mean squeezing more productivity out of the existing system, eliminating inefficient or redundant capacity, and tailoring our future transportation investments, both personal and business, to meet the new conservation requirements.

In the case of our human resources, transportation, the nation's leading employer, must be in the forefront in opening its ranks to previously excluded minorities and to women. As the key to bringing people to jobs, transportation policy must be sensitive and responsive to those carless unemployed trapped in the center city or in the distant countryside away from the main places of work.

Over the past year, all of the Administration's transportation decisions have been guided by the imperatives of this new transportation ethic. For example,

On Energy:

- Setting tough, but attainable, fuel efficiency standards for autos.
- Promoting observance of the 55 mph speed limit.
- Stimulating ride-sharing and use of energy efficient mass transit.
- Developing measures to facilitate the transport of coal.

On Environment:

- Supporting legislation to reduce aircraft noise.
- Setting new standards for supersonic transport planes.
- Initiating domestic regulations and urging international action to prevent oil pollution, and proposals to compensate if it does occur.
- Initiating legislation and other actions to prevent oil spills, and proposals to clean up spills and compensate if spills do occur.
- Deciding major environmental controversies on specific highway and transit projects.

In Safety:

- Establishing mandatory requirements for passive restraints in passenger cars.
- Developing new highway safety legislation to enable state and local officials to make better use of Federal safety funds.
- Developing a safer airway system.

On Quality of Life:

- Endorsing Federal standards for no-fault automobile insurance.
- Approving a new standard for intracity buses, making them more easily used by the elderly and the handicapped.
- Encouraging lower air fares, to open up new dimensions of intercity and international mobility for many would-be travelers.

Improved Resource Allocation:

- Supporting waterway user charge legislation which should lead to a better intermodal allocation of investment resources.
- Developing new legislative proposals which will remove any formula bias in local highway/transit choices.

- Managing the rail assistance program so as to encourage joint use of tracks and other facilities.
- Setting mandatory goals calling for at least 15 percent of contracts associated with the upgrading of the Northeast Corridor passenger rail system to be made with minority firms.

Many of our recent actions, of course, have been directed to the traditional Federal transportation concerns--economic development, national security and more efficient and responsive public and private sectors. For example:

- Development of comprehensive new transit/highway legislation, reflecting a new emphasis on integrated transportation services and planning.
- Development of a "combined transportation account" concept for Federal budgeting and decisionmaking to encourage more rational and modally integrated Federal programs and policies.
- Renegotiation of our principal bilateral air service agreements with other countries.
- Support of legislation which will encourage greater competition, better service and lower prices in domestic air service.
- Placing priority on completing the remaining gaps in the Interstate highway system which has already stimulated vast new economic development.

More than anything else, however, the successful development of a new transportation policy for a changing nation will require that we be both foresighted and decisive. By their very nature, our transportation decisions today shape the nature of our world for many future generations. The system of interstate highways which now influences our lives and economy so importantly can be traced to decisions made more than a quarter of a century ago. We must not be shortsighted, looking only to short-term objectives. We have a responsibility in managing our public and private roles in transportation to both preserve and improve an effective and viable transportation system for future generations.

Ensuring this legacy for our children means being decisive and bold in the decisions we make now and over the next few years. Timely decision rather than endless argument and search for perfection must characterize our public decisionmaking process. I have made decisions on cases that have been pending before the Department for many years. Finally settling a problem is, as Judge Brandeis once remarked, more important than settling it perfectly.

Our national transportation policy, then, must be directed to the people's needs and to their problems, to both present and future realities, rather than to clinging to old myths and pursuing long outdated economic theories. It must seek, in President Carter's words, "efficient, balanced and coordinated transportation, humane in its accessibility, stimulating commerce, industry, jobs and safety, and with favoritism only toward innovation, economy and social justice."

I. Where We Are Today

For most of our 200 years as a nation, transportation investment policy has been meeting the needs of a rapidly growing nation as it evolves from an agrarian to a modern industrial society. Past policies not only met these needs, but met them well. America built extensive, and very good, railway, waterway, highway and airway systems. As a mature industrial society, however, we must now shift from the policies of the past and prepare the nation for the changes that lie ahead.

Today, we have a national transportation system that appears to need no major expansion over the next ten or fifteen years. This does not mean, however, that the challenge or financial burden will be diminished in any significant way. Maintaining, improving and adapting the system to new national and regional priorities will require the full exercise of our intellectual skills and resourcefulness.

When we were building our present system, we were in a hurry, and we were not always careful of its impact on our environment, our communities, and on existing transportation systems. Our policies were aggressively promotional, and we did not always worry about the extent to which we were using public funds to advance private interests as long as the job got done. In the nineteenth century, public land was generously bestowed on the railroads at slight immediate cost to them, and today we still let private carriers on the inland waterways use public facilities at no charge.

Past policies have left us a mixed bag of economic regulation. For example, the railroads are regulated in a framework intended to restrain potential monopoly abuse, now no longer the threat it once was. Airlines are regulated in a manner that was designed to protect and develop a new industry, but commercial aviation is today a mature industry that will improve with more competition. Motor carriers operate under a partial regulatory regime that does not recognize the major role the modern truck has assumed in today's transport system, and the inland waterway system is hardly regulated at all.

Nonetheless, while circumstances behind the original regulatory conceptions have changed, the industries involved have adopted a "protective shield." Over the years they have learned to live with the rules of the regulatory agencies and, as with all innovative American firms, have often found ways to make the original consumer protection agencies help those they were supposed to regulate. In some cases the regulatory agency has a mandate to promote which further confuses its role.

Since the Second World War the public's love affair with the automobile has led to the collapse of privately owned passenger transportation services and the decentralization of both residences and work places. There followed a takeover of transit operations by state and local governments and a considerable broadening of society's perception that this activity was not to be judged by a profit and loss criterion, but as a public service furthering important social goals. The postwar era also saw the rise of air travel and the decline of intercity rail passenger service. The expansion of intercity freight transportation by truck and pipeline was accompanied by a sharp drop in the relative share of freight traffic carried by rail. In many cases, these changes have left, as by-products, redundant or underutilized facilities, poorly integrated services, and financially distressed private sector carriers.

II. Why New Policy Directions Are Needed

Nothing has so vividly highlighted the need to rethink our national transportation policies as the change in the world's energy economy. We have, in a relatively short period of time, witnessed a drastic shift from an era of relatively abundant energy to one of relative energy scarcity, a situation that must be accepted as a reality now and in the future. As transportation adapts to this change, conservation through efficient use of transportation resources becomes essential.

Growth of the economy and full utilization of the transportation system will clearly remain as primary national goals, but priority will be given to achieving more effective use of the existing system rather than to investing in system expansion.

Over the last decade, we have become conscious not only of the need to conserve material resources but have recognized--gradually at first, but now with increasing clarity--that we have a rich legacy of environmental, social and cultural resources that must be preserved. Thus, we have come to realize the importance of shaping new transportation policies towards the enhancement of safety, the protection of the environment, the improvement of community life, and the revitalization of our cities. We have come to recognize personal mobility as vital to the quality of life for people at all income levels and to the transportation disadvantaged--the handicapped, the elderly and the young. Equity has become an important principle of transportation policy.

In addition, there is a new recognition that transportation planning and decisionmaking have to be integrated into the total public policy process at all levels of government, from Washington to the county seats of rural America. Only through this partnership can we hope to preserve and enjoy the marvelous economic machine we have built.

III. Major New Directions for National Transportation Policy

Moving from a primary emphasis on new construction does not mean slowing down. Our energies must focus on the improvement and integration of the services of the various transportation modes, on increasing operational efficiency and on eliminating wasteful redundancy in existing facilities. Federal transportation policies and programs will have to reflect an approach that treats all elements of the national transportation system as a whole and thus transcends the parochial interests of any single mode of transport.

Policies and programs will have to distinguish clearly between developing new local transportation alternatives and the national transportation network that speeds people and goods across long distances. For the cities, suburbs and rural counties, decisionmaking should be placed largely in the hands of the appropriate state and local officials so that Federal grants can be matched to their needs. Intercity transportation, on the other hand, should be the object of more explicit decisionmaking by the Federal government, as these decisions are national in their implications.

A. Federal Investment and Financial Policy Towards the Interstate Transportation Network--Highway, Rail, Water and Air

Adopting the theme of maximum effective use of the existing network, future programs will concentrate on:

- Completing the essential segments of the currently planned Interstate Highway System.
- Upgrading, rehabilitating and maintaining existing and needed railway, waterway, airway and highway systems.
- Encouraging decisions that will eliminate redundant facilities of the railroads and improve the quality and dependability of rail service.
- Improving integration of service within and between different modes of transportation, especially surface freight movements.

This Administration is not shutting the door on expansion of the transportation network. However, expansion will have a low priority except in particular cases where a high payoff can be shown. One such possible exception would be facilities for increased movement of coal. Another would be facilities that serve to integrate services between modes, thereby eliminating wasteful duplication.

Also, to the maximum extent possible, we must eliminate indirect and direct subsidies to freight transportation. There is no good reason why a businessman shipping his product should expect the general taxpayer to underwrite a major part of his costs. That is why waterway user charges should be imposed to recover a substantial portion of Federal waterway expenditures, just as aviation and highway user charges, too, should be periodically reexamined to see if they are fair.

1. Highways

For the past twenty years, national policy has directed a large part of Federal financing for transportation toward construction of the Interstate Highway System. With most of that system now built and in use, the time has come to bring this landmark effort to a sound conclusion.

A first priority should be to finish those segments now deemed essential to intercity travel. After that, priority should be given to providing, on a continuing basis, the funds required for the rehabilitation, restoration and resurfacing of those parts of the existing system in need of such work. The level of Federal resources devoted to these goals will be reviewed and adjusted periodically in the years ahead, in light of the overall needs and priorities of the rest of the transportation system.

2. Railways

Freight Service. The Railroad Revitalization and Regulatory Reform Act of 1976 (4R Act) provides major financial aid to railroad firms. While this program is a necessary step in restoring the vitality and financial viability of the railroads, Federal aid alone will not solve the industry's problems. We must look to a solution that does not lead to a permanent Federal dependency, an outcome that I believe is both unnecessary and unwise.

At this moment a strong argument can be made that some additional Federal assistance is necessary to restore part of the physical plant as part of an effort to achieve a healthy private rail industry. Such Federal aid must be applied only to those facilities essential for the future movement of freight.

Further, Federal aid will be most effective if it is provided in connection with and in support of restructuring and rationalization of the system, especially in the Midwest. The industry should be encouraged to do the restructuring job itself. We plan to use the authority of Section 401 of the 4R Act to facilitate private sector restructuring. Restructuring options, including market swaps and joint trackage and plant agreements, have a great potential to improve the rail industry's viability.

The 4R Act also provided Federal funding for ConRail in order to preserve and restore to private sector operation effective rail freight service in the Northeast and Midwest. Questions have been raised as to whether the level of aid is going to be adequate. We are examining this question with great care. Taxpayer investment can only be asked for restoring essential rail freight service which meets the test of public interest.

Finally, the 4R Act made the most substantial reform in railroad regulation in many decades. We are monitoring the implementation of these provisions to encourage their full use.

Passenger Service. The large and growing Amtrak deficit concerns us all. Therefore, the Department of Transportation, in conjunction with Amtrak, is analyzing the market for intercity rail passenger operations with a view to redefining the total national network we will support. A higher proportion of Amtrak's costs should be covered by fares. However, I believe it would be unrealistic and unwise to consider eliminating the Federal subsidy to intercity rail passenger service. The goal will be to keep the Amtrak deficit within manageable limits, and maintain the right of the American public to use the extensive rail network as one alternative means of transportation in the future.

The Federal Government's continued financial support of Amtrak can be justified in large part by the need to ensure the availability of an energy-efficient alternative to intercity air and automobile travel in the event of a severe fuel shortage. This is particularly true in the heavily traveled Northeast Corridor where the Department and Amtrak are embarked on a major intercity rail repairing, upgrading and improvement program. We are hopeful that the Corridor operations will be financially self-sustaining.

3. Intercity Bus

Because of its inherent economic and physical characteristics, the intercity bus industry has been able to provide low-cost service to thousands of communities that have no other means of intercity common carrier transportation. In addition, the intercity bus industry is the most energy-efficient carrier.

While the industry has been able to operate at reasonable profit levels for years, the Department is sensitive to the recent decline in its financial condition. We are studying this situation, and in particular the effects of Federal and state regulation, to determine what changes may be necessary to ensure its continued economic viability.

4. Waterways

The Federal Government's long involvement in inland and intra-coastal water transportation has included channel and port dredging, an extensive and costly system of locks, dams and other improvements, along with safety, environmental and minimal economic regulation.

Historically, Federal policy towards the water mode has been strongly promotional and supportive of regional economic development. In this regard, it has also been very successful. However, as with the other freight modes, the principal opportunities have already been largely exploited. The future calls for better use of existing capacity, closer integration with other transport modes, and some important changes in the way the government finances, and makes decisions on, waterway investments.

Future public investments in the inland waterway system will be necessary as many parts of the system are deteriorating. We need a funding system for the future costs of its operation, maintenance and rehabilitation. There must be substantial recovery from commercial users. The Administration is strongly supporting legislation to this end. Future public investments that would expand the system's capacity should not be made until the impact on the total system has been assessed and considered in the decisionmaking process. A long-range plan for the entire waterway system needs to be developed and continuously updated. Individual project decisions, such as timing of replacement of a particular lock and dam, should mesh with this long-range systemwide plan.

In this connection Congress has instructed the Department to do this at Locks and Dam 26, and now is the time the Department of Transportation should complete its meshing of planning for all systems by the elimination of the statutory constraints on investment criteria found in Sections 4(b)(2) and 7(a) of the Department of Transportation Act so that consistent and equitable analysis of public investments can be applied in all modes of transportation.

5. Airways

As indicated earlier, for the most part the major airport and airways facilities that we will need for the foreseeable future are authorized or in place. Therefore, our policy must now change to emphasize the improved utilization and more effective management of these facilities. For the future, this will involve upgrading the system to keep pace with technological improvements that offer safety or high-payoff productivity improvements, and making those investments in additional capacity that reflect geographic changes in demand.

Environmental compatibility of the air commerce system, particularly in the context of aircraft noise, will weigh heavily in our future aviation policy. The Department has promulgated stringent rules that should significantly reduce the noise emissions of the current fleet and those under design. Further, the Department is committed to ensure that all technologically feasible and economically reasonable measures are implemented to reduce noise and to encourage airlines to acquire quieter aircraft.

However, even with these measures, noise around airports will continue to be a problem as air traffic operations increase. Airport operators and local communities should be allowed to set their own standards and take appropriate measures to implement them, working closely with Department representatives and the users, to reduce airport noise to acceptable levels, as long as those measures do not conflict with the safety of air commerce, are applied in a non-discriminatory manner, and do not create undue burdens to commerce.

We stand ready to help communities plan for noise control by supplying technical information, by assisting in developing innovative solutions to problems and by continuing to require noise abatement design and operational procedures. The key to effective noise control planning is early and continuing coordination and communication between all parties concerned--the airport proprietor, state and local authorities, the users, the Department and the citizens.

B. Federal Investment and Subsidy Policy Towards Urban and Rural Local Transportation System

Direct Federal assistance to states and localities to help meet their transportation needs began after the Second World War as the population grew and dispersed and public sensitivity to environmental and social concerns increased. In both urban and rural areas, transportation planning has to be integrated closely with other national and local objectives such as community revitalization, equality of opportunity, energy conservation and preservation of environmental standards.

1. Major Urban Areas

In the future, Federal transportation policy for major urban areas should emphasize:

- Using existing facilities and services more effectively.

- Providing state and local officials the flexibility and authority they need to plan and implement transportation improvements in an effective manner.
- Simplifying the administrative requirements for Federal project approval.
- Restructuring Federal transportation programs in urban areas so that they are more responsive to the national goals of energy conservation, urban revitalization and environmental protection.
- Ensuring that urban transportation systems provide adequate services for the poor, the elderly and the handicapped.

Each of these policy goals helped structure the new highway and transit legislation presented by the Administration. In this legislation we are seeking a major restructuring of the urban transportation grant programs in order to increase the decisionmaking flexibility of state and local officials. The legislation also proposes a consolidation of the highway and transit planning program to create intermodal planning and simplify the administrative requirements.

2. Small Urban and Rural Areas

The needs of individuals without ready access to automobiles in small urban and rural areas have not been addressed, and it is the policy of the Administration to correct this.

The Administration's legislative proposal provides for a combined transit and highway program for small cities and rural communities, recognizing that their problems are quite different in character from those found in the large cities. This program provides assistance for improving and preserving our vast network of secondary and local roads, while our primary system, which serves both intercity and regional travel, is retained as a separate program. For the first time, operating assistance for transit will be made available to these areas to reinforce and support the transit capital grant program already available. To make sure that rural public transportation problems are addressed effectively, the legislation requires comprehensive planning, including the full participation of local officials in developing their own transportation solutions.

We are asking the states, in cooperation with local governments, to be the catalysts in the development of this important new program. To further support this effort, we are developing a technical assistance demonstration program to assist rural transportation decisionmakers and operators.

C. Economic Regulation

The existing pattern of Federal economic regulation of transportation treats each mode of transport differently, often inhibits management initiative and can encourage inefficiency by frustrating normal competitive instincts.

A primary reform goal should be to achieve a system that is even-handed in its treatment of all like traffic moving between like origins and destinations regardless of the mode--especially in the case of freight traffic. Meaningful, timely reform of the regulatory system will require statutory change and new legislative direction, as well as active efforts by the independent regulatory agencies themselves. We are encouraged by the new attitudes emerging at the ICC and the CAB and will encourage those agencies to match their regulatory policies to current economic conditions.

Along with the goal of evenhanded treatment of the different modes, our policy objectives should include reliance on competitive marketplace decisions, the encouragement of intermodal integration, incentives for energy conservation, and the encouragement of competition and shipper and passenger choice in those markets where they can be efficiently supported. Economic regulation should have as its goal protection for the consumer by assuring reliable non-monopolistic service.

In aviation, we are strongly supporting proposals that will allow airline managers greater freedom in setting their own prices, choosing the routes they wish to fly, and providing new services. These changes should result in significant consumer benefits by affording a wider range of choice in price and service.

In the rail area, as noted earlier, the 4R Act provided significant liberalization of railroad rate regulation. It is too soon, however, to make a definitive judgment as to the effects of this change on the system as a whole.

The Administration and the ICC are studying the motor carrier industry with an eye toward significant reform. Where possible, we will seek to work at the ICC and within the existing statutory framework, but new legislation, setting new regulatory goals and policies, may be necessary.

D. International

1. National Security and Foreign Relations

Domestic and international transportation systems have great significance to national security and foreign relations objectives. To cite a few examples: the Interstate Highway System is designed to accommodate military transport; the air traffic control system provides support to military operations; the Coast Guard provides vital support for defense in national emergencies through maintenance of air and maritime aids to navigation, port safety and security and as an active operating arm of the Navy; the Civil Reserve Airline Fleet (CRAF) is an important part of our emergency air cargo lift capability; and the Maritime Reserve Fleet offers emergency sealift capability. In addition to these relatively well-known defense support functions, our transportation system is crucial to the hope of reducing U. S. dependency on foreign petroleum supplies.

As a nation we now import about 48 percent of the petroleum we use. The increased dependence on foreign petroleum supplies in recent years adversely affects our national security in two important ways: (1) it makes our economy vulnerable to the supplying countries; and (2) massive foreign exchange payments weaken the dollar on international markets and ultimately increase inflationary pressures domestically.

The President has designated energy conservation as our most urgent national goal--and the transportation sector accounts for approximately 52 percent of the total domestic petroleum consumption.

2. International Air Commerce

The Department, in cooperation with other Executive Branch agencies and the Civil Aeronautics Board, intends to continue to strive for the preservation and extension of a system of international air transportation that places principal reliance on competitive forces.

U. S. international aviation policy cannot be implemented unilaterally. Our objectives have to be achieved in the system of bilateral agreements with other nations that form the basic framework for the international air transportation system. The Administration seeks a competitive system that:

- creates new and greater opportunities for innovative and flexible pricing to meet the varied service and price needs of different consumers;
- liberalizes the rules governing charter operations of supplemental and scheduled carriers. Limitations and restrictions on the volume, frequency or regularity of charter operations should be eliminated and requirements for approval of flights should be prohibited;
- reduces or removes restrictions on capacity, frequency, and route and operating rights of scheduled carriers which hinder efficient operations and consumers' traveling convenience;
- eliminates unfair, discriminatory or restrictive practices imposed on U. S. carriers by foreign governments;
- authorizes the designation of more than one carrier in international markets that will support such service, and permits the expansion of nonstop gateways offering potential for increasing travelers' convenience and improving integration of carriers' domestic and international services.

3. Maritime

International maritime economic affairs are largely the responsibility of the Maritime Administration and the Department of Commerce. Federal assistance to U. S. maritime interests is not part of a national program coordinated by the Department of Transportation.

The U. S. should continue to strive for internationally recognized improvements regarding vessel safety, accident prevention and marine environmental protection. In this connection, the Department of Transportation, in concert with the Department of State, has vigorously pressed the President's initiatives on tanker safety and pollution prevention in the Intergovernmental Maritime Consultative Organization (IMCO).

These initiatives, announced in a Presidential Message to Congress on March 17, 1977, resulted in IMCO's undertaking a heavy work program leading to international conferences in February and June 1978 which we hope will result in treaties raising tanker standards worldwide. IMCO is the specialized agency of the U.N. which deals with vessel safety and environmental protection. The U.S. government, chiefly through the Coast Guard, contributes broadly and dynamically in IMCO proceedings. These international efforts on vessel safety and environmental protection parallel domestic regulatory action on the same issue. Continuing liaison between the Department and appropriate committees of the Congress assures that international progress is taken into account in the legislative process.

E. Safety-Energy-Environment -Jobs

There are a number of important transportation goals and functions such as safety, environmental protection and energy conservation that are truly intermodal.

1. Safety

It is the nation's policy to provide the highest practicable level of safety for people and property, employed and carried by the nation's transportation systems. While a completely accident-free transportation system is not possible, we seek the closest possible approach to this goal as we also deal with economic, energy, and environmental issues. Increasing emphasis is placed on the reduction of hazards and the prevention of accidents.

Our policy is to promote transportation safety through programs that will prevent accidents, decrease injuries to people and damage to property in the event of an accident, and provide the financial assistance to states for emergency response and treatment of accident victims.

Safety efforts are directed toward protection of vehicle occupants, improving the vehicle right-of-way, improving vehicle operator skills and safeguarding the transport of hazardous materials. These include, for example, the efforts of FAA, Coast Guard and NHTSA relating to better communications systems, and the provision of quick-response medical aid to accident sites.

Highway safety remains the most serious safety problem, and we are committed to achieving a significant reduction in highway accident rates. The Department's passive restraint regulations and its proposed restructuring of the highway safety grant programs are the most recent actions in this effort. We are continually pressing our research efforts for improved highway safety, and we are striving for improvements in highway design.

2. Energy Conservation

Transportation policy can make three major contributions to the President's national energy program. First, as a major consumer of energy, transportation should achieve large gains in energy conservation. Second, we must sharply increase the efficiency with which energy is used in moving passengers and freight. Third, transportation must provide a new, efficient energy distribution network and be capable of responding to changes in the mix of types and sources of fuels used as we shift to coal and other substitutes for petroleum and natural gas.

Transportation energy policy must encourage:

- Continued promotion of improved fuel efficiency through technological improvements.
- More efficient and socially responsible use of the automobile.
- Greater reliance on energy-efficient forms of public transportation, particularly in urban areas.
- Increased emphasis on energy considerations in freight transport, both long and short haul.
- Removal of any regulatory constraints that lead to energy inefficiency.
- Careful coordination of safety and environmental goals with energy conservation.
- Continued analysis of the nation's energy materials transportation system and development of programs to remedy deficiencies that inhibit achievement of national energy production goals.

Future policy must continue to emphasize such key energy programs as the mandatory automobile fuel economy standards, which should yield an 80 percent increase in new car fuel economy over the 1975-1985 period. Similar standards are now being developed for light-duty vehicles. The voluntary truck and bus fuel economy program is aimed at increasing the energy efficiency of heavy trucks and buses.

Other programs directed toward motor vehicles, which account for some 75 percent of total transportation fuel use, include incentives for greater carpooling and vanpooling, transportation system management programs, and adherence to the 55 mph speed limit.

Energy conservation programs also are under way for all of the non-highway transportation modes, including aviation and rail transport. Research on technological innovation that would reduce energy consumption in transportation must receive continued support and encouragement from both the public and private sectors.

3. Environment

The protection and enhancement of the nation's human and natural environment is an essential national goal. In pursuing this objective, the analytical and procedural framework of the National Environmental Policy Act will be used to identify alternatives and their potential environmental impacts and to seek the expertise and advice of interested and affected communities, groups and agencies. Environmental planning will be an integral part of the Federal transportation decisionmaking process, but we must make this system much more efficient so decisions can be promptly made.

4. Labor and Jobs of the Future

Transportation is a very labor-intensive industry, with much of it requiring a highly skilled work force. The effectiveness of the system depends on the people who build, operate and maintain the transportation network. Almost any significant change in the way we do things in transportation is likely to have some important effects on those who earn their living by keeping our transportation system operating. Major changes, such as regulatory changes or the formation of ConRail, that affect the structure and operations of a major industry can have major impacts on labor. If we are not careful, these changes can have disastrous effects on the lives of many families. When we make changes to achieve more efficient transportation, we must guard against any tendency to overlook the human costs of the transition. Consideration of labor protection measures, then, must be an important part of the development of any legislation that is likely to have significant adverse impacts on working men and women.

5. Minority Opportunity, Civil Rights and Human Concerns

This Administration seeks greater opportunity for minorities and women in all areas of American life. Women and minorities have often suffered from a lack of mobility, as have the physically handicapped. The development of healthy urban and rural transportation systems will improve the access of disadvantaged people to schools, jobs, health services and other essential facilities. Last year's decision to require use of the Transbus will ensure access to public transportation for many physically handicapped people.

Transportation is one of the nation's largest employers. We will require higher levels of minority and female opportunity in all activities receiving DOT assistance. The Northeast Corridor Improvement Project set a goal of 26 percent minority representation in the total work force on the project and a goal of 15 percent of the dollar volume of the project for minority contractor participation. We have approved a variety of techniques to achieve this goal including the use of "set-asides." We intend to extend the use of these techniques to all DOT contracts and grant programs.

E. Management of Federal Transportation Functions

1. Federal Organization

The way in which the Federal Government implements transportation policies and programs says more about real policy attitudes than do any number of formal statements. The current organization still represents, unfortunately, a highly fragmented approach to transportation problems.

In a December 1977 report on the regulatory organization of the Federal Government, the Senate Committee on Governmental Affairs proposed substantial changes in programs as diverse as the waterway planning and construction activities now in the Corps of Engineers and the subsidy programs located in regulatory agencies, such as the CAB's

local service subsidy. The Senate report also proposed that the Secretary have the authority to establish regulations and policy statements by which the transportation regulatory bodies would have to be guided. These proposals deserve careful consideration.

The internal organization of the Department of Transportation also needs improvement, and I have already taken the first step in this process by streamlining the Office of the Secretary to reduce overlapping and to pull closer together the major staff elements in the Department.

Next, as our highway and transit legislative proposals reflect, I am considering combining and reorganizing the highway and mass transit agencies. Federal transportation organizations should not be structured along traditional modal lines, but, rather, according to the character of the service or assistance being provided. We will be working with the President's reorganization project on the organization of the Department to better carry out the original purpose of integrating transportation programs.

2. Combined Transportation Account

To facilitate better decisionmaking by both the Executive and Legislative branches, a combined transportation account is being developed. The President's budget this year established such an account, but I believe some items must still be added to make it complete.

With all Federal spending for transportation purposes combined, the "account" will show both the sources of funds and the purposes for which they are used. To illustrate the concept, the FY 1979 Federal transportation programs (not limited to DOT) have been arrayed in such a "combined account" and are shown in the appendix.

Ultimately, all Federal financing for transportation, whether derived from user fees or appropriations from general funds, would be shown in a single transportation account with regular review by the Congress. Congress and the Executive branch would then have the ability to decide how best to allocate the limited transportation resources among the many competing claims for Federal assistance, without necessarily changing the method of financing for individual modes.

Long-term investment projects should be funded largely from trust funds or multi-year authorizations, thus ensuring stable financing and a sound basis for long-range planning. Operating programs and non-capital assistance should be made from annual appropriations.

IV. Conclusions

Acceptance and implementation of these new directions in transportation policy would mean:

- A fresh and effective approach to Federal decisionmaking through the allocation of Federal financial assistance to transportation.
- Protection and enhancement of existing transportation facilities through proper maintenance and constant incorporation of new research developments.
- An Interstate Highway System with all essential links completed and provision made for future rehabilitation and upgrading.
- Federal grant programs for urban and rural transportation that stress flexibility necessary for state and local decision-makers to meet different local conditions while encouraging the simple and speedy administration of the program.
- Major rail transit systems in place in those cities where they are truly needed.
- A completed system of major airports with provision made for continuous improvement in aviation safety and operations.
- A streamlined private sector rail system providing increasingly safe, efficient and energy saving transportation of freight.
- A rail passenger system providing effective service on a nationwide selected set of routes at a reasonable subsidy level.

- A private sector bus system providing extensive intercity and regional services.
- An inland waterway system being put in good condition, with users paying a substantial share of Federal costs.
- Healthy transportation companies operating in a regulatory environment that preserves needed protections for society while allowing for management decisions and a fair chance for new people to enter the market.

If these goals can be met, the nation's transportation system will serve the needs of a changing nation. It will give our people the transportation choices they want as our economy changes to meet the challenge of energy constraints, environmental concerns, and new economic realities.

APPENDIXILLUSTRATIVE
COMBINED TRANSPORTATION ACCOUNT - FY 1979
(in millions of dollars)

A. <u>PURPOSE</u>	<u>Budget Authority</u>	<u>Outlays</u>
1. <u>Ground Transportation</u>		
Highways - DOT	\$ 8,148	\$ 7,811
- Appalachian Highways (est.)	221	200
Public Transportation - DOT	2,865	2,250
- WMATA	19	61
Railroads - DOT	1,573	1,401
- USRA	163	424
Regulation - ICC	69	69
Subtotal, ground transportation	<u>13,058</u>	<u>12,216</u>
2. <u>Air Transportation</u>		
Airways and Airports - DOT	3,091	2,874
Aeronautical Research & Technology - NASA	522	466
Air Carrier Subsidies - CAB	69	69
Regulation - CAB	27	27
Subtotal, air transportation	<u>3,709</u>	<u>3,436</u>
3. <u>Water Transportation</u>		
Marine Safety & Transportation - DOT	1,681	1,459
- Panama Canal	-0-	2
Ocean Shipping - Commerce	537	531
Navigation - Corps of Engineers (est.)	846	710
Regulation - Federal Maritime Commission	11	10
Subtotal, water transportation	<u>3,075</u>	<u>2,712</u>
4. <u>Other Transportation</u>		
DOT	69	75
NTSB	16	15
Misc.	-0-	5
Subtotal, other transportation	<u>85</u>	<u>95</u>
GRAND TOTAL	<u>\$19,927</u>	<u>\$18,459</u>

B. SOURCES OF FUNDS

1. <u>Trust Funds & Other User Generated Receipts</u>	
Highway Trust Fund	\$7,418
Airport & Airway Trust Fund	1,078
Interest on Trust Funds	936
Miscellaneous receipts (deposited in General Fund)	253
Waterway User Charges	-0- ^{a/}
2. <u>General Fund</u>	<u>9,812</u>
GRAND TOTAL	<u>\$19,497</u>

^{a/} Proposal for 1980.

BUDGET OVERVIEW STATEMENT

Mr. MCFALL. I have read it. I think it's a good follow-on to the statements that we have had recently from the various Secretaries of Transportation. We started with Claude Brinegar, and then Bill Coleman provided us with an update. Now, your statement is another chapter in our continuing effort to develop and implement a national transportation policy and plan. It's a good statement, Mr. Secretary.

Secretary ADAMS. Thank you, Mr. Chairman. I will refer to parts of it. I will not read it, but will highlight the portions of it, because I know it is available to Members of the committee. Prior to doing that, however, I would like to do a quick overview of the requested budget of the Department of Transportation. We have comparisons available with last year's which have been made available to the committee, and I would like to ask permission, Mr. Chairman, to put in the record the statement which is entitled, "Statement of the Secretary of Transportation before House Appropriations Subcommittee," listed for the record.

Mr. MCFALL. Fine, we will put it in the record.

[The statement referred to follows:]

STATEMENT OF BROCK ADAMS, SECRETARY OF TRANSPORTATION, BEFORE
THE HOUSE APPROPRIATIONS SUBCOMMITTEE ON THE FY 1979 BUDGET,
FEBRUARY 6, 1978

(For the Record)

FY 1979 outlays for the Department of Transportation are estimated at \$15.8 billion. This is an increase of \$1.4 billion over the past year, a large portion of which is related to increased levels of highway and public transportation construction grants made in FY 1978 and earlier years. The budget authority request amounts to \$17.4 billion, up \$3.8 billion over FY 1978. Of this increase, \$2.4 billion is associated with proposed legislation for the Urban Mass Transportation Administration's programs and is primarily a technical budgetary adjustment related to converting of funding for these programs from contract authority to budget authority under this legislation. Another \$.7 billion is concerned with proposed legislation for the Federal Highway Administration programs and occurs mainly in the Federal-Aid Highway account. The remaining \$.7 billion is principally for annualization costs, the cost of full-funding of certain capital improvement projects, and an increased emphasis on energy conservation and safety programs throughout the Department. Staffing for FY 1979 will remain relatively stable with a total of 114,892 positions, an increase of only 173 over FY 1978. The staffing needs for uncontrollable workload growth and priority programs will be met largely through the reassignment of positions from activities of lesser importance.

HIGHWAY/PUBLIC TRANSPORTATION
PROPOSED LEGISLATION

One of the most important parts of this year's budget is the proposed new legislation redirecting the highway and public transportation programs as well as providing financing on a four-year authorization basis. This legislation which has already been forwarded to the Congress will:

- ° narrow the difference between the operation of highway and public transportation programs allowing states and localities to evaluate the relative merits of these alternative forms of transportation;
- ° adopt uniform Federal matching shares for highway and public transportation; 90% for all Interstate projects and highway and public transportation projects substituted for Interstate segments and 80% for all other highway and public transportation projects;
- ° provide flexible assistance for the transportation needs of small urban and rural areas;
- ° reduce the number of categorical programs that limit the flexibility of states and localities in the use of Federal transportation funds;
- ° provide for new institutional arrangements where desirable to enhance intergovernmental cooperation in transportation programs;

- accelerate completion of the Interstate highway system by concentrating available resources on constructing essential unbuilt segments, and by requiring states to decide by 1982 either to build uncompleted sections or to remove them from the system;
- consolidate federal highway and public transportation planning assistance programs;
- provide an expanded highway program to deal with the critical problem of bridge reconstruction and rehabilitation;
- expand public transportation formula grants to include capital facilities grants for modernization of rail and bus facilities and routine bus and rail rolling stock replacements, providing a more predictable flow of funds and facilitating better planning;
- focus the discretionary program for public transportation on major system investments, particularly those that support better land use, energy conservation and urban revitalization;
- provide flexibility for use of up to 50% of apportioned funds under the public transportation formula grants for urban highway projects, similar to the current flexible use of highway grants.

We now turn to the highlights of this year's budget request for each of the Department's operating components and for the Office of the Secretary.

U. S. COAST GUARD

The request for new budget authority for the Coast Guard totals \$1.7 billion, an increase of \$288 million. No position increases are budgeted in FY 1979. Of the total, \$279.2 million is proposed for Coast Guard capital improvements. This is an increase of over \$43 million, or approximately 20%, above amounts for the two preceding years. The Coast Guard needs to replace old vessels and aircraft with new equipment to meet the important new statutory responsibilities placed on the Coast Guard over the past few years such as those relating to oil spills along our coastal waters and to ocean fisheries protection. Funding is provided for two new cutters, five new helicopters and 12 new jet aircraft, all of which will replace worn-out equipment. Fourteen stations and bases will be partially or entirely rebuilt and one Loran C station will be added to provide navigational accuracy on the vital tanker route from Alaska to Puget Sound.

Budget authority in the amount of \$180 million is proposed for the initial capitalization of a new Oil Pollution Liability and Compensation Fund designed to pay damages and

costs of cleaning arising from oil pollution accidents. The fund will be financed from charges in the form of a per barrel tax which will be levied on owners and operators of potential sources of oil discharges. Legislation to establish this fund is currently pending before the Congress.

Other significant items in the Coast Guard budget include \$20 million to continue research and development efforts related to oil spills and \$35 million for the Alteration of Bridges Program, which includes for the first time "full funding" for all new starts and also included is a two-year phaseout of the State Boating Safety Program.

FEDERAL AVIATION ADMINISTRATION

The FAA request totals \$3.1 billion in new budget authority. This is an increase of \$304 million over 1978. Nearly all of this increase is related to the cost of operating, maintaining and improving the national air traffic control and air navigation system and to a higher level of airport development grants, which will be funded at the fully authorized levels. The air traffic controller staffing will be expanded to keep pace with the projected growth of aviation activity.

The Operations appropriation request amounts to \$2 billion. This is by far the largest of the FAA appropriations and primarily funds the operation and maintenance of the Nation's

air traffic control and navigation systems, the establishment and enforcement of civil air regulations, and the administration of the airport grant program. \$300 million of this amount will be financed from the Airport and Airway Trust Fund, as provided for in the Airport and Airway Development Act Amendments of 1976. Airport development and planning grants are proposed at a \$590 million program level, the full amount authorized.

Budget authority for FAA's Facilities and Equipment appropriation amounts to \$370.9 million. This includes \$146.6 million which, together with \$27.9 million of prior year funds, provide a total of \$174.5 million for "full funding" of a program to automate, streamline and modernize flight service stations. These stations provide preflight and inflight navigation and related services, including the dissemination of aviation weather data to general aviation aircraft, and are an essential element in fulfilling the FAA's safety-related mission.

The FAA request also proposes \$75 million for Research Engineering and Development. Among the elements presently under development are advanced systems for collision avoidance and all-weather landing, as well as for detection and avoidance of "wind shears."

FEDERAL HIGHWAY ADMINISTRATION

Under the proposed new legislation for the highway and public transportation programs, described earlier, the 1979 obligation total for the FHWA is \$8.1 billion. Of this amount, \$7.8 billion is proposed for the Federal-Aid Highway program which, for budget presentation purposes, is restructured along the broad program lines contained in the legislative proposal.

Increased emphasis will be given to the motor carrier safety area. The budget requests \$13.4 million for this program in 1979, which is a 60% increase above 1978. Included in the request is a new program, funded at \$4 million, which is designed to determine whether the states themselves can conduct an effective motor carrier safety enforcement effort.

Also, \$20 million is proposed for construction on the Darien Gap Highway, the last incomplete portion of the Inter-American Highway. Construction is in Panama only. In addition, the budget provides for construction for certain highway programs initiated in earlier years, but not proposed for reauthorization under the new legislation. These include the Overseas Highway, Highways Crossing Federal Projects, the National Scenic and Recreational Highway, Railroad-Highway Crossing Demonstration projects and the Baltimore-Washington Parkway.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

The NHTSA program level is \$255 million, approximately the same as 1978. No additional staff is requested. A significant portion of the total funding--\$172 million--is in the "State and Community Highway Safety" grant program where, under proposed legislation, \$40 million of this sum will be directed toward strengthening compliance with the national speed limit of 55 miles-per-hour.

In the "Traffic and Highway Safety" appropriation, which finances NHTSA's operating program, \$9 million will be devoted to continued development of an accident data collection program which will provide us and state and local program managers with basic information needed to improve highway safety. The budget also provides over \$6 million for the fabrication and testing of experimental vehicles used in assessing the potential for the manufacture of cars with optimum fuel economy, safety, emissions and cost. In addition, the program to administer mandatory and voluntary fuel economy standards to reduce the amount of petroleum used by motor vehicles will be continued at a level of nearly \$9 million.

NHTSA will also undertake a \$1.5 million project to determine the practicability of developing a system of rating automobiles in relation to crashworthiness and repairability.

FEDERAL RAILROAD ADMINISTRATION

The request is for \$913 million in FY 1979 budget authority, excluding AMTRAK. This is an increase of approximately \$145 million which is largely associated with the Northeast Corridor and Railroad Rehabilitation and Improvement Program.

The budget proposes \$455 million for the Northeast Corridor Improvement appropriation for continuation of the major construction program to upgrade the quality of rail service to all users of the Northeast Corridor. For Railroad Rehabilitation and Improvement the requested increase is \$79 million for a 1979 total of \$279 million. Under this program the Federal Government purchases redeemable preference shares to provide for capital needs critical to preserving essential freight services and to aid the restructuring of railroads where conditions warrant. The budget also proposes \$87 million for Rail Service Assistance, which includes \$67 million for the national rail service continuation subsidy and \$10.6 million for the Minority Business Resource Center to assist minority business firms securing contracts arising out of programs to restructure and revitalize the Nation's railroads. Other elements of the request are \$55.7 million for Research and Development, and \$24.2 million to further enhance enforcement of Federal Railroad safety laws. FRA plans to meet high priority staffing needs such

as the railroad safety programs, mainly by realigning positions within its organization from lower to higher priority activities. As a result, only nine additional positions are proposed.

The budget for Amtrak grants amounts to \$660 million, of which \$510 million is for operating subsidies. The budget assumes that the general taxpayer should not be asked to subsidize operating deficits without regard to size. Rather, it is expected that Amtrak will operate essential passenger services within the level requested by taking necessary management actions consistent with established route and service criteria. In response to a request from the DOT House and Senate Appropriations Subcommittees, the Department, in cooperation with Amtrak, is conducting a review of Amtrak's route structure and will submit a report to the Congress this spring. The results of the study are expected to influence the final subsidy level for 1979.

URBAN MASS TRANSPORTATION ADMINISTRATION

For UMTA the budget proposes a total of \$2.86 billion in budget authority based on the Administration's recently submitted legislative proposal for highway and public transit programs. This amount does not include interstate transfer grants for D. C. Metro construction, pending completion of the reevaluation of alternatives in certain corridors and the development of a comprehensive System Financing Plan.

Included in the total is \$1.04 billion for urban discretionary grants, of which \$640 million is for capital facilities and planning grants and \$400 million is for interstate transfer grants.

Also within the total is \$1.735 billion for urban formula grants for modernization of rail and bus facilities and equipment, certain bus purchases and rolling stock replacements and for operating assistance which may not exceed \$937 million. Grants for planning and demonstration also are provided for as a drawdown against urban formula grants.

Funding for the research and training programs, which includes research development and demonstrations, university research and training and managerial training are proposed at \$69 million--essentially the 1978 level. Also included is \$21 million for UMTA's administrative costs and 50 additional positions chiefly associated with the decentralization of the management of UMTA's programs.

No Interstate transfer funds are shown in the budget for use in the Washington Metropolitan Area Transit Authority (D.C. Metro) construction program, pending the completion of the reevaluation of alternatives in certain corridors and the development of a comprehensive system financing plan. The Department will review these regional agency recommendations, which are to be submitted by August 31, 1978, and expects to submit a budget amendment thereafter.

ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION

For the St. Lawrence Seaway Development Corporation, the 1979 estimate of revenues is \$9.5 million. This is \$1.1 million more than 1978 and reflects a new joint toll agreement between the Seaway Corporation and its Canadian counterpart. This agreement, which remains to be formalized, provides for increases to be phased in over three years. These revenues will finance operating expenses of \$6.3 million, capital projects amounting to \$1.7 million, and bond redemption of \$1.5 million.

OFFICE OF THE SECRETARY

The Office of the Secretary has been reorganized to streamline its operations and to strengthen its mechanisms for assuring the Department's effectiveness in meeting its policy goals and objectives. As a result, the Office of the Secretary is proposing 796 fewer positions and \$14.8 million less funding than in 1978. The 1979 request is \$45.8 million in budget authority and 1,228 positions.

RESEARCH AND SPECIAL PROGRAMS DIRECTORATE

As part of the reorganization of the Office of the Secretary, the Materials Transportation Bureau, the Transportation Systems Center and certain operational and R&D programs, formerly in the Office of the Secretary, have been consolidated in a single organizational unit called the Research and Special Programs Directorate. This new organization has a key role in providing a central focus for developing multimodal systems, stimulating industry efforts to advance transportation technology, and for conducting special programs, particularly those relating to hazardous materials transportation and pipeline safety.

The FY 1979 request for the Directorate consists of \$24.4 million and 927 positions. The principle funding components are \$10.7 million for the operating programs of the organization including cargo security, hazardous materials, pipeline safety, etc.; \$10.9 million for research and development; and \$2.8 million for grants-in-aid to states for conducting a gas pipeline safety program. The request also includes 16 additional positions for gas pipeline safety work, associated with the Akaska Gas Pipeline and the hazardous materials programs.

BUDGET OVERVIEW

Secretary ADAMS. Thank you, Mr. Chairman.

Mr. Chairman, before turning to the policy question, I want to indicate in general terms that the outlays for the Department of Transportation this year are estimated at \$15.8 billion, which is an increase of about \$1.4 billion over 1978. Those outlays, Mr. Chairman, are a result of increased levels of highway and public transportation grants in prior years. As we all know, the Department of Transportation has an enormous public works program and the outlays follow the obligation of funds provided by the Congress. This increase in outlays is largely reflected in the increased levels in public transportation and highway funding, which were authorized and which, after the impoundments were lifted in the middle of the 1970's, came on line. So we now have those as outlays.

The budget authority request is \$17.4 billion, which is up \$3.8 billion over fiscal year 1978. Again, I want to carefully emphasize, Mr. Chairman, that this is not a net increase. Under the terms of the Budget and Impoundment Control Act, we are not able to continue contract authority. What we had available in the Urban Mass Transportation Administration in the past was contract authority which was drawn down, and out of which commitments were made to various cities. That authority was translated into actual spending as the projects came on-line.

As a part of the transportation policy, we have proposed to the authorizing committees a complete new approach to highway and public transportation authorization.

I do believe, Mr. Chairman, that we should have a more coordinated transportation policy. This means pulling programs together. So we have done this in what we have proposed to the Congress. It makes the formulae the same, makes the recipients the same, and begins to combine the highway and public transportation programs.

We felt that the first step should be programmatic. In other words, you don't just reorganize for the sake of reorganizing. You have to make the programs fit. This funding request represents what will happen if that program is passed, and you will notice it is an increase over last year. Unless the Congress decides, in its wisdom, to give us a trust fund for public transportation funding for construction, it will provide a rolling 5-year authorization, with a rolling two-year appropriation for construction. So, that is the reason you have a change and an increase which is reflected on the first page of my statement. Another \$0.7 billion is for the Federal Highway Administration programs, and is mainly in the Federal Aid Highways account. For the first year, we have begun to match the amount of money coming in. In other words, the highway program is now catching up with the amounts that are coming in as revenue.

STAFFING LEVELS

The staffing of the total Department, you will notice, is almost stable. There is a total of 114,892 which includes the military

personnel in the Coast Guard. That is only 173 people over fiscal year 1978, and since we have increased the controllers in the Federal Aviation system by an amount in excess of that, you will see that what we have had to do is to shift people from administrative slots over into the active slots.

I have referred to the program that we are proposing for highways and for public transportation. It is in my statement. I would be most happy to answer the committee's questions about the details of it, but would not read through it now, with your permission, Mr. Chairman.

COAST GUARD

The Coast Guard, appears on page 4 of my statement, and has budget authority of \$1.7 billion, which is an increase of \$288 million. Again, we do not have increases in positions, which meant that we have to do a sort of the "tooth to toenail" type of shifting of people into operational slots from support slots. This is due to increased responsibilities in both the fishing area—in other words, the patrolling for vessels coming in from offshore in which we have a heavy increase of personnel—but also in the oil spill type prevention and in checking tankers.

We are now actively checking oil tankers that come into our ports. Also, there is presently pending, Mr. Chairman, a bill that moves toward what they call the super fund liability and also changes the regulations to require tankers, whether foreign or domestic, to be checked as they come in. So we are having to absorb positions, Mr. Chairman, and we are also proposing that we continue the updating of equipment to do law enforcement functions on border patrol, checking of tankers and checking of fishing boats. The equipment is mainly medium endurance cutters, and additional helicopters.

FEDERAL AVIATION ADMINISTRATION

In the Federal Aviation Administration, which is on page 5, we are at \$3.1 billion in new budget authority, which is an increase of \$304 million over 1978. This basically goes to safety. It is a continuing effort, Mr. Chairman, to have sufficient air controllers and see that the air navigation system and that our airport development keeps up with the technology changes of the new wide-bodied and faster aircraft. We are trying to keep pace with it.

FEDERAL HIGHWAY ADMINISTRATION

In the Federal Highway Administration the 1979 obligation total is \$8.1 billion, and of this amount \$7.8 billion is proposed for the Federal Aid Highway program. Again, we have restructured it, Mr. Chairman, along the lines of the proposed legislation that we are presenting to the Congress to combine the highway and public transportation accounting system. We are not doing away with the trust fund concept, but if somebody wishes to redesignate an entire State highway, they can so redesignate. The funds have to be appropriated, but it's 90-10 for the one, and 90-10 for the other; so you can move back and forth.

We also have an extensive new rural program which we think is terribly important. For the first time it says we are willing to assist rural areas, as we have the urban areas with public transportation. We put a lid on operating assistance in rural areas as well as urban areas; we think this type of funding is terribly important in that area, because in our rural areas the public transportation systems have been vanishing over the past 15 years and many people in those areas simply do not have transportation at all at this time.

NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION

The National Highway Traffic Safety Administration, this is on page 8, Mr. Chairman, is at a level of \$255 million, and a significant portion of that is directed toward a new program where we have consolidated the former mandatory standards and requested the States to come up with a program to be approved or disapproved. We have kept the mandatory national things such as the mandatory national speed limit; driver registration; collection of data, items that go across State lines. We are now at the point with the States where we are saying to them bring us your traffic safety plan. Legislation for this program is now before the Congress. We have also allocated an additional amount of money for the 55-mile-an-hour speed limit, to strengthen compliance with it.

FEDERAL RAILROAD ADMINISTRATION

In the Federal Railroad Administration, page 9 of my statement, the request is for \$913 million in fiscal year 1979 budget authority, not including Amtrak which I will deal with separately. This is largely associated with the Northeast Corridor and the Railroad Rehabilitation and Improvement Program. We have asked \$455 million for the Northeast Corridor appropriation. As you know, at the last hearing. I indicated that I was not satisfied with the rate at which that was moving ahead. We stepped up the activity substantially last year. We believe this is the total amount we can put out this year and make it run as a smooth and effective and efficient program. We have called in all of the various groups that are involved in operations. We have indicated to them that we wish for them to deal with us so, so we are certain that that Corridor continues operating well and that the improvements we are making for high speed trains fit with the commuter operations and the ConRail operations that are taking place in the same Corridor. It is a very complex subject and one that occupies a great deal of the time of both Mr. Sullivan and myself.

URBAN MASS TRANSPORTATION ADMINISTRATION

On page 10, Mr. Chairman, is the Urban Mass Transportation Administration. I indicated before that we are asking for a total of \$2.86 billion in budget authority. I should touch at this time on how we have structured that program so that it fits with the highway program that we have had down through the years.

A significant portion of this is now allocated under what we call formula grants. In other words, where States have had continuing

rail modernization programs and continuing bus programs, this is put under a formula basis so they can plan their purchases out for a number of years. Knowing that we have specific problems in specific areas such as funding a rail system and so on, we have included \$1 billion of that \$2.86 billion. Of this amount, \$640 million is for capital facilities and \$400 million is for interstate transfer grants. These are to build the systems in the less than 15 communities that are either in the process of building or process of planning where a guided rail or very heavily separated bus-way type public transportation system is contemplated. We believe that will cover the request itself and the ongoing programs that we have started.

ST. LAWRENCE SEAWAY

On page 12 is the St. Lawrence Seaway Development Corporation and our 1979 estimate of revenues is \$9.5 million. That reflects \$1.1 million more the fiscal year 1978 and is due to the new joint toll agreement which Mr. Oberlin has been working on for nearly a year with the Canadians.

ORGANIZATION OF DOT

Finally, the last two items, Mr. Chairman, represent the first of what I feel should be a continuing series of steps in completing, and I didn't say reorganizing, but completing the organization of the Department of Transportation. I am well acquainted with that legislation, as I know every Member of this committee is.

One of the things I have been concerned about is that the original organization was never completed. Parts did not come in, because in the wisdom of the Congress at that time, they were not included. When I first arrived. I told you I would do what I could to complete the organization this year and report to you. I am now doing that and I expect to do more next year. In my review of the organization, I found there was a layering. In other words, the Office of the Secretary was cross-checking much of what was being done by all of the administrations, and there was a very large Office of the Secretary.

This year I have done all I can do administratively to change that. We reduced the number of assistant secretaries so we do not have as many. We have taken the operating authorities, and that goes to page 13 of my statement, and put them into a Research and Special Programs Directorate. In other words, these are all of the specialized items like hazardous materials, transportation systems center, and operational R&D programs. They should be in line authority and that is why we created the Directorate without more new positions. In fact, what I would point out to you is we have reduced the size of the Office of the Secretary from 796 fewer positions than it had before. Even when you take the money and people required to set up the Directorate, we have fewer people in the Office of the Secretary and less money than we did last year.

This represents a movement toward giving direct line authority to the various administrators. It is one of the reasons, Mr. Chairman, that I asked them all to be here, at least during the early part

of the statement today. I wanted to say to you and the Members of the committee, and in the presence of the Administrators, that I trust them. I have great confidence in them, and I am very pleased at the manner in which we communicate. We meet regularly. The Department is now a Department. I think there are other things we can do in the next year, but a reorganization plan that goes beyond the Department must be placed in an order of priority for reorganization plans. As you know, the statute provides there can be no more than three reorganizations pending at any one time, and there are sufficient reorganizations pending so that this year is pretty well taken care of. We will welcome very much the wisdom of this committee and others as to what additional steps we should be taking in combining portions of the Department or in combining outside organizations.

MAINTENANCE OF TRANSPORTATION SYSTEM

The final thing, Mr. Chairman, relates to the policy statement. You will notice that I indicate there is a shift. Last year I stated to you that I would report back to this committee at this time. In grossly simplified terms, the shift is this: The United States has arrived at a point in the 1980's where we have a rather mature transportation system. We are over 90 percent complete on the interstate. We have a railway system in place. We have a waterway system in place. We have an airway system in place. I don't mean they can't be improved, and I don't mean it's not going to cost a significant amount of money to keep them maintained and in place.

We went throughout the entire country and spent a whole year at it with the Assistant Secretaries and the Administrators. We met with Governors, met with Representatives of the Congress. We met with local officials; went to town meetings, and the cry that we constantly heard was "make it simpler," make the programs simpler and try to combine programs to the degree that you can and help maintain the system, don't lay on a big new system right now because we don't know where we are going to get the money to maintain the current interstate system and we have a lot of maintenance to be done.

We would like to see fewer categories in terms of total number of programs. We would make it easier for us to decide locally whether we want to go with the highway or whether we want to go with the public transportation system. So we have responded, Mr. Chairman, with our policy statement which does that. With the new legislation and the reorganization steps we have taken, we have tried to meet the energy crisis that is upon us.

Mr. Chairman, in a Democratic society it seems that logic comes first, then comes necessity, and then comes action. I think we are at the logic stage right now. I see the necessity as a crisis developing in the middle of the 1980's. What we are trying to do is to get the United States ready in its transportation system to provide alternatives to a completely petroleum based transportation system. We will develop as many alternatives as we can and as quickly as we can, so that the economy will not suffer a jolt as supplies become

more scarce or more expensive, so that the life style of the people will include choices.

I will not, Mr. Chairman, go into the details that we have laid out in this policy statement that runs nearly 25 pages, but I would be most happy to discuss the specific interests of the Members in particular programs. I appreciate the time and your allowing me to bring my staff with me.

TRANSPORTATION SUBSIDIES

Mr. McFALL. Thank you, Mr. Secretary.

You have given a very fine statement. It was refreshing to have you give it instead of reading it. That is one of your great talents, and it makes for a livelier presentation. I want to say again I am glad that you brought your people from the Department here. You inherited a group of people that are exceptional. You have added some exceptional people, and I know it will add up to a better Department of Transportation. I don't suppose a leader can be any better than what he leads, and you have put together a fine department.

Mr. Secretary, the Interstate Commerce Act of 1940 indicates that our national transportation policy should "preserve the inherent advantage" of each mode of transportation. However, under our present system, we have different levels of Federal subsidy.

For example, table B-7 of the Special Analyses part of the President's budget includes the following Federal subsidies for the various modes of Transportation for the past 10 years. Recent reports by the Congressional Budget Office and the Department of Transportation also provide a good indication of the varying levels of Federal subsidies.

Then another table which we have shows transportation subsidies as a percentage of expenditures by users for fiscal years 1974 to 1976. I shall include all three tables in the record at this point.

[The information follows:]

SUBSIDIES LESS CURRENT SURPLUS OF GOVERNMENT ENTERPRISES

[In billions of dollars]

Description	Actual										Estimate	
	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Subsidies:												
Maritime.....	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.5	0.5	0.6	0.5	0.5
Railroad and mass transit.....			*	*	.1	.1	.1	.4	1.1	1.3	1.4	1.4
Other (mainly airline subsidies) ¹.....	.1	*	*	.1	.1	.7	.1	.1	.2	.1	.2	.2

¹ Includes subsidies by the disaster loan fund of \$0.7 billion in 1933.

FEDERAL SUBSIDIES

The comparative significance of these subsidies may be seen by the following tabulation, which shows the approximate average out-of-pocket percentage increases in expenditures that travelers would pay if Federal subsidies were removed:

Mode	Percent increase to travelers
General aviation.....	15
Local service air carrier.....	15
Trunk air carriers.....	5
Amtrak rail passenger service.....	29-160
Auto.....	Nil
Bus.....	Nil

TABLE 3.—TRANSPORTATION SUBSIDIES AS A PERCENTAGE OF EXPENDITURES BY USERS, FISCAL YEARS 1974-76

	1974	1975	1976
Air transportation:			
Air carrier ¹	1	1	1
General aviation ²	12	13	14
Highway transportation: ³			1
Railroad transportation:			
Passenger ⁴	54	82	113
Freight ⁵	1	2	3
Water transportation:			
International freight ⁶	8	10	11
U.S. flag only.....	29	37	41
Domestic freight ⁷	21	22	21
Inland only.....	47	44	41
Mass transportation ⁸	49	54	73

¹The subsidy includes a portion of the Federal Aviation Administration's expenditures plus the subsidy to local service air carriers administered by the Civil Aeronautics Board. FAA expenditures and excise tax revenue were allocated between air carriers and general aviation on the basis of DOT's 1973 cost allocation study. Air carrier revenue data for 1974 is from U.S. DOT, "Summary of National Transportation Statistics," June 1976 (hereafter, "DOT Statistics"); 1975 revenue is from U.S. DOT, "National Transportation Trends and Choices," January 1977 (hereafter, "DOT Trends").

²Includes allocates FAA expenditures. General aviation expenditure data from "DOT Statistics" in 1974 and "DOT Trends" in 1975.

³There was a negative subsidy in 1974 and 1975, since revenues exceeded expenditures.

⁴Includes grants to Amtrak as well as the principal of Federal guaranteed loans. Revenue data are from American Association of Railroads, "Yearbook of Railroad Facts," 1976 (hereafter, "Railroad Facts").

⁵ConRail security purchases are not included; they were \$309,000,000 in fiscal year 1976. Revenue data from "Railroad Facts."

⁶Includes the various subsidies from the Maritime Administration plus a portion of corps expenditures for deep draft channels and harbors. Revenue data are from discussions with the Bureau of Economic Analysis, U.S. Department of Commerce.

⁷Revenue data are from "DOT Statistics" in 1974 and "DOT Trends" in 1975.

⁸Includes the various subsidies from the Urban Mass Transportation Administration plus Federal aid to Washington, D.C., subway. Revenue data are from American Public Transit Association, "Transit Fact Book" (1975-76 edition).

SOURCE: Congressional Budget Office, "Financing Waterway Development: The User Charge Debate," Washington, D.C., July 1977, pp. 15-16.

INHERENT ADVANTAGE OF MODE

Mr. McFALL. We have also developed over the years different degrees of Federal regulation. For example, a recent report by the Senate Committee on Government Affairs indicates that most railroad transportation is subject to ICC economic regulation, whereas ICC regulations do not apply to 58 percent of intercity motor-freight transportation. Another example is contained in a January 1978 OTA report on coal slurry pipelines. This report includes the following finding on page 17: "Common carrier status and ICC rate regulation place railroads at a disadvantage relative to less stringently regulated pipelines." These are just a few examples. There are others. To what extent do you feel these varying degrees of Federal subsidy and regulation prevent the transportation modes from achieving their inherent advantage? Secondly, what, if anything, do you think can or should be done to better permit the modes to achieve their inherent advantage?

Secretary ADAMS. Mr. Chairman, in response to your request, let me give you a "general tone." I think we do, by both regulation and by subsidy, remove a lot of the inherent advantages of the modes. We believe, as an administration, we should not have the Federal regulation and subsidy programs tightening the advantage away from the inherent advantage of the modes.

For example, what we have done is, to propose waterway user charges. This is unpopular with many people, but we should not subsidize waterways 100 percent while at the same time we are trying to decide whether or not to subsidize railways for which in the past we have not really done anything about their right-of-way. We have been unable as yet to firmly establish in the Administration, that in terms of regulation, your regulation should be even across the various modes that are competing. In other words, if you are going to exempt one, you should exempt the other. Or if you are going to regulate them all, then regulate them all. But you are correct, they do not have an across the board system at the present time. However, we are making recommendations and have to reduce the total amount of regulation which should begin to correct that imbalance. This has been true throughout the whole early part of this Administration.

TRANSPORTATION POLICY

Mr. McFALL. Over the years, one of the problems this committee has had with the Department is the manner in which DOT addresses transportation policy. As I indicated four years ago, if we continue to determine how many highways we need and then, separately, how many airports we need, et cetera, our transportation system will remain fragmented and relatively inefficient. We are very pleased, therefore, that you are continuing the work of your predecessors in the policy area. As you know, we also received a detailed statement on national transportation trends and choices from former Secretary Coleman. Would you briefly summarize for us the major differences between your statement and that of Secretary Coleman?

Secretary ADAMS. Basically, the statement of Secretary Coleman presented to the committee a series of potential alternatives without selecting any particular one. But, I think the basic thrust of the differences we have is that they assumed that there would be a continuing demonstration of the total transportation system by a petroleum based type of transportation. We believe that must start to shift.

I also think we need to stretch our ability to use petroleum supplies as far as possible. That is why we came in with the stringent new standards for the use of petroleum to get higher mileage. It is why we have proposed a system for finishing the construction of the interstate rather than saying there will automatically be an extension of the interstate. The other thing is in recognizing the changes we have now put together in a package of the policy trends and choices. This can lead toward a total surface transportation system.

The final difference is that was we created the combined account which I am still not satisfied with, Mr. Chairman. In the budget this year, you will notice transportation is in one category, which is number 400. It contains all of the transportation expenses, so that this committee can look at the total amount spent no matter which Department it is in. However, there is one exception which is all tied into the Corps of Engineers and I think we ought to work on that next year. That indicates how much we spend in each area, so a valid decision can be made whether we should shift those priorities. So we have moved from a total set of policy choices toward putting in motion a specific set of policies that are directed toward conservation and toward making the existing system we have work.

The final thing is that we deeply believe the transportation system must now become part of the community in which it operates. This is true whether this is a rural community where you are going through farm land and wetlands, or in an urban community where you are trying to decide how you are going to control air pollution, the revitalization of the central city and whether you want to move the garage to the edge of town to break the commuter type operation in the city. Those are definite new policy initiatives which I hope this country will follow through the 1980's.

Mr. McFALL. Mr. Secretary, I will have two more questions when we come back after a short recess.

[A short recess was taken.]

COMBINED TRANSPORTATION ACCOUNT

Mr. McFALL. The committee will resume. In the answer to the previous question, you were discussing your combined transportation account, Mr. Secretary, and when you discussed the idea last year, you said that "We can then decide how to shift the Federal investment in transportation, as our national needs change with time, rather than simply add up the requests of each interest, even if they conflict."

This year, we have a combined transportation account, but in reviewing your proposed fiscal 1979 budget, I don't see very much

shifting in the funding mix between the various modes of transportation. Most areas are up from fiscal 1978, which isn't too surprising, but it would appear from this that your answer to our transportation problems is to continue the traditional approach of providing a little more money for everyone with no major shift in direction. Does this mean that you are satisfied with the transportation system resulting from the current Federal funding mix, or haven't you addressed this issue as yet?

Secretary ADAMS. We have started to address it, Mr. Chairman, in answer to your second question. No, I am not satisfied that we have the exact mix. There are two pieces missing still from the program which we will ask the Congress to consider this year. If they were included in that account, it would show a shift in the public transportation area. One of these is funding for Metro from interstate shifts. Also we have not included money that will come potentially into the transportation systems in the central cities from the President's urban strategy. The reason for that is, as you will remember, that this committee instructed us not to move forward with interstate transfer approvals for Metro until we had a financial plan. We have not received that plan yet. Therefore, there is a potential of up to \$275 million for Metro in interstate transfers, as soon as we get the analysis and comply with the instructions that you have given us. The second amount is in the vicinity of around \$400 million to \$450 million for urban strategy in central areas. You will see, this produces quite a shift into assistance for public transportation alternatives.

The final thing, Mr. Chairman, is that within these totals there are now some rather dramatic shifts as to how that money is used. For example, in the highway trust fund area, we have reduced the number of categories dramatically, which allows various State authorities to use their money for different purposes within that. You will hear when the Federal Highway Administration is here to testify that we are beginning to beef up the rehabilitation, resurfacing, and restoration accounts, because the States have simply said to us, we cannot maintain it, as was the original thought when the system was built. You will also notice an increase in the bridge repair money, because the States are saying this is overwhelming us. So within the spending mix of the Federal Highway Administration, we are concentrating more on those systems to see that they will work and work well.

MIX OF FUNDING FOR TRANSPORTATION

Mr. McFALL. To what extent do you feel that the present mix of Federal funding will need to be changed over the next five or ten years to deal with changing energy, environmental, social or economic conditions?

Secretary ADAMS. I really answered part of that in my prior answer, Mr. Chairman. I think we will have to provide more alternatives for people to break the home-to-downtown movement that is made now entirely by individual automobile. We have tried to, in this budget, start a movement directed toward a series of choices for people, so that they can be collected from suburban

areas and delivered to points at the end of either a busway, a van, carpooling way, or a rail system way, and then be taken downtown. We have started to fund the downtown people-mover project which had been previously presented to this committee.

The system that we are trying to get local areas to focus on is how they can collect their people at points along the way, including the outer suburban points, and then bring them downtown with the public transportation systems that will move people to their places of work or the place they wish to shop. So you still have the automobile available for the marvelous flexibility it can give you, or you can make the downtown trip, but you don't have to use the automobile for everything. You aren't compelled to get in it at home, go downtown and park it all day and go back at night, because there is no alternative. This is going to be, in my opinion, what will be changing and happening all during the 1980's. People will have their automobile, will use it and have the flexibility of it, but will not have to overuse it. That is what we are trying to accomplish with the programs that we have here.

On the regulatory side, the Congress has given us our marching orders, and we have tried to carry them out. We are trying to make a socially responsible vehicle for the 1980's, with better mileage, better control of emissions and a safer automobile. It will be smaller and in many cases lighter, will have safety features built into it in order to reduce the total cost and expense that occurs from automobile fatalities and accidents.

URBAN AND RURAL TRANSPORTATION NEEDS

Mr. McFALL. One small detail before I turn the questioning over to Mr. Conte.

When you discussed the division between urban areas and rural areas in your proposed highway legislation, this thought occurred to me. I represent a very large rural area on the edge of the San Francisco Bay area in California, and I think my district is, perhaps, typical of many districts that are more rural than they are urban. My district runs from about 50 miles east of San Francisco, 200 miles across the State to the Nevada line.

I have large parts of the Sierra Nevada recreation area in my district, and we can get along fine with the highways we have, but we have to accommodate—and it is good business for us—those vast numbers of people in the San Francisco Bay area who come across the district for recreation. They use the highways in their cities during the week, as we see them here—Monday through Friday the highways are jammed—and then on weekends they use the rural roads as they do here. In this area they head for the seashore and go through the little towns from here to Rehoboth. It is the same type of traffic that you find in many rural areas around the country.

It is emanating from where the people are, and you can't really distinguish between rural areas, as such, having rural needs and urban areas having urban needs, because those people from the urban areas go to the rural areas on the weekends.

Secretary ADAMS. Mr. Chairman, that is very true, and that is what makes this Transportation Secretary job very, very difficult. The American people are not only mobile, but they consider mobility as one of the things they value most highly in life. So what we have tried to do in proposing these categories is to maintain, for example, the Federal aid primary category, but combine under it eight program categories that presently exist. That way a road can be maintained in the district that you represent and all the people can use it.

I would also like to see that we restore some of the public transportation to those rural areas. Although the highways may be there, there is maybe a significant number of people, particularly in the less affluent areas where there is no public transportation at all. Unless one can get a ride with a friend, there is no way people in those areas can move from their individual homes. We have tried to address that by not taking away from the highway program, but by buttressing it with some additional systems. It is a very difficult problem and I have no magic answer to it but that is how we are trying to approach the problem.

Mr. MCFALL. Thank you, Mr. Secretary.

Mr. Conte?

NORTHEAST CORRIDOR BUDGET

Mr. CONTE. Thank you, Mr. Chairman. I also want to join you in welcoming back our esteemed colleague, Mr. Yates. I am sure with his ever-piercing, probing, inquisitive mind, he will make a great contribution to this committee.

Mr. YATES. I am sure that is true, Mr. Conte.

Mr. CONTE. I want to welcome also our colleague and good friend, Secretary Adams, who has done such an able job since he has taken over the helm as Secretary of Transportation.

Secretary Adams, in your prepared statement you touched upon the Northeast Corridor. We are extremely concerned about the reduction in the President's budget for the Northeast Railroad Corridor from \$600 million to \$455 million.

My question is, does this reduction indicate the administration is no longer committed to the completion of the corridor project, as outlined in the 4-R Act?

Secretary ADAMS. Not at all. We are very much committed to it, Mr. Conte, and we will be reporting to you as to what we are going to spend all of the money on. All of the money, I can assure you, is committed. In fact, there are more demands than money available.

The reason for the specific amount that has been allocated is that we have had a number of discussions with people along the corridor as to what can be built first and what can be built under the traffic that is there. The \$455 million represents the maximum number of people we can get out there next year. In other words, you can only get so many people out there on the corridor while you are running trains back and forth. Also, in your particular area, we are working with the local authorities to develop the scheduling and construction requirements on the run from Boston, south to Providence.

Mr. CONTE. Pursuing that question further, last year you testified about the effect the transportation program would have on unem-

ployment, and I quote, "Improvement in the Northeast Corridor will also provide over the duration of the project 35,000 person-years of employment and that it has taken too long to actually get people out on the rails working."

That was on page 15. The question is, won't the \$145 million cutback in spending for this year delay getting these workers out, on the rails, where you would like to see them and ultimately reduce the employment to be generated from the project as a result of another year's inflation eating away at the purchasing power of the \$1.75 billion that was authorized?

Secretary ADAMS. Mr. Conte, I am still not satisfied that we are getting people out there as fast as we should, but this was all we could absorb. We have a build-up going on. I personally went out on the track last year, and I anticipate doing that again this year, to get those crews moving. We now have bought the machinery for them, so we can lay welded rail and the ballast and other items, so this funding level reflects all the people-type operations we felt we could do this year.

In addition, we are having some problems with the total electrical system. We had to redo a portion of that system because the original plans did not fit the commuter lines tying in with the high-speed line that went through. So that has caused some delay. But the additional amount that we authorized this year will result in approximately one thousand additional man-years of labor being employed in construction activities. It also is anticipated that fiscal year 1978—what we will be doing this summer—will generate about 6,000 to 7,000 direct man-years of labor. I am never satisfied, but we are doing a lot better.

NORTHEAST CORRIDOR TIMETABLE

Mr. CONTE. I appreciate that. In the same vein, it was recently reported that you stated that meeting the 1978 statutory deadline for the completion of the corridor is highly unlikely. Is that true, and when do you estimate that the work on the project will be completed?

Secretary ADAMS. It is true. However, I think we will use up the amounts that have been authorized by Congress by the following year. In other words, we have had some delays such as in the electrical work. I do want to emphasize though so there are no surprises, that I think we can meet the trip goals, the trip-time goals, with the funds that have been authorized.

Mr. CONTE. Is that the trip time between Boston/New York, and Washington?

Secretary ADAMS. Yes. We ought to replace the whole system from New York south because it is an 11-plus kilovolt system that doesn't exist anyplace in the world. We cannot get parts for it. It is falling apart, so the whole electrical system ought to be replaced. I am hopeful we can do that in order to meet the trip time goals.

We cannot create movement that we wanted around cities for the high-speed train and we cannot remove some of the curves we wanted to remove. There may well be a presentation to the Congress during the period of this project, stating what we have been

able to do and what we would do if we had additional funds. The Congress can then decide whether the additional benefits would be worth it.

Lastly, in January, I called together all of the various agencies located up and down that corridor. I was receiving complaints that the people who are running commuter operations—particularly Baltimore, Philadelphia, New York, New Jersey area, and Providence/Boston—had doubts about those high-speed trains coming through. They felt they were going to get in the way of the day-to-day commuter operations. We are now trying to work out an operational plan with them. This makes it necessary to analyze whether or not we have to have some routes that get around the commuter area rush-hour periods. This is something we may have to propose to the Congress, and we will bring that forth as fast as we can get the final plan.

Mr. CONTE. It looks like you will meet your trip time goals but completion of the project, itself, will be delayed past 1981. You will need new authorization, as a result of that?

Secretary ADAMS. Probably.

Mr. CONTE. Can you outline the areas in which this year's spending cuts in the projects are to be made, and provide for the record DOT's revised critical path planning timetable for completion of the project?

Secretary ADAMS. I would be happy to supply that for the record, Mr. Conte. I might state to you that we went through a zero-base-budgeting operation this year, reviewing all programs by package, starting at one end with a level at least 20 percent below present program level and going to a level 10 percent above present program level in some cases. In this process, certain ones fell out at the bottom. We will be happy to tell you how that happened and how we arrived at it. I am not completely satisfied with the packaging but, for the first year, I thought it worked well.

[The information follows:]

NORTHEAST CORRIDOR REDIRECTION

We are now reexamining the program to assure that we have an integrated system with primary consideration for the kind and quality of service to be provided as opposed to a heavy emphasis on building the system. We feel strongly that this review and changing concept of implementation will lead to a better balanced, coordinated system, fully considering the needs of commuter, freight, and intercity passenger users. Under current plans, which are subject to change should the redirection study so indicate, the track program continues to receive the greatest amount of funds. Although not reflecting an order of importance, electrification, stations, signalling, and traffic control, service facilities, fencing and communication follow track structures in size of funding amounts.

The redirection study may cause delay in proceeding with certain improvements until we are assured of their scope and schedule. For example, some work on stations and maintenance facilities will be influenced by the development of improved operational plans. The most important work on the roadbed and essential structures will go ahead without delay since it is a necessary part of any approach to be taken and is required to meet mandated triptime goals. Areas where spending is being reduced below the level contained in prior plans include: curve realignments, electrification, bridges, signalling and traffic control, service facilities and stations. It seems certain that the overall project will not be finished by February 1981; however, we feel confident that accomplishment of the more essential work currently planned will permit achievement of the trip-time goals by February 1981 on a regularly scheduled and reliable basis. Accordingly, the redirection effort is being pursued with this critical path timetable in mind.

FREIGHT ON NORTHEAST CORRIDOR

Mr. CONTE. I understand there are a number of major policy questions that have not yet been decided in regard to the corridor project. For example, a firm decision has not been made as to whether the corridor will be used to carry freight or whether the electrification program between Hartford and Boston will proceed.

Secretary ADAMS. In answer to your question, the decision on electrification between New Haven and Boston has been made, but not between Hartford and Boston. There will still be freight on the corridor in the area between Washington, Baltimore and New York, because we have been unable to obtain the necessary rights and agreements with ConRail to move it off.

What we are trying to do in the meantime is to get as much of the through traffic off as we can, but we have not been able to resolve that problem. Also, I do not think we will be able to solve—with the money we have available—the local freight traffic problem in the area between the corridor and the Atlantic. In that area you have to get across it in some fashion, and that means going on the corridor for what we hope will be as limited a distance as possible. The final thing is that we are working with the ConRail people to be certain that if we do have freight on there, that we have agreements so that we do not have it in overweight loads that will break down the rehabilitation that we are doing.

It is a very difficult project, Mr. Conte.

AMTRAK ROUTE STRUCTURE

Mr. CONTE. I realize that. I will ask one more question.

Mr. Secretary, on February 2, Senator Long introduced S. 2478. This legislation, among many other things, will treat the finding of the Amtrak DOT route structure study due March 1 as preliminary recommendations subject to further review by appropriate agencies and the public hearings to be held throughout the country. The end product of this process would be a final Amtrak route structure, that is, a master plan issued from your office, subject to congressional approval or disapproval in the fall.

My question is, do you support such a plan, and, if so, are you willing to support another supplemental appropriation for Amtrak for fiscal year 1978 so that the current Amtrak routes in operation can be kept in place until the new system plan is finalized?

Secretary ADAMS. We did support a supplemental but it has been held up in the appropriation process. We have asked the Amtrak board to maintain the present route structure within the additional funds. I might state that we also are held up because the new Amtrak board members have not been approved as yet. Yes, we do support the idea that there should be an overall route structure and that the amounts of money to maintain that route structure be presented to the Congress as a package. I am concerned about the fact that we do not have the new board and therefore we are having delays in getting the total system plan presented to the Congress.

Mr. CONTE. Thank you, Mr. Chairman.

Mr. McFALL. Thank you, Mr. Conte.

Mr. Steed?

USE OF HIGHWAY TRUST FUND

Mr. STEED. Mr. Secretary, I also want to join with my colleagues in extending to you a warm and cordial welcome.

I have been reading your press release dealing with the testimony you recently gave before a legislative subcommittee on the President's proposal for the highway public transportation legislation. I find most of it very agreeable to my point of view and very interesting. However, one thing that concerns me is the use of these funds for non-highway purposes, maybe you can help straighten me out. I go back to the beginning of the interstate highway program and I was on a legislative committee at the time. I spent three years helping to get that bill approved.

The difficulty we had was a point of view between Speaker Rayburn and the Democratic Majority in the Congress, and President Eisenhower, over how we would pay for these roads. The administration wanted a bonding plan and the Speaker wanted a pay-as-you-go plan, and it got involved in helping to create the highway trust fund.

Of course, the revenues for the trust fund came from assessing special taxes on highway users of one sort or another. One of the arguments they used against the trust fund approach at that time was that the minute you set up a trust fund, you would create temptation for all sorts of people to start dipping into it for purposes other than building roads, which, of course, the highway users were told the trust fund was going to provide for them—you pay the taxes and we will build the roads.

There has been some of that diversion indicated in recent years. Maybe these funds were spent on good projects, but now it appears as if you are getting ready to use funds for something besides building a road. Although that use may be left up to the discretion of the local authorities, aren't we starting something that is going to get so far away from the original trust fund idea that we are going to be having highway users paying for a lot of things they never intended to pay for, or will we have other sources of income in the trust fund to give a better balance to those who are footing the bill for all these projects?

For instance, we have the airport and airway trust fund, and it would be about as justified to combine that with this trust fund since it is another kind of transportation, too.

Perhaps, my concern about this is a little bit oversensitive. However, having gone through those early days and having played what I think was a key role in finally getting Mr. Eisenhower to agree that he would take the trust fund approach if Mr. Rayburn would take the Clay Commission recommendation, you can understand why I have a little concern about this particular fund and how it is used.

Secretary ADAMS. I don't think you need to be sensitive about it at this point, Mr. Steed, because the legislation does not propose that the highway trust fund be used for other purposes than that which we have presented to the Congress. I testified to that in front

of the legislative committee. The trust fund remains intact. The purposes for which it can be used are highway purposes. What we have done is to make the formulas within the urban mass transportation system generally identical to the highway trust fund formulas so that then, for example, if you wish to withdraw a portion of the Interstate System and instead go to public transportation, you would have general fund appropriations for public transportation. You would not take it from the trust fund, but you would have it at a 90-10 basis which is the same matching shares as for Interstate highways. So there is no change in the trust fund in terms of it being used for purposes other than highways.

Now, during the course of the next four or five years, I think this committee, and the whole Congress, is going to want to discuss the total amounts of money that are available in the trust fund. It is one of the reasons that I have not come forward with a set of recommendations for its use elsewhere. As our gas consumption goes down, there is only an amount of money probably sufficient to finish and maintain the existing system that we have. You will remember, I recommended to the Congress, and we tried to pass, an increase in either a gasoline tax or other potential energy source taxes to fund the alternative uses to the automobile. But that recommendation has not been accepted and therefore we do not have at this point additional revenues to pay for that. But we have not opened the trust fund.

COMPLETION OF INTERSTATE SYSTEM

Mr. STEED. I don't want to leave the impression that I am opposed to development of these other types of transportation. I think that correlating them together and making a composite service to the public is probably desirable and, perhaps, has been already delayed too long. I would support that. It is just a matter of where each type of funding would come from and upon whom the burden would fall.

Secretary ADAMS. We have also tried in this legislation, and I know the Congress has tried this before, to put into it a time period for completing the Interstate System. We have been very concerned about the fact some States didn't have the matching money, or there were a number of States that were holding up on any transfer of funds. They really had not intended to build the highway, but left it there, letting the value rise before they transferred it. So we have established some rather strict time periods which we think are reasonable. They are strict time periods within which States must decide either to "go" or "no-go" to try and get that system finished and to use the money that is available with which to finish it. We have gaps in the system now that really should be concentrated on. We also have put in the legislation that States could use their allocation a year in advance, if they were ready to go. So we have done everything we can to try to complete the Interstate System.

EFFECT OF TRUCK WEIGHT LIMITS ON HIGHWAY FUNDS

Mr. STEED. This last year, I made two trips in which I covered over 6,000 miles of Interstate roads. You mentioned something that

brought back to mind some of the things that I encountered, and that is maintenance of these roads after they are built. I notice that quite a bit of that is going on now, especially on those areas that were completed shortly after the program was started.

Then, of course, I got a notice that your office addressed a letter to the Governor of Oklahoma, advising him that because of the State's failure to comply with certain truck weights and limits, that they were in dire threat of having their highway fund allocations canceled.

Could you give us some more information about that and how that is considered to be impinging on the deterioration of the quality of the roads after they are built?

Secretary ADAMS. First, Mr. Steed, it is a tough job. Second, yes, we sent out notifications that went to 16 States—

Mr. STEED. It is nice to know we have some company.

Secretary ADAMS. And we sent them to 12 additional ones beyond that. The law requires me, as Secretary, to certify that a State is maintaining its weight limits. In other words, you will remember that Congress said that 80,000 pounds was as much as you could put on the road. We found in these States the reports of the States, themselves, indicated they were weighing from zero trucks to less than seven percent of the trucks. In other words, they really were not doing anything. To those States we gave 45 days to come in and show cause why they shouldn't be checking the trucks, because it is a major problem. We cannot maintain, with the moneys we have, or can we visualize doing so in the future, the entire 42,000-plus mile system if it is going to be badly battered apart.

It may well be that this committee and the other committees of the Congress may want to decide, in the future, on freight corridors. We could build them with heavier concrete and with a system that is developed for carrying the heavier loads. The States are required to do the weighing. I just certify, as we don't have an army out there. If the States do not carry out the truck weighing program, and maintain the truck weights below the maximum level, they will just simply allow the system to be destroyed. That is what I am trying to do, and it is very hard.

Mr. STEED. As I made these two drives, I noticed that about half of the truck weighing stations were closed. I will not name the States where I found that to be true, but I can understand why you had more than Oklahoma to be concerned about in this regard.

In States that are making the checks, what are they finding?

Secretary ADAMS. When they make the checks, Mr. Steed, the trucks stay within the limits. Where they don't, we find that the loads are going up. This is particularly true when two or three States are linked together. We are attempting to do two things. One is, to say you will do it. Second, is to place money in the bill we have before the Congress to allow States to use their highway funds to buy truck scales as well as to build the road that actually goes out to the truck scale. So we are trying to assist them in that way while at the same time also telling them you have to do it. The problem is that those weights are being fudged on.

STATE RESPONSIBILITY ON TRUCK WEIGHTS

Mr. STEED. In view of the fact that you have your responsibilities under the law and that you have been forced to take the action of warning that you have taken, what advice do you have to give my State legislature and Governor regarding what they should be doing, and how long they have to do it in so that you do not cut off our highway money? I don't know of any place in the world that needs new roads more than our State.

Secretary ADAMS. I think that they should start weighing those trucks. I think they need to put some money into the program. In other words, they should open the truck stations and have them available. They must also reply to the show-cause order we have sent to them and demonstrate what their program will be.

Mr. STEED. How long do you give them to do this?

LETTER TO GOVERNOR OF OKLAHOMA

Secretary ADAMS. I have given them 45 days to reply to the show-cause order. I will put the letter in the record, if you would like to see it, Mr. Steed.

Mr. STEED. Fine, but I want you to know that I am not quarreling with your action; I just wanted to see if we couldn't help make some more information generally known so that the chances of not getting compliance would be eliminated.

Secretary ADAMS. Thank you, Mr. Steed. We are not trying to take away anybody's money. We are trying to get them to do what the Congress and the executive branch, through the law, had said they were required to do.

Mr. STEED. I would not want you to put anybody else's problems in the record, but if any of my colleagues are curious, I am sure if they asked you after the hearing, you would tell them whether they had the same problem or not.

Secretary ADAMS. I would be most happy to indicate to them. [The letter follows:]

THE SECRETARY OF TRANSPORTATION,
WASHINGTON, D.C.,
February 3, 1978.

Hon. DAVID L. BOREN,
Governor of Oklahoma,
Oklahoma City, Okla.

DEAR GOVERNOR BOREN: Based upon the analysis of available factors, the certification of vehicle size and weight enforcement submitted by Oklahoma for the period of October 1, 1976, to September 30, 1977, appears to indicate that Oklahoma is not in compliance with the requirement of 23 U.S.C. 141 that the State enforce its laws on the Federal-aid systems.

Effective January 4, 1975, the Congress, by section 107 of the Federal-Aid Highway Amendments of 1974, P.L. 93-643, amended Chapter 1 of title 23 of the United States Code by inserting section 141, which provides that "Each State shall certify to the Secretary before January 1 of each year that it is enforcing all State laws respecting maximum vehicle size and weights permitted on the Federal-aid primary, the Federal-aid urban system and the Federal-aid secondary system, including the Interstate system" in accordance with section 127 of title 23 U.S.C. The regulations issued under authority of section 141 are found in title 23, code of Federal Regulations, part 658. Part 658.9 provides that in order to obtain approval of Federal-aid projects under 23 U.S.C. 106, each State certification should contain certain information which would indicate the effectiveness of enforcement efforts.

Pursuant to the provisions of section 141, I am considering withholding approval of further highway projects under 23 U.S.C. 106 in your State. In accordance with the applicable regulation, 23 CFR 658.17, a final determination as to the withholding of project approval will be made not less than 45 days from receipt of this letter unless the State requests an opportunity to show cause why the determination should not be made effective. The State may do so by requesting an informal hearing within that period of time. You may direct your request for a hearing to me, and I assure you that it will be given prompt attention.

Sincerely,

BROCK ADAMS.

Mr. McFALL. Thank you, Mr. Steed.
Mr. Benjamin?

CHICAGO RAIL SERVICE

Mr. BENJAMIN. Mr. Chairman.

Mr. Secretary, on the questions submitted to you for the record, No. 32 indicates that there is a concern about the assistance to the railroads in the Midwest, and I presume you are going to answer that for the record, although they were not asked verbally of you here.

Secretary ADAMS. Yes.

Mr. BENJAMIN. I would ask you to specifically comment in your response about any assistance that is contemplated by DOT for the commuter service and intercity service to the City of Chicago in relation to whatever assistance may be developing or proposed for the Midwest.

Secretary ADAMS. Yes, we will do that.

BUY AMERICAN PROVISIONS

Mr. BENJAMIN. Let me go on, then, to a second question, and that is, in your policy statement which I have read, and find to be very persuasive, on page 19, under item No. 4, labor and jobs of the future, you indicate that transportation is a very labor-intensive industry with much of it requiring a highly skilled work force. You conclude, "Consideration of labor protection measures then must be an important part of the development of any legislation that is likely to have significant adverse impact on working men and women."

Through the course of that particular section of the statement you indicate there should be protection. Does that include protection for those who make the equipment that is purchased by the various railroad systems in our country?

Secretary ADAMS. We have never moved to those kinds of provisions for construction of equipment in the past, so I do not have a position on that.

Mr. BENJAMIN. May I ask, then, if that has been a concern of DOT, and I specifically refer to two situations involving UMTA grants in Cleveland and Atlanta, where American firms did not receive the normal preference given to it by the 1933 Buy America Act because of the procurement being at the local level? I would prefer your addressing yourself to that in any response you may want to submit for the record.

Secretary ADAMS. I might reply to that, that in the case of the Urban Mass Transportation Administration, there was originally in

it a Buy America provision which was removed by the Congress. Therefore, the legislative history was such that we do not feel that we can enforce Buy American in UMTA purchases. In other words, they are put out on competitive bid. One of the problems is that as we try to rebuild the public transportation system and construct many public transportation vehicles, we have quite a ways to go to rebuild that infrastructure. In other words, there are very few manufacturers any more that can come in and compete for many of the new vehicles that are to be purchased very rapidly by cities such as Cleveland and Atlanta. We don't build a lot of trolley cars, or a lot of subway cars any more in the U.S. We are hopeful that the industry will come back and will be competitive.

Mr. BENJAMIN. I thank you for the history of that particular law. Secretary ADAMS. It is a real problem.

LEGISLATION FOR PUBLIC TRANSPORTATION

Mr. BENJAMIN. You are directing yourself to legislation which I presume the Department will propose in the future, if it has not already proposed.

Secretary ADAMS. We have legislation pending for expansion and for development. It is continuing legislation for the development of new public transportation systems. As you know, we are building them. The Metro is here; one is in Atlanta; one started in Buffalo; one starting in Baltimore; we are buying cars for Chicago and New York and Boston systems. This whole thing is coming back to life again, but the degree to which the American industry responds is a concern of ours. We tried to help put together a consortium to buy buses and other equipment. There are large numbers of orders.

Mr. BENJAMIN. Is it correct that UMTA will come up for reauthorization in 1980?

Secretary ADAMS. No, this year we combined UMTA and the highway bill into a single bill because one legislative committee in the House now has jurisdiction. In the Senate there will have to be two bills, because there are two committees having jurisdiction, and they wish to consider them separately.

Mr. BENJAMIN. Let me go a little further. I assume, then, you have already drafted the legislation that you are going to submit?

Secretary ADAMS. Yes, it has been submitted.

Mr. BENJAMIN. Do I assume there is no Buy American provision in the UMTA bill?

Secretary ADAMS. That is correct.

Mr. BENJAMIN. May I ask if you would be kind enough to provide for the record the feeling of DOT on that in terms of anyone proposing an amendment that would include some preference for American goods?

Secretary ADAMS. Yes, we will do that.

[The information follows:]

LEGISLATION ON BUY AMERICAN

The problem of "Buy American" is a very complicated one in which many conflicting forces operate. For example, foreign firms sometimes contribute valuable technological improvements to equipment, and competition from these companies

may result in lower overall prices for equipment. However, there are other situations where it may be in our best interest to restrict foreign competition through the use of Buy-American preferences. For example, if foreign firms won most contracts in a given field, we could find ourselves with such limited domestic capacity, we would have to depend entirely on foreign sources. Obviously, this would be undesirable.

Because of the significance of this problem, prior to the Overview hearing, the Department had initiated a review of the departmental position on "Buy American." This was done with a view toward assuring the soundness of the current departmental policy. When this review is completed the committee will be advised of the departmental determination.

PLACEMENT OF INTERSTATE HIGHWAYS

Mr. BENJAMIN. One final question, Mr. Chairman.

Mr. Secretary, you are going to have to help me on this. I assume at the time Mr. Steed was talking about the interstate highway system, there must have been planning at the national level in regard to the grid that was finally set out so that the decision was made in cooperation with the States to determine where the interstate highways would be?

Secretary ADAMS. There was a general plan set forth. Specific locations and specific project approvals were allowed with State variation. There has been developed a general system over the last 20 years for their route location. However, the Federal Government did not say to the State that it must go through this city or around that city. The Federal plan would indicate the general area and then the States would come in with specific projects indicating how they were going to carry it out. The Federal Government would then approve it or not approve it. Mr. Lamm informs me that the system has been in place between 15 and 20 years. Then each year we approve a few routes where people will possibly shift a route location or where there has been a gap left.

Mr. BENJAMIN. The large premise of this national transportation policy is the shift from the petroleum form of energy to some other alternate form of energy, and I presume that means at least rail.

Secretary ADAMS. It also means better use of petroleum resources by trying to get utilities and others to use something other than petroleum so the petroleum is available for transportation, which at this point, generally can't use other forms of energy. It also means development of new vehicles using non-petroleum forms of energy. However, I have driven electric cars this last year, and I get rather discouraged at the speed of that development, or lack of it.

GRID SYSTEM FOR RAIL TRANSPORTATION

Mr. BENJAMIN. My question, then, is other than the Northeast Corridor, do we have any type of a grid system for the United States in rail transportation?

Secretary ADAMS. We are preparing what we call the Section 504 and 901 studies. We will report to the Congress as required by statute what we consider to be a national essential system; but, no, we do not at this moment have a rail grid, like the highway grid. The rail system developed in the U.S. after the canal system was established by individual private companies building where they thought

there was business. The Federal Government at that time did have a policy to build certain transcontinental railroads.

Those were built and are in place. Our question now is whether we need all of them, or whether we only need selected ones. We have allowed some to combine by merger, like the Northern Pacific combined with the Great Northern. We still have the Union Pacific, the Southern Pacific and the Santa Fe, and they connect with the national grid that comes out of the east.

What occurred was that in the east the eight railroads there went into bankruptcy, and we had to create a government reorganization which produced ConRail. Now ConRail connects to railroads in the North, the old official territory, the Southern Railroads and, the family lines, which run across the southern part of the U.S., and a number of other roads.

If I have forgotten a couple in the explanation, I apologize to the owners of the railroads, but that is basically how the system works.

Mr. BENJAMIN. May I suggest, in concluding here, that we do develop a grid for the rail transportation system? I would be glad to discuss it with anyone in your agency at any time following this meeting.

Secretary ADAMS. Mr. Sullivan would be most happy to discuss it with you. We are, under the authority given to us by the Congress, using moneys that have been appropriated to build certain segments of lines where the railroad cannot afford to keep up the right-of-way but where we know that it is an essential link in the system.

I might say that program is very hard to administer. You have to make a decision that government money—which is going into what is basically a private enterprise system—be used in one area as opposed to another area. Then too you must be certain that it isn't just a substitution for what the company, itself, should be using. But we are making those decisions. We have not done it as rapidly as we might like, as there have been a number of problems.

Mr. BENJAMIN. Thank you, Mr. Secretary.

Mr. McFALL. Mr. O'Brien?

COMMUTER RAIL SERVICES

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. Secretary, it is good to have you back. It is nice to have a Secretary whose years in the Congress indicate he had to go back to the constituency and explain away problems in your role.

Mr. Chairman, I have two or three questions for the record and a couple of special ones I would like to ask the Secretary.

In light of what I said, I am sure he knows my interest is directed toward UMTA. I would like to ask the questions in sequence, and you answer after I finish, if you will.

I think it was last year that we added section 18 to the UMTA Act and section 18 assistance would go to commuter railroad operations like Rock Island and other commuter services in northeastern Illinois.

I understand you are proposing to repeal that provision, and if that is the case, and that section is not implemented, I have concerns about whether there will be adequate funds for operating the system, and I would like you to comment on that.

The other one is related. Section 3 grants, in recent years, have been made to a number of cities. In thinking back, the Federal revenue-sharing was originally designed in recognition of local efforts. Some of us in large metropolitan areas like Northern Illinois, which has a large commuter system built with local capital, have the feeling we haven't been treated quite as well as some of our relatives. It appears those areas that made large prior capital investment might well be penalized under the program and almost by any standard you use, we come out on the short end.

For example, if you talk about total dollars in section 3 per annual vehicle mile, Northern Illinois would get \$3.10; Atlanta would get \$21.28, Baltimore, \$11.11. If you use annual passenger revenue as a standard, Northern Illinois would get \$.76; New York-New Jersey, \$.83; Atlanta, \$.936. Finally, if you use a per-dollar-of-fare-box revenue, Northern Illinois gets \$3.16; Atlanta, \$63.39; Baltimore, \$10.24, and so on. Those are serious problems to us, and I would like your comments.

Secretary ADAMS. First, with regard to section 18 and also section 17 of the UMTA Act, we are placing those sections within one new proposed section. They are not repealed in the sense that they will no longer exist. Those were temporary programs and they would have expired. Instead of having them expire, we picked them up and rolled them into—and I will supply it for the record, and then you can also ask Mr. Page when he comes in about that section. I cannot pull it right out of the top of my head now. They are in the portion of the proposal that we have filed with the Legislative Committee.

[The information follows:]

COMMUTER RAIL LEGISLATION

The formula for apportioning Section 5 funds under the proposed legislation would include a factor based on, the commuter rail train miles in each urbanized area. This provision subsumes the current section 17 and 18 programs. In addition, capital and operating assistance funds attributable to the other formula factors would also be available to urbanized areas for programming to assist commuter rail services.

The amount of funding anticipated to result from the proposed Section 5 formula factor for commuter rail train miles is, in fact, greater than that authorized for Sections 17 and 18 under the most recent commuter rail legislation. Section 17 currently authorizes \$30 million per year for FY 1979 and 1980, while Section 18 authorizes \$20 million for FY 1979. This compares to \$84 million in FY 79 alone under the proposed Section 5 formula for commuter rail. Of the \$84 million figure, 60 percent, or about \$50 million, would be available for commuter rail operating subsidies, in addition to funds apportioned on the basis of urbanized area population and density. Furthermore, the amounts from all factors of the formula may at local discretion be used for commuter rail capital assistance.

CAPITAL FACILITIES GRANTS

Secretary ADAMS. With regard to section 3 grants, we recognize the problems that the older systems have in the new legislation. Again when Mr. Page and the others are testifying before you, you may want to get into greater detail, but I can state to you in this

overview that we have revised that formula now to begin to aid the older systems.

For example, one of the tests now by which you obtain money within the formula is the age of the system and the number of rail miles within it. This is to help cities where a major portion of their transportation uses a rail system.

After you have examined the formula, we would be most interested in your comments. I don't say it's a perfect formula, but it does address the problem that you raise. We have recognized that we have not previously really aided those areas that are carrying people in forms of transportation other than a petroleum based system.

Mr. O'BRIEN. Thank you, Mr. Secretary.

Mr. Chairman, if I may, I would like to yield the balance of my time to my colleague from Illinois, Mr. Yates.

Mr. YATES. Mr. Chairman, I have some additional questions.

Mr. MCFALL. There is a double push from Illinois.

Mr. YATES. We thank you, Mr. Chairman. With due deference to our good friend, Mr. Conte, Northeastern Illinois has not received the same consideration as the Northeast Corridor.

Mr. MCFALL. You have to combine and get yourself a big organization like they do in Massachusetts.

DISTRIBUTION OF CAPITAL FUNDS

Mr. YATES. Perhaps that is the answer. Perhaps we will retain Mr. Conte in order to help us do that, because it certainly has been successful. If you look at the analysis of capital free funds, for example, and you see in the New York, New Jersey, Connecticut area, which has an urbanized area population of 16 million, they receive 25 percent of the funds. OK, Chicago, Northeast Illinois, which has a population of 6.1 million, received only 9.9 percent of the funds. But, listen to this, Mr. Chairman and Mr. Secretary: Atlanta, which has a population of 1,172,000, received 9.5 percent of the funds.

San Francisco and Oakland, Mr. Chairman, with a population of 2.9 million, received 9.4 percent of the funds. Boston, which has a population of 2.6 million, received 7.6 percent of the funds.

Now, Northern Illinois, I am reading from Mr. Pikarsky's statement to Members of Congress the other day, he said:

"The Northeastern Illinois share of Federal transit dollars has constantly decreased. Yet the share of those dollars going to cities with less developed systems, less service, lower riderships and lower local financial contribution, has consistently increased. Major cities like ours, which have made massive commitments to public transportation continue to be penalized. The RTA region's needs are at a critical stage." What is the prospect? This is what we learn:

This is the process, you know about the Regional Transportation Administration we have in Northern Illinois.

Secretary ADAMS. I am familiar with it.

Mr. YATES. I am sure you are, Mr. Secretary. It's an excellent system. It seeks to combine and coordinate all existing transportation systems for greater efficiency and economy.

Mr. O'BRIEN. For the record, Mr. Chairman, I would like to disassociate myself from my colleague on those remarks.

Mr. MCFALL. Maybe I ought to ask Langhorne Bond what he thinks.

Secretary ADAMS. I was going to suggest we have Mr. Bond here.

Mr. YATES. I think Mr. Bond tends to fly over it, Mr. Chairman.

Now, substantial portion of our—

Secretary ADAMS. I can't say this was due to the former Secretary of Transportation from the State of Illinois?

LIMITATION ON TRANSIT FUNDS

Mr. YATES. Possibly, Mr. Secretary.

I hate to end this on a note of levity. I want to get serious again.

A minimum capital improvement program has been developed and according to the RTA spokesman, "the cost of the program is \$252 million. Under Federal Transit programs 80 percent or \$200 million should come from Federal funds. The Urban Mass Transportation Administration indicates that Federal funds available to the RTA region for capital programs this year has been set at \$120 million." This is nowhere near the amount that ought to be made available.

The speaker also says that "No other city has been advised of a dollar limitation of Federal transit funds." I don't know whether that is true or not. Only Chicago and the Northeast Corridor has been so advised.

Now, continuing with the statement, "The implications of this low level of funding are ominous. The region's program for this year includes certain costs associated with the O'Hara extension. During the development of the O'Hara extension project, it was our understanding that the cost of the project would be treated specially and not charged against our annual apportionment for routine rehabilitation and modernization programs. In other areas of the country, major new transit improvement like the O'Hara extension, are treated as separate items.

Cities where major transit improvements have received separate treatments include Dade County, Miami, which received \$575 million, including a recently improved extension for \$57 million; Buffalo, \$269 million, as well as major commitments to Atlanta and Baltimore.

This inequitable treatment of the RTA region is more pointed because we do have a large, in-place system worth billions of dollars."

It's an ongoing system. We do have one of the largest computer railroad networks in the entire Nation, to which my good friend, George O'Brien, referred.

The spokesman further indicated that "This massive commuter rail, rapid rail and bus network was constructed over the years and funded by Illinois resources long before Federal support for public transportation came into existence. If the level of transit funding to our region is any indication of UMTA's transit policies, what incentive is there for such areas to initiate major improvements of their transportation systems?"

Now, that is a mouthful, but it's the fact that our region has been discriminated against over the years. I don't think you are to blame for it. It has been a pattern that has been existing for many years. It's unfortunate that we didn't have the same kind of moving pressure that apparently was present under Mr. Conte's leadership. But it's time that it was changed. You ought to take a look at the situation. Once and for all you should try to correct the situation.

Now, if you have anything to say I will be glad to hear it.

Secretary ADAMS. I have nothing to say, Mr. Yates.

DISTRIBUTION OF SECTION 3 FUNDS

Mr. YATES. Will you reply for the record?

Secretary ADAMS. Yes, I will, and the reason I don't go into greater detail with it is you will have an opportunity with Mr. Page when he comes before the committee to discuss this.

Mr. YATES. That is too far in the distance.

[The information follows:]

EQUITY IN DISTRIBUTION OF SECTION 3 FUNDS

UMTA's Section 3 Capital Facilities Program in a discretionary program—that is, in contrast with the Section 5 Capital and Operating Assistance Program, it is not distributed on a formula basis. Even under the current Section 5 program, where funds are distributed based on population and population density, the per commuter (peak hour traveler) subsidy has varied in the cities you mentioned, from 20¢ in the New York urbanized area to 37¢ in Atlanta; the figure is 31¢ in Chicago.

It should be pointed out, however, that the ten largest cities have received over two-thirds of the approximately \$7 billion Section 3 funds that have been approved by UMTA. Chicago has received \$721 million or over 10% of the national total. So one can see that the UMTA Section 3 program has been very responsive to the needs of the transit-intensive cities.

To correct the apparent inequities cited, the proposed Section 5 formula will apportion capital and operating assistance funds on the basis of existing transit service factors, as well as urbanized area population and population density. Each urbanized area will have funds available to meet basic capital and operating assistance needs at a level which reflects the types and scale of existing services.

SUBWAY DEMONSTRATION SITES

Secretary ADAMS. But I might state this, that what occurred in the United States in the 1970's was an attempt to go back and recreate a public transportation system. The general philosophy was to go out and build some brand new systems, and there was a great deal of talk. As I look across this committee I see a number of Members who were here and heard that happen. We were going to re-invent some magnificent new kind of public transportation system that would solve all of the problems. Certain cities were selected for that. I don't accuse anybody of picking them politically, but they were picked, in effect, because local citizens would agree. I happen to remember the first one, because the city that I represented, Seattle, as well as Atlanta, were two cities that had projects potentially available as demonstrations for a new type of subway in the United States.

The bond issues failed in both places, and Atlanta resubmitted theirs. Therefore, they were one of those coming on line. I know the gentleman, from his experience on Appropriations of the District of

Columbia, knows it happened here. So, that is why you have had a flow of money into new systems, to try to develop a public transportation system in those areas. You can take the percentages and say that in the 1960's and 1970's we were developing these systems, and we are in the process of either financing them now or part way into them. So a substantial amount of Federal funds have gone into those.

We are now trying, and you will notice the tilt in the bill that comes up, to recognize the systems that are in place and to assist them. For example, we have approved the initiation of preliminary engineering for the Franklin Street Subway in Chicago to try to advance the downtown situation there. It would have been approved before, actually, but as you remember, there were disputes about Interstate withdrawals within the local area and between local and State officials. So, we are recognizing the problems of the large city areas that have existing systems.

One of the problems, Mr. Yates—and I think we will all have to address it—is to get a commitment from the American people that they are ready to spend a substantial amount of money. It will probably require dedicating some type of user fee, Mr. Chairman, to fund the repair, rehabilitation and improvement of the existing systems, because the amounts of money that are involved are enormous. We put \$200-plus million into the New York system last year, and you can't even find where it went.

The \$120 million for Chicago is a substantial increase over what we had put into the system in the years before. This indicates a shift to try and assist those systems. But, I can tell you this. The total demands from the old and the new systems are far beyond the resources we presently have available, and I won't try to mislead you on that. We, therefore, are not going to be able to say to your very able Commissioner, that we have his \$250 million. But we do set a mark for each city. We take what we have got and divide it.

Mr. YATES. If, as the facts show, that Northern Illinois has been discriminated against, why shouldn't you provide for some correction of that past situation? Why should not appropriate recognition in funding be given? Why must we wait for passage of a new bill which may or may not pass? Why isn't it possible to make available under the old bill additional funds for the purpose?

Secretary ADAMS. We are making additional funds available, but what I am saying is, with the amount that we have available, you take from one to give to another, and I don't like to put it city versus city, or region versus region. It's one of the very difficult parts of this job. At some point you have to take what you have and divide it. You probably have noticed that I receive a significant number of complaints, and a significant number of pickets urging that more money should go in a given area.

Mr. YATES. Not from the Northern Corridor.

Secretary ADAMS. I am not excusing what happens, I am just stating that that is the way it is. I don't know how else to answer your question.

Mr. YATES. I think perhaps it has been answered when the suggestion has been made, why don't I join with Mr. Conte. Perhaps we will do that.

Thank you very much, Mr. Secretary.
 Thank you, Mr. Chairman.
 Mr. McFALL. Mr. Smith?

MIDWEST RAILROADS

Mr. SMITH. Mr. Chairman, I come from that part of the area out there in the Midwest that doesn't have Amtrak, doesn't have passenger trains, and we don't expect to get any. Mass transit to us is going to be by highway, by bus, and by automobile. But what we would like to do is to keep some of the transportation of commodities off the highways, at least, and do that by rail. There is kind of a growing feeling out there that maybe the Transportation Department is not very mindful of, or maybe even hostile to, Midwest railroads. We have two in bankruptcy now. We have essential elements of some of these roads, which obviously will end up in the main track from Oklahoma to Chicago, where they have not been able to get loans. We just don't see any system evolving where we can hope to have some main lines out there.

What is the policy of the Department with regard to Midwest railroads?

Secretary ADAMS. First, the policy is not hostile, Mr. Smith.

Second, we are trying to get some rationale out of the system where we can best use the resources that we have to assist to maintain essential service. We are not trying to maintain or to harm a particular corporate entity.

You mentioned Omaha, for example. One of our problems is there are five main lines between Chicago and Omaha. Those companies cannot, all five, live on that traffic. So, we want to maintain a system between Omaha and Chicago that will move the capacity that exists. However, that capacity, as you well know, from your local familiarity with the agricultural movement of goods, both fertilizer and products of that area, has sharp peaks and valleys. So, when I say you don't need five main lines, I am not saying there may not be a need for the capacity on occasion, but I am saying all five need not run main line operations.

Mr. SMITH. But how do we determine what will end up being the two or three or the combination of two or three?

Secretary ADAMS. I have taken the powers that the Congress gave to the Secretary of Transportation under the RRRR Act in section 401. I have said to all of the carriers out there—including the trustees of the two bankrupt railroads—that I encourage the private enterprise system coming in and discussing who will buy and who will sell and who will swap and who will restructure. We'll see if they can rationalize the system, because there are, as you well know, hundreds of individual operations out there. I don't think we should sit down in the Department of Transportation or in this committee and try to say one for you and one for you and one for someone else.

Mr. SMITH. The trouble is if you don't designate a combination of essential lines to make up the main line, if you don't do that, then whoever happens to have the most financing available ends up getting his line, whether it serves the people or not. That is what is going on.

Secretary ADAMS. What we are trying to do is take the Federal money we have available—which is about a quarter of a billion dollars—and use it to be certain that essential service links remain.

PENDING APPLICATIONS FROM RAILROADS

Mr. SMITH. But this is one of the complaints. They have had applications in for months and months, and they are not being approved.

Secretary ADAMS. It depends now on the carrier. For example, the carriers that are in bankruptcy—at least one of them—wants to maintain the present system that they have. In other words, they are corporate entities and they want to remain in the railroading business. An application of that carrier shows that over 95 percent of the traffic that is on it can be carried by the other lines that are in that area. In other words, there is a grave question as to whether that corporate entity represents essential service.

Now, there are maybe links within it that are essential. We are prepared to support them and have put some money into those links. But we are not prepared—because we don't have enough money—to support the total system. In other words, our examination of it is that of an income based reorganization. I might say, Mr. Smith, that I don't pass judgment on these things as trying to put somebody in or out of business. Those two groups within that company, the creditor intervenors and the trustee and attorney, are fighting bitterly before the court as to whether or not the Federal Government should put anything in it. We are discussing what we might be able to do to maybe come out with a slimmed down plant that would still exist.

The third actor in it—and I consider this third part terribly important—is that in your State, for example, in Iowa, there is an extraordinarily good plan being developed and in operation now between shippers, carriers and the local government. I think the Federal Government should help in plans like this, to see that light density lines that connect into these main lines are maintained. In other words, a shipper puts up part money, the carrier part money, the State part money, so you really have a stake in that line existing. We are trying to tie those groups into the restructuring proposal. Yes, at some point, somebody is going to have to say—and it may end up in some cases with me saying it—that we will help this one and we can't help that one in order to make a rational system.

MILWAUKEE RAILROAD

Mr. SMITH. Of course, for example, the Milwaukee had a couple of essential links there that they had applications pending on for quite a long time for approval, and they say as a result of not getting some improvement on those lines that that just helped to cause them to go bankrupt. At what point do we move into this and take these essential lines and put some support into them?

Secretary ADAMS. We put \$9 million into the Milwaukee last year, and that is a tough question, because you are looking at a road that is right on the edge of going bankrupt, but—

Mr. SMITH. What if you take the link?

Secretary ADAMS. We did. That is where we put it.

Mr. SMITH. What was the application for, how much was it for, \$7-odd million?

Secretary ADAMS. It was \$9.3 million. They wanted \$9.3 million and we may well grant some additional portions of that, even though it is in bankruptcy, for equipment and for certain essential links. There is a real problem with the Milwaukee in terms of its total corporate structure in that you will remember, when they merged the Burlington Northern with the Northern Pacific, the Milwaukee wanted to be included, saying that we can't possibly survive from the Minneapolis area west with this kind of competition. They were not included, and, therefore, their trackage in that area has put them in a position where even if we were to provide assistance, we can't see that that would save that corporate entity.

Mr. SMITH. I am not really so concerned about the corporate entity, because I think we have to look at essential trackage. The reason I say that is except for the Rock Island, almost all of them are a part of a conglomerate anyway.

The Illinois Central, for example, has got the best opportunity to make money of any railroad probably in the country. They have subsidiaries building apartment houses in Chicago, pouring money into a corporate entity that can drain it off one way or another, and put it somewhere else other than transportation which isn't going to solve our problem. But we could pick out those segments that essentially have got to be a part of the essential services to get people and goods from Chicago to Omaha, and we can concentrate on those segments, surely, and we ought to be able to do it fast enough so we can save some of these segments.

As it is now, when the Milwaukee goes down, those segments are going to go down with it, because the other railroads are not interested in saving those essential segments or links. They just want to save their whole link, and if they have more money that will last a little longer in the Milwaukee, that is what they will do.

Secretary ADAMS. We are trying to put our money into those essential links, Mr. Smith, and I hope we are not missing any. But, that is the total thrust of our program. The Omaha situation, as I say, is difficult, because there are five main lines, Kansas City's is difficult. There are eight main lines between Chicago and Kansas City, and we cannot justify spending the money there as opposed to another essential link, if you have the service already there. I am talking about somebody coming in and applying for money and there is already a main line competing with that line and they are putting their own money into it.

COMPARISON OF MIDWEST AND NORTHEAST RAILROADS

Mr. SMITH. I know you know that we have been working on this problem for a long time, but I do want to alert you that there is a growing feeling that the Transportation Department is not really interested in the Midwest railroads, that they think the only problem is in the Northeast, and that we really have a serious problem.

I am giving you a chance to expand on the record, because what I am saying I hear said all of the time out in the Midwest, and I think they need some answers.

Secretary ADAMS. It is a very severe problem, I agree with you. You may have misinterpreted when I said that I did not believe that the solution, and I do not believe that the solution in the Midwest, is to create another ConRail such as was created in the Northeast. The circumstances are very different. We had many very healthy, viable railroads operating in that area coming up both from the South and the Southeast, the Southwest and out of the West, and, therefore, we have a different mix. I agree with your characterization of the Illinois Central Gulf in the sense that you say this can be a very successful railroad. It can be, and we have appointed a special task force whose sole job is to work on the Midwest problem. We are not hostile. We are very supportive of trying to help it. It's just that it is very difficult, and particularly because it's all in the private enterprise sector. In the Midwest, we don't have everyone in bankruptcy as we did in the Northeast where we could deal with the courts and in effect a public body. We have to go to individual, either trustees that are not within a total government plan, where we can make an offer to them, or to private companies. For example, we have a request from the Illinois Central Gulf for \$160 million—and they are complaining we aren't granting that—and yet in granting it, we are subject to criticism that you are putting the money into the railroad and they are putting the money someplace else. I don't want to mislead you but it is going to take a lot of all of our time in the next year. We are not hostile.

Mr. SMITH. I agree you have a real problem there. Sometimes I think these railroads want to go bankrupt. They have people that want them to. I just ran into an example last week. Here is Milwaukee complaining that they don't want Lot 26, they are afraid they will lose some business. They say they need more grain business, and one of these constituents went out there and had five cars sitting on the track for a week, and he couldn't get them to move.

Now, do they really want business or do they want to close some of those branches down? If history shows they didn't move any grain, that is excuse for closing the branch. I think maybe they want it that way.

Secretary ADAMS. As you know, we do have, branch line legislation being proposed. I do think that needs to be changed toward rehabilitation rather than only coming in after abandonment. I think we need to turn that program around and we are proposing that. That will be before the Congress this year.

Mr. SMITH. I appreciate your answers, and if you would like to expand for the record.

[The information follows:]

PROPOSED LEGISLATION TO AMEND BRANCH LINE PROGRAM

Section 5 of the DOT Act as amended established a five-year program (which is based on a similar two-year program established by Title IV of the Regional Rail Reorganization Act of 1973 (Title IV) providing Federal assistance to States for the

preservation and improvement of local rail services where the Interstate Commerce Commission has found that the public convenience and necessity permit the abandonment of the line of railroad, or the discontinuance of service, or the service was excluded from the final system plan approved under the Regional Rail Reorganization Act of 1973.

We believe it is a very ineffective use of scarce rail assistance resources to provide operating subsidies for the continuation of service on lines of railroads with respect to which the Interstate Commerce Commission has found that service could be discontinued or abandoned consistent with the public interest. Accordingly, the Department is proposing to revise the existing Section 5 program to expand eligibility for rehabilitation and certain other capital investment type projects to lines "potentially subject to abandonment" or with respect to which a carrier plans to submit an application for Act. The bill would permit States to rehabilitate lines of railroad which a carrier has indicated to the Commission that it may seek to abandon in the future. The purpose of this change is to enable States to assist such lines, which do not provide the carrier with a rate of return sufficient to justify the performance of adequate maintenance, but which provide a service to the public sufficient to satisfy benefit/cost criteria established by the Secretary. We believe such rehabilitation funds may in some cases enable a deficit-producing line to become profitable.

Also, as the formula for distribution of funds will take into account the lines potentially subject to abandonment, we believe the legislation will deliver funds to areas of the country with significant miles of branch lines which are most needy of assistance. This would include the Midwest region.

Mr. McFALL. Thank you, Mr. Smith.
Mr. Addabbo?

AIRCRAFT NOISE

Mr. ADDABBO. Thank you, Mr. Chairman.

Mr. Secretary, I was interested in reading your transportation policy for change in America, and especially with regard to due to the fact we had some adverse decisions on the Corridor back up in New York.

The Department has promulgated stringent rules that should significantly reduce the noise emission of current fleet and those under design. Then on page 3 of your statement you say you are supporting legislation to reduce aircraft noise.

Could you just give us a short brief resume of what legislation is pending for the record that we can expect to help reduce aircraft noise?

Secretary ADAMS. The proposed regulation that has been issued, with regard to the Concorde, places a limit of the total number of aircraft that can be flown in the United States. It is carefully tailored to be identical to the type of regulations that were applied to all of the various U.S. aircraft in terms of noise.

The legislation presently before the Congress—and I testified on it before the Ways and Means Committee this morning—will provide incentive funds for the purchase of new equipment that will meet the March 1977 standards, in other words, the regulations that we put out last year on reduction of new design aircraft noise levels. The funds may be used to purchase new equipment, to re-engine existing equipment, or to retrofit existing equipment to meet the noise standards which have been established. The noise standards went up in quality and down in allowable noise levels in 1969, in 1973, and then in 1977.

The reason for requesting that there be a reduction in the ticket tax and a surcharge made available for noise reduction purposes

was because we applied the noise standards to already existing aircraft. We started at first with aircraft that were newly designed, then applied the standards to aircraft as they were manufactured, even if not newly designed, and now we have applied the standards to the fleet itself. We are now trying to provide some financial assistance so that all airline fleets can be brought into compliance. This will produce a substantial reduction in noise throughout the entire United States, and it's the best program we can think of to reduce total aircraft noise.

BALANCE BETWEEN COMMERCE AND PEOPLE

Mr. ADDABBO. We always continue to find the underlying statement, as again appears on page 12, providing we do not create undue burdens on commerce.

Are we going to worry more about commerce than the people that live in and around the airports?

Secretary ADAMS. No, we always strive for a balance, Mr. Addabbo, because the statute passed by Congress requires us to take into account two standards, the level of noise in the communities surrounding the airport and what is economically and technologically feasible. Therefore, our instructions from the Congress require us to balance both of these and to bring forth regulations that meet those standards. That is what we have done, though we are trying through this combination of financial assistance and improving the noise standards, to move toward reducing noise.

Mr. ADDABBO. Again, there is a great area of disagreement there as to whether the priority should be given to commercial interests or the people in and around the airports, and the question again comes back to the Concorde. There are, I believe, four Concordes flying, several others in design or production. Will the regulations cover those Concordes in production, or are they to be exempted from the new noise criteria allowing them to meet present noise levels?

Secretary ADAMS. We took, with the Concorde, the same approval that we took previously with our own aircraft. That is, that the airplanes that were flying or presently in production—in this case a total of 16—would be allowed to fly into the U.S. but any new models would have to meet the noise standards.

That is the rule that we have proposed. However, there was a second caveat put on it, that local authorities could decide whether they wished to set a noise level that would ban any particular type of aircraft, but it would have to be applied in a nondiscriminatory fashion. In other words, you have to set a particular number of decibels or particular noise level and all aircraft that meet that must be allowed in. You can keep out those that do not.

The problem that most local authorities have faced is that they want to choose between one airplane as compared to another. We cannot change the rules to solve that problem because the Constitution requires that these standards be applied in nondiscriminatory fashion, as does the Chicago Convention under which we deal with other nations in terms of the flights of aircraft throughout the world.

AMERICAN SST

Mr. ADDABBO. Again, the Concorde was being built while we were promulgating rules, and they couldn't comply with the rules we have promulgated, but they have been given the freedom of 16.

Going on to another point, under the section concerning environment you discuss setting new standards for supersonic transport planes. Is the Department of Transportation, in view of the fact it has given liberal rulings on behalf of the Concorde, now promulgating rules for the possible production of an American SST which was denied funds many years ago by the Congress?

Secretary ADAMS. No, sir. We have published the notice of rule-making with regard to it, and it would apply to all aircraft that are produced either in the U.S. or the Soviet Union, or anyplace else.

Mr. ADDABBO. Are there any funds in your request for this 1979 appropriation for an American SST?

Secretary ADAMS. No, sir.

AIR FARE COMPETITION

Mr. ADDABBO. Under the quality of life section, you say, "Encouraging lower air fares, to open up new dimensions of intercity and international mobility for many would-be travelers."

This for the traveler, the reduced rate, is wonderful. But I wonder, is the Department looking at the possible degradation of safety? Where will you look to put on additional inspectors to make sure all safety requirements are being adhered to? In order to meet competition, are you stretching out safety extensions in reworking of engines, et cetera? Is that being done by airlines in order to meet air fare competition?

Secretary ADAMS. I have previously testified before other committees, Mr. Addabbo, and I will repeat it here. We will continue to have a sufficient number of inspectors available for new aircraft after the passage of an aircraft regulatory reform bill. We have a notice of proposed rule-making out for operating the so-called medium-sized aircraft to be certain that their standards also are improved. So we are addressing the safety standards of aircraft that will come into the fleet just as we do with the presently existing ones.

CENTRALIZED TICKETING SYSTEM

Mr. ADDABBO. Has your office, in trying to help American airlines especially in meeting air fare competition, the possibility which has been held as a possible contradiction or antitrust violation a central ticket?

In other words, we are looking to save energy, but we know there are several airlines flying to a given location almost at the same time or within 10 or 15 minutes, and in most cases they are traveling half full, quarter full, or possibly filled. Are they thinking of combining ticketing so airplanes can utilize one plane going to the same location in and around the same time and thereby saving energy and meeting air fare competition?

Secretary ADAMS. We have not gone to a centralized ticketing system, Mr. Addabbo. We have proposed—and there is presently pending, both in the House and the Senate, in the regulatory reform bill—greater flexibility for the management of airlines. They can then move toward filling their airplanes to a greater degree and thus better utilizing their capacity, but we have not established a governmental ticketing system.

CUSTOMS FACILITIES FOR NEW ROUTES

Mr. ADDABBO. Relative to the granting of new direct air routes to new cities, has the Department assessed the problem arising from the fact that in establishing new direct arrival points, the problem of customs and customs facilities?

Secretary ADAMS. We have not directly done that because that is under the jurisdiction of another department, but, it has been addressed. You are correct that we are now moving toward multiple gateways in the U.S., because the development of new equipment and the additional range and capacity has made multiple entry points into the U.S. something that many cities have desired.

Mr. ADDABBO. Will granting of new routes be coordinated with the other departments, including Treasury, as far as seeing that custom facilities are available before a new route is granted?

Secretary ADAMS. Yes.

EFFECT OF HIGHWAY-TRANSIT LEGISLATION ON WESTWAY

Mr. ADDABBO. Turning to another point, on page 4, development of the comprehensive new transit highway legislation: as you well know, we are beset in New York by the Westway problem. How will this new legislation affect Westway as far as loss or gain of Federal dollars, for either Westway or mass transit?

Secretary ADAMS. If the State and city governmental officials decide they wish to proceed with Westway, the new legislation would allow them to move in and borrow into their next year's allocation. We have done this. I forgot to mention to Mr. Steed, when he was questioning me, that we allow States that have used up all other allocations to move ahead by advancing their next years allocation. If the local officials decide they wish to shift to public transit and our new legislation has passed, we will recommend that the new projects be funded at the same rate as interstate, which is 90-10, rather than 80-20, or 70-30. I do not know what the local officials might wish to do. In other words, if you consider the primary system in New York City, it is presently at 70-30, and it would go to 90-10. Mass transit substitutes are currently 80-20, and it would go to 90-10 if the new legislation passes.

Mr. ADDABBO. If the new legislation does not pass, then is it expected that the Westway would obtain better and more financing under 90-10 and the mass transit fund would be available?

Secretary ADAMS. It gets more money from the Federal Government. The project cost size remains the same, but at present it is 90-10, Federal to local, and it would be 80-20 mass transportation if it were shifted.

Mr. ADDABBO. If the comprehensive new transit highway legislation is passed, can we look to a possible Utopia, where we can get funds for both the Westway and mass transit?

Secretary ADAMS. As I answered earlier to Mr. Yates and Mr. O'Brien, the formula in the new bill does tend to tilt more toward cities that have large ridership and large systems that are being heavily utilized. There is a movement in that direction. We are trying to continue the movement toward creating a public transportation system, whether it is buses or freeways, or whether it is a guided rail system—either light vehicle or heavy rail.

DEADLINE FOR PASSAGE OF HIGHWAY/TRANSIT LEGISLATION

Mr. ADDABBO. The opponents of Westway and the supporters of mass transit are now saying there is no loss of funding under the new legislation. Could you give me an outside date by which the legislation must be passed in order for the proponents of the mass transit proposition to be able to reach 90-10 and at what point in time this session that we would then be able to obtain funding?

Secretary ADAMS. It would need to be passed by October 1, 1978 because there is no new authorization after October 1 of this year. That is the reason that we took the time to develop the bill and present it early this year, so there would be a whole session for the Congress to work on it. But we need it by the beginning of the next fiscal year.

Mr. ADDABBO. If the new transit highway legislation is passed prior to March or April, would the Department ask for supplemental funds for projects such as Westway, or could the use of mass transit funds be utilized immediately?

Secretary ADAMS. I don't think we would ask for any new funds, because the period of time that is necessary to develop a project grant, and so on, would not require that it be done this year. In other words, it would be done in the regular course of events. Just like with all public works, Mr. Addabbo, the front-end amounts of money are smaller for design and for preparing the site, and so on. Then they increase in size. This would occur whichever way you go with Westway, because they are now in the process of tearing down the hanging structure along there.

Mr. ADDABBO. So if we decide to go, if the city and State decide to go mass transit, there would be almost a loss of one year in funding?

Secretary ADAMS. I don't know. I can't predict it because I don't know what they would propose. I don't know whether they would transfer to the Second Avenue subway or some other project. Whatever they plan, they would have to come in with a project.

Mr. ADDABBO. But it would have to be after October 1, whereas with Westway, if they decide to go with Westway, it would be almost immediately?

Secretary ADAMS. Westway is proceeding as far as we are concerned. The decision is made. There is nothing more this department does with it. What the State does and what litigation results is something else, but as far as we are concerned, it has been approved, and it is behind us.

Mr. ADDABBO. Thank you.
Thank you, Mr. Chairman.
Mr. McFALL. Mr. Evans?

ENERGY SAVINGS IN 55 MPH SPEED LIMIT

Mr. EVANS. In your statement you referred to the need to save on energy, and you mentioned, in passing, the 55-mile-an-hour speed limit. Are you, number one, satisfied this is an energy saving law?

Secretary ADAMS. If we can obtain enforcement of the 55-mile-an-hour limit just as it is now, it will save us an estimated 1-1/2 billion gallons of fuel a year. If we can get the 85 percent compliance, which we are requesting in the new legislation, it will save 3 billion gallons per year, so it is an enormous energy saver.

Mr. EVANS. As anyone who drives on the highway knows, not too many people are observing that speed limit. What are you going to propose in terms of toughening up that enforcement?

Secretary ADAMS. We are proposing that additional money be granted to the States to up their enforcement activities and we have set aside—out of the proposed new authorization, as well as from our existing requests for appropriation—a substantial portion for enforcement.

The second thing is to—

Mr. EVANS. If I can interrupt, have the States said they don't have enough money to hire enough patrolmen?

Secretary ADAMS. That is correct. You see, the interstate system, particularly, has tended to be one where you have free-flowing traffic and it is built to higher safety standards than the other primary highways. So very often the States will direct their resources toward the areas where they feel there is the greatest need. That often is on the primary system as opposed to the interstate. However, the interstate is where you get the higher speeds, because you have the free flow of traffic. We are also proposing a compliance system, and I think you will probably want to address your question to Ms. Claybrook, when she testifies, as to how we have proposed to key that in. It is a very elaborate bill.

Mr. EVANS. You spoke of a carrot. Does your policy contain a stick?

Secretary ADAMS. Yes, if you don't meet the compliance, you have things happen to you, like portions of funds being withheld.

FAST II TRACK

Mr. EVANS. Just one other question. For the record, I have more than a passing interest in the Department of Transportation Fast II Track in Pueblo, Colorado. If you could put in your statement how important you think it is today and how we can maximize its use, what you see in the future for that, I would appreciate it.

[The information follows:]

FAST II

The current 4.8 mile Facility for Accelerated Service Testing (Fast I) is generating significant data of great value to the industry. Because of the close involvement of operating railroads and suppliers, the knowledge gained will be quickly implemented to the benefit of the Nation's railroads and their customers. In fact, some results have already been implemented.

As Congress directed earlier, a comprehensive planning and design effort is underway for a larger loop (Fast II) which would enable us to conduct additional experiments not presently possible within the constraints of the existing FAST I. Because of the widespread interest and offers of support shown by the industry, it must be concluded the proposed project would have many benefits. Operations on the current loop are set up for five days per week; the only way to increase/maximize use on FAST II, would be to go to a seven day operation. Benefits would accrue at a more rapid rate but also incur greater costs. As to the future use of Fast II, a sequence of experiments has been laid out covering the next eight years.

Mr. McFALL. We will recess to answer the quorum.
[Brief recess to vote.]

TRANSPORTATION REORGANIZATION

Mr. McFALL. On the question of transportation reorganization. A recent report by the Senate Committee on Government Affairs states: "Our study shows that the Department of Transportation has not yet accomplished its intended mission, the coordinated, effective administration of Federal transportation programs. Our analysis indicates that the Secretary of Transportation needs greater administrative authority and increased budgetary control over Federal transportation programs . . ."

Specifically, the report proposes the transfer of the inland waterway program and the maritime and local service airline subsidy programs to the Department of Transportation. Do you have any comments on the advantages or disadvantages of this recommendation?

Secretary ADAMS. Be glad to answer for the record.
[The information follows:]

WATERWAYS & MARITIME REORGANIZATION

The U.S. Army Corps of Engineers (Civil Works—navigation programs) and the Maritime Administration manage programs concerned with national transportation matters which, in the public interest and under the broad mandate of the DOT Act, could be a part of the Department of Transportation. There are advantages and disadvantages of transferring the Civil Works navigation activities of the Corps of Engineers and MARAD to DOT.

Advantages—(1) Would round out the Department's modal authorities and improve our capability to formulate a more comprehensive national transportation policy; (2) Would allow integration of domestic water transportation policy and planning, including possibly construction and operating activities, into the overall national transportation system; (3) Would give the Department a waterways and harbors role of roughly the same scope as that relating to highways, mass transit, and aviation; (4) Would permit a better balance among modes in planning and application of resources as envisioned by the DOT Act; and (5) Would consolidate similar or parallel functions for all transportation activities such as promotion, capital and operating assistance, R&D, training, etc.

Disadvantages—(1) Could disrupt the organization and the personnel of the Corps, fragmenting the present integrated capabilities of the Corps, and could reduce their overall efficiency on Civil Works programs; (2) Would encounter opposition and could produce divisiveness in the Administration; and (3) Could encounter opposition from those who would view such a move as de-emphasizing importance of the water routes.

POLICY GOALS FOR MAKING FUNDING DECISIONS

Mr. McFALL. The report, page 155, also states that "there is no unified set of policy goals which determine priorities when the separate policies of the various promotional agencies come into

conflict with each other . . . ” In addition, the report, page 185, refers to the failure of the Congress to give the Secretary the power to establish investment standards to permit the evaluation of the Federal investments for the various competing modes on a consistent basis. Do you agree with the report that we have no uniform set of policy goals or investment standards to utilize in making Federal funding decisions for transportation? If you feel we do have such standards, what are they; and if not, is the lack of such standards having any impact?

[The information follows:]

INVESTMENT CRITERIA AND POLICY GOALS

The DOT is in agreement with the report. Overall national transportation policy and investment criteria cannot be developed, or implemented evenly and consistently until the organizational structures charged with making the final decisions, both in the Executive and the Congress, are authorized to evaluate, recommend, and decide on the priorities among all modes.

Federal Transportation investment criteria are not uniform because of the many agencies that act independently on transportation investment decisions and, in many cases, because of the lack of proper planning and the urgency of the problem at the time the legislation was passed. There is great merit in the proposal to authorize the Secretary of DOT to establish regulations and policy statements for the guidance of the transportation regulatory bodies for it is the decisions of these agencies that determine, to a large degree, the character of the private investment in transportation.

DOT ROLE ON REGULATORY FUNCTIONS

Mr. McFALL. Another recommendation is the Secretary of Transportation be given broad powers to propose rules, regulations and statements of policy of general applicability with respect to any function of the ICC, CAB, and FMC. Do you have any comment on this proposal?

Secretary ADAMS. We have a maritime policy study group that has been organized within the Department of Transportation now. And I have suggested to the Director of the Office of Management and Budget that we be placed on their government-wide list for potential reorganization of all of the transportation functions. I don't believe that the original Department of Transportation organization proposal was ever completed which would have given greater policy direction to both independent boards and brought together in one department investment decisions.

The problem is that it's going to require a complete reorganization bill that the Congress itself must pass on, because the independent agencies are really arms of the Legislative Branch—the ICC and the Federal Maritime Commission and the others. I think there is a real problem as far as the individual applicants are concerned, when they both create policy and pass on it. In other words, they are carrying out both a quasi legislative, quasi executive and quasi judicial function at the same time. I think we ought to re-examine that.

Mr. McFALL. Was it the Rock Island merger that took so long?
Secretary ADAMS. It took 13 years.

Mr. McFALL. I think if the Secretary of Transportation could get some kind of direction in these things it would be helpful. We have discussed the problems of Amtrak and I believe that some more

direction on the part of the Government would be worthwhile. That is outside of the regulatory area. You are going to have, I think, perhaps the same thing in ConRail.

Secretary ADAMS. It could well be, and I am deeply concerned about that, because our present posture is that we appear before those agencies and take positions as really another party—almost like another party litigant. I think we may want to consider—and I would like to discuss this further with the committee and with other legislative committees of the Congress—that you may wish to separate the policy establishment, be it regulation or by statute, from the actual implementation. Now they decide between applicants, which is really almost an executive function, and also determine whether or not somebody is in violation which is a judicial function.

Mr. MCFALL. Something like Atomic Energy.

Secretary ADAMS. Yes. The new approach that has been used in the Department of Energy, I think, is something we should consider in this area. There you have the Secretary proposing policy, the regulatory group passing on applications, and then there is a review mechanism which is separate from the others.

TRANSPORTATION AND ENERGY

Mr. MCFALL. In the field of transportation and energy you talk about a transition period. What do you see as the role of your Department during this transition period?

Secretary ADAMS. I think we have to provide a policy direction and leadership that says that we are going to have a scarcity of petroleum, or it will be at a much higher price. Therefore, we set a series of programs, just as I set forth in my statement, for stretching petroleum supplies. Some examples would be having a greater mileage availability in vehicles, or by seeing to it that the highway links are put together so that you don't have to go circuitous routes and then in the regulatory area where we break down the need to go through gateways and so on. All of these move toward stretching petroleum supplies.

Mr. MCFALL. Such as using ten percent alcohol.

Secretary ADAMS. Yes, then going to the other fields which break down into really three different categories. One is getting an alternative system of transportation available that can use a non-petroleum based product. For example, we are trying to electrify the Northeast Corridor so you can use coal to produce electricity to move the trains rather than having to use a diesel locomotive. We are also trying to find means to move people to using alternative based energy sources other than petroleum which will be in scarce supply.

The second part is alternative fuels, like the proposal for "gasahol" or for types of mixtures other than petroleum. Another one is in the development of a whole new complex of technology that uses something other than petroleum entirely. For example, the electric car, or the so-called Sterling engine, which is external combustion and uses a much more efficient system. All of these are developments by which we are trying, as a Department of Transpor-

tation, to both stretch more easily the supplies we have available and provide alternative choices.

The final thing is the management of the system. For example, you try to make your people—who are saying how the highways will be used in a given area or how the public transportation will be used in a given area—establish staggered hours of work or encourage the use of van pools so you don't have cars just sitting, using petroleum but not moving. All of those tie into that kind of a program.

HIGHWAY/TRANSIT LEGISLATION

Mr. McFALL. Turn to your highway/transit program. What major changes are you proposing in the allocation of funds?

[The information follows:]

ALLOCATION OF FUNDS IN HIGHWAY/TRANSIT LEGISLATION

The overall program level being proposed represents an increase of \$511 million over the 1978 level of \$10,429 million. Programs for public transportation account for \$155 million, highways for \$289 million (mostly bridges), and \$67 million for rural transportation. The funding structure in the proposed legislation extends the various highway programs for a four-year period, authorizing funds for the fiscal years 1979-1982. The Highway Trust fund is also extended for a four-year period. In the case of the Interstate program, authorizations are extended for a longer period in order to reflect the long-term nature of the program.

For highways, the number of special highway programs will now be folded into the larger categories and the consolidated program level. This reduction in the number of categories and the corresponding broadening of program eligibility will give the States greater flexibility in programming projects and in assembling the sums necessary to undertake them. We anticipate that the Interstate program will be accelerated as a result of several program changes and that a greater amount of authorized funds will be effectively used, even though the proposed increase is less than that contained in current law. The major increase is in the bridge area. Urban and rural formula grants are held to the approximate levels now in place, after adjusting for the new urban highway program geographic definition. It is anticipated that the highway program will continue to operate under an overall obligation ceiling, at least for another few years, until the past impoundments have been worked off. It may be necessary to review the highway obligation ceiling, which is proposed for \$7.8 billion in FY 1979, as the increased flexibility to transfer Interstate apportionments among States takes effect.

On the public transportation side, by restructuring the categories, a greater emphasis has been placed on distributing funds through a formula rather than through discretionary grants. The formula program will extend for four years, as does the highway program, while the funding for discretionary grants will be extended five years through fiscal year 1983 in order to provide for advance planning. Existing contract authority balances will be eliminated at the end of FY 1978 and replaced, where long-term commitments are in place, by set asides from the new authorization. The legislation holds to the general levels of increase in operating subsidies incorporated in current law. Within the formula grant program, \$50 million has been included in lieu of continuing the special commuter rail subsidies.

The proposed rural transportation program provides for roughly \$70 million for FY 1979, most of which is new funding. Funding for this program is included as part of the small urban and rural transportation program authorization.

INCREASED FEDERAL SHARE FOR HIGHWAY PROGRAMS

Mr. McFALL. There are a number of provisions in the proposed legislation which on the surface appear to liberalize the program. For example, the Federal share increases from 70 to 80 percent for

many highway programs. There is also a substantially expanded program for bridge reconstruction and rehabilitation.

We have been advised there are about \$23 billion worth of bridges which potentially might qualify for funding under this program, and nearly one-half of these are not on the Federal aid system. These are probably sound proposals, but they will clearly have a significant impact on highway spending in future years. Some may feel your proposal for an increased Federal highway spending is not consistent with your statements about the approaching area of permanent energy scarcity. What comment would you have on that?

Secretary ADAMS. To answer your first question, our changing formula does not increase the total size of the program, but it is directed toward these States that will have less increases in their gasoline tax revenues. Thereby, we are trying to make this consistent with the energy program, so that in using less fuel the States will still be able to have enough money to carry out their highway programs. That was the reason for taking the 70%/30% and making it 80%/20%, in addition to being able to move programs from one area of transportation into another.

With regard to bridges, one of the problems that we have is that when the bridge falls, you have a very circuitous routing system. So we are trying to make available—and we can not meet the total program with the amounts of money we have—money to States to rehabilitate bridges within their systems, so they may use the most direct routes that are most energy saving. This program concerns me greatly, too, Mr. Chairman, because we cannot visualize how we can raise enough money to repair all of the bridges in the United States that are on the various lists that have been submitted. What we are trying to do is to get the authorities within the State to prioritize the bridges they feel are most essential for their traffic. That is why we allowed 30 percent of the money to go off system. In certain cases off system bridges—particularly when you are involved with transportation of coal or other fuels—it may not be on the system, but may be very important from an energy viewpoint.

Mr. McFALL. Mr. Steed has a question.

Mr. STEED. With respect to bridges, I know a number of instances where the county elected not to take Federal aid because they would have to have built to a certain standard, and they didn't want to put that much money into this particular bridge. Will that be a factor in this program?

Secretary ADAMS. It is still a factor, but we have changed the program to allow rehabilitation as compared to rebuilding. It is often easier to rehabilitate than it is to establish a new project. As you well point out, rebuilding can become very complicated in terms of environmental impact statements, 401 permits, and a great many things that are required if you are going to build a new bridge as opposed to rehabilitating one.

HIGHWAY/TRANSIT LEGISLATION EFFECT ON ENERGY

Mr. McFALL. What changes in the energy situation are assumed and does the legislation assume that the modal mix will remain unchanged?

SECRETARY ADAMS. The legislation is consistent not only with the need to conserve energy, but with the need to transport energy resources. It emphasized improved public transportation, vanpooling and carpooling programs and transportation system management.

The new legislation proposes a number of changes that will allow State and local officials the flexibility to use Federal assistance in a productive manner in planning and developing comprehensive transportation systems that best meet their particular needs. In addition to providing single planning grants for all transportation planning activities, the legislation would provide additional funds for public transportation in urbanized areas and allow Federal assistance to be used for public transportation operating assistance in rural and small urban areas. Transportation plans of the largest urbanized areas, where presumably the most gains can be made in energy conservation, will be reviewed by the Secretary to ensure that air quality, energy conservation, environmental quality, accessibility to employment, housing, land use and future development have been reasonably addressed.

Many of the above factors will have a direct or indirect impact on energy consumption. We expect that opportunities to affect energy consumption through land use probably will be strongest in our rapidly growing small and medium size cities. In our largest cities, where massive infrastructure exists and populations are stable or even declining, emphasis will be placed more on achieving energy efficient transportation service through better management of existing facilities. The Department also expects significant energy savings through the fuel economy standards and enforcement of the 55 mph speed limit.

We are assuming, however, that the automobile will continue to be the dominant form of transportation in this country. Therefore, it will be necessary to emphasize more efficient and socially responsible use of the automobile.

MILEAGE AVAILABLE FOR FEDERAL ASSISTANCE

Mr. MCFALL. The proposed legislation would appear to remove any practical significance to the designation of a road as part of the Federal-aid secondary or urban system since any public road in a rural or urban area would be eligible for assistance. Approximately how many miles of public roads and streets would for the first time be eligible for Federal assistance under the legislation?

Secretary ADAMS. It is difficult to give a relatively precise answer to the question. However, it is generally known that increasing State and local officials' flexibility and improving their ability to move projects are two of the main objectives of our legislation. To help do this, we are recommending that the Urban and Small Urban and Rural programs no longer be tied to funding of special Federal-aid systems. The present programs which are affected by this change are the Federal-aid Urban System and Secondary System.

Because of its role in providing intra-state access to agriculture and industry, the Secondary System has historically received high priority in State highway improvement programs. Collectively in the past, the States have used almost twice the amount of their own

funds on the Secondary System than they have received from the Federal-aid secondary program. It is important to note that the States control only 22 percent of all rural route mileage. Of this, 34 percent is on the primary system and would not be affected by the "system" change. It is our opinion that the States will use the added flexibility provided by the proposed legislation to meet the priority needs on the Secondary System since 40 percent of all non-Interstate travel is on the Secondary System.

CONSOLIDATION OF HIGHWAY AND TRANSIT PLANNING

Mr. McFALL. The proposed legislation would consolidate the highway and transit planning grants and would give you a new role in the review of transportation plans for cities over a million in population.

How would you use this new authority to assure that the Federal transportation programs of these large cities are consistent with our interstate transportation system as well as such other national goals as energy conservation and clean air?

Secretary ADAMS. The transportation plans for urbanized areas over one million will be reviewed by the Department of Transportation. In the case of air quality, EPA field staff will also have an opportunity to review and comment on the transportation plan. It is the responsibility of DOT to determine that the transportation plans are consistent with plans designed to meet other national goals such as energy conservation, housing, economic development.

This approach will help to integrate these objectives and be a positive force in urban revitalization. We expect the Department's review to serve as an early warning device for individual projects which may face disapproval at a later stage of development, while still encouraging local priorities and decision making.

REDUCTION OF MASS TRANSIT COSTS

Mr. McFALL. Over the years we have expressed our concern with the growing operating deficits for mass transit. Last year you indicated that you were hopeful that by improving management and getting standardization of equipment, you would be able to reduce mass transit costs. Have you done anything during the past year in this area or does your proposed legislation include any programs to help accomplish these objectives?

Secretary ADAMS. Since the transit industry has suffered from neglect for so many years, our efforts to provide Federal impetus to such things as the development of computerized information systems, better blue collar training programs, and aggressive transit marketing efforts are only now getting beyond the stage of pilot programs. Some of our demonstrations are already on-line and have resulted in improved efficiency and productivity at the local level. These effects will be increasing in the years ahead. Thus far, 22 bus systems have installed a federally-developed computerized program for automated work assignments of bus drivers; over 700 middle-level transit professionals have been awarded study fellowships; an improved selection test has been established for bus drivers; and an

outreach program is now under way to ensure that transit managers have ready access to the results of Federal demonstrations.

Our standardization efforts in both bus and rail car purchases have only recently been initiated. Because of the large number of unlike vehicle designs in both buses and rail cars, we have found it necessary to issue standard specifications for purchases which will allow advancement in design of the vehicles and still preserve competition. The specifications will limit the number of options and provide a level of standardization and quality assurance which we anticipate will have a significant effect upon life cycle costs.

The Transbus mandate will assure stabilization of the bus market and introduce a standard performance specification for a bus which can be competitively procured and will serve all the public including the elderly and disabled. The rail car standardization project is on schedule, and its first tangible outputs are standard guidelines for contractual terms and conditions and the common buys among combinations of the next five cities who plan to purchase rail cars in the next year.

Further legislative authority is not needed to carry out the improved management and standardization efforts.

WASHINGTON METRO CONSTRUCTION

Mr. McFALL. The construction of Washington Metro has been a program which this committee has followed very closely. No new construction funds are included in the budget for this project. What is your position regarding Metro construction and what is the status of the analysis of alternatives, Federal and local funding, and compliance with three legislative provisions included in the fiscal year 1978 Transportation Appropriation Act, Public Law 95-85?

Secretary ADAMS. The current situation with regard to Metro construction is that we have recently authorized the continuation of the final design of the segment beyond Silver Spring. We also plan to continue funding construction within the committed 64-mile system.

With regards to the alternatives analysis, seventy-two regional alternatives have been reduced to four, and they will be compared to a consultant's draft regional alternatives report.

Lastly, with reference to the three legislative provisions, we have reached an agreement with WMATA to comply with the provisions as included under the Metro section of the FY 1978 DOT Appropriations Act.

NECESSITY OF HIGHWAY FUNDING LIMITATION

Mr. McFALL. You are, of course, very familiar with the limitation on Federal-aid highways funding which has been enacted by the Congress for the past three years. The fiscal year 1979 budget includes a proposed ceiling of \$7.445 billion. Do you believe such a ceiling is needed? Is the ceiling included in the budget consistent with your proposed legislation? If not, what should this ceiling be?

Secretary ADAMS. We do, indeed, believe such a limitation is necessary. Because of large carryover balances in this program,

annual limitations are necessary to avoid large fluctuations in spending from year-to-year which would otherwise occur in the absence of a limitation. The Budget and Impoundment Control Act requires committees of Congress to develop outlay estimates for their programs. The limitation should be of benefit to the Congress by providing a positive estimate of obligations and resulting outlays for planning purposes.

However, with the new Act, DOT will observe closely how states obligate funds during the next few years. If a clear pattern develops which suggests the need no longer exists, then presumably we will recommend phasing out of the limitation process. If modifications are needed, they will also be proposed. Lastly, the ceiling is consistent with the legislation. The limitation has been raised to accommodate the levels in the bill.

ICC REGULATION OF TRUCKING BUSINESS

Mr. McFALL. According to a recent report the ICC currently regulates less than one-half of the intercity motor-freight transportation in this country. There have been some proposals to remove ICC's jurisdiction over entry into the trucking business and to reduce ICC's authority to set truckers' rates. The President's budget, page 147, states: "The Administration will continue to seek reduction of outmoded motor carrier rules and regulations."

Do you feel there is a need to change ICC jurisdiction in these areas? If so, in what ways do you feel it should be changed, and if not, what benefits do you feel the American consumer gets from the present system?

Secretary ADAMS. If I may, Mr. Chairman, I'd like to give a brief answer and then expand for the record. By and large the motor carrier industry functions quite well. Nonetheless, there is a need for significant change in motor carrier regulation, particularly in the areas of ratemaking, entry, rate bureaus, and regulatory lag.

The answer to the problem does not, however, lie in total deregulation, but in careful, planned changes, many of which can be accomplished by the ICC. Accordingly, in the coming year we will make a vigorous effort to seek reform at the ICC itself and we will continue to discuss the need for legislative change as well.

[The information follows:]

TRUCK REGULATION

The activities of the Department in a variety of areas reflect the desire to bring about the orderly reform of transportation regulation sought by President Carter. While there are some differences within the Administration on how to implement reform, there is basic agreement on three points: first, that our transportation systems are generally very good; second, that there is nothing sacred about the status quo and current regulatory schemes can be improved; and finally that the means of improving them is not total deregulation in any mode—it is regulatory reform that emphasizes ratemaking, rate bureaus, entry, and regulatory lag.

There are several options open to the Administration. We could prepare regulatory reform legislation for consideration by Congress, or encourage the Commission, under the leadership of Chairman Dan O'Neal, to undertake reforms within the existing statutory framework, or pursue some combination of both. Each has its advantages and disadvantages; but all would be undertaken with the same purpose—to modify the existing system of economic regulation, established to reflect the economic conditions of 1935, to reflect today's vastly different economic conditions.

Unlike air and rail carriers, effective reform of motor carrier regulation is complicated by a fact that you mentioned: more than half of the motor carrier industry is not subject to economic regulation. Our information about exempt

truckers, independent owner-operators, contract carriers, and private fleets is not complete. We are talking with the Department of Agriculture and with the ICC about ways to gather needed information. Additionally, representatives of the White House Domestic Policy Council, Justice, OMB, USDA, CEA, this department, and others have met with representatives of numerous motor carrier, shipper, labor, farmer and consumer groups to discuss the need for reform.

On the specific issues of ratemaking and entry, we see a number of problems in the existing regulatory system, several of which are already being addressed by the ICC in rule making proceedings. On the subject of entry, small businesses and minority groups assert that even though they are capable of providing services desired by customers they cannot win Commission certification. Entry proceedings are lengthy (often more than two years), expensive (costing more than \$50,000) and frequently unpredictable. These facts are themselves institutional constraints to entry which can and should be addressed.

About two weeks ago, we supported the concept of protest standards in connection with an ICC proceeding dealing with that matter. We supported protest standards because we believe that, properly conceived, they can help to eliminate frivolous protests and reduce the extraordinary amount of time and money now required to pursue entry applications. This will give small, minority and other economically disadvantaged carriers the same opportunity that large, prosperous firms already have.

Other entry-related problems continue to exist. Often, ICC entry decisions serve primarily to protect existing carriers, even though a new applicant may offer a better or a different service, or a better price. Commodity and route restrictions placed on operating certificates often result in wasted fuel by requiring carriers to travel unnecessary miles or empty miles. Other entry restrictions prevent private trucks from carrying the products even of affiliated firms or subsidiaries. Contract carriers are allowed to serve only an arbitrary number of shippers, even though the specialized service they provide could be efficient and economical for others. During the coming year we expect to address these issues.

Another controversial target is the process of joint ratemaking through rate bureaus. The 4-R act imposed several restrictions and standards upon rail carrier rate bureaus. There is considerable pressure from some factions to do the same for motor carrier rate bureaus. The Commission has recently announced a rulemaking proceeding to deal with this very issue. This is one of the most difficult—and most emotional—issues facing would-be reformers and industry alike. Within the Administration there is general agreement that some change is necessary, but less agreement on the details of reform or on how to achieve it. We are anxious to read the views submitted to the Commission by industry and shippers on how to strike the appropriate balance between the need for competition in service and price and the need to preclude destructive and self-defeating pricing tactics that benefit neither shippers nor consumers.

Additionally, many believe that rates are now higher than they would be if carriers had greater freedom to price competitively, to relate rates to costs rather than to classes of commodities and to offer a wide variety of price and service options. We will look at these concerns this year also.

We are very concerned about the alarming growth of private carriage. In order for the for-hire industry to recapture this traffic, needless and arbitrary restrictions must be reduced so that common and contract carrier rates and services are more responsive to shipper needs.

Finally, to go back for a moment to the needs of the independent owner-operators. We, like you, remain mindful of the fact that less than half of the trucking industry is regulated.

The Department is very concerned about the plight of the independent who has been so hard hit by inflation in the cost of fuel and equipment. In contrast to the regulated side of trucking, where we are trying to find ways to make a good system work better and increase the effectiveness of competition, our concern is that something must be done to reduce the distressing bankruptcy and turnover rate in this essential segment of the trucking industry. We have no answers to these issues at this time, but you can be assured that we will be working closely with the Commission and the USDA to analyze the nature and cause of the problem and to come up with positive solutions. Part of the problem, as noted before, is that we do not know as much as we should about independent owner-operated—operating costs, leasing arrangements and earnings and equipment costs. We expect that some of these issues will be clarified in a pending ICC proceeding proposing modifications to independent owner-operators' contractual, insurance, fuel and other arrangements. We will be active participants in that proceeding.

EFFECT OF SPEED LIMIT ON ACCIDENTS

Mr. McFALL. Last November, it was reported that a Department of Transportation study indicated that drivers are increasingly ignoring the 55-miles-per-hour speed limit. In some States, Wyoming and Connecticut, 77 percent of vehicles were found to be exceeding the limit.

(a) Are these increasing speeds having any impact on transportation accidents and fatalities?

(b) What can you do about this and what do you intend to do?

Secretary ADAMS. It is true that the voluntary compliance with the 55 mph speed limit is slowly eroding, and the number of persons being killed as a result of traffic crashes is increasing. Further, we do know from research that there is a direct correlation between higher speeds and fatalities. However, as of this date, no study has been made to determine the specific increase in traffic fatalities which might result from the recent increase in speed above the 55 mph limit.

There are several courses of action which could influence increased compliance with the 55 mph speed limit. These include: increased funding for enforcement of the 55 mph program; the establishment of performance criteria against which to measure whether all states are ignoring compliance with 55 mph; a reasonable and applicable sanction for unsatisfactory effort, to obtain compliance with the 55 mph speed limit, by a state. Legislation proposed for 1979 embodies these principles and of great importance is leadership support from all levels of government and business.

HIGHWAY SAFETY LEGISLATION

Mr. McFALL. You will also be proposing new legislation for your highway safety programs this year. Could you briefly summarize the content and budgetary impact of this legislation?

Secretary ADAMS. Mr. Chairman we have already informed the committee as to the general contents of our new Highway/Transit Bill. This bill contains provisions dealing with safety programs with both FHWA and NHTSA. That portion dealing with Highways includes a proposal to consolidate 6 highway safety programs into one safety grant program with \$500 million in 1979 budget authority. It also proposes to expand the bridge replacement program to include rehabilitation, and to increase budget authority from \$180 million in 1978 to \$450 million in 1979.

In the NHTSA area one of the significant features of the legislation is that which allows up to 25 percent of the proposed 1979 authorization of \$175 million for the State and Community Highway Safety, Section 402, Program to be allocated to the states for special high priority highway safety programs and projects in accord with criteria to be established by the Secretary.

Also, for the Section 402 program the legislation provides for a shift from reliance on mandatory Federal standards to an obligation on the part of the States to identify their own problems, devise remedies and evaluate results. In addition, starting in 1980, a new, Section 402, program initiative of innovative grants for experimental

projects developed by the States to deal with highway safety, will be substituted for the current incentive grants. The proposed authorizations for the 402 program increases from \$175 million in 1979 to \$215 million in 1982.

For NHTSA's Highway Safety Research and Development, Section 403, program total authorization will remain constant at \$50 million from 1979 to 1982.

The legislative proposal also calls for a revision in penalties relating to the 55 mph speed limit. Under the proposed revision, a reduction of up to 10 percent of non-interstate and non-safety highway construction funds can be withheld from States not in compliance with 55 mph enforcement, based on actual measured traffic speeds.

FLIGHT SERVICE STATION MODERNIZATION

Mr. McFALL. Your proposed budget includes approximately an additional \$146 million for the flight service station modernization program. In view of the fact that most of the \$27.9 million appropriated two years ago for this program has not yet been obligated, why are you requesting such a large amount for this program?

Secretary ADAMS. The request of \$146.6 million, combined with the \$27.9 million already appropriated, will provide full funding for a discrete program of flight service station automation.

The emphasis on full funding reflects one of the President's budgetary initiatives, and is in keeping with expressions of Congress with respect to major systems acquisitions. It provides a clearer understanding of total costs for an entire project, and permits program progress to proceed at more economic rates, eliminating uneconomic start-up and stop costs which sometimes accompany incremental funding.

This fully funded \$174.5 million program will result in the automation of the busiest flight service stations. Pilot direct access to the automated system will be provided nationally to obtain current weather and aeronautical information and to file flight plans, all without the aid of a specialist.

Mr. McFALL. Which automated system do you intend to purchase for your flight service station program?

Secretary ADAMS. The purchase of automated systems for the program will be accomplished via a competitive bid using a performance specification. The performance specification requires application of current computer system technology. The existing automated systems use a technology of the early 1970's which is no longer offered commercially.

There is no plan to specifically purchase either of the types of equipment we have been utilizing.

MIDWEST RAILROAD BANKRUPTCIES

Mr. McFALL. The railroad problem is not confined to the Northeast. In the Midwest there appears to be a number of railroads which are either in bankruptcy or close to it. Last month you reportedly said that the Government may allow some of these railroads to shut down rather than continue to provide Federal

subsidies. There are some who might feel that since we are providing billions of dollars of Federal money to ConRail to serve the Northeast that we should do the same for these Midwestern railroads.

Are you really serious about allowing these railroads to go bankrupt; and if so, aren't you establishing different standards for different regions?

Secretary ADAMS. I would like to emphasize that the nature of the problems facing the granger roads is such that federal financial assistance alone will not achieve a solution, but would merely serve to camouflage the symptoms of the problem for a short period of time. On the other hand, the Penn Central was in bankruptcy for some time before Federal legislative action established the funding and planning mechanism that provided for the continuance of operations and the ultimate reorganization of the Penn Central and, except for the Boston and Maine, the other Northeastern bankrupts. There is no such void today.

What we sought to do in the northeast—and are seeking to do in the midwest—is to ensure that the rail system is reshaped so that its physical plant and its traffic base are more closely related, to permit the continuance of effective essential rail services as part of a healthy, private sector rail system. We should bear in mind that the economies of the two regions are different. Generally speaking, the economic decline was sharper in the northeast relative to the rest of the country.

The railroad structures themselves are different. The Penn Central was far more dominant in the northeast than any single carrier is in the midwest. Seven other carriers representing nearly all the mileage in the northeast also were in bankruptcy. Moreover, in the congested northeast, a manufacturer is often dependent on a single rail line, with no or few other shippers using that same line.

In the midwest, on the other hand, shippers may have the choice of several lines, the result of "spider web" rail construction in the last century which spun track in all directions throughout the Plains. Much of the excess plant in the region can be restructured without terminating service to any important shipping point. Perhaps as much as 20 percent of the track can be excised or reduced in level without seriously affecting service.

In January, we began a new public process under Section 5 of the DOT Act, as amended by the 4R Act, to work with the railroads, labor, shippers and states in the development of a solution to the problems which have caused the financial deterioration of these granger railroads. We are meeting again on February 16 and 17 in Chicago with these interest groups to address specific problem areas and to develop study plans for arriving at acceptable solutions. Thus, it should be clear that we are not adopting a double standard.

The extent that Federal assistance provided by FRA will benefit the City of Chicago remains a decision of the State of Illinois in the submission of their State Rail Plans for rail freight service continuation subsidies. FRA reviews the State Rail Plan for conformance with prescribed regulations and releases such funds when the Plan is approved.

Grants are provided to Amtrak based on Congressional appropriations. While FRA may review Amtrak's current operations and offer suggestions on a working level or through representation by the Secretary of Transportation on the Board of Directors, Amtrak uses the route and service criteria and other managerial tools to make decisions which may relate to intercity passenger service involving the City of Chicago.

Federal assistance affecting the midwest railroads from the Federal Railroad Administration (FRA) included in the Railroad Revitalization and Regulation Reform Act of 1976, as amended, is provided to maintain rail freight service. Assistance to the National Railroad Passenger Corporation (Amtrak) is provided for intercity passenger service through grants for operating losses and capital needs. No funding is provided for commuter service.

MILWAUKEE RAILROAD

Mr. McFALL. You indicated that even under the bankruptcy law, there is doubt that the Milwaukee road can continue to operate. What is the reason for this?

Secretary ADAMS. The Federal Railroad Administration comprehensively analyzed the Milwaukee Road's plant, markets and financial condition during the spring and early summer of 1977 in order to determine the railroad's eligibility for preference share funding. Subsequent to the consummation of that funding, FRA has closely monitored the Milwaukee's continuing deterioration.

It was clear at the time of the preference share funding in mid July of last year that the Milwaukee would have extreme difficulty in surviving the winter of 1978 as a viable carrier. With that prognosis FRA decided that Section 505 funding was necessary, to the extent the Milwaukee could use it in the remaining 1977 work season to give them time to construct an achievable survival strategy.

FRA's comprehensive analysis and continuing monitoring invariably force the conclusion I have reached on the Milwaukee's reorganizability. For as presently structured and with a continuation of its current rate of traffic erosion, there appears no way the railroad can be reorganized on an income basis.

This does not mean, however, that the railroad cannot under any circumstance be reorganized. A successful reorganization will require a physical restructuring of the railroad—which means eliminating unprofitable markets which are adequately serviced by other carriers and modes, and by emphasizing the services it can perform profitably.

RAILROAD MERGERS

Mr. McFALL. There have been some mergers proposed or discussed which would create railroads which would cross the country. This is not a new idea. In 1973 the Task Force on Railroad Productivity concluded, page 325, that "the formation of four to seven or so independent continental systems, north to south as well as east to west, through predominantly end-to-end mergers will help

considerably in solving the industry's problem." Do you agree with this conclusion? If so, what is the Department doing or what can you do to encourage these kinds of mergers?

Secretary ADAMS. I agree that "end-to-end" mergers offer the prospect of benefits through potential service improvements and plant reductions. In the final analysis, corporate merger represents a private sector business transaction, which is effective from the Federal standpoint if it reduces total overhead, improves profitability, eliminates excess or duplicate plant and facilities and provides improved service for the shipper.

For a merger to be successful, it should pass two key tests: First, will the consolidation help in the restructuring of the industry, to improve profitability; and second, will it be in the public interest, in terms of service.

With regards to the second part of your question, DOT can encourage mergers and consolidations through the "401" process.

AMTRAK ROUTE STRUCTURE

Mr. McFALL. At the request of the House and Senate Appropriations Committee, you are conducting a study of Amtrak's route structure. This study is due on March 1, 1978.

(a) Do you intend to meet this deadline?

(b) How soon do you intend to submit a legislative proposal to implement this new route structure?

Secretary ADAMS. Legislation has been introduced which authorizes the full process for the comprehensive route reexamination with full public, congressional and agency participation. The Department is using as a guideline the proposed legislation which calls for preliminary recommendations of alternative Amtrak route structures to be submitted to Congress and other parties by May 1. The report will be based upon the nations current and future market and population requirements, existing Amtrak route information and other data. The reports will discuss ways that Amtrak could operate either the existing system or modified systems within appropriate budget levels. We also plan to include in this preliminary report our recommendations on the criteria to be used for evaluating the proper structure of rail passenger service in the longer term. In order to more thoroughly understand the nature of Amtraks financial problems, we also intend to include an introduction to, and discussion of, the many factors which have a significant impact on Amtrak's operating deficit.

The proposed legislation would mandate the Interstate Commerce Commissions Rail Service Planning Office to conduct public hearings and by September 30, 1978, submit to Congress a summary and analysis of the public hearings along with their critique and evaluations of the Departments recommendations.

Following the public review of the preliminary recommendations, the Department will issue its final recommendations by December 31, 1978. The final recommendations will contain the criteria used for developing the recommended system, the recommended national passenger system for operation by Amtrak in fiscal year 1980 through 1984 and recommendations for treating the many issues

which affect Amtrak's operating deficit. The final report would also provide the Department's recommendations regarding the 1980-84 Federal funding levels for Amtrak. If either House or Senate does not pass a resolution disapproving the final recommendations within 60 days of its submission, the final recommendations shall come into effect.

AMTRAK FUNDING

Mr. MCFALL. The President's Budget includes \$506 million in fiscal year 1978 and \$510 million in fiscal year 1979 for operating subsidies for Amtrak. Are you opposed to any additional fiscal year 1978 or 1979 funding for Amtrak?

Secretary ADAMS. Amtrak's original fiscal year 1978 operating appropriation was \$488.5 million. Congress is expected to soon pass an \$18 million supplemental appropriation for operating subsidies and directs the Department, in cooperation with Amtrak, to conduct a reexamination of the Amtrak total route structure.

Concurrent with the preliminary recommendations, which the Department will send to Congress on May 1, we will provide appropriate further recommendations on fiscal year 1978 and fiscal year 1979 funding. The results of that study should give a good indication of alternative service levels and resource requirements.

FEDERAL AID TO BUS INDUSTRY

Mr. MCFALL. Related to the issue of subsidies for Amtrak, is the issue of Federal aid to the intercity bus system. According to a recent article the bus industry is seeking Federal aid for downtown transportation facilities.

The bus companies allege that they carry many more passengers than the subsidized railroad passenger corporation and that they currently receive no Federal subsidy since their contributions to the Highway Trust Fund cover the costs they impose on the Federal-aid system.

What is your position regarding direct Federal-aid to the bus industry or Federal assistance for the construction of downtown transportation facilities?

Secretary ADAMS. The Department, in cooperation with ICC, is studying the financial condition of the intercity bus industry. We expect to have a final report in March or April. In addition to assessing the industry's financial condition and needs, it also addresses the effects which Federal and state regulations have on the industry.

At the present time, of course, we have no authority to provide assistance of any kind to the private bus industry for facilities or terminals. UMTA, however, can participate in financing those parts of terminals which are used by public transit operators.

In general, considering transportation priorities and the stringent budget situation, I cannot see the Administration proposing a categorical program to aid private bus operators. However, under our proposal for rural and small urban area transportation assistance, states or regional agencies could purchase service from such private carriers as a means of providing mobility in areas of low density.

I should also note that the pending energy legislation relieves the bus industry of much of its present tax burden, in effect giving them relief of user fees on our highways.

OIL SPILLS

Mr. McFALL. Last year, page 55, we discussed the problem of oil spills and the actions you planned to take to protect our coastline and waters. According to the President's message of March 17, 1977, you were instructed to develop new rules for oil tanker standards within 60 days.

Can you briefly summarize for us what you have accomplished in this area and what you plan to do during the next 18 months?

Secretary ADAMS. The proposed regulations to which you refer, Mr. Chairman, were issued in May of 1977. They applied to oil tankers of 20,000 deadweight tons or more, U.S. and foreign, which enter U.S. waters. The recommended new requirements include double bottoms on all new tankers and segregated ballasts, inert gas systems, backup radar systems, and improved emergency steering standards on all new and existing tankers which call on American ports.

We have been working around the world with visitations by Department of Transportation and State Department personnel to make certain that the other members of the international community understand that the marine oil pollution problem is an international one demanding international solutions, as indicated in the President's message.

Specifically, we are currently working with the Intergovernmental Maritime Consultative Organization (IMCO) which is holding its International Conference on Tanker Safety and Pollution Prevention in London this week. The goal of our people attending the conference is to obtain an international agreement on tanker standards that is compatible with the current proposed U.S. regulations.

We hope that the Coast Guard will be able to finalize the proposed regulations following the conference and have the new standards in effect by Fiscal Year 1979. However, if we do not get the response we need from the international community, we may have to go forward on a unilateral basis with U.S. standards.

RESEARCH AND DEVELOPMENT

Mr. McFALL. Would you update for the record the tables included on pages 68 through 72 of last year's hearing?

[The information follows:]

DEPARTMENT OF TRANSPORTATION
 CONDUCT OF RESEARCH AND DEVELOPMENT
 (In Millions of Dollars)
 (Continued)

	Obligations			Outlays		
	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate	FY 1977 Actual	FY 1978 Estimate	FY 1979 Estimate
<u>Administration & Appropriation</u>						
National Highway Traffic Safety Administration						
Traffic and Highway Safety	\$ 27.9	\$ 30.5	\$ 35.0	\$ 26.3	\$ 31.4	\$ 29.4
Trust Fund Share of Highway						
Safety Programs	11.9	11.3	11.0	13.6	12.6	13.3
Subtotal	39.8	41.8	46.0	40.0	44.0	42.7
Federal Railroad Administration						
Railroad Research & Development	39.2	48.8	39.7	43.6	42.8	37.1
Urban Mass Transportation Administration						
Urban Mass Transportation Fund	44.9	51.0	53.0	35.4	42.3	45.0
Research and Special Programs Directorate						
Research and Special Programs	--	.9	10.9	--	.9	6.4
TOTAL	320.5	363.8	342.4	310.5	341.8	334.6

NOTE: Detail may not add due to rounding.

DEPARTMENT OF TRANSPORTATION
RESEARCH AND DEVELOPMENT FACILITIES
(In Millions of Dollars)

	Obligations		Outlays	
	FY 1977 Actual	FY 1978 Estimate	FY 1977 Actual	FY 1978 Estimate
<u>Administration & Appropriation</u>				
U.S. Coast Guard				
Reserach, Development, Test and Evaluation	\$.6	\$.8	\$.5	\$.7
Federal Aviation Administration				
Facilities and Equipment	3.0	9.6	3.0	8.6
Federal Highway Administration				
Federal-Aid Highways .....	.4	.4	.4	.4
National Highway Traffic Safety Administration				
Traffic and Highway Safety .....	.2	.2	.2	.2
Federal Railroad Administration				
Railroad Research and Development	16.6	16.9	11.7	13.0
Urban Mass Transportation Administration				
Urban Mass Transportation Fund	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>	<u>1.7</u>
TOTAL	\$22.5	\$29.6	\$17.5	\$24.6
				\$18.4

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT
(In Millions of Dollars)

<u>Administration</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>Difference</u>	<u>Remarks</u>
OST	\$ 28	\$ 12	\$-16	Decrease due mainly to fact that in 1979 a significant portion of OST R&D is transferred to RSPD. Provides mainly for support of transportation policy development that addresses economic conditions in transportation modes; planning and improved service and productivity best serving the public and the economy; and, transportation adjustments needed to achieve national energy goals.
USCG	19	19	-0-	Activities address improved safety and efficiency of marine navigation; the location and rescue of persons in peril; methodology and equipment to provide passage in ice and iceberg obstructed trade routes; and methods to detect, identify, and quantify discharges of oil as well as to deal with them in fast current and extreme cold environments.
FAA	121	106	-15	Supports programs directed toward the improvement of the Nation's air traffic control systems, the increased safety of aircraft and their operations, aviation medicine, and development activities directed toward protecting the environment from aircraft noise and pollution. In 1979, these programs will continue to emphasize engineering developments for the air traffic control equipment and systems needed to operate the air transportation networks of the 1980's.
FHWA	53	55	+2	Major attention is focused on increasing highway, vehicle, driver, and pedestrian safety. Other areas of research and development include reduction of highway construction and maintenance costs, and the development of advanced traffic management systems to increase the capacity of the Nation's highway system.
NHTSA	42	46	+4	Programs concerning automotive fuel economy, traffic safety demonstrations, and consumer programs will emphasize research on test vehicle fabrication, the development of a nationally representative accident data base, fuel economy research for informed rulemaking in the early 1980's, and data on crash-worthiness and damageability of model year cars.

DEPARTMENT OF TRANSPORTATION
ANALYSIS OF OBLIGATIONS FOR CONDUCT OF RESEARCH AND DEVELOPMENT
(In Millions of Dollars)

<u>Administration</u>	<u>FY 1978</u>	<u>FY 1979</u>	<u>Difference</u>	<u>Remarks</u>
FRA	\$ 49	\$ 40	\$ -9	Applied research and development programs will continue to emphasize freight car management, improvement of freight services, safety of railroad operations, and improvement of railroad track structures.
UMTA	51	53	+2	Provides primarily for development of improved bus and paratransit vehicles, advanced urban rail systems, and automated guideway transit systems, including the downtown people mover development initiative.
RSPD	1	11	+10	Increase due to the fact that certain elements of R&D formerly financed in OST will be financed in RSPD commencing in 1979. Provides for technological research concerned with current and key long-range transportation problems with special emphasis on inter-modal aspects and directed toward transportation system improvement, enhancement of transportation security, stimulation of transportation research in the academic community and improvement in the safe transportation of natural gas and other hazardous materials in commerce.
TOTAL	\$ 364	\$ 342	\$ -21	

NOTE: Totals may not add due to rounding.

AUTHORIZED POSITIONS AND EMPLOYMENT

Mr. McFALL. Would you provide for the record a table similar to the one on page 74 of last year's hearing indicating by appropriation your present employment, currently authorized positions, and your requested positions for fiscal year 1979?

[The information follows:]

DEPARTMENT OF TRANSPORTATION
 AUTHORIZED FULL-TIME PERMANENT POSITIONS AND EMPLOYMENT

<u>Organization & Appropriation</u>	FY 1978 Authorized Positions	Jan. 31, 1978 Employment	FY 1979 Requested Positions
<u>OFFICE OF THE SECRETARY</u>			
Salaries and Expenses	778	693	779
Transportation Planning R&D	49	46	49
Working Capital Fund	391	370	391
Total OST	<u>1,218</u>	<u>1,109</u>	<u>1,219</u>
<u>U.S. COAST GUARD</u>			
Operating Expenses	5,568	4,926	5,531
Acquisition, Construction & Improvements	187	175	202
Reserve Training	119	119	119
Research, Dev., Test & Evaluation	100	88	122
CG Yard Fund	1,007	944	1,007
Total CG - Civilian	<u>6,981</u>	<u>6,252</u>	<u>6,981</u>
Military	38,420	38,059	38,420
<u>FEDERAL AVIATION ADMINISTRATION</u>			
Operations	55,548	52,275	55,704
Facilities, Engr. & Dev.	193	168	193
Operation & Maintenance, MWA	844	778	826
Avia. War Risk Ins. Rev. Fund	2	1	2
Facilities & Equipment	1,473	1,356	1,423
Research, Engineering & Development ...	865	838	845
Total FAA	<u>58,925</u>	<u>55,416</u>	<u>58,993</u>
<u>FEDERAL HIGHWAY ADMINISTRATION</u>			
Motor Carrier Safety	241	228	267
Darien Gap Highway	25	15	25
Federal-Aid Highways	553	462	553
Limitation on General Operating Expenses	3,827	3,693	3,827
Allocations	235	208	238
Misc. Trust Funds	37	8	37
Total FHWA	<u>4,918</u>	<u>4,614</u>	<u>4,947</u>
<u>NATIONAL HIGHWAY TRAFFIC SAFETY ADMINISTRATION</u>			
Traffic & Highway Safety	909	818	909

DEPARTMENT OF TRANSPORTATION
 AUTHORIZED FULL-TIME PERMANENT POSITIONS AND EMPLOYMENT

<u>Organization & Appropriation</u>	<u>FY 1978 Authorized Positions</u>	<u>Jan. 31, 1978 Employment</u>	<u>FY 1979 Requested Positions</u>
<u>FEDERAL RAILROAD ADMINISTRATION</u>			
Office of the Administrator	206 ^{a/}	166	200
Railroad Safety	400	351	425
Railroad R&D	162	143	178
Rail Service Assistance	106 ^{b/}	78	94
Northeast Corridor Improvement Program	---	---	40
Alaska Railroad Revolving Fund	803	667	749
Total FRA <u>c/</u>	<u>1,677</u>	<u>1,405</u>	<u>1,686</u>
<u>URBAN MASS TRANSPORTATION ADMINISTRATION</u>	557	470	607
<u>ST. LAWRENCE SEAWAY DEVELOPMENT CORPORATION</u>	194	182	194
<u>RESEARCH & SPECIAL PROGRAMS DIRECTORATE</u>			
Research & Special Programs	240	176	256
Consolidated Working Fund, TSC	680	624	680
Total RSPD	920	800	936
DOT TOTALS - Civilian	76,299	71,066	76,472
Military	38,420	38,059	38,420

NOTE: Positions and employment for OST and RSPD related to reorganization are shown as if transferred during 1978 for comparability purposes.

a/ Includes proposed supplemental request for 16.

b/ Includes proposed supplemental request for 12.

c/ Excludes positions requested by FRA reflected in the allocation account of FHWA.

USER CHARGES

Mr. McFALL. You are proposing to delete the prohibition on administrative user charges this year. Would you indicate for the record what charges you intend to impose and the reasons for them?

[The information follows:]

The fiscal year 1979 Budget contains \$22 million in revenues anticipated from revised and new FAA fees for aircraft registration, conveyance recording and airmen certification. The proposed new and revised fees would reimburse the Government for the costs incurred in registering aircraft and certifying airmen as authorized in the Independent Offices Appropriation Act of 1952.

AIR TRAFFIC CONTROLLERS

Mr. McFALL. Would you also update for the record, starting with June 30, 1976, the table included on page 75 of last year's hearing?

[The information follows:]

	Journeyman controllers ^{1/}	Developmental controllers	Total
June 30, 1976	12,019	5,076	17,095
July 31, 1976	12,012	4,920	16,932
Aug. 31, 1976	12,135	4,724	16,859
Sept. 30, 1976	12,099	4,785	16,884
Oct. 31, 1976	12,065	4,812	16,877
Nov. 30, 1976	12,062	4,858	16,920
Dec. 31, 1976	12,054	4,931	16,985
Jan. 31, 1977	12,032	4,856	16,888
Feb. 28, 1977	12,032	4,911	16,943
Mar. 31, 1977	12,023	4,881	16,904
Apr. 30, 1977	12,030	4,916	16,946
May 31, 1977	12,020	4,840	16,860
June 30, 1977	11,943	4,913	16,856
July 31, 1977	12,144	4,686	16,830
Aug. 31, 1977	12,059	4,812	16,871
Sept. 30, 1977	11,996	5,100	17,096
Oct. 31, 1977	11,984	4,989	16,973
Nov. 30, 1977	12,016	5,035	17,051
Dec. 31, 1977	12,020	5,057	17,077
Jan. 31, 1978	12,103	4,960	17,063

^{1/} Includes all direct and reimbursable funded GS-2152 (air traffic control specialist) personnel who are directly engaged in the control of air traffic. Does not include the team supervisor, higher level administrative/supervisory GS-2152 personnel not directly engaged in traffic control work, or other employees such as clerical, cartographic, etc.

LEGISLATIVE AUTHORIZATION

Mr. McFALL. Would you have your staff prepare and submit for the record a summary of all your fiscal year 1979 appropriation requests which require legislative authorization, indicating what the status of that legislation is?

[The information follows:]

SPC

DEPARTMENT OF TRANSPORTATION
FISCAL YEAR 1979 BUDGET
AUTHORIZING LEGISLATION NEEDED
(\$ In Thousands)

<u>Administration and Appropriation</u>	<u>1979 Amount Requiring Authorizing Legislation</u>	<u>Status of Authorizing Legislation (As Of February 27, 1978)</u>
Coast Guard:		
Operating Expenses	\$ 944,585	
Acquisition, Construction & Improvements	279,208	Transmitted to Congress 2/24/78. Hearings scheduled with House Merchant Marine and Fisheries week of 2/27/78.
Alteration of Bridges	34,603	
Reserve Training	29,532	
Research, Development, Test & Evaluation	20,000	
State Boating Safety Assistance ...	3,000	
Federal Highway Administration:		
Highway Safety Research & Development	9,000	H.R. 10656 and S. 2541 - Hearings held in both House and Senate public works Committees.
National Highway Traffic Safety Administration:		
Traffic and Highway Safety	82,745	Traffic and Motor Vehicle Safety (\$42,173) and Motor Vehicle Information Savings Act (\$14,122) transmitted to Congress on 2/15/78. Safety Research (\$26,450) (H.R. 10656 and S. 2541) - Hearings held in both House and Senate public works committees. H.R. 10656 and S. 2541 - Hearings held in both House and Senate public works committees.
State and Community Highway Safety..	175,000	Transmitted to Congress on 6/15/77.
Federal Railroad Administration:		
Railroad Safety	24,155	Transmitted to Congress on 8/4/77. H.R. 9049 introduced in the House.
Grants to the National Railroad Passenger Corporation	660,000	
Railroad Rehabilitation & Improvement Financing Funds	260,000	
Research and Special Programs Directorate: Research & Special Programs	10,834		Gas Pipeline Safety ($7,159) hearings held in Senate Commerce, Science, and Transportation Committee 2/27/78 on S. 1895. No hearings yet on Hazardous Materials ($3,675).

BUDGET DEFERRALS AND RESCISSIONS

Mr. McFALL. Would you also have them submit for the record a listing of all pending budget deferrals and any rescissions or deferrals which your budget contemplates?

[The information follows:]

DEPARTMENT OF TRANSPORTATION CURRENT DEFERRALS

[Dollars in thousands]

Administration and account	Deferral No.	Amount transmitted in message	Date of action	Amount Deferred as of Feb. 13, 1978
Federal Aviation Administration:				
Construction, Metropolitan Washington Airports	D78-22	\$1,010	Oct. 3, 1977	\$1,010
Civil supersonic Aircraft development termination	D78-23A	148	Jan. 30, 1978	148
Facilities and equipment (airport and airway trust fund)	D78-24	320,650	Oct. 3, 1977	252,163
Federal Highway Administration:				
Trust fund share of other highway programs (national scenic and recreational highway)	D78-25	74,880	.....do	74,880

HIGHWAY-TRANSIT BILL COMPARISONS

Mr. McFALL. With respect to your proposed legislation would you provide for the record a breakdown of your Highway-Transit bill including program-by-program comparisons with fiscal year 1978 and H.R. 8648?

[The information follows:]

HIGHWAY-TRANSIT LEGISLATION
COMPARISON OF PROPOSED AUTHORIZATIONS
FOR FY 1979 WITH FY 1978 LEVELS 1/
(in millions of dollars)

Program/Category	FY 1978	Administration Highway-Transit Bill	FY 1979 H.R. 8648
<u>FEDERAL HIGHWAY ADMINISTRATION</u>			
INTERSTATE:			
Interstate Completion	\$ 3,250	\$ 3,500 ^{2/}	\$ 4,000 ^{2/}
Interstate 1/2% minimum	91		125 ^{2/}
INTERSTATE 3R	175	175	175 ^{2/}
FEDERAL-AID PRIMARY:			
Consolidated Primary	1,300		2,100
Priority Primary	50		---
Urban High Density	65		75
Bridges on Federal Dams	15		---
Traffic Signal Demonstration	20		38
Acceleration of Projects	4		---
Landscaping and Litter Removal	13		13
Economic Growth Center	26		26
Subtotal	<u>1,493</u>	<u>1,500</u>	<u>2,252</u>
SMALL URBAN AND RURAL TRANSPORTATION ASSISTANCE:			
Secondary Rural	400		650
Safer Off-System Roads	92		92
Rural Highway Public Transportation Demonstration	7		---
Access to Lakes	15		15
Bridges on Federal Dams	7		---
Acceleration of Projects	1		---
Landscaping and Litter Removal	8		8
Economic Growth Center	21		21
Territorial Highways	11		11
Urban System	132		132
Subtotal	<u>694</u>	<u>786</u>	<u>929</u>
URBAN HIGHWAY:			
Urban System	668		668
Safer Off System Roads	8		8
Landscaping and Litter Removal	4		4
Economic Growth Center	3		3
Traffic Signalization Demonstration Program	20		37
Subtotal	<u>703</u>	<u>700</u>	<u>720</u>

Program/Category	FY 1978	Administration Highway-Transit Bill	FY 1979 H.R. 8648
SAFETY IMPROVEMENTS:			
Rail Highway Crossings:			
On Federal-Aid System	\$ 125		\$ 150
Off Federal-Aid System	75		100
High Hazard/Roadside Obstacles	125		150
Safer Off-System Roads	100		100
Pavement Marking	50		75
Highway Related Safety Grants (FHWA) ..	25		25
Subtotal	500	500	600
BRIDGE REPLACEMENT AND REHABILITATION ..	180	450	2,000
TRANSPORTATION PLANNING: (Takedown)			
Highway Planning and Research	(87)		(113)
Metropolitan Planning	(29)		(38)
Planning and Research (Optional)	(12)		(17)
Subtotal	(128)	(133)	(168)
MISCELLANEOUS:			
Forest Highways	33	} 49	33
Public Lands Highways	16		16
Emergency Relief	100	} 100	100
Advertising Control	25		25
Junkyard Control	15		15
Subtotal	189	189	189
GREAT RIVER ROAD	35	---	35
RAILROAD-HIGHWAY CROSSINGS			
DEMONSTRATION PROJECTS	51	---	90
ACCESS CONTROL DEMONSTRATION PROJECTS ..	---	---	13
TOTAL, FHWA	\$ 7,361	\$ 7,800	\$11,128
URBAN MASS TRANSPORTATION ADMINISTRATION			
URBAN DISCRETIONARY:			
Section 3	1,375	640	2,200
Interstate Transfer (Transit)	645	675	600
Interstate Transfer (Highway)	(144) ^{3/}	---	---
Subtotal	2,020	1,315	2,800
URBAN FORMULA:			
Section 5	775	885	1,000
Section 17/18	45	52	40
Capital Projects	---	798	---
Subtotal	820	1,735	1,040

<u>Program/Category</u>	<u>FY 1978</u>	<u>Administration Highway-Transit Bill</u>	<u>FY 1979 H.R. 8648</u>
RURAL	\$ 25	\$ (75) ^{4/}	\$ 150
PLANNING	55	5/	60
MISCELLANEOUS - SEC. 6, 10, 11, 12	90	90	150
TOTAL, UMTA	<u>\$ 3,010</u>	<u>\$ 3,140</u>	<u>\$ 4,200</u>

1/ For FHWA, actual FY 1978 authorizations are shown; however, in some cases (e.g. Rural Highway Public Transportation, \$7 million) estimates of obligations are used to derive equivalent levels. FY 1979 authorizations of H.R. 8643 are in some cases similarly treated. For UMTA, 1978 amounts are program level.

2/ FY 1980

3/ Funds for highway substitute projects were appropriated to UMTA in FY 1978, but will be funded from the highway program in subsequent years.

4/ These amounts are included in the FHWA small urban and rural authorization.

5/ Two percent takedown from public transportation programs.

ZERO BASE BUDGETING

Mr. McFALL. Your fiscal year 1979 budget for the first time utilizes the so-called zero base budgeting technique. We will, of course, be discussing this further with your various operating administrations.

From your prospective, however, how would you evaluate ZBB; what are its strong points, its weak points?

How is your fiscal year 1979 budget different than it would have been without ZBB?

Secretary ADAMS. Based upon the first year's operation, I would give the ZBB process high marks. I think that considering it was the first year that it was implemented governmentwide, it operated extremely well. It was particularly beneficial to me and the new staff at DOT, as it provided an excellent vehicle by which to obtain a quick overview of the entire department and the relative priorities of the various component programs.

I think probably the most significant advantage of the ZBB process was found in the ranking where the system forces a manager to identify relative priorities of all of his programs. This is by no means an easy task, and it certainly is an extremely important one. Further, I think our 1979 budget is probably a leaner budget than it would have been without the ZBB process.

I think our biggest problem in the ZBB process this year resulted from its newness and the fact that each processing problem that we encountered was a new one for which a "first time" answer had to be developed.

JOINT USE OF RAIL TRACKS

Mr. McFALL. Mr. Steed, do you want to ask a question?

Mr. STEED. Going back to this Midwestern railroad problem, one of the utility companies in Oklahoma just built a brand new coal fueled generating plant, and they have a coal deposit in Wyoming that is about an 84-foot thick vein of coal, and they strip mine it. They bought and built a special 100-car coal train, and it takes them about two hours to load these 100 cars at the mine and about an hour to unload them at the generating plant. There is no direct railroad from Wyoming to Oklahoma, so as I understand it, they have made a contract with five railroads to join their tracks together so they can have what amounts to a direct line from this coal deposit into the generating plant.

I don't know how they did this. However, would that sort of combination be a possible solution to some of these rail problems where you have railroads built when things were different and the flow of traffic or the community of interests has changed?

Secretary ADAMS. That is a way, Mr. Steed. That is what we are trying to get the railroads in the Midwest to do. To understand that they are linked inextricably together, and they need to have market swaps and restructuring of the system. When you talk about restructuring, it's the kind of thing you mention there, where one will grant another the right to travel over their tracks. This is very hard to accomplish unless you have a good feeling among the

companies that are involved, because they don't like to have somebody else either run on their tracks or come into their territory. We like to see those things happen.

Mr. STEED. In this case, of course, this company had more than one combination of lines they could deal with, so the railroads wanting that business made it very easy for this to work out. If the right incentive is given to it, they proved in that case that they could get together.

Secretary ADAMS. We are going to try to give them the incentive, Mr. Steed, to do that. There is an ample amount of track in that area to do a great many things, if we can get them to cooperate and as you point out, to meet the new needs. In other words, the markets have shifted. You see, the problem with the Iowa System is that it was built with a railroad network whereby you would be able to reach the railroad spur by driving a horse and wagon one day, so they are roughly five miles apart. That marketing situation has greatly changed.

We are also trying to get them to combine elevators, to use trucks to combine at a central elevator location where you can pick up a train. This is evolving. I don't mean to say people out there aren't doing it. We just have to speed it up, because in the meantime a lot of these railroads collapse. When they collapse, if they are liquidated completely, you lose the right of way to either a developer or to another type of usage. You can break the essential links in the system. That is why I responded to Mr. Smith that we are putting money into areas to keep essential links in place.

Mr. STEED. If your staff is not aware of this particular situation, I am sure the Oklahoma Gas and Electric Company with their new plant at Muskogee, Oklahoma, would be more than pleased to give them all of the information on how they put this together.

Secretary ADAMS. Thank you. We will do that.

AIRLINE DEREGULATION LEGISLATION

Mr. McFALL. When the 4 R Act was passed, most of us, probably including yourself, thought we would have less regulation of railroads by the ICC and a smaller budget for ICC, and this hasn't happened.

The Senate in the near future is supposed to consider the so-called Airline Deregulation Bill. Some probably feel this will result in less regulation by the CAB, and a smaller budget for the CAB. According to the information we have received from the CAB, the proposed legislation will result in an additional cost of \$177 million over the next five years. Now, I realize that the CAB's budget only represents a part of the total picture, and that numerous studies have been conducted which tend to indicate that reduced regulation will save money.

What is the position of the Department on this and has the Department reviewed this legislation to determine what savings are likely to result from its enactment?

Secretary ADAMS. We have reviewed it but our figures do not agree with the ones you have indicated as to additional costs. There will be a substitution of a different kind of subsidy program for the

present route subsidy program. For small communities, we have suggested that there be a point to point subsidy program with a matching share from the local communities as opposed to subsidizing an entire system and hoping that they serve the small communities.

As you remember, the problem with the 4R Act, concerned an amendment made to that Act which put the market dominance theory into the so-called 7 percent up and down yoyo rate. I am hopeful it will not be repeated in the Airline Regulation Act. What has occurred is the market dominance theory litigation has actually prevented the use of the up and down 7 percent rate, which we had anticipated would be used. You should be able to reduce staff and total amount of time involved if you have more and more companies that can raise or lower their rates without having to come before the regulatory body. That has not proven true under the 4R Act. We are hopeful that they will finish their regulations, which are now supposed to be out, to make the 7 percent truly applicable. If it does, then you won't need the amount of time previously spent.

COST SAVINGS FROM REGULATORY REFORM

Mr. MCFALL. We would like to have you put in the record some results of the studies that you have done that would relate to the cost. I am sure you have them.

Secretary ADAMS. We will be happy to. They also include what the potential savings to the consumer are.

[The information follows:]

COST SAVINGS FROM AVIATION REGULATORY REFORM LEGISLATION

There are three areas of important savings related to the aviation regulatory reform legislation.

1. Savings to Consumers. More efficient airline operation and price competition should result in substantially lower fares to consumers in many major markets. The Department's studies of Texas and California, for example, document the substantially lower fares offered by intrastate carriers and indicate that there are many similar interstate markets which might receive similar service.¹ A recent study by the General Accounting Office² concluded that "if airlines had been less regulated during 1969-74, passengers would have saved on the order of \$1.4 billion to \$1.8 billion annually.

2. Savings in Subsidy. The present subsidy system costs some \$70 million per year. DOT studies have indicated that the same level of service could be provided by commuter carriers for less than \$15 million per year.³

3. Savings in CAB Operating Expenses. There are two offsetting factors and the net result cannot be determined precisely. First, to the extent that the Board is required to hear and decide cases that they presently ignore and later dismiss as stale, their workload would increase and the resources required to process the workload would increase. However, the regulatory reform legislation is intended to simplify and speed up the board's processes. Individual cases will be heard much more rapidly at much less expense to the government and to the applicants. Thus, the net result will be smaller, less costly proceedings but possibly more of them. Eventually, this should lead to smaller budget requirements for the CAB. However, during the initial stages of implementing the legislation and cleaning out the backlog

¹ Department of Transportation, *An Analysis of the Intrastate Air Carrier Regulatory Forum*, January 1976.

² "Lower Airline Costs per Passenger Are Possible in the United States and Could Result in Lower Air Fares," a Report by the General Accounting Office, February 18, 1977, pp. ii-iii.

³ Department of Transportation, *Air Service to Small Communities*, March 19, 1976, p. 71.

of past cases, their budget needs may well increase slightly. In any event, the changes in Board requirements (whether positive or negative) will be very small in relation to the savings to consumers and savings to the Federal Government in terms of restructuring the subsidy program.

AIRPLANE RETROFIT

Mr. McFALL. You were discussing retrofit with Mr. Addabbo. What is your position regarding the financing of the retrofit or the replacement program resulting from FAA's standards?

Secretary ADAMS. We believe you should allow 100 percent of the cost of retrofit because there is no economic benefit to the company involved. In other words, the engine is not more fuel efficient and there would be no reason to retrofit other than for the social benefit of reduced noise. For new airplanes, we would allow 40 percent; however, we have recommended that this 40 percent assistance be limited to the new technology aircraft that will meet the 1977 noise standards and that a lesser percentage be provided for aircraft that meet only the 1969 standards.

For aircraft re-engining, we would allow the full cost of the re-engining provided it does not exceed 40 percent of the cost of a suitable replacement aircraft. This would allow the operators to re-engine but it does not have the advantage of going to a completely new type airplane that would be both more fuel efficient and quieter.

FINANCIAL CONDITION OF CONRAIL

Mr. McFALL. Section 603 of the 4R Act, establishes a Finance Committee, of which you are a member, to determine whether USRA should continue to purchase ConRail securities.

Under the Act USRA is authorized to purchase securities up to the funding level provided unless the Finance Committee makes an affirmative finding that "it is not reasonably likely . . . that the Corporation will be able to become financially self-sustaining without requiring Federal financial assistance substantially in excess of the amount authorized . . ."

Hasn't it become obvious to you that ConRail isn't going to be a financially viable railroad without additional or continuing Federal funding?

Secretary ADAMS. I don't know whether it's obvious, Mr. Chairman, but I am very concerned that we may have to come in and request additional funding. It is a great tragedy to have had two terribly bad winters back to back, which have caused losses far beyond what we anticipated. We deliberately allowed them—and brought this up with the committee, and the committee was kind enough to allow us to do this—to extend the time period for our analysis of what should be done with regard to that corporation. This is because we had the bad weather of last year when, you remember, there were 30 days when they couldn't get through Buffalo at all. That is the choke point for going into all of New England. Our hopes were that this winter would not be as bad. Unfortunately, at this point, we are facing a very bad situation. We will report to you just as soon as we have made an analysis, but I do agree with you that we may well have to ask for help.

[The following questions were submitted to be answered for the record:]

CONRAIL FINANCIAL CONDITION

Mr. McFALL. What are the current prospects for ConRail ever becoming financially self-sustaining?

Answer. A firm answer cannot as yet be made to that question. DOT received ConRail's five-year (1978-1982) Business Plan on February 15 and, in conjunction with USRA, is now evaluating that Plan. ConRail's financial projections in the Plan contain many assumptions concerning its revenues, expenses, and capital needs during the five-year period, and DOT will need several months to assess the reasonableness of ConRail's projections. As was stated in the Secretary's February 22 letter to the Congress, a Departmental position will be developed concerning additional Federal financing for ConRail, as part of the FY 1980 budget process.

Mr. McFALL. If it is determined that ConRail will not become financially self-sustaining within the current amount of Federal funding, are there any good alternatives other than additional Federal support?

Answer. As noted above, the Department is now evaluating ConRail's five-year Business Plan with a major part of the evaluation consisting of an examination of possible non-financial alternatives to ConRail's request for substantial additional Federal financing. When these alternatives have been developed and analyzed, they will be presented to the Congress together with a DOT recommendation concerning additional Federal financing for ConRail.

Mr. McFALL. Are there any circumstances which would cause you, as a member of the Finance Committee, to vote to cut off Federal funding to ConRail? If so, what are they?

Answer. ConRail's five-year plan requests Federal financing significantly in excess of the \$2.1 billion authorized under section 216 of the 3R Act. The Department is currently working with ConRail and USRA to bridge ConRail's projected funding shortfall in FY 1979. As the Secretary stated in his press conference remarks on February 15, his "... personal commitment and that of the Department to helping ConRail revitalize the rail freight service in the Northeast and to achieve private sector status has not lessened to any degree."

TRANSPORTATION OF COAL

Mr. McFALL. Perhaps you saw in the Star, I think it was on Sunday, an article by Elliot Janaway about our energy situation. His thesis is that we have large quantities of energy, and I am inclined to agree with him.

I don't know whether Mr. Steed would agree with me or not, but I think that is our situation. He ends up by referring to the fact we have an infinitely greater transportation problem in the country as it affects energy than we do the supply. He doesn't go into it, but I am inclined to agree with him there, also.

You have frozen waterways which slow down the transportation of coal. If you had a coal slurry pipeline you might still have a problem in this kind of weather. We have transportation problems that affect the abilities of our industries to compete with the Japanese. The automobile industry and I am sure the steel industry, too, have problems in trying to get their raw materials through our creaking transportation system, as well as getting their finished materials to market.

I think that transportation is more of a problem to us than energy is in the short run. I do think, however, that we are making great progress, and I wish to offer my compliments for your obvious knowledge of the transportation problem.

You knew a lot about it when you were here, but you obviously have learned a lot more. I do feel there is still a lot more to do.

Secretary ADAMS. It is an enormous problem, Mr. Chairman, and I don't want to minimize it at all. We will supply to the committee the Coal Transportation Task Force Report which we have just

completed. It describes how we contemplate getting Western coal around those small cities, so we don't thunder through the middle of each city and cut it in half with coal trains. We also address how to redo and reassess the coal roads in the Appalachian region to bring them out to the people so we can move the coal down to the areas where the utilities need it. One of the reasons for the waterway user charge is to start accumulating funds and repairing the locks and the dams and so on, some of which are 50 years old now.

[NOTE: The report was provided to the Committee.]

What I am really saying, and I guess maybe this is a note to conclude on, is that we have an enormous transportation system in place in the United States. But through the years we have built it like a wedding cake. We have built first the canals, and then we walked away and left them. Then we built railroads and then walked away and left them. We have built highways, and started to walk away and leave them. We built airways, and what I am saying is all of those things are still in place but in varying states of disarray. We are not a frontier society any longer. What we need to do in our transportation system now is take our funds and start connecting the systems so the systems work together. We need to repair and maintain them, and alleviate our bottleneck areas. We have some real bottleneck areas in the moving of energy.

I happen to believe we do have an energy scarcity for the type of economy we have been running. It is a domestic petroleum based economy with a very low cost petroleum, and low cost domestic natural gas. We have built this enormous economic structure around those supplies. Now, they are going to become expensive, and we are importing them from abroad. This means that our balance of payments—in other words, flow of goods and money out to pay for them—is becoming enormous. We have a lot of coal. We have alternative sources coming on board. So I feel that, yes, we can meet our energy needs. However, we have got to make a qualitative shift to what we have in greater supply, and we have to expect that sources that we previously relied on to be cheap will now be expensive.

So, the transportation system needs to adjust to this, and that is what we are trying to do. We have taken some first steps. I don't want to maintain that what we have stated to you as a transportation policy is an end all. It's just one more step.

Mr. McFALL. It's evolving.

Secretary ADAMS. It is evolving.

Mr. McFALL. And I think it's a unifying force in your Department. If your personnel read the record, I think they will find out what the rest of your Department is doing.

I am from the West like yourself, and we share the same problems. We have to move passengers on the surface here in the East or our airplanes from the West will never find a place to land. We have to make the railroads work in the Northeast or we will not be able to transport our goods, your apples and my oranges and cherries, to this region. They can get to Chicago easily, but they can't get anywhere beyond there very fast.

TRANSPORTATION SAFETY

Mr. CONTE. In last year's House Report (pages 6-7) which accompanied the Transportation Appropriation Bill, the Committee expressed concern over the duplication which exists in the areas of safety research and evaluation, oversight, promotion, standards promulgation, and accident investigation. We instructed you, Secretary Adams, to make an objective evaluation of the agencies involved in transportation safety and make recommendations for their reorganization. We instructed you to make this an item of "top priority." What is the status of your evaluation and when can we expect some results?

Secretary ADAMS. We are preparing a report to the Committee on this subject and will be submitting it in a few weeks. It will spell out for the Committee what the various safety responsibilities of the Administration are and how they relate to one another.

ENERGY EFFECT ON TRANSPORTATION POLICY

Mr. CONTE. To what extent, and in what ways do you feel that transportation policies should seek to reinforce urban density because of energy efficiency?

Secretary ADAMS. The existing land use patterns in most urban areas today generate travel patterns which are not energy efficient. It is necessary for us to achieve more energy efficient urban land use and travel patterns if we are to live within our future energy resources. The present land use patterns are the result of complex and not fully understood interactions of diverse factors over time. Also, we do not fully know the relationships between total energy consumption and urban form and density.

While we know that transportation exerts an important influence on land use and that there is a potential for significant improvements in energy efficiency resulting from the coordination of urban growth with the transportation system, we must keep in mind that significant changes in the overall density pattern in urban areas can only be changed gradually over relatively long periods of time. The effectiveness of transportation programs in this regard also depends on policies in other sectors, such as housing, taxation, and land development. Therefore, promoting energy efficient urban areas requires coordinated policies and actions among transportation and these various sectors.

Mr. CONTE. To what extent do you feel that public policy should deter automobile use and support transit when the public interest might be better served by increased energy efficiency?

Secretary ADAMS. It is the policy of the Department of Transportation to encourage greater reliance on energy-efficient forms of public transportation, particularly in urban areas where transit can serve efficiently in terms of dollars as well as energy. We are proposing a combined transportation account and increased flexibility in Federal grant programs that will enable local decisionmakers to implement the most effective system to meet their needs. Increasingly, the provision of Federal transit assistance will be tied to measures, such

as the Transportation System Management Plans, which encourage the more efficient and socially responsible use of the automobile and discourage its use where not appropriate. In short, we will deter automobile use and support public transit where such action makes sense.

We must not, however, lose sight of the fact that the preponderance of our national mobility still depends on the highway and motor vehicles. By far, the greatest opportunity for energy saving is by increasing the efficiency of the vehicles and their use. To this end, I have set stringent fuel economy standards for automobiles and have proposed standards for light trucks, vans, jeeps and similar vehicles. We are preparing new measures to encourage the use of carpools and vanpools. We intend to enforce the 55 mph speed limit in the interests of conservation and safety. Our aim is to make the most efficient use possible of the system we have in being—to deter automobiles where that is appropriate and to use them effectively where that best serves our Nation's objectives.

RETENTION OF UNECONOMIC TRANSPORTATION SERVICES

Mr. CONTE. To what extent should services and capacity that are presently uneconomic, such as Amtrak and certain components of the rail system, be retained against a potential future need brought about by failure to meet our energy needs?

Secretary ADAMS. As I indicated in my policy statement of February 6, 1978, I believe some justification for our continued support of Amtrak lies in the need to insure the availability of more energy efficient rail service as alternatives to air and automobile usage. Similarly, our investigations of the requirements for future Federal assistance to help upgrade the railroad system will, undoubtedly, take into account superior energy efficiency of that mode in moving certain segments of national freight transportation. There is an important issue, however, which your question raises and which I do not think we have yet answered for ourselves. That is, how much can we as a nation afford in the way of keeping uneconomic transportation service going as a hedge against possible future energy crises or the possibility that we fail to act responsibly with regard to future energy consumption. We will be investigating these questions in the weeks and months to come with the objective of identifying where these points are. Clearly, we have to preserve some of these services, but just as clearly, we cannot get ourselves into the position where the Federal Government is looked to for increasing financial support of highly uneconomic, redundant, or uncompetitive service all in the name of insurance for future energy requirements.

MASS TRANSIT FUNDING

Mr. CONTE. Your legislative package proposes a new formula grant direct appropriations approach for funding mass transit. However, you have made no secret of your desire to see a trust fund created for mass transit which might later be merged with the Highway Trust Fund thus creating one large transportation trust

fund. How could public transit costs be equitably allocated between those users who benefit directly and the general public if there were such a trust fund for mass transit? Also, what exactly do you mean by your continued call for a combined transportation account? Are you talking only in terms of the major budget functional categories, or do you perceive this as a first step towards a combined transportation trust fund?

Secretary ADAMS. The question of equity in the event that a trust fund is to be established for public transportation would depend primarily on the revenue source. Benefits of public transportation would accrue to users as well as the general public since an increased level of public transportation could be expected to reduce air pollution and congestion.

The CTA (Consolidated Transportation Account) concept is to bring together the separate transportation activities and budgets; to present transportation programs in their budgetary and legislative aspects within the Executive and legislative branches in a more comprehensive fashion.

Ultimately, all Federal-financing for transportation, whether derived from user fees or appropriations, from general funds, would be shown in a single transportation account with regular review by the Congress. Congress and the Executive Branch would then have the ability to decide how best to allocate the limited transportation resources among the many competing claims for Federal assistance, without necessarily changing the method of financing for individual modes.

Long-term investment projects should be funded largely from trust funds or multi-year authorities, thus ensuring stable financing and a sound basis for long-range planning. Operating programs and noncapital assistance should be made from annual appropriations.

FUNDING FOR HIGHWAYS UNDER THE PROPOSED LEGISLATION

Mr. CONTE. The Administration's legislative package proposes to "consolidate" all of the highway programs which are now funded by direct appropriations under the Highway Trust Fund. This will replace the current direct appropriation process with contract authority. Aren't we moving in the wrong direction here? Shouldn't more of the programs come under the direct appropriation process so we can avoid the cumbersome contract authority with the obligation ceilings process which now exists?

Secretary ADAMS. I think we are moving in the right direction. What we seek by consolidation is flexibility so that the States can apply the available funds most effectively. Under our proposal, for example, a State could apply its safety construction funds to any or all of a number of safety improvements, whereas under the existing scheme of things, the same State must apply smaller amounts to a number of individual programs. This often delays meeting high priority safety needs. With respect to the use of contract authority, it should be noted that over 90 percent of the programs we propose to consolidate already exist as contract authority.

Mr. CONTE. What do you think of trust funds without contract authority such as the FAA facilities and equipment account under the Airport and Airway Trust Fund?

Secretary ADAMS. In certain instances, that sort of arrangement has advantages, particularly for accounts which provide an agency its own operating money or capital procurement money. The account you mentioned happens to provide capital procurement money for the FAA. But where a program is funded through an existing trust fund and multi-year financial commitments are needed for adequate planning at the State and local level, contract authority is a good mechanism for providing this assurance. As you know, contract authority is permitted under the Congressional Budget and Impoundment Control Act of 1974 and FAA's Airport Development grants operate under this form of funding.

Mr. CONTE. Don't you feel that by consolidating programs like the Safer Off-Systems Roads program, you are going to put a greater burden on the Federal Government to fund roads which should be the responsibility of the States and local jurisdictions?

Secretary ADAMS. Increasing State and local officials' flexibility and improving their ability to move projects are two of the main objectives of our legislation. Under this policy of flexibility, State and/or local officials would be given the resources and responsibility for certain programs to select projects that best respond to the particular needs of an area. To help achieve this, we have recommended that the Urban and Small Urban and Rural programs no longer be tied to funding of special "Federal-Aid Systems." The present programs which are affected by this change are the Federal-Aid Urban System and the Secondary System. The Interstate and the Primary Systems are not affected.

AIRBAGS

Mr. CONTE. To what extent should public policy require investment by the consumer in devices for his own safety and protection, beyond that which he would make in the open market?

Secretary ADAMS. I am concerned, after the most careful study, that the American public not be denied the safety that can only be provided by automatic crash protection. If passive restraints are to be installed, they should be mandatory rather than optional. I strongly believe that given the lifesaving capability of passive restraints, they should be required equipment on automobiles, like safety glass, dual braking systems, and the collapsible steering wheel. With all companies required to comply, none can claim a competitive advantage at the expense of safety. Also, by mandating automatic crash protection, the Nation will receive the benefits of mass production, which in turn will drive down the ultimate price to the consumer. Finally, we cannot ignore the fact that frequently there are social costs of accidents, injuries and fatalities beyond the costs to the individual involved—costs such as welfare, and medical and rehabilitation costs frequently supported by the public. When there are such social costs, it is appropriate for government regulation to try to reduce these costs.

URBAN POLICY STATEMENT

Mr. CONTE. There has been a lot of discussion recently concerning the President's promised March 15 Urban Policy Statement. The Administration's transportation legislation has already been transmitted. Will there be any new transportation programs as part of the urban policy statement? If so will we see a supplemental funding request for FY 1979? Because the transportation legislation has been transmitted three months ahead of the Urban Policy Statement, how can we expect any real coordination of the important element of transportation in the new urban policy?

Secretary ADAMS. As you know, the President's Urban Policy Statement and supporting programs are now under development. Therefore, we cannot at this time say whether there will be any new transportation programs as part of the Urban Policy Statement. Our proposed highway and transit legislation is consistent with the principles approved by the President for the Urban Policy Statement. More specifically, our proposed legislation seeks to accomplish the following principles approved by the President: (1) to improve the functioning of existing Federal programs by coordinating and consolidating programs, simplifying planning procedures, and reducing Federal paperwork; and (2) to increase the flexibility of Federal programs to respond to the diverse needs of cities.

URBAN POLICY TASK FORCE

Mr. CONTE. It is no secret that Secretary Califano has been a critic of Secretary Harris' handling of the Cabinet-level urban policy task force. Secretary Califano says that the problems of the cities "cannot be solved with a Washington master plan." He instead calls for an urban policy directed at people, particularly the poor, instead of at places, as the interagency policy group has done. What are your thoughts on this? Should urban policy be directed at people or places? Secretary Adams, you were a member of the interagency task force: How do you envision transportation fitting into urban policy, and is it happening?

Secretary ADAMS. We agree that plans for revitalizing cities should be developed by state and local officials who are most familiar with the problems and best equipped to evaluate solutions. However, these locally developed plans must be reviewed at the Federal level to ensure that they meet Federal social, environmental and energy efficiency goals. Clearly, the objective of our urban policy will be to assist people. However, this can probably best be done by targeting Federal funds for selected cities which have the most severe economic and unemployment problems.

Transportation has a very important role to play in our efforts to preserve and restore the social and economic health of our cities. Good transportation decisions can make the difference between success and failure in making urban communities a pleasant place to live, work and do business. We currently provide about \$6 billion annually for transportation purposes in urbanized areas, and these programs have a significant impact on mobility and employment in our cities. In addition to the measures in our proposed highway and

transit legislation, we are interested in using the Federal funds to leverage private sector investment. One way that this can be done is through joint development projects associated with highway and transit improvements.

TRANSBUS

Mr. CONTE. At its recent annual meeting, the membership of the National League of Cities adopted a resolution opposing your Transbus mandate. The resolution says the Transbus specifications will reduce seating capacity and increase vehicle capital and operating costs, thus creating additional costs for local governments. It also notes that the concept of standard specifications for all buses fails to recognize that communities have different needs. The League calls on Congress to explore alternatives to Transbus. Are you taking any action in response to this resolution?

Secretary ADAMS. The majority of local governments are presently purchasing the Advanced Design Bus which has a seating capacity of 43 to 47 passengers. With accommodations for one wheelchair, the seating capacity is reduced to 41 to 45 seats. This same seating capacity or greater can be expected on Transbus, depending upon the design of the vehicle.

The most reliable cost estimates indicate the initial cost of Transbus will be no more than five percent greater than the cost of the present Advanced Design Buses excluding the impact of inflation. A comprehensive analysis of cost estimates showed that Transbus will have operating costs of only about one percent higher than current buses. These added costs are not unreasonable in light of the substantial benefits to all bus riders and in particular the elderly and the handicapped which Transbus will provide.

With respect to standard specifications, UMTA now approves specifications which are reasonably uniform so that we can assure a specification which allows competitive procurement, and we will continue to do so with the Transbus specification. The Transbus specification will continue to permit many variations in the features wanted by any given buyer; that is with or without air-conditioning, or various grades of seat materials.

HIGHWAY/MASS TRANSIT LEGISLATION

Mr. CONTE. Review of your newly proposed highway and mass transit legislation indicates that there is much to recommend it. Under the accelerated interstate highways programs, it may soon be possible for Florida-bound Yankees, like myself, to get through Georgia on interstate highways more quickly. Also, just like my dentist friends, you recognize the need for better bridgework. However, I do see problems with some of the proposals and the recommended funding levels. Your program seems to assume that by allowing the states more flexibility in choosing between highways and mass transit programs, they will make the best choice possible to meet both long-range and short-range transportation needs.

However, won't this flexibility in choice allow local interests to continue to build the type of highway system which increases traffic

and results in continued waste contrary to the nation's transportation policy? Also by not specifically targeting more mass transit programs, isn't the Administration shirking its responsibility for leadership in energy conservation?

Secretary ADAMS. Under the current as well as the proposed highway and public transportation assistance programs, each urbanized area, acting through its comprehensive transportation planning process, is responsible for determining what combination of public and private modes will best meet its overall transportation needs. Additionally, the legislation provides that the Secretary will review the transportation plans for all urbanized areas with more than one million population to insure they reasonably address a number of national objectives, including energy conservation.

The proposed shift in the public transportation program toward formula grants, will improve the ability of program recipients to maintain and improve public transportation systems and to focus capital investment funds on projects that will provide the greatest benefit to urban areas.

It is important to remember that the highway and public transportation programs are basically Federally assisted State and local programs with the States and local governments making decisions on the type and programming of projects. Communities may rightfully choose to support projects that best serve their needs and are in the overall national interest.

Mr. CONTE. The recommended authorization level for the new program is \$50.415 billion over a five year period. The existing FY 1978 authorization for the same program is \$10.429 billion, which if extended for an additional five years would equal \$52.145 billion or \$1.73 billion more than the Administration's five year program. Won't making transportation accounts more accessible and flexible to use, while simultaneously making less money available, often work at cross purposes? In other words, won't the reforms lead to more demand for less money and ultimately result in greater frustration at the local level? Isn't this especially true for older urban transit programs with high percentages of fixed cost that are highly vulnerable to inflationary increases?

Secretary ADAMS. When comparing authorization levels, it must be noted that FY 1983 contains authorization for the Interstate and the transit capital programs only.

A comparison of the FY 1978 authorization level extended for four years with the authorizations for FY 1979-82 in the proposed legislation shows an increase of \$3.6 billion.

The added flexibility provided in the highway/transit legislation will enhance State and local officials ability to use their resources to effectively address critical local needs. This proposal for expanded flexibility is a direct response to the expressed preference of elected officials all over the Nation who are often frustrated in their inability to apply sound management principles to the Federal-aid highway program. In reference to the older transit cities, several would receive significantly higher apportionments under the proposed formula than they have received on an average under the existing program for routine capital projects during FY 1975-77. Additionally, the new formula would provide the

predictability and assurance of funds necessary for proper planning and management of public transportation systems.

RESULTS FROM QUAD-R LEGISLATION

Mr. CONTE. Are you satisfied with the way the various provisions of the Regulatory Reform Act of 1976 are working? In answering this question, I would like especially your opinion with regard to the FRA's handling of the financing provisions found in Title V of the Act, and ICC's administration of the ratemaking provisions which were intended to allow greater rate flexibility for the railroads.

Secretary ADAMS. The Federal Railroad Administrator is, in my opinion, diligently carrying out my instructions to see that Title V funds are used in accordance with the intent of the Act, and to cooperate fully in exploring possible amendments to the statute or changes in the regulations which would make the Title V programs more responsive to the needs of the national rail system.

The preference share funding under section 505 was initially delayed by the need to adopt the additional regulations required by the Rail Transportation Improvement Act of 1976, but FRA has the program well under way. For FY 1977, \$70 million was appropriated for purchases of preference shares. FRA obligated nearly all of this amount in FY 1977 and project work commenced on three railroads. Available funds for FY 1978 preference share financing amount to \$262 million—all of which will be obligated by FRA in 1978 for track work on several railroads over the next two to three work seasons.

The obligation guarantee program in FY 1977 started at a low level due primarily to the railroads' concentration on elimination of deferred track maintenance with low cost preference share funding. One agreement was executed, a guarantee of \$12 million for the Katy Railroad. FRA's current contacts with the railroads indicate that much greater future use will be made of the obligation guarantee program.

As we suggested in our report to the Congress on ratemaking provisions of the 4R Act, we believe that it is, as yet, too early to tell whether additional major legislation relating to railroad ratemaking is needed. Many of the provisions have been implemented by the Commission in a manner which will require substantial experience in individual cases before we can be sure whether railroad ratemaking has been made responsive to the competitive pressure of market conditions. In the market dominance area, the Commission interpreted the provisions so restrictively that both the railroads and the government went to court to compel the Commission to formulate market dominance rules more reflective of competitive conditions facing the railroads. In some other areas, railroads have been reluctant to attempt the types of innovative ratemaking that we believe the 4R Act permits. Thus, while we have had two years of experience with the 4R Act, it is still too early to say whether the ratemaking provisions are adequate to accomplish the desired objectives, or whether additional legislation is needed.

COMBINED TRANSPORTATION ACCOUNT

Mr. CONTE. Is your office planning, anytime in the immediate future, to propose the creation of a combined transportation account that would consolidate revenues from all transportation sources?

Secretary ADAMS. We are moving toward the concept of a Combined Transportation Account, but I do not believe that in the near term we will create such an account in the strict financial sense. We do intend, however, to supplement our budget with a presentation that shows both the revenue and expenditure amounts for Federal transportation programs. We have done a first cut at such a presentation in connection with the FY 1979 budget.

AVAILABILITY OF AIR BAG MANUFACTURERS

Mr. CONTE. Does the Eaton Corporation's decision to stop producing air bags essentially for fear of product liability, give you cause to reconsider your decision to require air bags or passive restraints as standard equipment in cars by 1982?

Secretary ADAMS. The decision made by the Eaton Corporation was to stop its air bag research and development activities, and not to bid on future automobile company business in the air bag market. Eaton officials said that the reasons for the decision were primarily economic and business related and did not reflect on either the technology or the passive restraint standard.

Their departure from the field would not cause us to reconsider the passive restraint decision. There are at least four other companies (Allied Chemicals, Talley Industries, Thiokol Chemical and Rocket Research) in the air bag supplier business, each with extensive development experience and two with production experience in 1973-76 GM cars. Eaton has agreed to make its facilities and expertise available to automobile companies on a contractual basis. Also General Motors and Ford have extensive air bag development programs themselves, and may build at least some of their own components for air bags.

Mr. MCFALL. Thank you very much, Mr. Secretary.

Secretary ADAMS. Thank you, Mr. Chairman.

ADDITIONAL QUESTIONS SUBMITTED FOR THE RECORD

URBAN POLICY STATEMENT

Mr. O'BRIEN. On March 15 the Administration will be submitting an urban policy statement. To many urban areas mass transportation is one of their largest concerns due to the labor intensiveness of this area and also as a factor in inducing business either to relocate or remain in the cities. What role will transportation play in the urban policy statement? Can the Congress expect any new initiatives with respect to transportation as it relates to urban policy.

Secretary ADAMS. As you know, the President's urban policy statement is still under development. Therefore, it is premature to say what role transportation will play in the Administration's final recommendations. However, we believe that the provisions of our proposed legislation will make significant progress in improving the effectiveness of our urban transportation programs.

FUNDING FOR OPERATING ASSISTANCE

Mr. O'BRIEN. Adequacy of funding for operating assistance has been said by the Congress to be one-third Federal to two-thirds local. How close to this goal are we now? How close will we be in the new legislation?

Secretary ADAMS. The percentage of local transit operating expenses currently covered with Federal funds varies, of course, from city to city, but nationwide, it is less than twenty-five percent. The proposed Section 5 formula is designed to replicate in each urbanized area the amount which would be available for operating assistance purposes under existing legislation. However, another provision of the proposed legislation would permit Federal funds to cover up to one-third of local transit operating expenses. Coupled with the proposed elimination of current Section 5 provision which require the maintenance of State and local subsidy levels and the dollar for dollar matching of Federal funds with local subsidies, this one-third provision will enable the current percentage of local operating expenses covered with Federal funds to increase.

MODERNIZATION OF EXISTING RAIL SYSTEMS

Mr. O'BRIEN. The Federal Highway Administration has spent billions to erect the greatest system in the world. More recently DOT has begun to finance projects for the maintenance and revitalization of that system—efforts which would be intensified under the Administration's new legislative proposal. Do you consider there to be a similar need for the nation's large, in-place commuter and rapid rail system? Are you doing anything to meet this need under existing programs. Under proposed programs?

Secretary ADAMS. Yes, I do. Just as we have begun to realize the need for maintaining and revitalizing our highway system, we also have the need to revitalize and upgrade our existing commuter and rail rapid systems. These systems—which we find in many of our more dense American cities—are vital elements of our urban transportation system. Many of them are quite old, having been constructed in the early 1900's, and are in need of extensive modernization.

In addition to the direct impact of upgrading the system, we believe that such efforts will also serve as a catalyst for urban revitalization—both through public and private investments, and the creation of new jobs. Such secondary objectives are equally important since many of these older systems are in our larger more dense cities which have suffered the most in terms of physical decay and neglect.

Our current program has provided a substantial amount of money for modernization of the existing rail systems. In FY 1978 alone we have programmed \$320 million or nearly 25% of the UMTA's total capital budget for such activities. Slightly larger amounts are included in the FY 1979 budget.

The current legislation package continues these important initiatives. One of the significant changes in the new legislation, is that these program funds have been shifted from the discretionary portion of the program to the formula portion. Since many of these programs are large scale multi-year efforts, this will give the local communities a better opportunity to plan their modernization programs.

NEW TRUCK FUEL ECONOMY STANDARDS

Mr. CEDERBERG. Recently the National Highway Traffic Safety Administration issued proposed rules dealing with mileage standards for light trucks and vans for the model years 1980 and 1981. There has been a great deal of criticism concerning these standards from business, labor and government groups. It is my understanding that the NAACP, Urban League, and United Auto Workers, to name a few, have all criticized these standards because of their probable negative impact on jobs and employment. Energy considerations are certainly important, but what considerations have you given to this real threat to employment if industry is not able to attain these standards by 1980 and 1981?

Secretary ADAMS. We take very seriously the criticism by the various groups about the threat to employment if the auto manufacturers are not able to meet the standards. The National Highway Traffic Safety Administration staff conducted a thorough evaluation and based its proposal on the best information that had been made available to them at the time. The staff is currently evaluating the additional information provided at the January 16 and 17 hearing, the written comments submitted in response to the NPRM, and additional data obtained from recent special orders.

The final standards, when set, will require each manufacturer to make evolutionary improvements in the average fuel economy of their vehicles, but will require neither major capital investments nor introduction of new models nor closing down of any plants. The final standards, when issued next month, will objectively reflect an analysis of all comments, and will require the manufacturers to make changes that are practical and cost-effective in the time frame available, without a real threat to employment.

ECONOMIC IMPACT OF NONPASSENGER AUTOMOBILE FUEL ECONOMY STANDARDS

Mr. CEDERBERG. I am sure, Secretary Adams, that you will agree that we must always be concerned with the danger of overregulation. Have you done a cost impact analysis on the energy to be saved at the proposed level of standards vs. a less stringent level of standards? If so, please supply this analysis for the record.

Secretary ADAMS. Yes, such an analysis was performed. It is entitled "Preliminary Impact Assessment of the Nonpassenger Automobile Fuel Economy Standards for Model Years 1980 and 1981". A copy will be provided for the record. The Preliminary Impact Analysis contains an analysis of the costs and energy savings of the proposed standards compared with more stringent and less stringent standards. Part V, entitled "Alternatives Analysis" compares the achievable fuel economy standards, the lifetime fuel savings, the manufacturer's total capital requirements, the capital requirements per gallon of fuel saved, and the retail price increases for the proposed standards and a less stringent level.

[The report was furnished to the Committee.]

CONSUMER AND ECONOMIC SAVINGS ATTRIBUTABLE TO FUEL ECONOMY STANDARDS

Mr. CEDERBERG. It is my understanding that the Council on Wage and Price Stability has commented on these standards. Basically, they call for a less abrupt phasing in of standards because of questions on technical feasibility and economic practicability. What is your response to the fact that these standards might be inflationary?

Secretary ADAMS. The Preliminary Impact Assessment says there will be retail price increases that result from the proposed fuel economy standards, but fuel savings accruing over the life of the vehicles more than offset the increase in price, resulting in a net consumer benefit of approximately \$580 per vehicle. With savings like these, it is hard to see how the standards could be considered inflationary. Moreover, as we all recognize, the larger amounts of oil we import contribute significantly to inflationary pressures. The proposed fuel economy standards will help conserve petroleum and help to reduce petroleum imports.

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TUESDAY, AUGUST 2, 1977.

**FEDERAL RAILROAD ADMINISTRATION
GRANTS TO THE NATIONAL RAILROAD PASSENGER
CORPORATION (AMTRAK)
REPROGRAMMING OF CAPITAL GRANTS**

WITNESSES

FEDERAL RAILROAD ADMINISTRATION

CHARLES SWINBURN, ASSOCIATE ADMINISTRATOR FOR FEDERAL ASSISTANCE

WILLIAM R. BALLERINI, CHIEF, BUDGET DEVELOPMENT DIVISION

AMTRAK

DON R. BRAZIER, VICE PRESIDENT, FINANCE

JOHN M. CLARKE, ASSISTANT VICE PRESIDENT, CORPORATE PLANNING

Mr. McFALL. The subcommittee will come to order.

This morning we will consider a reprogramming request from the National Railroad Passenger Corporation. Our principal witnesses are Don R. Brazier, Vice President, Finance, Amtrak, and Charles Swinburn, Associate Administrator for Federal Assistance for the Federal Railroad Administration.

I understand Mr. Brazier has a short statement. You may proceed.

AMTRAK STATEMENT

Mr. BRAZIER. Good morning, Mr. Chairman and members of the committee.

Amtrak has been provided capital grant appropriations totalling \$229.3 million for fiscal year 1976, Transition Quarter and fiscal year 1977. During the period these funds have been available, changing conditions have required certain reprogramming from the general purposes for which they were originally justified and approved by the Congress. These changes have been approved by Amtrak management and the Board of Directors. Committee approval is requested.

Data concerning these reprogrammings have been provided to the committee, including a narrative statement covering the significant increases and decreases in each program area.

Mr. Chairman, it is Amtrak's intent to keep the committee fully informed concerning its program status. In all cases, we have provided the committee information requested. In the area of reprogramming, however, I recommend that we establish some guidelines to assure that your needs are met and that Amtrak can assure that it is responsive on a timely basis.

With your approval, we would like to work with the committee staff to establish these guidelines which will govern our future programming reports.

Mr. John Clarke, Assistant Vice President, Corporate Planning, and I are prepared to answer questions you may have. Thank you.

Mr. McFALL. Thank you, Mr. Brazier.

Mr. Swinburn, we will take your statement.

FEDERAL RAILROAD ADMINISTRATION STATEMENT

Mr. SWINBURN. Thank you, Mr. Chairman.

I have with me Mr. William Ballerini, Chief of our Budget Development Division.

I am pleased to testify before this committee in support of Secretary Adams' request of April 5, 1977, for your concurrence in adjustments to Amtrak's capital spending plans covering fiscal year 1976, transition quarter, and fiscal year 1977.

The entire amount of the appropriations in question, those for 1976, the transition quarter, and 1977, have been advanced to Amtrak for temporary debt management in accordance with the terms of Section 601a(2) of the Rail Passenger Service Act as amended by Public Law 94-555. However, Section 601a(1) of the Act also requires that ultimate expenditure of these capital grants be "—in accordance with spending plans approved by Congress—."

Final congressional action on the 1976 and 1977 capital grant requests did not specify in the appropriation language or in the conference reports, the line items approved in the capital appropriation except for \$1.5 million for a Baltimore-Washington International Airport station.

It is the opinion of both FRA and OST counsel, however, that in the absence of direction by the Congress to the contrary, the detailed budget request of the administration—as adjusted to conform to the appropriation total—must be considered "the spending plan" referred to in the Act.

Since appropriation of these funds, the Amtrak Board has continuously updated their capital priorities, generally placing more emphasis on facilities necessary to control operating costs and less on new rolling stock. Neither the FRA, the Secretary, nor the Office of Management and Budget has offered any objection to this reemphasis.

In view of these changed conditions over the past two years, we therefore recommend approval of the adjustments now being proposed by Amtrak. That completes my prepared statement, Mr. Chairman. I would be glad to answer any questions.

TRANSMITTAL DOCUMENTS

Mr. McFALL. Thank you, Mr. Swinburn.

We will insert in the record at this point the Secretary's letter of April 5th and Mr. Brazier's letter of August 1st.
[The information follows:]

THE SECRETARY OF TRANSPORTATION,
WASHINGTON, D.C. 20590,
April 5, 1977.

Honorable JOHN J. McFALL,
Chairman, Subcommittee on Transportation,
Committee on Appropriations,
House of Representatives,
Washington, D.C. 20515.

DEAR MR. McFALL: The Rail Passenger Service Act, as amended, states that appropriated "... sums shall be paid by the Secretary to the Corporation for expenditure by it in accordance with the spending plan approved by Congress at the time of appropriation" Although the Amtrak Improvement Act of 1976 (P.L. 94-555) provided for payment of capital funds to Amtrak for temporary debt retirement pending their final application to capital procurements, it did not relieve the Secretary from the responsibility for ultimately requiring compliance with such spending plans.

The Federal Railroad Administration is releasing capital grants to Amtrak quarterly under an arrangement consistent with Public Law 94-555. However, because of the long lead time involved in procurements and the fact that Amtrak operates on a cash basis (omitting the traditional Federal "obligation" step), only about 10% of the funds appropriated over this period have been applied to end-use capital acquisitions. The Amtrak Board of Directors has, however, approved capital acquisition requests which will result in ultimate application of capital grants with a distribution by projects different from the spending plans accompanying Administration budget requests for 1976 and 1977.

Enclosed is a table comparing the aggregate 1976/TQ/1977 distribution of projects in the budget requests (as adjusted by Congressional action) with the distribution proposed by Amtrak in its latest five year plan. The major thrust of proposed changes is that approximately \$70 million originally intended to be expended for expansion of the locomotive and passenger equipment fleet has instead been allocated for acquisition and modernization of facilities, primarily repair facilities to permit the Corporation to gain better control of rapidly escalating equipment maintenance cost.

The Department has no objection to this shift in emphasis from fleet expansion to facilities consolidations. Reduction in capitalized car overhauls is also consistent with Amtrak 1977 testimony that these costs were now being "expensed." We therefore request your concurrence in the cumulative Amtrak spending plan for 1976, transition quarter and 1977 capital appropriations as detailed on the enclosure.

Sincerely,

BROCK ADAMS,

Enclosure

* * * * *

Comparison of 1976/TQ/1977 Cumulative
Spending Plans Proposed in Administration
Budget Requests with Current Amtrak Five Year Plan
(\$ in millions)

<u>Line Item</u>	<u>Budget Requests as Adjusted 1/</u>	<u>Five Year Plan</u>	<u>Difference</u>
Passenger Equipment	102.0	64.4	-37.6
Motive Power	33.6	3.0	-30.6
Facilities	42.0	113.1	+71.1
(Repair)	(17.7)	(62.8)	(+45.1)
(Other)	(24.3)	(50.3)	(+26.0)
Right of Way	20.4	28.5	+ 8.1
Capital Support (includes Capitalized Interest and Prototype Procurements - R&D)	6.3	20.3	+14.0
Unspecified TQ Allowance	25.0	---	-25.0
Total	\$229.3	\$229.3	-0-

1/ Adjustments to meet Congressional changes include a \$1.5 million addition for the BWI Demonstration Project (Other Facilities) and \$12.9 million in unspecified reductions (applied by Amtrak to Passenger Equipment).

NATIONAL RAILROAD PASSENGER CORPORATION,
955 L'ENFANT PLAZA NORTH, S.W., WASHINGTON D.C. 20024,

July 8, 1977.

The Honorable JOHN J. McFALL,
Chairman, Subcommittee on Transportation,
Committee on Appropriations,
House of Representatives,
Room 2358 Rayburn House Office Building,
Washington, D.C. 20515.

DEAR MR. CHAIRMAN: The attached schedules reflect the current status of the Amtrak capital program for FY 1976 and T-Quarter and FY 1977. These schedules supercede previous reports of reprogramming.

This data has been provided to the Federal Railroad Administration.

Sincerely yours,

DON R. BRAZIER,
Vice President - Finance.

DRB/lpb
Attachments

* * * * *

National Railroad Passenger Corporation
Current Status Capital Program for FY 76, T-Quarter, and FY 77

On October 1, 1976 Amtrak submitted to the Administration and Congress its Five Year Corporate Plan for FY 77-81. In the financial section of that submission the projected capital programs for the years are outlined in detail. The fiscal year 1977 capital plan is shown at the level of Congressional Appropriation - \$93.1 million.

Attachment I shows (a) the President's FY 1977 budget request for capital grants to Amtrak of \$105.7 million. The details of this request were presented to the Authorization and Appropriations Committees of the House and Senate during hearings on the Amtrak budget last year; (b) Amtrak's FY 77 capital program plan at the level of Congressional Appropriations for capital grants - \$93.1 million - as submitted to the Congress in the Corporation's FY 77-81 Corporate Five Year Plan, October 1976; and (c) the current program planned for FY 1977 capital grant appropriations as of May 31, 1977 and the variance from (b) above.

Reprogramming of \$9.8 million of FY 1977 capital grants has been approved by the Amtrak Board from Amtrak's original Five Year Plan submission as provided to Congress last October. This \$9.8 million was reprogrammed to "Motive Power" from the line items indicated in the table. It was used to meet the difficulties the Corporation has faced as a consequence of derailments of the SDP40 locomotives this past winter. The Amtrak Board approved the reprogramming so as to provide funds for conversion of SDP40 locomotives to the F40 design and for the purchase of 10 new F40's. The total amount reprogrammed to date to motive power is \$12.2 million of which \$9.8 million was, as explained above, FY 77 capital grants and the remainder (\$2.4 million) from FY 76 and T Quarter capital grants.

Attachment II provides a review of the FY 1976 and T-Quarter appropriation and reprogramming of \$20.5 million. These funds were reprogrammed from "Passenger Equipment" to meet higher priority needs on determination that follow on Amfleet and low level equipment should be deferred.

Specifically, in addition to the locomotive funding described above (\$2.4 million), program funds of \$39.9 million for "Repair Facilities" were augmented by \$6.0 million and were applied to repair facilities at Rensselaer, Beech Grove, and Los Angeles consistent with corporate efforts to comply with Section 305f of the Rail Passenger Service Act as amended instructing the Corporation to directly perform maintenance of equipment to the maximum extent practicable.

\$8.3 million was assigned to the "Other Facilities" category - \$4.4 million of which was applied to ground support costs (i.e., electrical standby power, specialized servicing equipment, inventories, etc.) incurred with the introduction of Amfleet around Chicago, the West and at other points. These ground support costs had been underestimated in the original capital projections. The remaining \$3.9 million reprogrammed to the "Other Facilities" category were used to meet urgent commissary requirements at Los Angeles and Washington, D.C. (\$1.6 million) and station repairs across the system, e.g. Baltimore; Penn Station, New York; Cleveland; Detroit and Joliet. This work was critical to meet safety and security requirements and in some instances was undertaken on a cost sharing basis.

An addition of \$1.5 million was assigned to the \$10.0 million programmed for right of way improvements. This \$11.5 million total applied to the ROW projects outlined in Attachment III.

\$1.8 million was applied to "Research and Development" to cover the cost of testing French and Swedish lightweight electric locomotives. This testing is the initial part of Amtrak's program to seek out the technical performance of selective foreign electric, lightweight locomotives in search for state of the art applications for use in meeting the longer term motive power needs required in the Northeast Corridor.

NATIONAL RAILROAD PASSENGER CORPORATION—COMPARISON OF FISCAL YEAR 1977 CAPITAL SPENDING PLANS
(Dollars in millions)

Line item	II. Final budget request, (Apr. 13, 1976)	III. October 1976 5-yr capital plan-adjusted to unspecified congressional reductions of \$12.6 million	IV. Current program status, (as of May 31, 1977)	V. Variance (col. IV—col. III)
Passenger equipment	26.3	26.1	24.7	(1.4)
Motive power	22.2	3.0	12.8	9.8
Facilities (repair)	17.7	18.4	16.5	(1.9)
Facilities (other)	22.8	21.1	21.1	.....
Right of way	10.4	16.9	14.5	(2.4)
Capitalized interest	6.3	5.9	3.5	(2.4)
Program support .....	.....	1.7	.....	(1.7)
Total	105.7	93.1	93.1	.....

NATIONAL RAILROAD PASSENGER CORPORATION—COMPARISON OF FISCAL YEAR 1976 AND TRANSITION QUARTER CAPITAL SPENDING PLANS
(Dollars in millions)

Line item	II. Final budget request ¹ (Jan. 2, 1975)	III. August 1975 5-yr ¹ capital plan	IV. Current program status (as of May 31, 1977)	V. Variance (col. IV—col. III)
Passenger equipment	88.3	58.6	38.1	(20.5)
Motive power	11.4	.....	2.4	2.4
Facilities (repair)	3.0	39.9	45.9	6.0
Facilities (other)	1.5	20.1	28.4	8.3
Right of way	10.0	10.0	11.5	1.5
Capital support .....	.....	1.6	1.6	.....
Research and development .....	.....	1.0	2.8	1.8
Capitalized interest .....	.....	8.0	8.5	0.5
Quarter (unspecified)	25.0	.....	.....	.....
Total	139.2	139.2	139.2	.....

¹ Includes subsequent supplemental appropriation of \$3 million (to repair facilities) and \$1.5 million (BWI) and congressional adjustment of \$(0.3 million) applied by Amtrak to passenger equipment.

Attachment III

National Railroad Passenger Corporation
 FY 76 and T Quarter Right of Way Projects
 (\$ in millions)

Track Improvements, Inter-American Northeast Corridor	\$ 1.8
Amfleet Northeast Corridor Support Facilities - Phase I	1.9
Track Upgrading - Kalamazoo, MI to Michigan City, IN, Phase I	.4
Transformers - Waterside Generating Station, NY	2.7
Head-On Connection, Richmond, VA	1.1
Centralized Traffic Control Wann to Granite City (IL)	.9
Station - Cincinnati, OH	1.2
Boston-Chicago 403(d) Route	.4
Track Rehabilitation, Indianapolis, IN Depot	.2
Power Switch, Louisville, KY	.1
Service Improvements, Brighton Park, IL	.1
Centralized Traffic Control Flint, MI	.1
Signal System, Detroit-Chicago Route	.1
Remote Control, Lawton, OK, Siding	.2
Other	.2
	<u>.1</u>
Total	<u>\$11.5</u>

NATIONAL RAILROAD PASSENGER CORPORATION,
 955 L'ENFANT PLAZA NORTH, S.W., WASHINGTON D.C. 20024,

August 1, 1977.

The Honorable JOHN J. McFALL,
 Chairman, Subcommittee on Transportation,
 Committee on Appropriations,
 House of Representatives,
 Room 2358 Rayburn House Office Building,
 Washington, D.C. 20515.

DEAR MR. CHAIRMAN: Reference is made to my letter of July 8, 1977 concerning reprogramming of capital funds provided Amtrak for FY 1976 and T-Quarter, and FY 1977. The attached tables recast the data to reflect the changes from the final Congressional action on the appropriations, rather than Amtrak's intervening Five Year Program submissions. No changes have been made to the current program status.

Future reprogramming reports will be measured against the "Current Program" column.

We will be working with your staff in the near future to establish the reprogramming base for the FY 1978 Capital program recently approved by the Congress.

Sincerely yours,

DON R. BRAZIER,
 Vice President - Finance.

DRB/lpb
 Attachments

cc: John M. Sullivan, Administrator - FRA

National Railroad Passenger Corporation
Current Status Capital Program for FY 76, T-Quarter, and FY 77

Attachment I shows (a) the President's FY 1977 budget request for capital grants to Amtrak of \$105.7 million. The details of this request were presented to the Authorization and Appropriations Committees of the House and Senate during hearings on the Amtrak budget last year; (b) Amtrak's FY 77 capital program plan at the level of Congressional Appropriations for capital grants - \$93.1 million; and (c) the current program planned for FY 1977 capital grant appropriations as of May 31, 1977 and the variance from (b) above.

\$8.4 of FY 1977 capital grants was reprogrammed from "Motive Power" by deleting the planned \$7.7 million purchase of H/E Power Diesel Electric 3rd Rail Locomotives and deferring some equipment modifications. \$2.8 million was reprogrammed from "Capitalized Interest" due to slippages primarily in car construction contracts. \$8.3 million of these funds was applied to "Right of Way" requirements which included track and interlocking work on NEC spur lines and mainline, and Baltimore tunnel work. \$2.0 million was applied to "Facilities (Other)" for improvements at North Philadelphia Station, the Seattle Commissary and for the Joint Station Program. \$0.9 million was added to "Passenger Equipment" for needed Metroliner refurbishment.

Attachment II provides a review of the FY 1976 and T-Quarter appropriation and reprogramming. \$40.6 million was reprogrammed from "Passenger Equipment" to meet higher priority needs on determination that follow on Amfleet and low level equipment should be deferred. In addition, \$9.0 million was reprogrammed from Motive Power for electric locomotives pending completion and evaluation of testing of the Swedish and French locomotives.

These funds were applied primarily to repair facilities at Rensselaer, Beech Grove, and Los Angeles consistent with corporate efforts to comply with Section 305f of the Rail Passenger Service Act as amended instructing the Corporation to directly perform maintenance of equipment to the maximum extent practicable.

\$26.9 million additional was assigned to the "Facilities (Other)" category - \$8.8 million of which was applied to ground support costs (e.g., electrical standby power, specialized servicing equipment, inventories) incurred with the introduction of Amfleet around Chicago, the West and at other points. The remaining funds reprogrammed to the "Facilities (Other)" category will be used to meet urgent commissary requirements at Los Angeles and Washington, D.C. and station repairs across the system (e.g. Baltimore; Penn Station, New York; Cleveland; Detroit and Joliet). This work was critical to meet safety and security requirements and in some instances was undertaken on a cost sharing basis.

An addition of \$1.5 million was assigned to the \$10.0 million programmed for right of way improvements. This \$11.5 million total applied to the ROW projects outlined in Attachment III.

\$2.8 million was applied to "Research and Development" to cover the cost of testing French and Swedish lightweight electric locomotives. This testing is the initial part of Amtrak's program to seek out the technical performance of selective foreign electric, lightweight locomotives in search for state of the art applications for use in meeting the longer term motive power needs required in the Northeast Corridor.

NATIONAL RAILROAD PASSENGER CORPORATION
Comparison of FY 77 Capital Spending Plans
(\$ in millions)

I. Line Item	II. Budget Request	III. Reprogramming Base Reflecting Congressional Action	IV. Program (As of 5/31/77)	V. Variance Columns (III-IV)
Passenger Equipment	26.3	23.8	24.7	0.9
Motive Power	22.2	21.2	12.8	(8.4)
Facilities (Repair)	17.7	16.5	16.5	-0-
Facilities (Other)	22.8	19.1	21.1	2.0
Right of Way	10.4	6.2	14.5	8.3
Capitalized Interest	6.3	6.3	3.5	(2.8)
Total	<u>105.7</u>	<u>93.1</u>	<u>93.1</u>	<u>-0-</u>

Attachment I

8/1/77

NATIONAL RAILROAD PASSENGER CORPORATION
Comparison of FY 76 and T Quarter Capital Spending Plans
(\$ in millions)

I. Line Item	II. Budget Request	III. Reprogramming Base Reflecting Congressional Action	IV. Program (As of 5/31/77)	V. Variance Columns (III-IV)
Passenger Equipment	88.6	80.3	39.7	(40.6)
Motive Power	11.4	11.4	2.4	(9.0)
Facilities (Repair)	-	-	42.9	42.9
Facilities (Other)	-	1.5	28.4	26.9
Right of Way	10.0	10.0	11.5	1.5
Capitalized Interest	a/	8.0	8.5	0.5
Research & Development	-	-	2.8	2.8
T-Quarter (Unspecified)	25.0	25.0	-	(25.0)
Total	<u>135.0</u>	<u>136.2</u>	<u>136.2</u>	<u>-0-</u>

a. 8.0 is included in Passenger Equipment

8/1/77

National Railroad Passenger Corporation
 FY 76 and 1 Quarter Right of Way Projects
 (\$ in millions)

Track Improvements, Inter-American Northeast Corridor	\$ 1.8
Amfleet Northeast Corridor Support Facilities - Phase I	1.9
Track Upgrading - Kalamazoo, MI to Michigan City, IN, Phase I	.4
Transformers - Waterside Generating Station, NY	2.7
Head-On Connection, Richmond, VA	1.1
Centralized Traffic Control Wann to Granite City (IL)	.9
Station - Cincinnati, OH	1.2
Boston-Chicago 403(d) Route	.4
Track Rehabilitation, Indianapolis, IN Depot	.2
Power Switch, Louisville, KY	.1
Service Improvements, Brighton Park, IL	.1
Centralized Traffic Control Flint, MI	.1
Signal System, Detroit-Chicago Route	.1
Remote Control, Lawton, OK, Siding	.2
Other	.2
	<u>.1</u>
Total	<u>\$11.5</u>

REPROGRAMMING STATUS

Mr. McFALL. In Mr. Brazier's letter, the narrative description of the reprogramming is, for the most part, in the past tense. What portion of the reprogramming has already been accomplished?

Mr. BRAZIER. Mr. Chairman, all of it has been accomplished in the sense that it has been considered and approved by our Board of Directors. We still have about \$30 million of actual formal documentation which would permit the individual departments within Amtrak to proceed with the accomplishment of the program.

SDP-40 LOCOMOTIVE

Mr. McFALL. In your earlier letter you indicated that you are continuing the conversion of the six-axle SDP-40 locomotive to the four-axle F-40 design. In our hearings on your fiscal year 1978 appropriation we discussed the difficulties encountered concerning the SDP-40. Has the conversion solved the problem?

Mr. BRAZIER. Mr. Chairman, as we testified earlier, the conversion is to turn the locomotives effectively into an F-40 locomotive. These locomotives are now in service in Amtrak as a basic configuration. They have been very satisfactory and we have every expectation that these converted SDP-40s will perform in the same manner.

Mr. McFALL. You will recall that we discussed whether General Motors would bear a portion of the financial burden of this conversion. What is the status of that issue?

Mr. BRAZIER. Mr. Chairman, we are conducting tests of the SDP-40 to attempt to determine what is the problem with the locomotive. These tests have been under way for several months now and are continuing. To date there has been no definitive reason found as to why these locomotives have been subject to derailment. Until we can definitely determine what is the cause, we have no basis at the moment for going to General Motors on the basis of defective equipment.

In our contract, however, for the modification of the 40 locomotives that General Motors is currently working on, we have legally reserved the right to make a claim on them in the event that we are able to develop a basis for such a claim, even though the locomotives will have been converted to a different configuration. That matter is still under research.

Mr. McFALL. Everybody agrees they don't work, but you are not sure why.

Mr. BRAZIER. That is correct, sir.

PASSENGER EQUIPMENT ACQUISITIONS

Mr. McFALL. You also state in your submission funds are being reprogrammed from the item "Passenger Equipment" and that follow-on Amfleet, low-level equipment acquisitions are being deferred. Why do you believe this action is desirable?

Mr. BRAZIER. We originally had programmed our funds for passenger equipment for two alternative purposes. We were going to plan to reconvert one thousand of our stainless steel cars to electric-

powered cars. We have recently determined that that is not economical. In moving into the low level equipment, there was a corporate decision that Amfleet design was not necessarily the best design for the 1980s and beyond, and the corporation therefore decided to defer any further low level procurement until we had researched the type of design of car that would best fit the needs of the railroads in the later years. In the meantime, we have upgraded our fleet with the Amfleet cars which are now fully delivered and we will be getting deliveries very shortly on the new bi-levels.

EQUIPMENT REQUIREMENTS UNDER ROUTE REDUCTIONS

Mr. McFALL. On pages 668 and 670 of our fiscal year 1978 hearings on your budget, you submitted a schedule showing your passenger equipment needs over the next few years assuming that there were to be certain reductions in Amtrak's least efficient service. Those schedules show that if Amtrak were to discontinue its ten least efficient routes on the basis of losses per revenue dollar, Amtrak has 97 excess Amfleet cars currently in its inventory and that most of your planned order of 153 bilevel cars would not be needed. If the twenty least efficient routes were eliminated, even more of your planned car acquisitions would not be needed. As you know, the conference agreement on your fiscal year 1978 appropriation for operating grants should require Amtrak to eliminate service over some routes. How does your reprogramming affect your existing contracts for the purchase of 284 new bilevel cars?

Mr. BRAZIER. The reprogramming does not affect that particular number. However, the reprogramming does involve an increase in the bilevel procurement from 235 cars which was included in the budget request to the committee for the periods that we are discussing, to the 284. Those are currently under contract, the 284, and this was done to make a more effective mix of our cars and provide additional sleepers and lounge cars for the western route where they are most applicable.

NEW CAR PURCHASES

Mr. McFALL. On page 666 of our hearing record, you indicate that you plan to order 104 new low level cars and 77 new bilevel cars during the first quarter of fiscal year 1978. Do you still anticipate executing those orders?

Mr. BRAZIER. No, sir, we do not. Those cars will not be able to be funded within the capital program that has been approved by the Congress.

MOTIVE POWER EQUIPMENT

Mr. McFALL. Provide for the record a schedule on your current and planned motive power equipment acquisitions similar to the schedule on page 666 of your fiscal year 1978 hearing.

Also provide exhibits similar to those on pages 668 and 670 showing the motive power requirements if service over your least efficient routes were eliminated, consistent with your goal of motive power modernization.

Mr. BRAZIER. We will do that.
 [The information follows:]

SUMMARY OF NEW MOTIVE
 POWER ACQUISITIONS

EXISTING ORDERS

	<u>Diesel</u>	<u>Electric</u>
Dates of contracts	November, 1972 October, 1973 June, 1974 May, 1975 June, 1977	March 1973 October, 1973
Number of units ordered	40 110 25 30 10	15 11
Number of units received	205	26
Delivery schedule	complete December, 1977	complete

PLANNED ORDERS (5-Year Plan*)

	<u>Diesel</u>	<u>Electric</u>
Planned ordering dates	1st quarter FY 78 1st quarter FY 79 1st quarter FY 80	1st quarter FY 78 1st quarter FY 79 1st quarter FY 80
Number of units to be ordered	25 50 30	6 (3rd rail) 15 15
Delivery scheduled	25 - FY 78 50 - FY 79 30 - FY 80	6 - FY 78 15 - FY 79 15 - FY 80

*Latest published plan (1976)

The following two attachments show Amtrak's Motive Power requirements on a route-by-route basis. The first attachment shows the requirements if 10 of the "worst" routes using the loss per revenue dollar method were eliminated. The second shows the requirements if 20 of the "worst" were eliminated. The power categories break out as:

1. E8, diesel electric locomotive with steam generator for conventional steam-heated equipment.
2. SDP40, diesel electric locomotive with steam generator for conventional steam-heated equipment.
3. HEP, Head End Power for electric powered cars such as the Amfleet or Pullman-Standard Superliners; locomotive types are F-40, P-30, E-8.
4. MU, Self-propelled motor units such as Metroliners, Silverliner cars, and Turboliner trainsets.
5. E60, electric locomotive for Northeast corridor.
6. GG1, old electric locomotive for NEC.

AMTRAK MOTIVE POWER REQUIREMENTS WITH 10 "WORST" ROUTES REMOVED UNDER THE LOSS PER REVENUE DOLLAR METHOD

Route	E8	SDP40	HEP	MU	E60	GG1
New York-Florida		22				10
Chicago-New York/Washington	12		3			4
Chicago-New York/Boston	4	6				
Kansas City-New York/ Washington	8					3
Washington-Montreal			2			1
Chicago-Florida		7				
Chicago-St. Louis			3			
Los Angeles-San Diego			4			
Chicago-Milwaukee				¹ 3		
New York-Montreal				¹ 2		
Empire Service	2			¹ 4		
Chicago-Detroit			3	¹ 1		
Chicago-Quincy			1			
Chicago-Carbondale			1			
Chicago-Seattle (north, south)			24			
Chicago-Oakland			14			
Chicago-Los Angeles			18			
Chicago-Houston		8				
Chicago-New Orleans		3				
New Orleans-Los Angeles			6			
Seattle-Los Angeles			8			
Metroliner				² 44		
Conventional corridor			10		22	3
New Haven-Springfield	4		1			
New York-Harrisburg						1
Harrisburg-Philadelphia				³ 8		
Total consist requirements	30	46	98	62	22	21
Standby and protect	13	15	23	⁴ 22	4	5
Total required	43	61	121	84	26	26
Total on hand, August 1977	62	150	60	162	26	40
Excess available	(19)	(89)				(14)
Additional required			61	78		

¹ Turboliner trainsets.² Metroliner trainsets.³ 3 Turbos, 2 silvers, 17 metros.⁴ Silverliner MU.

AMTRAK MOTIVE POWER REQUIREMENTS WITH 20 "WORST" ROUTES REMOVED UNDER THE LOSS PER REVENUE DOLLAR METHOD

Route	E8	SDP40	HEP	MU	E60	GG1
New York-Florida		22				10
Chicago-New York/Washington	12		3			4
Chicago-New York/Boston	4	6				
Chicago-St. Louis			3			
Los Angeles-San Diego			3			
Chicago-Seattle (north)			12			
Chicago-Oakland			14			
Chicago-Los Angeles			18			
Chicago-Houston		8				
Chicago-New Orleans		3				
New Orleans-Los Angeles			6			
Seattle-Los Angeles			8			
Metroliner				¹ 44		
Conventional Corridor			10		22	3
New Haven-Springfield	4		1			
New York-Harrisburg						1
Harrisburg-Philadelphia				² 8		
Total consist requirements	20	39	78	52	22	21
Standby and protect	6	13	19	³ 19	4	5
Total required	26	52	97	71	26	26
Total on hand, August 1977	62	150	60	162	26	40
Excess available	(36)	(98)		(91)		(14)
Additional required			37			

¹ Metroliner units.² Silverliner units.³ 2 Silvers, 17 metros.

EQUIPMENT MAINTENANCE

Mr. McFALL. As you indicate in your submission, you are reprogramming funds to the category "repair facilities" to allow Amtrak to comply with legislation urging you to directly perform equipment maintenance functions. By actually performing maintenance directly with Amtrak employees, have you been able to achieve better, more efficient maintenance of equipment?

Mr. BRAZIER. Mr. McFall, I think that the program shows kind of a mixed picture. At Beech Grove, which was one of the first maintenance facilities we took over, we have been able to make a larger degree of improvement than the other shops which were more recently taken over. We have found we have greater productivity in Beech Grove and we have been able to do more work in that shop with less people. We feel we will achieve greater productivity and probably better work than when those shops were under the railroads.

It is too early yet in our judgment to make that same claim for Chicago. It has been badly affected by two things. One, the physical facilities were much worse than we had anticipated them to be when we took the base over. Chicago was somewhat devastated by last winter and we are just digging ourselves out of that problem this summer, but we think, as we make the improvements, that we in Amtrak can increase productivity and increase the quality of maintenance.

LONG TERM MAINTENANCE FACILITY PLANS

Mr. McFALL. Your letter indicates that the repair facilities at Beech Grove, Indiana; Los Angeles, California; and Rensselaer, New York; are being improved or expanded. Would you elaborate on your long term plans for each of these facilities?

Mr. BRAZIER. Let me ask Mr. Clarke to respond. Generally, in terms of our total maintenance plan, Mr. Chairman, he will respond.

BEECH GROVE PLANS

Mr. CLARKE. In Beech Grove, sir, there is a plan to refurbish the installation to the amount of about \$30 million through 1981. This involves a good deal of site work, track improvement, buildings that need replacing, and rehabilitation of the buildings which are there. This has been studied by De Leuw Cather and their estimate to do this work ranges, depending upon the content, from \$55 million to \$78 million.

Our program is, at the moment for planning purposes, designed at \$30 million and is done incrementally across the years.

We put \$3.5 million into it in fiscal year 1976, and in 1977 we plan to spend something on the order of \$13.3 million and then for 1978 and 1979 roughly \$6 million each year.

NEW ORLEANS PLANS

On the New Orleans installation, we took that over on June 1, 1977, and that essentially provides a turnaround servicing point and

also provides certain emergency repair capabilities for such things as freeze damage and the like.

We also intend to invest something in our engine plant there so that we can do some further work on locomotives in that facility. Other than that, we have no large investments planned for New Orleans.

LOS ANGELES PLANS

In the other one, Los Angeles, we have taken that base over and intend to simply rehabilitate it as we need to. There is no large amount of money programmed for that in the out years.

RENSSELAER, NEW YORK, PLANS

Mr. McFALL. How about New York?

Mr. CLARKE. Rensselaer is a constructed facility. It will be modern when completed and it is there to serve the turboliners in New York only. That will be our central facility for turbo repair and maintenance.

We have a similar facility in Chicago at Brighton Park that treats maintenance turbos in the Chicago area.

NORTHEAST CORRIDOR MAINTENANCE FACILITY

Mr. McFALL. How does the development and expansion of Amtrak's maintenance capability at these locations relate to your plans for expanded rail service on the Northeast Corridor?

Mr. CLARKE. There is a provision in the Northeast Corridor improvement program for a modern maintenance facility to be constructed at some location on the corridor. That will be a further facility to treat the fast trains in the Northeast Corridor. At the moment the facility is at Wilmington and we are doing the work in the Northeast Corridor from that place.

Mr. McFALL. During our hearings on your fiscal year 1978 appropriation we discussed the possible need for a repair facility at New Orleans or some other location not on the Northeast Corridor.

Mr. CLARKE. That was to get into the warmer weather to avoid the Chicago climate conditions.

COMMISSARY REQUIREMENTS

Mr. McFALL. Also in your submission you indicate that a portion of your reprogrammed funds was used to meet urgent commissary requirements at Los Angeles and Washington, D. C. Would you elaborate on these requirements?

Mr. CLARKE. The commissaries that we have, sir, have not met the Food and Drug Administration standards in many cases and we have had to take steps to bring them up to standard. That involves refrigeration and similar facilities.

STATION REPAIRS

Mr. McFALL. Funds have also been used for station repairs at various locations. You state that this was necessary to meet safety

The Joint State/Local Station Rehabilitation Program was intended to improve rail passenger stations in cities where Amtrak's normal marketing requirements and financial constraints might not permit a proposed project at Amtrak's sole expense. The overall purpose of the program was to open station rehabilitation to local participation. It was viewed as a means for developing local community participation in Amtrak service, a means for giving each community a stake in Amtrak's future success.

Examples of work to be performed include: Station Rehabilitation (Aberdeen, Md.; Kirkwood, Mo.; Mystic and Windsor Locks, Conn.), repairs to passenger platform and installation of canopy over platform (Dallas, Texas), construction of new passenger facilities in conjunction with the renovation of the entire station by City (Ogden, Utah), rehabilitation of train shed covering platforms (Montgomery, Ala.), and waterproofing and repainting of brickwork, installation of signs and lights, and replacement of canopy and steps at station entrance (Waterbury, Vt.).

The following is the status of the Fiscal Year 1977 Joint Station Rehabilitation Program:

APPROVED FOR FURTHER ACTION

	<u>Amtrak Contribution</u>	<u>Local Contribution</u>	<u>Total</u>
Aberdeen, Md.	11,000	7,250	18,250
Dallas, Texas	50,000	55,765	105,765
Kirkwood, Mo.	31,981	50,000	81,981
Mystic, Conn.	42,000	28,000	70,000
Wichita, Kansas	50,000	52,500	102,500
Windsor Locks, Conn.	1,700	1,350	3,050

PENDING UNDER ACTIVE CONSIDERATION

	<u>Amtrak Contribution</u>	<u>Local Contribution</u>	<u>Total</u>
Champaign, Ill.	Financial split not worked out		8,000
Homewood, Mo.	Awaiting response from City regarding proposed plans; financial split not worked out.		
Montgomery, Ala.	25,000	25,000	50,000
New Brunswick, N.J.	Financial split not worked out		113,681
Ogden, Utah	50,000	158,648	208,648
Waterbury, Vermont	17,640	11,760	29,400

AMTRAK FY 77 JOINT STATION PROGRAM

ELIGIBLE PROJECTS

Eligible projects include the rehabilitation, reconstruction, or improvement of existing Amtrak stations and/or related facilities and property. Specific projects might include such items as signage, painting, parking lot construction, landscaping, air conditioning, general refurbishment, structural changes, or expansion, etc.

PROJECT COST

There is no maximum or minimum on the cost of a specific project. However, the maximum Amtrak funding available at any one location will be \$50,000 or 60% of the total project cost, whichever is less. Within these limits, Amtrak's share of the total cost of a project will vary to reflect the marketing impact and direct benefit to the rail passenger.

APPLICATION PROCEDURES

The application consists of a letter (original and three copies) addressed to:

Joint Station Program
Department of State and Local Affairs
Amtrak
955 L'Enfant Plaza North, S.W.
Washington, D.C. 20024

The letter must be signed by an authorized representative of the applicant. The letter should:

1. Describe in detail the current station facility and surrounding area; note the level of service provided at the station (i.e., hours of operation, manned or unmanned, etc.); include color photographs of the structure emphasizing interior and/or exterior areas to be improved;
2. Describe in detail the improvements proposed, their relationship to each other and to the overall facility and site;

3. Describe the benefits to be derived to the local rail passenger, the surrounding area, and the community as a whole; describe briefly other projects completed, underway, or proposed, which impact the station area (highway, bridge, rail crossing, or parking improvements, renewal or rehabilitation projects, local transit systems, park and recreation areas, traffic pattern changes, etc.); describe the general nature of the area (i.e., urban, rural; residential, commercial, industrial; improving, declining);
4. Estimate the total cost of the project and break this estimate down into its component elements;
5. Note what percentage of the total cost will be funded from non-Amtrak sources. State the source and note the availability of these non-Amtrak funds; note if any applications are pending for additional funding from other sources (i.e., FRA, UMTA, State DOT), and state the current status of the application;
6. State current ownership of the facility and whether or not it will be necessary for the applicant to acquire or lease the station property in order to implement the project;
7. State whether Amtrak, the applicant, or other entity, is to be the primary contractor for all work. If Amtrak is not to be the primary contractor, state how the contractor will be selected (Note: due to requirements of existing labor agreements, Amtrak must serve as primary contractor at most stations owned by private railroads);
8. State a proposed time frame to begin and complete the project (project must be contracted for before October 1, 1977);
9. Describe the arrangements, if any, the applicant will make to insure satisfactory maintenance of the improvements planned; and
10. Provide the name, address, and telephone number of the applicant and the name of the responsible chief executive of that agency or organization; provide the name and phone number of the project officer or principal contact.

GUIDELINES FOR PROJECT SELECTION

The single, most important determinant for the selection of a project will be its benefit to rail passengers visiting and living in the community. Those projects which provide greater benefits to the community as a whole than to the rail passenger will be approved only with a higher percentage of local funding. When applications are rejected due to insufficient benefit to rail users, the applicant may be advised that the proposal may be resubmitted under a modified cost-sharing formula. Applications will be approved on a rolling rather than fully competitive basis; consequently, early application is most important. No applications will be accepted after June 1, 1977.

Amtrak must be able to determine upon review of the application that the proposal fits the level of rail passenger service to the community and stresses consideration of potential ridership growth resulting from the improvements. Projects which assume changes in station operations (i.e., hours of operation, unmanned to manned status, etc.) cannot be considered under this program.

Expanded engineering, architectural, and cost, studies may be requested after preliminary application screening of some projects. These studies are not required for initial consideration.

STATION IMPROVEMENTS—PROPERTY INTEREST

Mr. McFALL. What kind of property or interest in property does Amtrak have or will you acquire in connection with the station improvements?

Mr. BRAZIER. Mr. Chairman, we have, under the operating contract with the railroad, access to stations serving the routes that we took over until 1996. The type repairs we are making in railroad-owned stations are of a character that by that time I think the equity that Amtrak has in it would be fully depreciated. We do not gain a property right with respect to the monies we invest in those stations. In those cases where we own the station, of course, that increases our equity in our investment.

RIGHT-OF-WAY IMPROVEMENT PROJECT

Mr. McFALL. Your August 1st letter indicates a total of \$26 million will be used for the right-of-way improvement projects. In past years this committee has recommended and the Congress has approved reductions in your requests for this category of capital spending. We have discussed the obvious problem of protecting the utility of track improvements when they are performed on non-Amtrak property since freight trains will use many of the improved facilities. Have you provided for some mechanism to insure that Amtrak-financed improvements are preserved and maintained?

Mr. BRAZIER. We have very little money, Mr. Chairman, that is invested in property owned by the railroads, but where we do the agreement provides that when we increase the level of utility of the property, the railroads will maintain it at the improved level of utility. The bulk of the funds that we have reprogrammed as right-of-way beyond the amounts approved by Congress have been used to meet emergency requirements in the Northeast Corridor.

NORTHEAST CORRIDOR TRACK IMPROVEMENTS

When we took over the corridor, one of the first actions that Mr. Bertrand, who is our General Manager and Vice President operating the corridor, did, was to have an engineering inspection of the corridor track. I think that we previously testified that he immediately put a very significant number of miles under slow order on the basis he felt the tracks in some areas were not safe for such high speeds.

We had planned that with the early onset of the Northeast Corridor improvement program that a lot of that work would be subsumed in the improvement project. That project, as you know, was delayed and in the meantime we have had to, for the safety of operation, put money in to upgrade the track to a level of utility that would at least maintain the schedules that we were currently running. This has been an urgent requirement that we in Amtrak felt had to be done.

BALTIMORE TUNNEL

Mr. McFALL. You are also spending some money on the Baltimore Tunnel. Is that the same reason?

Mr. BRAZIER. Yes, sir.

Mr. MCFALL. What type of work are you doing there?

Mr. BRAZIER. Well, work on ties and also on drainage. As you know, we have had one derailment in the Tunnel which was somewhat of a catastrophe, which emphasized the need for work.

Mr. MCFALL. This, of course, wouldn't have had to be done, I don't suppose, if the Northeast Corridor Improvement Project was on schedule.

Mr. BRAZIER. That would be our judgment. I wouldn't want to make a categorical statement that the Corridor Improvement Program worked with a phase-in exactly with the areas where we have done that work, but it would have been greatly reduced.

AMTRAK TRACK IMPROVEMENTS OUTSIDE CORRIDOR

Mr. MCFALL. Have you made some improvements on Amtrak-owned, or Amtrak-controlled property outside the corridor?

Mr. BRAZIER. Yes, sir. We have made some improvements on the Kalamazoo to Michigan City segment of track to increase the speed limits on that track up to 79 miles per hour. This serves both Amtrak's Chicago-Detroit corridor and the Chicago-Port Huron 403(b) trains.

Mr. CLARKE. We have an arrangement with the State of Michigan on the Kalamazoo to Niles trackage where Amtrak put \$2.7 million in and the State of Michigan put in \$2.3 million for improving the track. Then, a second phase of the program includes \$3.9 million to be funded by Amtrak from Niles to Michigan City for the purpose Mr. Brazier indicated. That is our principal contribution to track improvements, that and the Northeast Corridor. There are some spot improvements and grade-crossing dollars, but they are modest.

[The information follows:]

AMTRAK
ROW CAPITAL IMPROVEMENTS -
as of May 31, 1977

C.A.R.s - NEC	PURPOSE	LOCATION	PROGRAM AMOUNT (\$ 000)	% COMPLETE	STATE SHARE
75-5 (JUL 74)	Safety and passenger com- fort - track and signal upgrade on Hell Gate and Shore lines and repairs to Old Saybrook, Pellham and Hellgate bridges	Boston-New Haven New Haven-New York	10,500 4,500 <u>15,000</u>	79	
75-5-81 (SEP 76)	Safety and schedule adher- ence - track upgrade and Baltimore tunnel reha- bilitation	Boston-New Haven New Haven-New York New York-Phila. Phila.-Washington	1,350 1,680 1,610 1,170 <u>5,810</u>	79	
75-5-82 (APR 77)	Safety and schedule adher- ence - track upgrade including NEC spurs	Boston-New Haven New Haven-New York New York-Phila. Phila.-Washington Springfield spur Harrisburg spur	1,060 180 470 910 2,080 <u>1,390</u> 6,090	91	

AMTRAK
 ROW CAPITAL IMPROVEMENTS -
 as of May 31, 1977

C. A. R. s OTHER THAN NEC	PURPOSE	LOCATION	PROGRAM AMOUNT (\$ 000)	% COMPLETE	STATE SHARE (\$ 000)
75-124 (MAR 75)	Operating improvement - centralized traffic control	Lansing Michigan	542	100	180 Michigan 271 Grand Trunk Western
75-167 (MAY 75)	Operating improvement - power operated switches at siding	Three Oaks, Michigan	154	13	54 Michigan
75-26 (SEP 74)	Operating improvement - traffic and signal work	Battle Creek, Michigan Port Huron, Michigan	360 177	77 77	360 Michigan 177 Michigan
76-38 (JUL 75)	Safety and schedule adher- ence - track upgrade Kalamazoo to Detroit and signal system upgrade Chicago to Detroit to improve operation of Turboliners	Chicago - Detroit	457	64	305 Michigan
76-65 (AUG 75)	Operating improvement - remote control Lawton siding for Turboliners	Chicago - Detroit	561	80	374 Michigan
76-272 (APR 76)	Operating improvement - track upgrade to allow 79 mph maximum operating speed (Phase I - see also C.A.R. 77-154)	Kalamazoo, Michigan to Michigan City, Indiana	2,731	54	2,313 Michigan
76-285 (APR 76)	Safety - centralized traffic control	Flint, Michigan	599	25	200 Michigan 299 Grand Trunk Western

A. ^{AAK}
 ROW CAPITAL IMPROVEMENTS -
 as of May 31, 1977

C.A.R.s OTHER THAN NEC	PURPOSE	LOCATION	PROGRAM AMOUNT (\$ 000)	% COMPLETE	STATE SHARE
76-360 (JUL 76)	Safety and schedule reduction - controlled passing siding and bi-directional centralized traffic control. Raise speed to 79 mph on this Chicago-St. Louis route	Wann to Granite City, Illinois	1,212	0	
76-367 (JUN 76)	Station improvement - track work, signals, clearances	Cincinnati, Ohio	414	30	
76-7-31 (SEP 76)	Station improvement - track rehabilitation	Indianapolis, Indiana	58	90	
77-2i (NOV 76)	Safety - clearances improved at nine locations to run bilevels on SP route	Southern Pacific route	163	90	

AMERICAN
 RAILROAD CAPITAL IMPROVEMENTS -
 as of May 31, 1977

C. A. R. s OTHER THAN NEC	PURPOSE	LOCATION	PROGRAM AMOUNT (\$ 000)	% COMPLETE	STATE SHARE
77-154 (JUN 77)	Operating improvement - track upgrade Phase II (See also C. A. R. 76- 272)	Kalamazoo, Michigan to Michigan City, Indiana	3,900	0	None
72-5 (FEB 72)	Safety - track upgraded at several points to increase clearances on Sunset route	Southern Pacific	27	100	
72-11 (MAY 72)	Station improvement - track rehabilitated	Chicago Union Station	81	100	
75-255 (FEB 75)	Safety and schedule reduction - track re- habilitation to include crossover at Temple, Texas between ATSF and MKT mainlines	Temple to Taylor, Texas	1,832	100	
76-304 (FEB 77)	Schedule reduction - crossover between SCL and C&O mainlines	Richmond, Virginia	934	10	
76-359 (JUN 76)	Schedule reduction - crossover between C&WI and ConRail	Chicago, Illinois	25	100	

MAINTENANCE WORK ON AMTRAK PROPERTY

Mr. McFALL. Who will actually perform the capital improvement work on the Michigan City-Kalamazoo property and the improvements on the Northeast Corridor spur lines to Harrisburg and Springfield?

Mr. BRAZIER. Generally speaking, it will be Amtrak crews who will do that work. There may be some subcontracting of parts of it, but it will be almost totally people working for Amtrak.

Mr. McFALL. Do freight trains use these properties and facilities?

Mr. BRAZIER. Yes, sir.

FREIGHT COMPENSATION FOR USE OF AMTRAK TRACKS

Mr. McFALL. Is Amtrak compensated in some way?

Mr. BRAZIER. We are compensated. We have an operating agreement with Conrail for the operation of freight trains over our track in the same manner we have an operating agreement with them for the operation of passenger trains over their tracks.

R & D ON ELECTRIC LOCOMOTIVES

Mr. McFALL. In your submission you indicate that \$2.8 million has been applied to research and development to cover the cost of testing French and Swedish light weight electric locomotives. Who is performing these tests?

Mr. BRAZIER. Amtrak is performing them in conjunction with the Federal Railroad Administration. The tests have been completed as of this date and are being evaluated. The Swedish locomotives tested very well. The French locomotive did not test well, and after a short test, it was returned to France. There were significant problems with the interface between the Catanery wires and the pantograph on the French locomotives that I think it was mutually agreed were not solvable within an economic bound; therefore, we are no longer testing that locomotive.

FRA R & D

Mr. McFALL. This year the FRA requested \$2.7 million for railroad passenger systems research. Is this the money used for that purpose?

Mr. BRAZIER. It isn't the same money and we have been working closely with the Federal Railroad Administration in the research and development area to be sure there is no overlap.

Mr. McFALL. That is what we are looking for. You have \$2.8 million and FRA has \$2.7 million. Presumably this program is being coordinated by the Department and there is no overlap.

Mr. BRAZIER. There is no overlap, sir, and we have an agreement with the FRA vis-a-vis the type of research and track we will do, which is basically the application-type—testing equipment that is already available. It is my understanding FRA's research is more in the neighborhood of new types of equipment and new ventures of a sort that are not now in existence.

Mr. SWINBURN. That is correct, Mr. Chairman.

GUIDELINES NEEDED FOR TRANSMITTAL

Mr. MCFALL. As you pointed out in your statement, Mr. Brazier, while we have gone into the details of what you are doing with the reprogramming, so we can have this for the record—and I know the other members of the committee have been listening to your statement and have read your reprogramming request, we are concerned about how long it has taken this request to get through the Administration. I know there has been a change in Administration and I know how long it has taken to get it up here. Probably what we need is, as you suggested, some kind of new guidelines and we hope you will be able to work with us to develop these guidelines.

You are going to work with the committee staff and with FRA and the Department generally to develop a policy that will satisfy the committee's desire to maintain proper oversight over these appropriations.

Mr. ADDABBO. On the reprogramming, Mr. Chairman, it seems like we are being asked to put our stamp of approval after it has already been done. You have contracts and everything else. I would hope the staff would lean toward our getting this before it is done so we have a chance to look at it and see whether or not it should be granted, and if there is a question, it could be stopped until the committee examines it.

Mr. MCFALL. That is a problem that we have.

When did you send it to the Department?

Mr. BRAZIER. In late November or early December. There was some debate as to whether Amtrak—being the type of an organization it is—had to proceed with a formal reprogramming. That decision was debated and, about the time the conclusion was reached, we did have a change in administration which required re-evaluation and reconsideration. I think hopefully that this particular action is unique in terms of the time.

REPROGRAMMING POLICY

We would like to arrange and work with the staff to establish a reprogramming procedure that would provide timely information to the committee, provide for prior approval of the committee, especially in those areas where we have been specifically instructed to use money, such as the Baltimore-Washington International Airport station, which comes to mind, and also provide the flexibility that is needed by the corporation so that we don't have a threshold of \$1 on every item. We think we can work this out so that the committee is informed and the corporation has the flexibility that it needs to continue operation.

Mr. MCFALL. In view of the law that requires Congressional approval of your spending plan, and in view of the fact that there are certain statements in the conference report on the fiscal '78 appropriation bill containing instructions on your capital grant funding, we should get the FY 1978 capital plan stated in the record.

I believe I am stating something that is obvious. If we approve your spending plan with instructions and then you change it, then

there isn't an approved spending plan. We really need to devise a policy that will avoid a recurrence of this situation.

Now I recognize that Amtrak, as an operating railroad, needs a certain amount of flexibility in order to deal with changing conditions and circumstances. We will work this out with you and the FRA.

AMTRAK FY 1978 CAPITAL PLAN

You can provide for the record a detailed spending plan for your fiscal year 1978 capital grant appropriation of \$108 million adjusted to reflect congressional action.

[The information follows:]

FY 1978 CAPITAL PROGRAM

<u>Budget Categories</u>	<u>Budget Request</u>	<u>General Cong. Reduction (-)</u>	<u>Specific Cong. Addition (+)</u>	<u>Approved Cong. Program</u>
Passenger Equip.	34.6	-	-	34.6
Motive Power	29.6	2.0	-	27.6
Facilities-Repair (Beech Grove)	21.2 (5.5)	3.5	7.5 (7.5)	25.2 (13.0)
Facilities-Other (BWIA Station)	9.2 (-)	2.6	1.5 (1.5)	8.1 (1.5)
Right of Way (Post Road-Rensselaer)	8.0 (-)	2.0	4.1 (4.1)	10.1 (4.1)
Capitalized Interest	<u>2.4</u>	<u>-</u>	<u>-</u>	<u>2.4</u>
Totals	105.0	-10.1	+13.1	108.0

JOINT AMTRAK—STATE/LOCAL STATION PROJECTS

Mr. MCFALL. Are there questions?

Mr. DUNCAN. I have one brief comment. The problem here is not completely dissimilar from the one we had last year with respect to the issuance of bonds and the question of the excessive debt. I think it is a problem that has to be solved and I assume there will be no problems with that.

In the course of the questioning, we have referred to cost sharing. I assume you refer to cost sharing with the railroads that actually own the stations and the roadbeds?

Mr. BRAZIER. The cost sharing reference was with states. In many cases states will participate in sharing the costs for right-of-way improvements or station improvements.

Mr. DUNCAN. With respect to those lines they want open which you don't?

Mr. BRAZIER. Yes, sir.

Mr. DUNCAN. You are not talking about the City of Tacoma, Washington, contributing to the repair of the railroad station in Tacoma, are you?

Mr. BRAZIER. Yes, sir.

Mr. DUNCAN. Why would they do that?

Mr. BRAZIER. In many cases because they would want to improve the station. We would be working with the local communities on the basis of improvements that they desire and possibly that we desire. Where we can, we like to get local involvement and local financial support, where they are willing to do it.

Mr. DUNCAN. I am wondering what is the inducement, just community pride?

Mr. BRAZIER. Exactly.

Mr. DUNCAN. Are you also talking about cost sharing with the railroads?

Mr. BRAZIER. No, sir.

Mr. DUNCAN. Not at all?

Mr. BRAZIER. No, sir. Railroads generally have not been motivated to put money into station improvements.

Mr. DUNCAN. When you get a station you take it on an "as is" basis to maintain it?

Mr. BRAZIER. That is right.

LOCOMOTIVE PURCHASE CHANGE

Mr. CONTE. You are deleting the planned \$7.7 million purchase of third rail locomotives from your fiscal year 1977 capital program.

What effect will that deletion have on your operations? Where were those locomotives scheduled to be put into service?

Mr. CLARKE. We want to move our Amfleet into Grand Central Station in New York City. In order to do that, one has to have a third rail capability. Part of the answer is, in response to that, we simply will not move on that project in the time frame that was suggested earlier. That is essentially the constraint. Where third rail is required is in the Grand Central Station route which serves trains from upstate New York on the New York-Albany-Buffalo route.

Mr. CONTE. Do you have a timetable for the completion of such a move?

Mr. CLARKE. We would like to do it as soon as we can in order to introduce the more modern cars into the process. At the moment we can't run trains in there with Amfleet for that reason.

Mr. CONTE. Are you just deferring the purchase of the locomotives rather dropping completely dropping the purchase plan?

Mr. CLARKE. That is right, although our engineers are also considering the prospect of adapting locomotives to the third rail capability instead of purchasing new ones.

Mr. CONTE. Is there some chance that this action will be taken?

Mr. CLARKE. It is a possibility.

Mr. CONTE. What time frame are you talking about? A year, two years, three years?

Mr. CLARKE. Yes, that is what I am talking about.

CLARIFICATION OF REPROGRAM BASIS

Mr. CONTE. Your letter of June 8th indicates a reprogramming increase of \$9.8 million for locomotives, apparently to meet the difficulties as a result of the derailments of the SDP-40 last winter, and yet your letter of August 1st indicates a reprogramming reduction of \$8.4 million for that account. Can you explain that discrepancy?

Mr. BRAZIER. Yes, sir. Our earlier letter assumed that the program that we reported in our five-year plan to the Congress established a new base for reprogramming. We had some discussions with the committee staff and it was concluded that that did not in fact constitute a committee approval of a new program content and that we should—

Mr. CONTE. Excuse me. Did that discussion take place between June 8th and August 1st?

Mr. BRAZIER. Yes, sir. They requested that we move back the base to the point of the congressional approval of the budget, so it is merely a point of departure for explaining the differences. The final program amount remains the same.

GM LOCOMOTIVE PROBLEM

Mr. CONTE. The Chairman asked you about the SDP-40 problem. During the regular hearings you were doing tests and at that time you were thinking about bringing suit against GM based on those tests. Is that correct?

Mr. BRAZIER. Yes, sir. We were beginning the tests about that time and we are continuing those tests. To date, we have not found the reason that the locomotive derailed other than the fact, that under certain track conditions and certain curve conditions, it has a tendency to exert pressure against the rails. To the extent that pressure is great enough, it will—in some cases—turn the rail over and derail the locomotive. But there you get into the question of whether it is the track that is the cause of it, or whether it is the locomotive that is the cause of it.

All we know is that the locomotive operates well on good track. We ran the locomotive over the Santa Fe, for example, which has very fine tracks, and there are no restrictions on it. Other railroads have placed restrictions on it because we have had experiences where it has derailed. We are continuing those tests, Mr. Conte, and until we can definitely determine there is a design deficiency, or a deficiency which is a General Motors responsibility, we have no basis to make a claim against the corporation, although we have reserved the right, as I mentioned, to file such claim, even though we have modified the locomotive subsequently and changed its configuration.

[Short recess.]

Mr. McFALL. We will continue with Mr. Conte.

STATION IMPROVEMENTS

Mr. CONTE. Your reprogramming for 1977 shows an additional allocation of \$2 million to a non-repair facility. What will this money be used for?

Mr. BRAZIER. \$1 million of it will be in a joint station program, Mr. Conte, and this is a program where we set aside money to request the states to share in the cost and it is not definitized. The remainder of it will be miscellaneous repairs of small dollar value in stations that are below \$100,000 each.

Mr. CONTE. Will you put those in the record?

Mr. BRAZIER. Yes, sir.

[The information follows:]

AMTRAK STATION REPAIRS (\$100,000 or less per station)

Station improvement projects totalling \$1,005,317 were funded totally by Amtrak. Each individual project does not exceed \$100,000. The upgrading of such facilities for safety or security reasons is done to correct existing hazards or to prevent such hazards from occurring.

Some of the most frequently performed improvements were the installation of wheel chair ramps, upgrading the lighting around stations, installing safety hand railing, widening toilet stalls to accommodate wheel chairs, installing "grab bars" for wheel chair users, installing Lexan bullet resistant panes in ticket windows, paving parking lots, repairing roofs or floors, installing signs, eliminating congested waiting rooms, providing better distribution of baggage areas, improving baggage conveyance, and improving plumbing.

The general program categories are as follows:

Platform Extension and Repair	\$258,640
Station Repairs-Michigan	157,327
New Station Stops	75,600
Train Information Boards	36,750
Minor Station Repairs	267,000
Station Modification--New Orleans	89,000
Station Expansion-Houston	70,400
<u>Station Repairs-Washington</u>	<u>50,600</u>
TOTAL	\$1,005,317

STATION REPAIRS (\$100,000 Or Less Per Station)I. Station Platform Extension and Repair Program

This program has been established to provide critical repairs to station platform surfaces and to extend station platforms. Many station platforms have deteriorated due to years of neglect and must be repaired in order to correct hazardous conditions and to assure the safety of rail passengers. Platform extensions are necessary to avoid double stops and to permit safe operations in the handling of mail, baggage, and express. Elimination of double stops will also improve scheduled running time.

Stations in the following locations were included in this program and have been approved:

<u>Location</u>	<u>Amount</u>
Yemassee, SC	\$ 13,000
Southern Pines, NC	13,000
Brattleboro, VT	8,000
Essex Jct., VT	3,400
Austin, TX	7,000
Dillon, SC	6,000
Northampton, MA	13,000
Bellows Falls, VT	10,000
Rochester, NY	13,000
Martinez, CA	11,720
Thomasville, GA	24,000
Cincinnati, OH	18,500
Flagstaff, AZ	4,447
Hudson, NY	16,000
San Clemente, CA	8,241
Columbus, OH	6,720
Elyria, OH	15,562
Dothan, AL	6,581
Ocala, FL	3,800
Sebring, FL	750
Waldo, FL	3,850
Rhinecliff, NY	25,500
Vancouver, WA	431
Camden, SC	4,500
Kingstree, SC	16,328
Santa Barbara, CA	5,310
	<u>\$258,640</u>

II. Station Repairs - Michigan

Repairs were required at seven rail passenger stations in the State of Michigan in order to upgrade the level of service, to assure the safety of passengers, and to permit safe operations in these stations. These station repairs ranged in scope from installation of crosswalks and lights to roof repairs. These repairs were funded totally by Amtrak.

The following stations were included in this program:

<u>Location</u>	<u>Description</u>	<u>Amount</u>
Ann Arbor	Pave platform, install crosswalks, safety stripe, improve platform lighting, repaint restrooms.	\$ 18,150
Battle Creek	Repave platforms, improve lighting, remodel ticket and baggage areas, repair roof and restrooms.	71,115
Jackson	Repave platforms and crosswalks, safety stripe, improve platform lighting.	36,905
Kalamazoo	Paint platform safety stripes.	1,210
Niles	Repave platforms and crosswalks, paint safety stripes, improve platform lighting.	24,805
Port Huron	Improve downspouts to eliminate safety hazard.	3,025
Ypsilanti	Repair platform, install platform light.	2,117
	TOTAL	<u>\$157,327</u>

III. New Station Stops

Capital funds were required for construction of minimum station facilities in three locations and for rehabilitation of an old station building. These projects were necessary in order to provide service at the following locations:

<u>Location</u>	<u>Description</u>	<u>Amount</u>
Ontario, CA	Construct shelter, platform and parking area for flag stop.	44,000
Madera, CA	Erect platform and shelter for flag stop.	14,300
Thurmond, WV	Construct platform with lighting for flag stop.	7,400
Albany, OR	Repair waiting room and restrooms and install signs and lights.	9,900
	TOTAL	<u>\$75,600</u>

IV. Train Information Boards

\$36,750 was required for purchase and installation of train information boards at 200 stations. These boards are necessary to provide train information to passengers at those stations which are unmanned.

Distribution of Boards by District

<u>District</u>	<u>Total</u>
Northwest	8
Rocky Mount	3
Twin Cities	8
Piedmont	26
Bay	12
Southwest	14
Detroit	40
South Central	24
St. Louis	24
Empire	30
Miami	4
Southeast	<u>7</u>
TOTAL	200*

*Total includes projection for new unmanned facilities.

V. Minor Station Repairs and Improvements

This program has been established to provide minor repairs and improvements at low volume stations to upgrade the level of service and to assure the safety of passengers using these facilities. Installation of station and platform lights, public address systems, station signs and crosswalks, purchase of baggage handling and ticket office equipment, minor repairs to parking lots, walkways, and minor repairs to ceiling, wall and floor surfaces are the types of projects which are applicable. This program is administered by the Regional offices. The distribution of funds under this program is as follows:

<u>Regional HQ</u>	<u>Amount</u>
Eastern	\$ 89,000
Central	97,000
Western	<u>81,000</u>
TOTAL	\$267,000

VI. Station Modification - New Orleans, LA

Amtrak's ticketing and baggage facilities are located in separate buildings in the New Orleans Union Passenger Terminal complex. The separation of service functions is inconvenient for passengers and expensive to operate due to the labor required to maintain an adequate level of service.

\$89,000 has been allocated for construction of a new ticket office, baggage room and station operations office in one area of the main terminal building. Consolidation of service functions will reduce operating costs and improve security of funds, equipment and baggage.

VII. Station Expansion - Houston, TX

Lockers for train crews are located in the baggage room at this facility and with the volume of mail, baggage and express presently handled, it is often necessary to store these articles in the waiting room. Therefore, security of mail, baggage and express shipments is poor.

\$70,400 has been allocated for construction of a facility adjacent to the station which will include train crew and on-board crew quarters, a station operations office and storage space. This facility will also include space for the Amtrak sales office.

Relocation of the crew lockers to the new facility will increase the amount of storage space available and improve security in the baggage room.

VIII. Station Repairs - Washington

Repairs were required at four stations in the State of Washington to improve the level of service and to eliminate potential health and safety hazards. The following locations were included in this program:

<u>Location</u>	<u>Description</u>	<u>Amount</u>
Tacoma	Repair plumbing, replace fixtures, replace mirrors and hardware, repair ceiling and wall surfaces, repair baggage elevator to comply with codes.	40,920

<u>Location</u>	<u>Description</u>	<u>Amount</u>
Centralia	Replace fixtures, replace hardware, repair ceiling and restrooms.	1,650
Kelso	Replace hardware, paint restrooms.	330
Vancouver	Refinish benches in waiting room, improve ticket counter, waiting room, baggage room and install platform light.	7,700
	TOTAL	<u>\$50,600</u>

CORRIDOR TRACK IMPROVEMENTS

Mr. CONTE. You show \$8.3 million for right-of-way improvements. Where will those improvements be made?

Mr. BRAZIER. Those are all in the Northeast Corridor. That is part of the emergency improvement amount we had to make to the corridor.

CAPITALIZED INTEREST

Mr. CONTE. You propose a reduction in capitalized interest for FY 1977. Isn't that a relatively fixed cost?

Mr. BRAZIER. It is based upon the progress against the delivery schedule, Mr. Conte, and it is interest on money we must borrow to make progress payments on the contract. The progress payments are based upon the adherence to the delivery schedules; there have been some slippages primarily in our bi-levels, so it will vary. It is a relatively fixed cost if the delivery schedules are met, yes, sir.

R & D ON FOREIGN LOCOMOTIVES

Mr. CONTE. One item that particularly concerns me in your attachment 2 for 1976 and the TQ, the transitional quarter, is the additional \$2.8 million set aside for research and development, part of which is for the testing of the French and Swedish locomotives. We discussed this briefly at last year's hearing.

I want to know why you are testing these foreign locomotives and why cannot the technology be found in the United States where it could help produce American jobs and reduce our unemployment rate? What efforts have you made to get American manufacturers working on building such locomotives?

Mr. BRAZIER. We have encouraged both General Electric and General Motors to come up with a design for American locomotives, Mr. Conte. So far that has not been successful, but with respect to American jobs, these locomotives would be purchased and manufactured in the United States under a license. We would not buy them offshore as a completed locomotive. The Swedish locomotive, I believe General Motors has a license agreement to build a locomotive in the United States if we should order it. That would be the way we would cooperate on any of these foreign locomotives.

Our engineering people have indicated that an American design apparently is of relatively low priority to locomotive makers—the design of a lightweight, electric passenger locomotive. There just isn't any equivalent to at least the Swedish locomotive based upon the tests we have made.

As you know, most of the locomotives we have purchased to date have been reconfigured freight locomotives. A peculiar passenger locomotive in the small quantities we are dealing with may not be attractive to the companies in terms of applying the design effort and might be prohibitively expensive to them if the research and development had to be amortized over a relatively small number of years.

CORRIDOR LOCOMOTIVE REQUIREMENTS

Mr. CLARKE. You need to project out into the 1990s, Mr. Conte, to the new Northeast Corridor requirements. There will be the need to develop new equipment to accommodate the speeds, the time frames, and the passenger loads that are built into our present planning.

We expect to derive from this foreign locomotive program not only the testing here, but the research being done by the FRA into foreign locomotive advances, some engineering detail that may be useful in designing our own specifications to serve on American industry.

CURRENT ELECTRIC LOCOMOTIVE PROBLEM

Mr. CONTE. We discussed the E-60 locomotive last time during the hearings. Has there been any progress on that?

Mr. BRAZIER. E-60s are operating better but they are still operating below their designed speed. My present recollection is that they are operating at ninety miles an hour.

Mr. CONTE. Is that the fault of the locomotive?

Mr. BRAZIER. That is the fault of the locomotive in the sense that at higher speeds it applies stresses to the tracks to the point that it is the judgment of our engineers that we should not exceed ninety miles an hour on the track that now exists in the corridor. That speed conceivably could be increased and probably could be as the improvement program upgrades the track. Those locomotives, as you know, were designed to go 120 miles an hour.

AMERICAN R & D FOR FOREIGN EQUIPMENT

Mr. ADDABBO. On the R&D on the French and Swedish locomotives, when we in Defense looked to sell military equipment to foreign countries, we are required to do most of the R&D. We are looking to buy a foreign piece of equipment. Why are we paying the R&D? Why are they not doing it to show how it could be used by the Americans if they are going to enjoy the sales to the American Government?

Mr. BRAZIER. The Research and Development we have done on the locomotives, Mr. Addabbo, has been to test them on our tracks and with our facilities. It is to satisfy our own engineering people and the corporation that the locomotives in fact will operate over American rails and with American equipment.

Mr. ADDABBO. Isn't this to the benefit of the foreign companies? If they prove it is usable by us, we are going to buy it and they will get the profit. Why are they not going through that expense to sell it to us? Why should we be paying it to prove to ourselves why we should buy it?

Mr. BRAZIER. That has not been the arrangement and I cannot answer the question as to why they shouldn't do that. Conceivably the market we have for the locomotives—for example, I know we had considerable difficulty getting a French locomotive and a Swedish locomotive in the country because of the demands that they have on production. It was a negotiation to permit us to move into

the production line for a temporary use of the locomotives. As a matter of fact, those locomotives have now been shipped back to both Sweden and to France. The testing on the French locomotive, for example, did develop it would not operate with the facilities that we have in this country.

Mr. ADDABBO. When we look to buying foreign equipment, I hope we can look to them to pay these things.

NORTHEAST CORRIDOR HEAVY MAINTENANCE BASE

Mr. CONTE. I understand you are considering construction of a heavy repair facility in Readville, Massachusetts, which is just outside of Boston. Can you tell us what the status of that project is? Could we have some report for the record on that?

Mr. CLARKE. I think I have to defer to the Federal Railway Administration. The requirements for the heavy maintenance facility obviously are in the Northeast Corridor Improvement Program. The Reedville location is an alternative. Another is to go to Wilmington. Another is to go to Ivy City, Washington.

Mr. BRAZIER. The Secretary will make a decision within the next sixty days.

CONCRETE TIES

Mr. CONTE. Concrete ties have been looked into. I am glad the decision has been made to use concrete ties in a good portion of the Northeast Corridor.

Has an RFQ (Request For Quotation) been sent out on the concrete ties yet?

Mr. BRAZIER. I know the decision has been made. I would like to provide the answer for the record.

I suspect that it is too early.

Mr. CLARKE. The decision was made about a week and a half ago? [The information follows:]

August 10, 1977
NI 8306-66-52

U.S. Department of Commerce
Office of Field Operations
Commerce Business Daily Section
P.O. Box 599
Chicago, Illinois 60690

Contracting Office:
Amtrak-NECIP
824 Suburban Station Bldg.
1617 J.F. Kennedy Blvd.
Philadelphia, Pa. 19103
Classification Code 22

Subject: Prestressed Monoblock Concrete Crossties

Amtrak proposes to procure during the next three years, approximately 1.1 million Prestressed Monoblock Concrete crossties, 8 feet, 6 inches in length, complete with elastic rail clips, compatible tie pads and insulator clips in accordance with NECIP Technical Specifications. Delivery to start at the rate of 2,650 crossties per day. This procurement will be conducted following two-step formal advertising procedures.

Requests for Technical Proposals may be obtained from the address below.

National Railroad Passenger Corp. (Amtrak)
Procurement Department (NECIP)
Rm 824, Suburban Station Bldg.
1617 J.F. Kennedy Blvd.
Phila., Pa. 19103

Amtrak is encouraging maximum participation in this Project by minority business firms. Firms responding to this solicitation are encouraged to identify minority

business firms as members of their primary teams. Additionally, the firms selected for the prime contract award will be required to establish a positive affirmative action program to identify and make the maximum feasible utilization of minority business firms or subcontractors.

The following is a list of contractors who will receive the first step invitation for bids:

<i>Company Name</i>	<i>City</i>	<i>State</i>
Dyckerhoff & Widman	New York City	New York
Wyoming Block Co.	Wyoming	Delaware
Schuylkill Products, Inc.	Cressona	Pennsylvania
Neophytos Ganiaris	Riverdale	New York
British Embassy	Washington	D.C.
Penn-Berks Corporation	Bethel	Pennsylvania
Precast, Inc.	Flushing	New York
Regan Construction Co.	Brooklyn	New York
Concrete Technology Corp.	Tacoma	Washington
Transit Products Company, Inc.	Atlanta	Georgia
George Blanas	Glenview	Illinois
GSH Steel Industries, Ltd	Scarborough	Ontario, Canada
EDCO Systems, Inc.	Bloomsburg	Pennsylvania
Balboa-City Steel	San Diego	California
Central Technology, Inc.	Washington	D.C.
System Components Co.	Herrin	Illinois
New Concrete Floor Co.	Baltimore	Maryland
Prorail	Markham	Ontario, Canada
Byers Industries Corp.	Washington	D.C.
Pandrol Limited	Pittsburgh	Pennsylvania
MCA Engineering	Newark	Delaware
Travenca Concrete Constructors	Washington	D.C.
General Steel Service, Inc.	Philadelphia	Pennsylvania
Roubin & Janeiro, Inc.	Merrifield	Virginia
Gulf Eastern Construction	Atlanta	Georgia
L.B. Griffin Co., Inc.	Jamaica	New York
Tern Construction Corp.	Brooklyn	New York
Salsbury Industries, Inc.	Los Angeles	California
Atlantic Cement Co.	Baltimore	Maryland
The Washington Management Group, Inc.	Washington	D. C.
Crushed Aggregates, LTD.	Buffalo	New York
San-Vel Concrete Corp.	Littleton	Mass.
Railroad Concrete Crosstie Corp.	St. Augustine	Florida
Bayshore Concrete Products Corp.	Cape Charles	Virginia
ABEX Corp.	Philadelphia	Pennsylvania
Tachotrack Systems Limited	Markham	Ontario, Canada
Portland Cement Association	Skokie	Illinois
Pandrol Limited	Pittsburgh	Pennsylvania
Cardwell Westinghouse Co.	Chicago	Illinois
Portec, Inc.	Oak Brook	Illinois
Santa Fe Pomerov, Inc.	Petaluma	California
Grinaker Precast (Ptv) Ltd.	Transvall	South Africa
Blakeslee Prestressed, Inc.	Yankeetown	Florida
Con-Force Costain Concrete Tie Co.	Calgary	Alberta, Canada
Sherman R. Smoot Co., Inc.	Columbus	Ohio

L. A. Fusco
Amtrak Procurement

LAF:ns

Acceptance No. 222-109-055

Sent: 8/10/77

FOREIGN MANUFACTURED EQUIPMENT

Mr. McFALL. We have five questions that Mr. Benjamin has provided us. He had to leave. We will put those in the record and you may supply the answers.

Mr. BRAZIER. Very well, sir.
[The information follow:]

QUESTIONS FOR THE RECORD
FROM CONGRESSMAN ADAM BENJAMIN

Congressman Benjamin: Why did Amtrak believe it was necessary to spend \$2.8 million to evaluate and test foreign-built locomotives?

Amtrak response: When Amtrak assumed responsibility for passenger service in 1971, the only electric locomotives operating in the Northeast Corridor were the GG-1 units built in the 1930's. In an effort to improve service, increase train speeds, and reduce maintenance costs, Amtrak purchased 26 model E-60 electric locomotives from the General Electric Company. Subsequently, the Congress approved the Northeast Corridor Improvement Program and recognized that passenger locomotives operating in the Corridor should be lightweight to help achieve the higher speed standards of the program and to minimize wear on the upgraded track and consequently maintenance expense. The 366,000-lb. E-60 locomotive, based on freight unit design, did not meet that requirement, and therefore, we concluded that a new high-speed lightweight electric locomotive would be needed to meet the Congressionally mandated trip time goals.

No new electric locomotives designed specifically for passenger service have been built in the United States for 40 years, and to commence such a design in this country would be time-consuming and expensive. However, in a number of foreign countries, research and development has continued over the years and locomotives containing many of the characteristics required for the Corridor operation were already in operation. By leasing and testing the best of these locomotives under American operating conditions, Amtrak has been able to determine which of the design and construction features can be utilized in new locomotives for the Corridor. In this way, we have been able to take advantage of proven foreign technological advances, insure that these are feasible in the American environment, shorten engineering and design time, and reduce the cost of such an effort.

Congressman Benjamin: Why does the Federal Railroad Administration believe it is necessary to spend \$2.7 million to assess advanced foreign rail passenger equipment in FY 1978.

FRA response: The \$2.7 million was FRA's total FY 1978 request to Congress for Improved Passenger Systems of which \$2 million was appropriated. Of this amount, \$450,000 will be used to support the Improved Passenger Equipment Evaluation Program (IPEEP). Total funding for the program is \$2.7 million, of which \$2.3 million is carryover funds from FY 1976 and previous years. No FY 1977 funds were used to support the program.

The FRA IPEEP program is a two-year effort to evaluate candidate foreign passenger train equipment to assure us that we do not use our scarce resources, both funds and manpower duplicating recent technological advancements achieved in rail passenger equipment. The results of the program will provide Amtrak with directly applicable components and subsystems and/or technology leading to specifications which will enable us to develop similar equipment to our standards with a minimum of development cost. It is also conceivable that a total train system, with minor modifications such as that made to the French RTG by Rohr of Southern California, could be produced through a U.A. licensee to satisfy our next generation equipment purchases. A typical prototype development program of a passenger train costs approximately \$40 to \$50 million and takes some seven to eight years to implement. This approach would save a large percentage of the development cost.

Amtrak has supported this program from the onset and has been an active participant in the investigation up to this time.

Congressman Benjamin: What information or test data has been developed as a result of these tests?

Amtrak response: A Swedish electric locomotive was tested thoroughly, over an 8-month period, first in controlled testing for specific purposes during which voluminous data with respect to acceleration, braking, ride quality, effect on track, etc., was collected. In addition, the locomotive was tested operationally by using it in day-to-day revenue service between New York and Washington on Metroliner schedules. Performance records and maintenance requirements were obtained from this experience. A French electric locomotive was available for a much shorter lease period and only the controlled testing of the same type as given the Swedish unit was accomplished. A basis for comparison was thereby established. In both instances, information has been shared with the Federal Railroad Administration.

FRA response: The Improved Passenger Equipment Evaluation Program (IPEEP) commenced in February of this Year. Initial contacts were made with the various foreign governments and equipment suppliers to establish working relationships and solicit preliminary technical data germane to the program. The next phase will be to perform a preliminary evaluation of these data to determine which equipment may have potential application for utilization in the United States. The next phase will be to conduct hardware tests on the foreign railroad involved to validate the results of the software evaluation. Once these data are documented, the subject equipment will either be subjected to a test in the United States or a specification generated based on the technical merit of the component.

It should be noted that the basic purpose of the program is to assure ourselves that we are not spending our scarce research and development funds duplicating achievements already accomplished.

Congressman Benjamin: What findings or conclusions have you reached regarding this foreign built equipment?

Amtrak response: Amtrak has determined two major conclusions from the testing. First, we found that it is possible to build a lightweight electric locomotive weighing under 200,000 pounds that will meet Amtrak's operational requirements in the Northeast corridor. Second, we found that electric locomotives built to meet standards of other countries cannot be automatically accepted for American operations. We found it necessary to very carefully choose those design and construction features that would be effectively utilized in the production of electric locomotives for Amtrak use. We have done this in the specifications currently in the hands of American builders for preparation of bids.

FRA response: Although the program has just begun, we have documented the technical characteristics of some 14 new experimental train systems having components and/or complete train system potential application within the United States. Some of the components and subsystems Amtrak has expressed immediate interest in includes pantographs, power packs, transformers, AC traction motors, truck designs, and airconditioners. It is emphasized that before a final determination as to the technical qualifications of these components is made, a thorough engineering investigation will be made.

Congressman Benjamin: A large number of locomotives are built in the United States by General Motors, General Electric and other firms. Why can't Amtrak use this equipment or work with domestic builders to develop equipment which will serve Amtrak's needs?

Amtrak response: Amtrak has purchased 215 new diesel locomotives from American builders and has worked with those firms to improve the performance of these units. However, American firms have had limited experience in building electric passenger locomotives. General Motors has built only two prototype freight units under its licensing arrangement with the Swedish firm, ASEA. General Electric has had no electric passenger locomotives available which could have been used for the same type testing which Amtrak has given foreign locomotives. Nevertheless, both firms have been given the opportunity to submit proposals for the construction of new units for Amtrak.

FRA response: Prior to the development of the General Electric E-60, a new electric passenger train locomotive had not been manufactured in the United States since 1952. Unfortunately, the E-60 resulted in a high axle loading configuration, negating its potential application as a viable candidate for a lightweight electric locomotive for corridor usage. Amtrak has recently released a proposal based on a technical specification resulting from recent advancements achieved in Europe. This request was sent to all four U.S. locomotive suppliers. In the case of diesel-electric locomotives, all past locomotives used in passenger train service have been derivatives of freight locomotives. As in the case of the electric locomotive, Amtrak has prepared a procurement request incorporating recent foreign achievements and solicited proposals from the same four U.S. suppliers.

Amtrak has no intention of turning its back on the U.S. supply industry. In fact, it encourages all foreign suppliers with equipment possessing potential application within the U.S. to deal through the U.S. supply industry.

Mr. McFALL. Thank you, gentlemen.

(Clerk's Note: On August 9, 1977, Chairman McFall sent the following letter to the Secretary of Transportation:)

CONGRESS OF THE UNITED STATES
 HOUSE OF REPRESENTATIVES
 COMMITTEE ON APPROPRIATIONS
 WASHINGTON, D.C.
 August 9, 1977.

Honorable BROCK ADAMS
 Secretary of Transportation
 Washington, D.C. 20590

DEAR MR. SECRETARY: On April 5, 1977, you requested the Committee's concurrence on a reprogramming of approximately \$70 million of capital grants previously made to the National Railroad Passenger Corporation (Amtrak). Subsequent to your letter, Mr. Don Brazier, Vice President-Finance for Amtrak, submitted revised reprogramming requests on July 8 and August 1. The Subcommittee on Transportation Appropriations held a hearing on the revised request on August 2.

The hearing revealed the need to establish a more definitive policy regarding the reprogramming of funds appropriated to Amtrak. The Rail Passenger Service Act, as amended, states that appropriated . . . sums shall be paid by the Secretary to the Corporation for expenditure by it in accordance with the spending plan approved by Congress at the time of appropriation. . . .

The "spending plan" referred to in the Act would consist of the detailed budget request and justification materials submitted to the Appropriations Committee as modified by the Congress during the appropriations process. In some instances, Congress may earmark funds for specific purposes or give guidance concerning areas where changes should be made.

The Committee recognizes that changes in the spending plan will from time to time be desirable because of changing conditions and circumstances. However, because of the large amount of funds which have been appropriated to Amtrak, the Committee firmly believes it must be advised of any changes in the spending plan *before* such changes are executed. While the Committee interposes no objection to the reprogramming request as submitted on August 1, the Committee expects to be informed on a timely basis by the Department of Transportation concerning future reprogramming requests. Since the Secretary of Transportation is responsible for insuring that Amtrak funds are expended in accordance with the spending plans approved by Congress at the time of appropriation, the Committee believes the Department, in cooperation with Amtrak, should develop procedures as part of the grant approval process that will insure that (1) funds are used for Congressionally approved purposes, and (2) significant changes are presented promptly for consideration by the Appropriations Committee before the funds are committed or obligated.

I am directing the Committee staff to work with the Department and Amtrak to insure that the procedures to be developed are consistent with the Committee's responsibilities in this important area.

Sincerely,

JOHN J. McFALL
 Subcommittee on Transportation Appropriations

cc: Don R. Brazier
 Vice President-Finance Amtrak

[Whereupon, at 11:15 a.m., the subcommittee was adjourned.]

WEDNESDAY, SEPTEMBER 21, 1977

NATIONAL RAILROAD PASSENGER CORPORATION
 (AMTRAK)

WITNESSES

PAUL H. REISTRUP, PRESIDENT
 DON R. BRAZIER, VICE PRESIDENT, FINANCE

FEDERAL RAILROAD ADMINISTRATION

CHARLES SWINBURN, ASSOCIATE ADMINISTRATOR FOR FEDERAL ASSISTANCE
 ROBERT E. GALLAMORE, DEPUTY ADMINISTRATOR,

OFFICE OF THE SECRETARY OF TRANSPORTATION
MORTIMER L. DOWNEY, III, DEPUTY UNDER SECRETARY

Mr. McFALL. The committee will come to order.

We would like to discuss certain aspects of the proposed service reductions announced by Amtrak in recent weeks. Also, we want to discuss your letter of September 20, Mr. Reistrup, in which you request a supplemental appropriation of \$56.5 million for Amtrak.

We will place your letter in the record at this point.
[The letter follows:]



September 20, 1977

The Honorable George Mahon
Chairman
House Committee on Appropriations
Rayburn House Office Building
Room 2314
Washington, D.C. 20515

Dear Mr. Mahon:

On September 19, 1977, the Amtrak Board of Directors approved an urgent FY 1978 supplemental appropriation requirement of \$56.5 million for operations.

It is requested that the Congress act on this requirement as a part of the urgent supplemental request for FY 1978 currently under consideration. Authorization for the amount requested is contained in the Amtrak Improvement Act of 1976 (Public Law 94-555).

The operating funds requested will restore Amtrak's appropriation to the amount authorized for FY 1978 - \$545.0 million. This level of funding is required to restore passenger rail service to substantially the same level as FY 1977, to avoid major route terminations and to meet increased wage and price escalation beyond the amounts included in the original budget request. Inflation has increased costs by \$10.6 million as shown in Attachment No. 1.

Under the current operating budget appropriation, Amtrak will be required to make route and frequency changes to reduce the FY 1978 deficit by \$50 million. A number of frequency reductions have been ordered that will result in a saving of \$23 million. The remaining \$27 million will require further frequency reductions and/or route terminations. While the Corporation fully supports the use of Route and Service Criteria for the determination of route changes, it is now clear that this process is very time-consuming. Practical frequency reduction possibilities have largely been exhausted and it now appears that the ability to terminate routes to the extent required to meet the present budget limitations is marginal.

The Honorable George Mahon
Page Two
September 20, 1977

Specifically, the amount requested will permit:

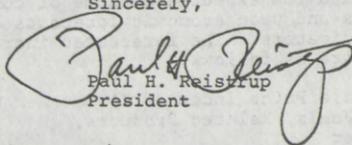
	(Millions)
Financing additional inflation during FY 1978	\$10.6
Avoidance of major route discontinuances	20.0
Avoidance of further train frequency reductions	7.1
Partial restoration of train frequency reductions currently identified	<u>18.8</u>
Total Supplemental	\$56.5

Details of train frequency restoration are shown on Attachment No. 2.

This submission is made pursuant to Section 601(b) of the Rail Passenger Service Act of 1970 as amended, and is being submitted concurrently to the Office of Management and Budget and to the Department of Transportation.

The need for the supplemental is urgent. Congressional action prior to adjournment is critical to the continued operation of Amtrak without severe operational disruptions. Your early consideration and approval will be appreciated.

Sincerely,


Paul H. Reistrup
President

Attachments

National Railroad Passenger Corporation
FY 78 Budget vs. FY 77 Budget

Wage and Price Increases

Budget Request

	<u>Labor</u>	<u>Fuel & Power</u>	<u>Other</u>	<u>Total/ Composite</u>
Costs Subject to Inflation	\$349.6	\$ 34.1	\$361.6	\$745.3
Inflation Rate	9.64%	8.5%	5.50%	7.58%
Amount of Inflation from FY 77 to FY 78	\$ 33.7	\$ 2.9	\$ 19.9	\$ 56.5

Supplemental

Costs Subject to Inflation	\$349.6	\$ 34.1	\$361.6	\$745.3
Inflation Rate	10.85%	11.71%	6.98%	9.00%
Amount of Inflation from FY 77 to FY 78	\$ 37.9	\$ 4.0	\$ 25.2	\$ 67.1
		Increase		\$ 10.6

Basis of Inflation Application

1. Inflation rates are projected based upon existing labor agreements and the expected outcome of current labor negotiations and upon economic forecasts of significant economic indicators. The forecasted increases in these indicators are as follows:

Wholesale Price Index (WPI)	6.98%
WPI - Fuels, Related Products, & Power	11.71%
Consumer Price Index (CPI)	5.99%

2. Labor

- a. Non-exempt (union) labor is inflated by a factor developed from existing labor agreements and from the expected outcome of current labor negotiations. Based upon a projected increase in wages and benefits of 11 percent over calendar year 1978, and assuming equal increases each January and July, the rate of inflation from fiscal year 1977 to fiscal year 1978 is calculated to be 11.43 percent.

- b. Exempt (non-union) labor is assumed to increase at two-thirds of the rate of non-exempt wage increases. This conservative approach recognizes the element of compression which exists between union and management salary rates. Exempt increases are thus calculated to be 7.62 percent.
- c. The Composite Labor inflation factor is the weighted average of the exempt and non-exempt increases. Exempt labor is projected to account for 15.3 percent of total labor costs while non-exempt labor will be 84.7 percent of the expenses. Using these percentages as weightings for the two inflation rates yields the following composite:

<u>Type of Labor</u>	<u>Inflation</u>	<u>Weight</u>	<u>Weighted Factor</u>
Exempt	7.62%	X 15.3	= 1.17%
Non-exempt	11.43%	<u>84.7</u>	= <u>9.68%</u>
Total		100.0%	10.85%
Average weighted inflation rate for labor			= 10.85%

3. Fuel & Power

Costs of fuels and electric power are projected to increase at the same rate as the component of the Wholesale Price Index for "Fuels, Related Products & Power" or at a rate of 11.71 percent.

4. Other Costs

All other costs are expected to increase at the same rate as the Wholesale Price Index or at 6.98%.

A Comparative Analysis - Amtrak/President's Budget/Congressional Budget Office

In an attempt to determine a check on the economic assumption utilized in estimating our projected inflation, Amtrak measured its projection with both the President's Budget and those of the Congressional Budget Office. This comparison is reflected below.

Percent of Increase

	<u>Labor</u>	<u>Fuel & Power</u>	<u>Other</u>	<u>Composite</u>
March 1977 Forecast (FY1978 five year plan)	10.9	11.7	7.0	9.0
December 1976 Forecast	9.8	10.6	5.9	7.9
May 1976 Forecast (FY1977 five year plan)	9.6	8.5	5.5	7.6
President's Budget	9.6	8.5	5.5	7.6
Congressional Budget Office	9.4	8.3	5.1	7.3

Total Cost Increase (Millions of \$)

March 1977 Forecast (FY1978 five year plan)	37.9	4.0	25.2	67.1
December 1976 Forecast	34.3	3.6	21.3	59.2
May 1976 Forecast (FY1977 five year plan)	33.7	2.9	19.9	56.5
President's Budget	33.6	2.9	19.9	56.4
Congressional Budget Office	32.9	2.8	18.4	54.1

ROUTE RESTORATIONS

Under the currently approved operating appropriation of \$488.5 million, Amtrak will be required to:

1. Make train frequency reductions to reduce the FY 1978 deficit by \$30 million. About \$23 million of these reductions have been identified, leaving \$7 million additional to be determined.
2. Make route reductions and/or restructurings to reduce the deficit by \$20 million. This will require application of route criteria. No decisions have been made in this area to date.

Approval of the operating supplemental will permit:

	(million)
1. Avoidance of additional train frequency reductions	\$ 7.1
2. Avoidance of major route discontinuance and/or restructuring	20.0
3. Restoration of frequency reductions currently identified	18.8

The following priority for restoration of frequency reductions would be followed:

	<u>Individual Trains (000's)</u>	<u>Cumulative Restoration (000's)</u>
1. Metroliner Reductions	\$ 590	\$ 590
2. Philadelphia-Harrisburg	8	598
3. NEC - 100 Series, Bos-NY-Wash	1,102	1,700
4. Palmetto	292	1,992
5. 400 Series, New Haven-Springfield (Some Trains Reinstated)	310	2,302
6. NEC Costs Related to Above	3,111	5,413
7. 320 Series, Chi-Milwaukee	124	5,537
8. 200 Series, Phila-New York (Some Trains Reinstated)	1,933	7,470
9. San Joaquin, #710/711	272	7,742

	<u>Individual Trains (000's)</u>	<u>Cumulative Restoration (000's)</u>
10. Inter-American, #21/22	\$ 1,210	\$ 8,952
11. Hilltopper, #34/35	401	9,353
12. Shenandoah, #32/33	732	10,085
13. Empire Builder, #7/8	961*	11,046
14. North Coast Hiawatha, #17/18 (Summer Operation)	989*	12,035
15. Clamdigger, #151/152, Providence- New Haven, #42/43, Harrisburg-New York	212 694	12,247 12,941
16. Southern Crescent, #191/192, NEC Connection	1,093	14,034
17. Champion, #85/86 (Substituting inland route day Amfleet service to Savannah)	8,049	22,083
18. Meteor, #87/88 (not add Orlando leg)	804	22,887

*Reinstatement subject to Superliner availability

GENERAL STATEMENT

Mr. McFALL. We will ask you to outline briefly your reasons for making this request.

Mr. REISTRUP. Mr. Chairman, I should back up just a little bit, if I may.

When we were before you in the appropriations hearings I referred to the Amtrak request of \$534 million, which was what we felt was the best estimate at that time to continue running the system in place at the time, with the added new service; that is, the train from Salt Lake City through Boise, Portland, Oregon, and on up to Seattle, the new portion ending at Portland.

This estimate included the route criteria process which would have brought about, either thorough restructuring or elimination, or a combination of the two, economies on one route as a minimum. That was our basic thrust in the budget request.

The Administration, in the meantime, changed, and although the original Administration request was lower than \$500 million, the President Carter Administration upped that to \$500 million. The final appropriation as approved by both Houses and signed by President Carter of course was \$488.5 million.

I took as the chief executive the appropriations report language to heart, which was that this was sufficient to run the system for fiscal 1978, and that we were to pursue the route and service criteria avenue to live within those means. I am paraphrasing. The exact language, of course, is a matter of record.

In the intervening days, Amtrak management went about making the economies that any railroad management would do—largely the way I have done for my 20 years. We have been trying to maximize revenues, and this included another fare increase which the board approved, minimize expenses.

FORCE REDUCTIONS

Following the end of a 5 percent management force reduction, which is coming to a close in this month, we instituted a 1 percent per month force reduction of both management and union employees, and began to, in addition, analyze the train service to make reductions where we felt economies could be made without being counterproductive.

SERVICE REDUCTIONS

This would mean that we would save more in expenses by not running the train than we would lose in revenues. Any train that we run does produce revenues, so there is always some revenue loss if we cut it off.

This service reduction was to a large extent what has been under the prerogative of management in my tenure, two and a half years, frequency of changes are not unusual in the northeast corridor. There have been trains put on, taken off, since I have been here; also in the Florida service.

I think that is the best example. Seasonally we always change because the travel shifts so drastically—very heavily in the winter,

‘somewhat heavier than in the spring and fall during the summer period, but not as heavy as the winter.

So, I would say roughly half of these service reductions were, let’s say, normal.

FREQUENCY CHANGES

But to get the savings which totaled roughly \$23 million, we went beyond that, and where a frequency change had never been done by management in the past, during my tenure, which is two and a half years, I actually asked for a vote of the Board of Directors.

I felt that that was the policy that the board ordered on the route criteria process. Therefore, I asked to be specific for votes on trains, such as the Empire Builder, trains seven and eight through northern Montana; the Shenandoah, that runs through Parkersburg, West Virginia. That is an experimental train, by the way, so it could not be eliminated even under the criteria process for another year. The Hilltopper which runs through Bluefield, West Virginia, that was voted on. This shows you our process.

There was a vote taken by the board as to whether or not one of the trains, specifically the Inter-American, that management proposed to reduce back to what it was before we made it daily in a market test; and the vote was close. It was three to two to support management and make it triweekly instead of daily. It was four to three not to support management until the railroad directors were disqualified by the general counsel because they cannot vote on a railroad operating matter. It shows you how close the vote was in the board.

RESCHEDULING

Basically what we have done is try to do the best we could. Our rescheduling of the remaining trains, specifically between Springfield, Massachusetts and New Haven has been an attempt to retain almost the same service for hopefully 90 percent of the people who were using the total service before.

One of the trains to be eliminated handled as few as 11 people, for an example. We feel that we have done a pretty good job. It could be done in different ways, but this was the first cut at it.

FURTHER CUTS

If we do not receive some additional money, there will be further cuts. There would be, in addition to the pursuit of the route criteria process, more service reductions. We get to the point of being counterproductive, unfortunately.

I think the best example of that is between Denver and San Francisco—we actually stop the train at Oakland. That run, if put on a triweekly basis, would break the mail contract, which not only brings revenue to that train, but others in the system.

So, there is, in effect, a loss of connecting revenue on the order of \$2.5 million to the system. So that type of change has been carefully weighed.

We would have to look at it again if there is not enough money to make ends meet.

I will conclude by saying that I do not believe that it is proper for me to operate at a level that is above what has been appropriated, and this is why the proposal was to make the service cuts effective at our normal fall timetable change, Daylight Saving Time disappears, and this gives us the savings for the major part of the fiscal year.

Mr. Brazier is here to help me with any of the detailed financial data. I think perhaps I should introduce the people, or would you rather, Mr. Chairman?

Mr. McFALL. I think we know them already. We know Mr. Swinburn, Mr. Gallamore, and Mr. Downey.

We would like to have a comment from Mr. Swinburn or Mr. Gallamore at this time concerning this request.

FRA COMMENTS

Mr. GALLAMORE. Let me just say a couple of words and then pass it on to Mr. Swinburn.

I should just note for the record that in the vote that Mr. Reistrup mentioned, the department did not vote. At that time we had not made our delegation properly—did not yet get through the process. So, we abstained from that earlier vote.

At the time of the board meeting on Monday, however, we had made that arrangement properly, and I did cast a vote against the requested supplemental appropriation.

We have done a little bit of work now to review the service cutbacks as proposed by Amtrak, and I would like Mr. Swinburn to just review that very briefly for us.

Mr. McFALL. Mr. Swinburn?

Mr. SWINBURN. As Mr. Reistrup noted, it probably is true that a different set of people sitting down to do frequency reductions in the face of a budget cut would not end up with the same particular mix of routes which are affected.

But, the analysis that we have done of the total package of frequency reductions that Amtrak has instituted says to us that they have done a reasonable job of implementing service reductions, that on an intercity basis across the country they have instituted service reductions on those routes which are generally the poorest performers, and where there would be the least effect on people and peoples' availability of service.

NORTHEAST CORRIDOR OPERATIONS

We have looked very closely at the northeast corridor because of the import of the northeast corridor operations to all of Amtrak, and to a lot of people, and we find that within the northeast corridor, examining what service still remains in place for the intercity traveler, inconveniences caused ranged from about five minutes to about two hours and 45 minutes on the 40 northeast corridor trains which have been affected; that is, a traveler has available to him within that period of time another train going to the same destination.

In fact, 70 percent of the trains discontinued, have another train going to the same destination within one hour.

Of the remaining 30 percent of the trains discontinued, the majority, for the committee's information, are on the New Haven to Springfield line, which averages only about 25 people per train, which is, as we calculate it, the third lowest ridership level in the entire Amtrak system.

Additionally, I think it is worth noting that most of the reductions in the northeast corridor, particularly on the Metroliners, were on Saturday and Sunday schedules, and we have looked at load factors on the trains in the Washington-New York leg of the corridor that have incurred frequency reductions on the days that the trains have been reduced; that is, primarily Saturdays and Sundays.

We found that the load factors in general are in the 30 and 40 percent range on those trains, as compared to perhaps a 60 percent load factor for all Metroliners in the south leg of the corridor in the period we took our measurements.

So, those trains which have been suspended on Saturday and Sunday were carrying quite a few less people than a normal Metroliner does. Again, for those Metroliners there is alternative service readily available to the passenger.

Mr. McFALL. Let's suspend now so that we can all go vote, and we will be back just as soon as we can.

[Brief recess]

Mr. McFALL. The committee will come to order.

Mr. Swinburn, you were talking when we recessed. We would like you to continue.

Mr. SWINBURN. I actually was just finishing, Mr. Chairman. I would be glad to make a lot of this data analysis available to the committee, through the committee staff.

SUPPLEMENTAL REQUEST

Mr. McFALL. Do you want to make any recommendations concerning the amount of the request made by Amtrak at this time, or do you want to wait until later?

Mr. DOWNEY. Mr. Chairman, we only received it yesterday. We will have to take a look at it, evaluate it, compare it with what our member of the board was told. As Mr. Gallamore said, we voted against requesting that amount of money.

We also, of course, have just been through our budget cycle and having to put Amtrak in perspective with all the other things we are doing, we felt we did have to take that vote against a supplemental of that size.

Mr. McFALL. Then you intend to make a recommendation to the committee by letter, with some reasons for your position.

Mr. DOWNEY. Yes, we would.

[CLERK'S NOTE: The Committee received the following letter from the Secretary on September 27, 1977.]

THE SECRETARY OF TRANSPORTATION,
WASHINGTON, D.C. 20590,
September 27, 1977.

HONORABLE JOHN J. MCFALL,
Chairman, Subcommittee on Transportation,
Committee on Appropriations,
House of Representatives, Washington, D.C. 20515

DEAR MR. CHAIRMAN: In response to your request of the Federal Railroad Administration witnesses at your hearings of September 21, 1977, this letter presents the Department of Transportation's views on Amtrak's request for a FY 1978 supplemental appropriation for operations of \$56.5 million.

As you know, the Administration originally proposed an FY 1978 operating appropriation for Amtrak of \$500 million and subsequently appealed the House mark of \$488.5 million. The Conferees agreed to retain the House allowance and the Administration has accepted this Congressional decision in the context of funding constraints and overall Federal priorities. I think a consensus has been reached between the Congress and the Executive Branch that fiscal responsibility dictates that we hold the line for the present on Amtrak's budget. We must ensure that Amtrak has achieved the optimum route structure and is operating efficiently before considering such large annual increases in operating funds that we have experienced in the past. We have supported raising the Amtrak appropriation back to the \$500 million requested but this option was not available when the Amtrak Board voted for the \$56.5 million request.

In the Department's view, there have been no significant unforeseen or uncontrollable changes in Amtrak's operating environment since President Reistrup testified last March that, "... based upon current estimates for FY 1978 the Corporation will be required to make further savings of \$29.6 million in order to operate within the \$500 million appropriation request. This is a feasible objective."

We are disappointed that the Corporation has only been able to partially implement the Congressionally approved Route and Service Criteria. The current frequency reductions have become necessary as a temporary measure partially because route restructurings have not been achieved on a timely basis. However, the Department, and I believe the Congress, expects that Amtrak should soon undertake a constructive systemwide application of the Route and Service Criteria, focusing not simply on reductions of expenditures but rather on reallocating in the most rational fashion the resources which are available for rail passenger service.

While we do not share Amtrak's view that an "emergency" supplemental is required now, we will continue to observe Amtrak's efforts to rationalize their operations. If at any time it is or judgment that action is necessary, we will consult with your Committee on an appropriate level of supplemental funding.

Sincerely yours,
BROCK ADAMS.

PENDING SUPPLEMENTAL

Mr. CONTE. May I ask a question, Mr. Chairman. Do you have a DOT supplemental coming to this committee?

Mr. DOWNEY. We have one item with OMB. It is a Coast Guard item. I don't know if they intend to move it at this time. The next regular scheduled supplemental would be the pay supplemental to come up in January.

Mr. MCFALL. Could the Coast Guard item wait until that time?

Mr. DOWNEY. The Coast Guard item will probably wait until that time. There is a northeast corridor item that will probably wait until that time.

Mr. CONTE. Is that Coast Guard supplemental an urgent one?

Mr. DOWNEY. No, it is not.

Mr. CONTE. In other words, the decision you must make is whether or not you are going to support with the Coast Guard Amtrak on this and, secondly, if you do go along, whether you are going to bring it up on this supplemental.

Mr. DOWNEY. Yes, sir.

DOT ANALYSIS OF SERVICE REDUCTIONS

Mr. CONTE. One other question, Mr. Chairman.

DOT made an analysis of the service cuts involved here? Could we have that analysis?

Mr. SWINBURN. Yes, sir, we will provide it for the record.

Mr. McFALL. Is it concise enough that we might put it in the record, or is it something that would be too voluminous?

Mr. SWINBURN. When cleaned up, sir, I think we are talking about eight or nine pages.

Mr. McFALL. We will look at it, and perhaps we can put it in the record at this point.

Mr. SWINBURN. Yes, sir.

[The information follows:]

EVALUATION OF AMTRAK'S RECENT FREQUENCY REDUCTIONS

Recognizing that a different set of managers would have made some different decisions regarding individual trains, in general, it appears that Amtrak has done a reasonable job of implementing service reductions in the face of budget limitations.

Based upon information provided by Amtrak describing the frequency reductions and utilizing data available within the Federal Railroad Administration, listings of the ten lowest performance Amtrak routes were developed by employing selected economic and usage criteria, as follows: Deficit per revenue passenger mile (the subsidy necessary to transport one revenue passenger one mile); total avoidable deficit (the total amount of annual cost reduction if the route were discontinued); and intercity revenue passenger miles per train mile (the average number of intercity revenue passenger miles on the train over the length of the entire route). It should be noted that the first measure excludes those riders who do not pay full fare and that the final measure excludes those riders as well as individuals riding on the commuter tickets. The analysis is thus of those revenue passengers whom it is Amtrak's primary responsibility to carry, as opposed to commuters. A comparison of these lists with the list of routes and trains affected by service reductions indicates that for those for which data was available, almost all were among the ten lowest performers by at least one of these three measures. Exceptions are the NEC services and the Chicago-Milwaukee route (Tables I through III).

Because of the significance of NEC service to Amtrak's total operations, the NEC frequency reductions and remaining available intercity service were examined in some detail (Tables IV and V).

A review of Table IV indicates that, except when the train eliminated is the last one in the evening, the inconvenience to the intercity passenger ranges from five minutes to two hours and 45 minutes. For example, of the 40 NEC trans affected by the frequency reductions, in 70% of the cases there is intercity rail service scheduled to the same destination within an hour. The majority of the remaining trains are on the New Haven to Springfield line which averages only 25.2 intercity revenue passenger miles per train miles, third lowest usage in the Amtrak system (Table III).

Table V indicates that during the period reviewed, the load factors on the eight weekend metroliner trains between Washington and New York which are being eliminated averaged only 34 percent, as compared to a 59 percent load factor for all Washington to New York metroliner trains during that period. In addition, it should be noted that most of the service changes affect weekend service on the least patronized services in the Corridor. Further, Amtrak is rescheduling trains which will be retained in NEC service, particularly on the New York-Springfield route, so as to minimize the effect upon passengers. Tables VI through VIII contain additional information provided by Amtrak on the frequency reductions.

TABLE I
AMTRAK'S LOWEST PERFORMING ROUTES BY
SELECTED ECONOMIC AND USAGE CRITERIA

	1/	2/
	Route & Service Criteria Ranking of Financial Contribution Per Revenue Passenger Mile (FY '76)	Route & Service Criteria Ranking of Financial Contribution (FY '76)
1.	Seattle-Vancouver	New York-Florida
2.	San Francisco-Bakersfield	Chicago-Florida
3.	Seattle-Portland	Chicago-San Francisco
4.	Washington-Cumberland	Chicago-Seattle (N)
5.	Chicago-Wash/Norfolk	Chicago-Wash/Norfolk
6.	Minneapolis-Superior	Chicago-Seattle (S)
7.	Chicago-Dubuque	New York-Buffalo
8.	Chicago-Port Huron	New York-Philadelphia
9.	St. Louis-Laredo	Chicago-N.Y./Washington
10.	Chicago-Florida	Kansas City-N.Y./Washington
		Detroit-Jackson
		New Haven-Providence
		New Haven-Springfield
		Washington-Martinsburg
		Washington-Cincinnati
		Washington-Tri-State
		Harrisburg-Philadelphia
		San Francisco-Bakersfield
		Chicago-Dubuque
		New York/Philadelphia*

1/ Source: Amtrak's Application of Tasks I and II of the Route Criteria and Procedures - January 1977

2/ Computed by Federal Railroad Administration using Amtrak Route Earnings Summary
- Does not include commuters or pass riders

*Two trains only

TABLE II
 ROUTES AFFECTED BY FREQUENCY REDUCTIONS

Routes	Financial/ Contribution, Per Revenue Passenger Mile (Loss) (FY 1976)	System* Ranking	Total Financial/ Contribution (Dollars) (Loss) (FY 1976)	System* Ranking
Chicago-Seattle (N)	(.049)	20	(9,399)	35
Chicago-Seattle (S)	(.083)	27	(8,947)	33
St. Louis-Laredo	(.119)	30	(2,362)	21
New York-Savannah	NA	NA	NA	NA
New York-Florida	(.021)	10	(12,109)	38
Washington-Cincinnati	NA	NA	NA	NA
Washington-Tri-State	NA	NA	NA	NA
Chicago-Milwaukee	(.070)	26	(1,463)	17
Oakland-Bakersfield	(.263)	37	(2,622)	23
Metroliner	.049	1	15,876	1
Conventional (NEC)	(.004)	4	(681)	7
Philadelphia-Harrisburg	(.018)	8	(765)	8
New York-Philadelphia	(.036)	17	(5,846)	31
New Haven-Springfield	(.031)	13	(258)	4
New York-Harrisburg	(.034)	15	(452)	5

NOTE: Financial contribution = Revenue minus all direct costs and avoidable portion of shared costs.

1/Source: Amtrak's Application of Tasks I and II of the Route Criteria and Procedures - January 1977.

*Out of 38 routes

TABLE III

Routes with Lowest Average Number of Intercity Revenue ^{1/}
 Passengers On Board (12 months ending June 30, 1977)

Detroit-Jackson	9.4
New Haven-Providence	22.1
New Haven-Hartford/Springfield	25.2
Washington-Martinsburg	27.4*
Washington-Cincinnati	29.4 ^x
Washington-Tri-State	32.4 ^{&}
Harrisburg-Philadelphia	32.9
Oakland-Bakersfield	36.2
Chicago-Dubugue	37.4
New York-Philadelphia (trains 250 & 237 only)	37.5
Chicago-Laredo	38.8
Chicago-Milwaukee (trains 328 & 329 only)	45.7
Chicago-St. Louis (trains 300 & 305)	54.5
Washington-Chicago (via West Virginia)	58.4
Chicago-Milwaukee (trains 321 & 322 only)	59.9

^{1/} Does not include pass or commuter riders

* 9 months only

x 8 months only

& 1 month only (June '77)

SOURCE: Amtrak's Route Earnings Summary Report

TABLE IV

NORTHEAST CORRIDOR POST REDUCTION SERVICE

TRAIN AFFECTED	DEPARTURE TIME	PRIOR TRAIN	DEPARTURE TIME	NEXT TRAIN	DEPARTURE TIME
104	8:00 A	170	7:05 A	172	9:05 A
106	9:00 A	170	7:05 A	172	9:05 A
110	11:00 A	108	10:00 A	174	11:05 A
114	1:00 P	112	12:00 N	176	1:05 P
132	8:17 P	162	8:05 P	60	10:10 P
131	7:50 A	61	4:55 A	141	8:10 A
105	8:30 A	89	8:00 A	181	9:00 A
107	9:30 A	181	9:00 A	141	10:00 A
109	10:30 A	141	10:00 A	111	11:30 A
113	12:30 P	167	12:00 N	169	1:00 P
237	6:35 A	101	6:30 A	103	7:30 A
213	2:00 P	115	1:30 P	117 (SU-F)	2:30 P
213	2:00 P	-	-	171 (S)	2:40 P
219	4:32 P	217	4:00 P	221	5:10 P
227	7:05 P	177	7:00 P	179	9:00 P
250	5:45 A	66	12:55 A	200 (SA)	7:00 A
250	5:45 A	-	-	254 (M-F)	6:33 A
168	7:15 A	66	12:55 (S)A	100	7:45 A
168	7:15 A	200	6:33 (M-SA) A	-	-
204	9:00 A	102 (M-F)	8:45 A	170	9:15 A
204	9:00 A	256 (S-S)	8:05 A	-	-
220	5:00 P	118	4:45 P	178	5:18 P
222	6:00 P	120	5:42 P	160	6:15 P
42	6:20 A	600	5:50 A	602	6:50 A
43	5:06 P	619	4:32 P	31	6:10 P

TABLE IV Cont'd

TRAIN AFFECTED	DEPARTURE TIME	PRIOR TRAIN	DEPARTURE TIME	NEXT TRAIN	DEPARTURE TIME
402	9:00 A	400	6:50 A	404	11:00 A
406	1:00 P	404	11:00 A	408	3:00 P
408	3:00 P	406	1:00 P	410	5:20 P
419	7:00 A	141	6:30 A	401	9:05 A
401	9:05 A	141	6:30 A	403	10:55 A
403	10:55 A	401	9:05 A	405	1:10 P
409	3:00 P	405	1:10 P	413 (S-S)	5:20 P
409	3:00 P	-	-	411 (M-F)	4:00 P
415	7:10 P	413	5:20 P	None	None
605	8:00 A	None	None	607	10:00 A
620	9:00 P	618	7:20 P	None	None
153	6:00 A	67	10:30 P	169	7:45 A
185	5:00 P	179	4:00 P	183	6:00 P
187	7:00 P	183	6:00 P	67	10:30 P
180	7:10 A	66	3:10 A	168	9:10 A
150	4:10 P	174	3:10 P	176	5:10 P
162	8:05 P	178	7:00 P	66	3:10 A
151	5:42 A	67	11:30 P	153	6:52 A
152	3:35 P	172	2:50 P	174	4:55 P
166	9:05 P	90	7:05 P	60	10:30 P

SOURCE: The Official Railway Guide - September 1977

TABLE V

April 1976 Metroliner Load Factors on Days
Affected by Frequency Cuts^{1/}

Train	Day(s) Cut	Utilization on day(s) being cut ^{2/}		
		Seat Miles	Passenger Miles	Load Factor (%)
104	Sunday	220,416	59,984	27
105	Sunday	159,696	31,742	20
106	Sunday	No Sunday trains were run in April 1976		
107	Sunday	220,416	72,110	33
109	Saturday	247,296	102,318	41
110	Saturday	254,464	105,942	42
113	Saturday	165,312	65,276	39
114	Saturday	212,800	63,976	30
Saturday & Sunday Average		1,480,400	501,348	34

^{1/} Similar data are not available for current operations

^{2/} Source: FRA monthly Metroliner load factor report

NOTE: Average load factor on all Metroliner trains during April 1976 is 59 percent.

TABLE VI.—FISCAL YEAR 1978 IMPACT OF FALL FREQUENCY REDUCTIONS
[Dollars in thousands]

Effective date	Train numbers	Train name	Type of reduction	Reduction between/and	Revenue loss	Cost saving	Deficit reduction
Sept. 8, 1977	7-8	Empire Builder ¹	Daily to quadweekly (year round)	Minneapolis/Seattle	4,669	5,630	961
Sept. 8, 1977	17-18	North Coast Hiawatha	Retain triweekly during peak	Minneapolis/Seattle	1,612	2,601	989
Sept. 8, 1977	21-22	Inier-American	Daily to triweekly (year round)	St. Louis/Laredo	1,039	2,249	1,210
Sept. 11, 1977	89-90	Palmetto	Daily to quadweekly for Sept. 11 through Nov. 17; Jan. 9 to June 15.	Washington/Savannah	699	991	292
Sept. 8, 1977	85-86	Champion	Discontinue (year round)	New York/St. Petersburg	8,200	16,249	8,049
Oct. 30, 1977	87/88	Silver Meteor	(Add leg to serve Orlando) (year round)	Jacksonville/Tampa or St. Petersburg	(5,402)	(4,598)	804
Christmas, summer and other peaks	87-88	Silver Meteor	(Run separate section New York-Jacksonville when rev. exceeds cost. Use 87-88 south of Jacksonville).	New York/Jacksonville		(45,482 cost per round trip)	
Oct. 30, 1977	32-33	Shenandoah 2-11	Daily to quadweekly (year round)	Washington/Cincinnati	113	845	732
Oct. 30, 1977	34-35	Hilltopper	Daily to quadweekly (year round)	Washington/Tri-State	515	916	401
Oct. 30, 1977	321-322 (daily) 328-329 (sum. only)	Turboliner service	Discontinue trains listed (year round) (3 daily Turboliner round trips will continue).	Chicago/Milwaukee	306	430	124
Sept. 8, 1977	710-711	San Joaquin	Remains daily (3 days per week funded by California).	Oakland/Bakersfield	(272)	0	272
Sept. 8, 1977	191-192	Southern Crescent	Consolidate with 171-172 (year round)	New York/Washington	0	1,093	1,093
Oct. 30, 1977	Northeast Corridor	Metroliner	12 trains per week	New Haven/New York	1,527	2,117	590
		Metroliner	8 trains per week	Washington/New York			
		Clocker	51 trains per week	Philadelphia/New York	762	2,695	1,913
		Conventional	10 trains per week	Harrisburg/New York	134	828	694
		RDC	30 trains per week	New Haven/Springfield	190	500	310
		RDC	10 trains per week	New Haven/Providence	83	295	212
		Silverliner	4 trains per week	Philadelphia/Harrisburg	41	49	8
		Amfleet	18 trains per week	Boston/New York			
		Amfleet	14 trains per week	Boston/Philadelphia	2,399	3,501	1,102
		Amfleet	2 trains per week	Washington/New York			
		All above	Costs related to above			3,111	3,111
Total					\$16,615	\$39,502	\$22,887

¹Savings reflect no additional (i.e. daily) Christmas or summer service; summer frequency will be reviewed in early 1978.

²Subject to DOT concurrence.

TABLE VII—NATIONAL OPERATIONS TRAIN MILE REDUCTIONS FROM FALL 1977 FREQUENCY CHANGES

Train number/name	For fiscal year 1978				For 12 months starting Oct. 30, 1977			
	Original train mile projection ^a	Proposed train mile reduction (addition)	Percent reduction	Proposed train mile reduction (addition)	Percent reduction	Proposed train mile reduction (addition)	Percent reduction	
7/8—Empire Builder	1,362,180	¹ 584,000	43			584,000	43	
9/10—N.C. Hiawatha	798,694	² 235,000	29			² 235,000	29	
21/22—Inter-American	851,910	1,469,000	55			469,000	55	
710/711—San Joaquin	227,760	¹ 98,000	43			¹ 98,000	43	
89/90—Palmetto	440,920	⁵ 118,000	27			⁵ 118,000	27	
370 Series (Chicago-Milwaukee)	257,040	³ 65,000	25			³ 65,000	25	
32/33—Shenandoah	397,850	³ 156,000	39			170,000	43	
34/35—Hilltopper	402,960	³ 158,000	39			172,000	43	
New York-Florida Service:								
85/86—Champion	759,000	1,759,000				759,000		
83/84—Silver Meteor	847,530	³ 778,000				³ 849,000		
87/88—Silver Meteor		³ 7 (970,000)				⁷ (1,058,000)		
Extra Sections of 87/88—Silver Meteor		⁴ (200,000)				⁴ (200,000)		
81/82 (91/92)—Silver Star	922,720							
Florida total (net)	2,529,250	¹⁰ 367,000	15			¹⁰ 350,000	14	
All other service	17,564,436							
Grand total	24,833,000	2,250,000	9			2,267,000	9	

¹ Full financial year.² Seasonal Christmas and summer reduction: 3½ months.³ Effective Oct. 30, 1977.⁴ Seasonal Christmas and other peak period operation: 133 days⁵ Seasonal fall and spring reduction: 7.6 months.⁶ Reduction to be funded by California to permit continued daily operation.⁷ Net of deletion of 83/84 and addition of 87/88 is the new Jacksonville-St. Petersburg leg of the Silver Meteor (to be 87/88).⁸ Reduction is trains 321/322/328/329.⁹ Applies for fiscal 1978 or 12 months starting Oct. 30, 1977.¹⁰ Does not include any reduction for the Floridian.

TABLE VIII

(Effective Oct. 30, 1977)

Detail of Northeast Corridor Frequency Reductions

TRAIN NUMBER	ORIGIN & PRESENT DEPARTURE TIME	DESTINATION	DAYS NOW OPERATED	DAYS CANCELLED
Metroliners				
104	Washington, 8:00 a.m.	New York	Daily	Sunday
106	Washington, 9:00 a.m.	New York	Daily	Sunday
110	Washington, 11:00 a.m.	New York	Mon. thru Sat.	Saturday
114	Washington, 1:00 p.m.	New York	Daily	All Days
132	New York, 8:17 p.m.	New Haven	Sun. thru Fri.	All Days
131	New Haven, 8:50 a.m.	Washington	Mon. thru Sat.	Sunday
105	New York, 9:30 a.m.	Washington	Daily	Sunday
107	New York, 10:30 a.m.	Washington	Daily	Saturday
109	New York, 10:30 a.m.	Washington	Sunday Only	Saturday
113	New York, 12:30 p.m.	Washington	Daily	Saturday
New York-Philadelphia				
237	New York, 6:35 a.m.	Philadelphia	Mon. thru Fri.	Mon. thru Fri.
213	New York, 9:00 p.m.	Philadelphia	Daily	All Days
219	New York, 4:32 p.m.	Philadelphia	Sun. thru Fri.	Sun. Only
227	New York, 7:08 p.m.	Philadelphia	Daily	All Days
230	Philadelphia, 5:45 a.m.	New York	Mon. thru Sat.	All Days
188	Philadelphia, 7:15 a.m.	New York	Daily	All Days
224	Philadelphia, 9:00 a.m.	New York	Daily	All Days
220	Philadelphia, 5:00 p.m.	New York	Sun. thru Fri.	All Days
222	Philadelphia, 6:00 p.m.	New York	Sun. thru Fri.	All Days
New York-Harrisburg				
42	Harrisburg, 6:20 a.m.	New York	Mon. thru Fri.	All Days
43	New York, 5:06 p.m.	Harrisburg	Mon. thru Fri.	All Days
New Haven-Springfield				
402	New Haven, 9:00 a.m.	Springfield	Daily	All Days
408	New Haven, 1:00 p.m.	Springfield	Daily	Sat. & Sun.
408	New Haven, 3:00 p.m.	Springfield	Daily	Mon. thru Fri.
410	New Haven, 4:00 p.m.	Springfield	Mon. thru Fri.	All Days (but see #412 below)
412	New Haven, 5:45 p.m.	Springfield	Daily	None (but see #412 below) numbered to #410 from New Haven at 5:20 p.m.)

Detail of Northeast Corridor Frequency Reductions (Effective October 30, 1977)
 Page -2-

<u>TRAIN NUMBER</u>	<u>ORIGIN & PRESENT DEPARTURE TIME</u>	<u>DESTINATION</u>	<u>DAYS NOW OPERATED</u>	<u>DAYS CANCELLED</u>
<u>New Haven-Springfield</u>				
419	Springfield, 7:00 a.m.	New Haven	Mon. thru Fri.	All Days
401	Springfield, 9:05 a.m.	New Haven	Mon. thru Sat.	Sat. Only
403	Springfield, 10:35 a.m.	New Haven	Daily	Mon. thru Fri.
409	Springfield, 3:00 p.m.	New Haven	Daily	All Days
415	Springfield, 7:10 p.m.	New Haven	Sun. Only	Sun. Only
<u>Harrisburg-Philadelphia</u>				
605	Philadelphia, 8:00 a.m.	Harrisburg	Daily	Sunday
620	Harrisburg, 9:00 p.m.	Philadelphia	Daily	Saturday
<u>Boston-New York</u>				
153	Boston, 8:00 a.m.	Philadelphia	Daily	All Days
185	Boston, 5:00 p.m.	New York	Fri. & Sun.	Fri. & Sun.
187	Boston, 7:00 p.m.	Philadelphia	Daily	All Days
180	New York, 7:10 a.m.	Boston	Daily	All Days
150	New York, 4:10 p.m.	Boston	Daily	All Days
162	New York, 8:05 p.m.	Boston	Fri. & Sun.	Fri. & Sun.
<u>Providence-New Haven</u>				
151	Providence, 5:42 a.m.	New Haven	Mon. thru Fri.	All Days
152	New Haven, 3:35 p.m.	Providence	Mon. thru Fri.	All Days
<u>Washington-New York</u>				
168	Washington, 9:05 p.m.	New York	Fri. & Sun.	Fri. & Sun.

Service Planning
 September 16, 1977

APPLICATION OF ROUTE AND SERVICE CRITERIA

Mr. McFALL. Let me ask a couple of more questions, and then I will yield.

Mr. Reistrup, during our hearings on your fiscal year 1978 budget, you supported the Carter budget request of \$500 million for operating grants.

Your budget justification stated:

"The recommended funding level of \$500 million will require route reductions and such reductions are feasible if the Congress concurs in the funding level and the Corporation is permitted to apply the route criteria in making such reductions."

The conference agreement on your bill provided an appropriation of \$488.5 million for operating grants with the following language:

"The conferees believe this amount will be sufficient for the entire fiscal year and direct Amtrak to make effective use of the criteria and procedures for making the route and service decisions developed pursuant to Section 8 of the Amtrak Improvement Act of 1975."

In your letter of September 20 you state, 'While the Corporation fully supports the use of Route and Service criteria for the determination of route changes, it is now clear that this process is very time consuming.'

If you were in fact ready to apply the Route and Service Criteria last spring, why aren't you and the board ready to apply them now?

Mr. Reistrup. Mr. Chairman, we have been proceeding. I think it only fair to state that my position as the chief executive has been one in urging the board to apply the route and service criteria, and this would—I am referring now to restructuring or elimination, realizing that we had the budgetary shortfall.

In fact, at the most recent board meeting, the special one on Monday, I was referred to as being out of order by one of our directors for applying that pressure to the Board. I felt that our request should be—

Mr. McFALL. Excuse me, Mr. Reistrup, but we have a very distinguished gentleman in the room.

Come up to the tables, Mr. Volpe, and sit with us.

I am sorry for the interruption.

Go ahead, Mr. Reistrup.

ROUTE ECONOMICS

Mr. REISTRUP. Mr. Chairman, I do feel that we should proceed with this route and service criteria. We have used the procedure on improving the economics of a couple of routes, the most recent one being the change in the Southwest Virginia operation from what was known as the Mountaineer to the Hilltopper, which reduced the deficit to half of what it was before. That train was further reduced in this proposal, or would be at the end of this month, to a quad-weekly operation.

The process, if we follow on it exhaustively, and we feel with all of the public interest, and I would say in some cases turmoil, created by our proposed service reductions or rerouting, we should go through with the hearing processes. Those hearings are going on, public hearings, in October. And we have them at all of the major

cities, Miami, St. Petersburg, Jacksonville, Montgomery, Birmingham, Nashville, Chicago, and then the Board ties all of the data and deliberates on that.

To do the process completely takes roughly a year. Am I fair on that? Now, that is to go through it completely to the point of reroute, or route elimination.

To improve the route does not take that long, and we have now two trains in what we call Task 3, which is trying to improve the economics short of considering rerouting or discontinuance. Two of those trains are the Inter-American, from Chicago, St. Louis, to Laredo, Texas, and also the San Joaquin Valley, from Bakersfield to Oakland. Both of those trains have been re-equipped and there is a proposed rescheduling of the valley train that perhaps would help it.

Now, that is part of this; let's reduce the losses before we cut it off. Many of the railroads did that in yesteryear when trains were being eliminated; try to do better before the consideration was made about total discontinuance.

I will continue, as one Board member and the head of management, to urge that we use this process. But I work for the Board. They set the policy, and I have to do what they tell me, and also what you tell me.

I think maybe the Department might wish to comment on that, because they have been supportive of my role in this effort.

AMTRAK BOARD ACTION

Mr. McFALL. Before the Department comments, perhaps I could make this comment of my own, and ask you if I am correct.

Do we have a situation here where you made one recommendation to the Board and the Board decided to do something else? I am advised that your board seems to be of the opinion that the amount of the authorization was so much, and they are entitled to that amount of money, and they are going to ask for it. You made a recommendation to them which was for a somewhat lesser amount, which was based upon some of the changes that you might make, with your route and service criteria, and so forth. But the board decided to do what they voted to do, and you are here presenting what the board vote requested that you do.

Isn't that the situation we have?

Mr. REISTRUP. That is right, yes sir.

Mr. McFALL. I think that kind of clears the situation. We might as well have everybody understand exactly what happened.

Mr. Gallamore, do you have a comment?

FREQUENCY REDUCTIONS

Mr. CONTE. Before that, could you tell me if there was a board of directors' meeting held on the curtailment proposals?

Mr. REISTRUP. There have been several, not special meetings, but the different items have been voted on as I outlined in my opening remarks, Mr. Conte, where management had never changed the frequency before during my tenure, two and one-half years. So we have taken several specific votes.

The first of these was taken at the August Board meeting, and there were others taken, excuse me, that was the July board meeting. There were others taken at the August board meeting.

The special September meeting is the one that Chairman McFall is referring to, which was the most recent Monday. The board voted on certain of the curtailments, not all of them.

Mr. CONTE. Could you designate which ones the board voted on, and which were done by management?

Mr. REISTRUP. Yes, specifically the Empire Builder route; trains seven and eight, that run, the part affected, between the Twin Cities and Seattle, through Havre, Montana.

Mr. CONTE. That was done by whom?

MR. REISTRUP. By the board, in July.

The others, at the September board meeting, were the Shenandoah. That runs from here, Washington, to Cincinnati, through Parkersburg, West Virginia. Another one was the Hilltopper, which runs from Washington through Bluefield, West Virginia, to Tri-State. That is near Ashland, Kentucky, roughly.

I believe that is the extent of the board votes.

AMTRAK MANAGEMENT ACTION

The rest of the action was taken by management and the Board had the opportunity to overrule me. As I pointed out, there was a vote on the Inter-American. But that was to support the reduction. That was a 3-2 vote.

Mr. McFALL. On the ones that the board voted, did they vote your recommendation, or did they—

Mr. REISTRUP. They voted my recommendation, yes, sir.

Mr. McFALL. It was in support of your recommendation.

Mr. REISTRUP. Yes, sir. I have not been overturned on any of these to my recollection; narrow vote on one.

Mr. McFALL. Now, Mr. Gallamore, do you have any comment?

Mr. GALLAMORE. Mr. Chairman, just briefly. President Reistrup is precisely correct. The Department strongly supports the application of the route and service criteria, and in fact we have been pushing to have those criteria applied on an even broader basis, not one route at a time, or one frequency at a time, but in fact, across the board to lay the foundation for the whole system, including, 403 routes, I would add.

ROUTE AND SERVICE CRITERIA

Mr. McFALL. Do you think that you could streamline these procedures so that you could do this in less than a year? We could then have a more realistic situation, it seems like to me, since we are probably going to have supplemental requests submitted in January.

Mr. REISTRUP. Mr. Chairman, if we follow on the process as was presented to Congress—and there were hearings—we would have difficulty accelerating. We can try to crunch the numbers faster. That is management's job. We act as staff for the board on this, and we will do our best.

I want to point out that we still have about a \$27 million shortfall here, we just are not making ends meet, and we would have to accelerate this, because if we do not take further action we would be in effect in a deficiency situation. Technically, I believe Mr. Brazier would agree.

The route criteria process was approved by Congress. They did not vote it down or change it. That was in March of 1976. So it is a year and a half old, basically. I would have to ask counsel specifically how we could cut corners. We can try it, if the board voted to do it. We might run into the problem of being enjoined against these changes. Most recently we were enjoined against reducing the amount of service in the stations by the Justice Department acting on behalf of the Interstate Commerce Commission. Any time we overstep our bounds, we are taken to court.

So, I am saying even if the board voted to do it we might not be able to take the action if we are not within the confines of the law.

Mr. MCFALL. Let's make sure what the law is.

Mr. REISTRUP. I would have to ask our counsel.

Mr. MCFALL. Maybe you could tell us briefly what you think the law is, and then we will check it.

Mr. REISTRUP. I think the law is that we have to follow the route criteria process. If we do not, we might run the risk of being enjoined.

Mr. MCFALL. And you feel that takes a lengthy period of time.

Mr. REISTRUP. Yes, sir, to go all the way through all of the task, that would be all the way to elimination. We can go to improving a service rather quickly. We have been short-cutting. In fact, we have come close to being enjoined on some of the restructuring that we have done, which eliminated service, for instance, in Norfolk, Virginia, that was borderline, and also between Richmond and Williamsburg. We actually eliminated that tie.

TRAIN SERVICE IN MONTANA

Mr. MCFALL. Since Mr. Baucus is here, how would you be able to reduce the services you have there without doing this?

Mr. REISTRUP. The difference is that the service in Northern Montana was reduced in frequency to four days a week, from daily, and the route criteria process considers totally routing or elimination of the route, zero service. The Floridian, which is now in final stages of public hearings, if the train is rerouted, Montgomery, Alabama would not have service. That is an elimination of service. Even if the train still runs, that city would not have service.

Mr. MCFALL. Well, I have asked enough questions.

Mr. Duncan?

ROUTE CRITERIA IMPLEMENTATION

Mr. DUNCAN. I would just like to know, if you can tell us, exactly what you have done with respect to implementing the route criteria. What actual affirmative steps has the board taken? How old is that Act now?

Mr. REISTRUP. About a year and a half. We have completed a complete rerouting and restructuring between Washington; it actually involved Norfolk, at that time, Cincinnati and Chicago, called the Mountaineer, and made that a Washington, Richmond, Roanoke, and Ashland, Kentucky, Tri-State train.

Mr. DUNCAN. Don't you consider that improving the service rather than applying the criteria?

Mr. REISTRUP. Improving the service is Task 3 of the criteria. There are two tasks which basically are the economic and ridership analysis; those are Tasks 1 and 2. Task 3 is trying to improve the economics and the ridership; improving the bottom line. Then Task 4 is weighing the social and environmental aspects; what do we do to fuel consumption, pollutants, if the train does not run? Task 5 is should we eliminate?

We have now in what is known as Task 3, can we improve the bottom line, cut the losses, improve ridership, a good many trains. First is the Inter-American, Chicago through St. Louis, to Laredo, Texas. That goes through Dallas and Fort Worth. The second one is the San Joaquin Valley train, Oakland to Bakersfield. The third one is Washington to Martinsburg. That train did run to Cumberland, Maryland, and so we have already shortened it to a truncated operation, which has improved the economics.

The fourth one is Seattle to Portland. There is one run that is just a round trip between those two cities. And the last are the pattern trains known as clockers, between Philadelphia and New York. Now, about five of those each way would be reduced the end of October. So that would improve the economics of the operation. They are all in Task 3.

Mr. DUNCAN. When you talk about improvement, you are talking not only about improvement of service but improvement of economics, and usually the latter.

Mr. REISTRUP. Both, sir. New equipment, better scheduling, promotions part of it. But in the case of those clockers, cutting down the number of trips, yes, sir. It is expense reduction, also.

Mr. DUNCAN. You have half a dozen or so that have gone to stage three.

Mr. REISTRUP. Yes, sir.

Mr. DUNCAN. Have you gone beyond stage three on any of them to consider the economics?

Mr. REISTRUP. Yes, we have one in stage five, which is a final. That is our worst train, Chicago-Florida. That loses out of pocket about \$12 million a year, in round numbers.

COURT INJUNCTION

Mr. DUNCAN. You say you have been subject to an injunction twice?

Mr. REISTRUP. We have never been enjoined on a service reduction. But we have been taken to court. The most recent one was in Boston when we tried to eliminate one trip.

Mr. DUNCAN. Was it in each instance by the ICC?

Mr. REISTRUP. Yes, sir.

Mr. DUNCAN. And you prevailed with the two?

Mr. REISTRUP. Yes, and the only one we have not prevailed on was the Red Cap service. That is not a train service, but a personal service in the Northeast Corridor.

Mr. DUNCAN. What followed the issuance of the injunction?

Mr. REISTRUP. In the case of the Red Caps, I overruled the Corridor management, because this proposal went too far. We can achieve the same economics in a different way. There are people who have to have Red Cap services if we are going to run the train.

The status of that case is that it is still before the courts, and we are still under a TRO, temporary restraining order. That runs out today.

Mr. DUNCAN. Is there a hearing scheduled to make it permanent?

Mr. REISTRUP. My understanding is that there is.

Mr. DUNCAN. Is that moot now in view of your modification?

Mr. REISTRUP. Amtrak feels that it is, and it is my understanding that Justice does. It is also my understanding that the Commission does not.

Mr. DUNCAN. So that you have not really lost in any of these instances in which you have been taken to court for an injunction?

Mr. REISTRUP. Not so far. So if the board agrees, we would go as far as we can. If we are stopped, you would be made aware of that.

Mr. DUNCAN. I don't think anyone on this committee expects you to go beyond the law. Apparently, you have not as yet. I do think the committee would be interested in any proposed modifications of the law that you think might enable you to better operate that railroad in accordance, not only with your board's instructions, but within the oversight of this committee.

Mr. REISTRUP. Yes, sir.

Mr. DUNCAN. And I wish you would make those recommendations. If you have them to put in the record, fine. If you are not prepared with them, I hope you would submit them to each of us. Even though we are not a legislative committee, we are all Members of Congress with legislative responsibilities, in addition to the appropriation responsibilities. I think we are in a position to initiate, if not as a committee, at least individually, modifications that would help you and the committee to do your job better.

I think that is all I have at the moment, sir.

Mr. McFALL. Mr. Benjamin?

FREQUENCY REDUCTIONS

Mr. BENJAMIN. Mr. Chairman, let me inquire about the documentation we have been presented for fiscal year '78 impact, frequency reductions.

Am I to presume these runs are the ones that present the greatest revenue losses to Amtrak?

Mr. REISTRUP. They present, Mr. Benjamin, the greatest bottom line losses. Generally, the least revenue losses. In other words, revenue is passenger income to us.

Mr. BENJAMIN. Are there any exceptions? I do not have a complete list.

Mr. REISTRUP. No, really not. The trains at the top of the list, those that would go back on first if we had more money, would be borderline. The Metroliner is an example of that.

THE SHENANDOAH

Mr. BENJAMIN. Let me inquire further regarding one particular, and that is the Shenandoah. Your effective date is scheduled, as of October 30, 1977, and you indicate that the type of reduction would be that of frequency from a daily to a quad-weekly year round. That is the Washington-Cincinnati run. Do you recall that the Department of Transportation indicated to us earlier, that that was an experimental line.

Mr. REISTRUP. Yes, sir.

Mr. BENJAMIN. And without any further knowledge, as I recall the experimental line is one that has a moratorium on reduction for a two year period. Does that also apply to frequency, or is that actually elimination of total service?

Mr. REISTRUP. Well, it is the interpretation of counsel, and my understanding also, the department originally designated this train some years ago, in a different fashion, but it was originally designated, that the experimental period is the route, not the frequency. And that within that framework, there can be changes. We, for instance, have rescheduled experimental trains during the period to see if we could improve them. We may reschedule this one. We are right now analyzing whether or not we should make it overnight instead of a daytime train.

Mr. BENJAMIN. That is not necessarily in the law, specifically, but it is counsel's interpretation.

Mr. REISTRUP. Yes. That is yet to be tested.

Mr. BENJAMIN. Was counsel specifically asked for that interpretation?

Mr. REISTRUP. Yes, and we asked the Department of Transportation, because of the history of there being an interest. Secretary Brinegar originally designated that line as a Washington to Cincinnati and on out to Denver operation, and we redesignated it within Amtrak's Board to be only a Washington to Cincinnati train, because there are no tracks from Cincinnati to the connecting line at St. Louis.

Mr. BENJAMIN. Let me continue that further for a minute.

In regards to that specific line, then, unless it is challenged, and I presume the challenge you are speaking of is a legal challenge in court, that is definitely to be reduced then to four days weekly as of October 30.

Mr. REISTRUP. Yes, sir, and specifically instead of several days a week, as is the case of the train through Montana, interspersed through the week, this would be a weekend train. The ridership is heaviest on the weekend, Thursday, Friday, Saturday, Sunday in one direction, and Friday, Saturday, Sunday, Monday in the other.

Mr. BENJAMIN. Let me ask you one further question on that. Are you indicating to us, regardless of whether this subcommittee would approve and the Congress would approve a supplemental, that this line would still be reduced to quad-weekly service?

Mr. REISTRUP. No, sir. What I am stating is unless there is additional funding made available to Amtrak, that service reduction would hold firm.

FREQUENCY RESTORALS

Mr. BENJAMIN. Looking at your letter of September 20, 1977. Your request is for \$56.5 million; is that right?

Mr. REISTRUP. Yes, sir.

Mr. BENJAMIN. Alright. If that entire request were approved, would all of these that now constitute the bottom line of \$22.8 million be restored?

Mr. REISTRUP. No, sir, but most of them would. The train you are talking about would be restored. The one that would not, I think, the best example is line 16, the Southern Crescent. We have consolidated two trains running five minutes apart, and we are accommodating both the Southern train from Atlanta and our own, in a consolidated fashion.

We would not restore that.

We would also probably not restore the Florida service exactly as is outlined on this statement, to try to save additional dollars.

Mr. BENJAMIN. May I impose on you to find out, after you have considered this, if that request were granted for the full amount, I would like to have your analysis of, or at least your commitment on what trains would be restored. I would also like to know, since this is about \$23 million, and you have indicated that the board has not proceeded further, but there are other trains that have to be cut, what other trains would be next in mind?

Mr. REISTRUP. We will provide that for the record.

Mr. BENJAMIN. Would you provide the information in terms of termination, as well as any change in frequency.

Mr. REISTRUP. Yes, sir. And with the understanding that on the termination the Board has to take the action. I would just submit it to the committee as a proposal.

[The information follows:]

If the Amtrak FY 1978 supplemental request of \$56.5 million were approved for the full amount, train restorals would be made as shown on the following chart.

Without a supplemental appropriation, additional trains would have to be cut. At this time, frequency reductions are being studied for the following:

- Chicago - San Francisco
- Salt Lake City - Seattle
- Chicago - New Orleans
- New York - Kansas City
- Empire Service

Additional route restructuring and/or discontinuance actions under Route and Service Criteria will need to be initiated. Currently studies are underway on the following routes:

- Chicago - Florida
- Chicago - Laredo
- Oakland - Bakersfield
- Washington - Martinsburg
- Seattle - Portland
- New York - Philadelphia

Also state-supported 403(b) trains will be reviewed to determine whether some can be eliminated. This involves both legal and policy questions.

All of the above actions will probably require approval of the Board of Directors.

REINSTATEMENT OF FREQUENCY REDUCTIONS

	Train	Disposition	Individual Trains Restoration (\$ 000)	Cumulative Restoration (\$ 000)
1	Metroliners	<p>Reinstate Saturday and Sunday reductions between New York and Washington on trains 104, 106, 110, 114, 105, 107, 109, and 113</p> <p>Do not reinstate trains 131 and 132 between New York and New Haven, as the electrical power system is scheduled to be changed November 19 for a portion of this route, making Metroliner operation impossible</p>	\$ 590	\$ 590
2	Philadelphia-Harrisburg	Reinstate train 605 on Sunday and 620 on Saturday	8	598
3	Boston-New York, 100 Series	Reinstate trains 153, 185, 187, 130, 150 and 162	1,102	1,700
	Washington-New York, 100 Series	Reinstate train 166 on Friday and Sunday	292	1,992
4	89-90, Palmetto, Washington/Savannah	Reinstate daily operation (from quad-weekly (weekend) service	200	2,192
5	New Haven-Springfield, 400 Series	Reinstate only trains 406 (on Saturday and Sunday), 408 (Monday through Friday), 403 (Monday through Friday) and 409 (Saturday and Sunday)	2,500	4,692
6	NEC Costs Related to above	Do not reinstate; alternate service available on five other daily round-trip services between Chicago and Milwaukee	-0-	4,692
7	321-322 (daily) Turbo-liner, 328-329 (Su. only), Chicago/Milwaukee	Reinstate trains 204, 213, 237 and 250	1,000	5,692
8	Philadelphia-New York, 200 Series	Do not reinstate other 200 series trains (including #168 Philadelphia to New York) as alternate service is available on remaining 100 series trains. Several stops have been added to such trains to accommodate passengers presently using 200 series trains		

REINSTATEMENT OF FREQUENCY REDUCTIONS
(Continued)

	<u>Train</u>	<u>Disposition</u>	Individual Train (\$ 000)	Cumulative Restoration (\$ 000)
9	710-711, San Joaquin, Oakland/Bakersfield	Reinstate daily operation (from quad-weekly (weekend) service) NOTE: Daily operation presently continues due to funding from California for such service	\$ 272	\$ 5,964
10	21-22, Inter-American, St. Louis/Laredo	Reinstate daily operation (from tri-weekly)	1,210	7,174
11	34-35, Hilltopper, Washington/Tri-State (Catlettsburg)	Reinstate daily operation (from quad-weekly) (weekend) service)	401	7,575
12	32-33, Shenandoah, Washington/Cincinnati	Reinstate daily operation (from quad-weekly (weekend) service)	732	8,307
13	7-8, Empire Builder, Minneapolis/Seattle	Reinstate daily operation (from quad-weekly (weekend) service)	961	9,269
14	17-18, North Coast Hiawatha, Minneapolis/ Seattle	Reinstate daily operation (from quad-weekly), when Superliner equipment is available to cover daily service	989	10,257
15	Clamdigger, Providence- New Haven	Operate daily summer service (from tri-weekly)	-0-	10,257
	Harrisburg-New York	Do not reinstate trains 151 and 152 as alternate service is available on other trains at principal points served	-0-	10,257
16	191-192, Southern Crescent, NEC Connection, Washington/New York	Do not reinstate, as this train was operated only to handle through cars to and from New York and for the Southern Railway's Southern Crescent, and these cars are now operated on trains 171-172	-0-	10,257

REINSTATEMENT OF FREQUENCY REDUCTIONS
(Continued)

<u>Train</u>	<u>Disposition</u>	<u>Individual Train (\$ 000).</u>	<u>Cumulative Restoration (\$ 000)</u>
17 85-86, Champion, New York/St. Petersburg	Do not reinstate; alternate service available on trains 81-82 (Silver Star) and 87-88 (Silver Meteor). Consider operation of a New York-Washington-Savannah Amfleet summer day train via Raleigh and Columbia to supplement trains 81-82	\$ 8,049	\$ 18,306
18 87-88, Silver Meteor, Jacksonville/St. Petersburg	Add a leg between Jacksonville and St. Petersburg, which replaces trains 85-86 on this route	500	18,806

NOTE: NORTHEAST CORRIDOR

See Attachment A for complete detail of all Northeast Corridor frequency reductions programmed to be effective October 30, 1977. Attachment A contains details of present end-points, times operated, days operated, and days programmed to be cancelled.

Detail of Northeast Corridor Frequency Reductions

TRAIN NUMBER	ORIGIN & PRESENT DEPARTURE TIME	DESTINATION	DAYS NOW OPERATED	DAYS CANCELLED
<u>Metroliners</u>				
104	Washington, 8:00 a.m.	New York	Daily	Sunday
106	Washington, 9:00 a.m.	New York	Daily	Sunday
110	Washington, 11:00 a.m.	New York	Mon. thru Sat.	Saturday
114	Washington, 1:00 p.m.	New Haven	Sun. thru Fri.	All Days
132	New York, 8:17 p.m.	New York	Mon. thru Sat.	All Days
131	New Haven, 7:50 a.m.	Washington	Daily	Sunday
105	New York, 8:30 a.m.	Washington	Sunday Only	Sunday
107	New York, 9:30 a.m.	Washington	Daily	Saturday
109	New York, 10:30 a.m.	Washington	Daily	Saturday
113	New York, 12:30 p.m.	Washington	Daily	Saturday
<u>New York-Philadelphia</u>				
237	New York, 6:35 a.m.	Philadelphia	Mon. thru Fri.	Mon. thru Fri.
213	New York, 2:00 p.m.	Philadelphia	Daily	All Days
219	New York, 4:32 p.m.	Philadelphia	Sun. thru Fri.	Sun. Only
227	New York, 7:05 p.m.	Philadelphia	Daily	All Days
250	Philadelphia, 5:45 a.m.	New York	Mon. thru Sat.	All Days
168	Philadelphia, 7:15 a.m.	New York	Daily	All Days
204	Philadelphia, 9:00 a.m.	New York	Daily	All Days
220	Philadelphia, 5:00 p.m.	New York	Sun. thru Fri.	All Days
222	Philadelphia, 6:00 p.m.	New York	Sun. thru Fri.	All Days
<u>New York-Harrisburg</u>				
42	Harrisburg, 6:20 a.m.	New York	Mon. thru Fri.	All Days
43	New York, 5:06 p.m.	Harrisburg	Mon. thru Fri.	All Days
<u>New Haven-Springfield</u>				
402	New Haven, 9:00 a.m.	Springfield	Daily	All Days
406	New Haven, 1:00 p.m.	Springfield	Daily	Sat. & Sun.
408	New Haven, 3:00 p.m.	Springfield	Daily	Mon. thru Fri.
410	New Haven, 4:00 p.m.	Springfield	Mon. thru Fri.	All Days (but see #412 below)
412	New Haven, 5:45 p.m.	Springfield	Daily	None (but re-numbered to #410 from New Haven at 5:20 p.m.)

(Effective October 30, 1977)

Details of Northeast Corridor Frequency Reductions
Page -2-

<u>TRAIN NUMBER</u>	<u>ORIGIN & PRESENT DEPARTURE TIME</u>	<u>DESTINATION</u>	<u>DAYS NOW OPERATED</u>	<u>DAYS CANCELLED</u>
<u>New Haven-Springfield</u>				
419	Springfield, 7:00 a.m.	New Haven	Mon. thru Fri.	All Days
401	Springfield, 9:05 a.m.	New Haven	Mon. thru Sat.	Sat. Only
403	Springfield, 10:55 a.m.	New Haven	Daily	Mon. thru Fri.
409	Springfield, 3:00 p.m.	New Haven	Daily	All Days
415	Springfield, 7:10 p.m.	New Haven	Sun. Only	Sun. Only
<u>Harrisburg-Philadelphia</u>				
605	Philadelphia, 8:00 a.m.	Harrisburg	Daily	Sunday
620	Harrisburg, 9:00 p.m.	Philadelphia	Daily	Saturday
<u>Boston-New York</u>				
153	Boston, 6:00 a.m.	Philadelphia	Daily	All Days
185	Boston, 5:00 p.m.	New York	Fri. & Sun.	Fri. & Sun.
187	Boston, 7:00 p.m.	Philadelphia	Daily	All Days
180	New York, 7:10 a.m.	Boston	Daily	All Days
150	New York, 4:10 p.m.	Boston	Daily	All Days
162	New York, 8:05 p.m.	Boston	Fri. & Sun.	Fri. & Sun.
<u>Providence-New Haven</u>				
151	Providence, 5:42 a.m.	New Haven	Mon. thru Fri.	All Days
152	New Haven, 3:35 p.m.	Providence	Mon. thru Fri.	All Days
<u>Washington-New York</u>				
166	Washington, 9:05 p.m.	New York	Fri. & Sun.	Fri. & Sun.

SOCIAL AND ENVIRONMENTAL FACTORS

Mr. DUNCAN. Have any of the social or environmental consequences of these reductions been analyzed?

Mr. REISTRUP. On the Floridian?

Mr. DUNCAN. On any of these; on the Floridian.

Mr. REISTRUP. Yes, sir.

Mr. DUNCAN. But not on any of the rest of them?

Mr. REISTRUP. No.

COMMUTER TRAINS

Mr. DUNCAN. Do any of these proposed reductions involve trains that are de facto commuter trains?

Mr. REISTRUP. The proposed reductions do include trains that are, I would call them, gray area commuter trains; Philadelphia to New York is really an intercity movement, but the train stops, for instance, at Trenton. And people who really are commuting board the trains. So we are handling commuters on what could be termed an intercity train.

This is also true of some of those New Haven to Springfield trains. There are some people who ride those trains and then get on the commuter train down to Grand Central Station, run by Connecticut and New York, CTA, MTA.

Mr. DUNCAN. Any others?

Mr. REISTRUP. Well, there is one trip, New York-Harrisburg, which is sort of a long distance commuter train. There are round trips from Harrisburg to Philadelphia. Now, that train is 103 miles. The Interstate Commerce Commission has ruled that that is not a commuter train. But it is really handling that type of business, particularly in the morning and in the evening.

Mr. DUNCAN. What about the Shenandoah?

Mr. REISTRUP. The Shenandoah, to my knowledge, is not at all. It goes in the wrong direction from both cities. It gets into the town, into Cincinnati and Washington late at night, and leaves early in the morning, just the opposite of what would be a commuter train.

Mr. DUNCAN. Does this change from daily to quad-weekly also involve a change in timing?

Mr. REISTRUP. It would not. We are exploring the timing which would make it fit a commuter slot into Washington.

Mr. DUNCAN. But that change has not been proposed as yet.

Mr. REISTRUP. Not yet, no, sir.

Mr. DUNCAN. Are these changes in the Northeast Corridor, you figure those will have a substantial impact on the public, on ridership?

Mr. REISTRUP. We hope not. As Mr. Swinburn outlined, and our statements are fairly close, we feel that we can re-accommodate between 80 and 90 percent of the people.

Mr. DUNCAN. And that is also true on that New York-Florida Southern Crescent that you were just talking about?

Mr. REISTRUP. Yes, sir.

SCHEDULE CHANGES

Mr. DUNCAN. Really, since the embargo, we have had a substantial realignment of air routes, substantial reduction of equipment furnished by the airlines. Yet people are still moving with minimal inconvenience between the communities of this country. With respect to the Northeast Railroad, in essence that is really what you are doing there, isn't it?

Mr. REISTRUP. This was our goal, yes, sir.

Mr. DUNCAN. And the net result has been the increase in the payload of each aircraft between cities. And you would expect reasonably that that would take place with respect to the Northeast Corridor, too?

Mr. REISTRUP. Yes, sir. It also increases the average load factor of the remaining trains.

Mr. DUNCAN. That is what I am talking about.

Mr. REISTRUP. Yes.

LEGAL BASIS FOR FREQUENCY REDUCTIONS

Mr. BENJAMIN. I have one final question. That is in regard to the opinion we discussed, where counsel has indicated that on the experimental train there is no prohibition in change of frequency. Was that opinion offered to you in writing?

Mr. REISTRUP. Specifically, Mr. Benjamin, the Department has written us, Department of Transportation, that it is Amtrak's decision to make, which we interpret that we make our own legal rulings. So our own counsel has ruled that it is within our purview.

Mr. BENJAMIN. Specifically, I am asking when counsel rules, did he do so in writing?

Mr. REISTRUP. Not to my recollection. If so, I have not seen the document. The general counsel is next door to me, and we do a lot without creating paper.

Mr. BENJAMIN. Would you be kind enough to furnish us his analysis?

Mr. REISTRUP. Yes, we could do that.

Mr. BENJAMIN. Thank you.

[The information follows:]



September 30, 1977

Honorable Harley O. Staggers
Chairman
Committee on Interstate and
Foreign Commerce
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

Per your request of September 26, the following is Amtrak's legal opinion concerning the Shenandoah.

Amtrak operates the Shenandoah on an experimental route under Section 403(c) of the Rail Passenger Service Act. That section provides that once a route is designated and operations inaugurated on such route, service must be provided on such route for a period of two years. There is no language in Section 403(c) which in any way specifies the frequency with which trains must be operated on an experimental route. In addition, a review of the legislative history of Section 403(c) does not indicate a congressional intent that experimental service be provided on any particular frequency.

Your interest is appreciated, and if I may be of further assistance, please contact me.

Sincerely,

A handwritten signature in dark ink, appearing to read "Nathaniel H. Goodrich".

Nathaniel H. Goodrich
Vice President-General Counsel

NHG:db

AMTRAK SUPPLEMENTAL REQUEST

Mr. O'BRIEN. Mr. Reistrup, the first paragraph in your letter of September 20 leads me to believe this request was yours, which was approved by the board; is that correct?

Mr. REISTRUP. The supplemental request, sir?

Mr. O'BRIEN. Yes.

Mr. REISTRUP. Specifically, this was a request approved by the Board of Directors, deliberated on and approved.

Mr. O'BRIEN. Initiated by management?

Mr. REISTRUP. What management did was present four alternatives to the board of directors. One was do nothing, that is live with the \$488.5 million. The other was to ask for funds to go to \$500 million. Another was to go to what we had originally asked for, which I supported, \$534.1 million. And the last was to ask for what was authorized, \$545 million, and the Board voted, after considerable dialogue, to ask for what was authorized.

Mr. O'BRIEN. With regard to the breakdown on page 2 of your letter of September 20, were there any votes on those particular items as individual items?

Mr. REISTRUP. No, sir. They were a package. Maybe Mr. Brazier who made the presentation could outline how he feels about it.

Mr. BRAZIER. There was a vote in my judgment on the individual items, because the first alternative was presented in terms of funding the inflation. Well, the first alternative was zero, which means do not do anything. The second alternative was to fund the inflation.

Mr. O'BRIEN. That was \$11.5 million?

Mr. BRAZIER. The \$10.6 million.

Mr. O'BRIEN. I thought the gentleman said \$11.5?

Mr. BRAZIER. The total request was \$11.5, but that substantially would cover inflation. The second alternative, which was for original Amtrak request, would have permitted the avoidance of the \$20 million of major route discontinuances, and further reductions in frequency of the \$7 million, plus adding very selective numbers of the frequency reductions that had already been ordered, but very few of them could be funded under that alternative. Then the last alternative which was for the \$56.5 million would have permitted substantial restoration of all the frequency reductions. So I think the board in considering the decision as to what to request, considered it in terms of these increments, and made the judgment that all of the increments should be funded.

DOT POSITION

Mr. O'BRIEN. Mr. Gallamore, do I understand that the Department has not yet taken a position on this specific request? You are reviewing it? Or, do you disapprove of it?

Mr. GALLAMORE. We did take a position at the board meeting Monday, and that was to cast our vote against requesting the \$56 million.

Mr. O'BRIEN. Did you approach it or did the board approach any of those items individually that Mr. Brazier just explained?

Mr. GALLAMORE. Excuse me?

Mr. O'BRIEN. Did you look just at the \$56.5 million level, or did you look at any of them as being meritorious as opposed to some of the others.

Mr. GALLAMORE. The only vote to come before the Board was the vote on the \$56.5 million alternative. I think I did state in my oral comments at the time that we would not have been able to support a somewhat lower level itself. But, I didn't state and I could not state exactly what level we could support.

Mr. O'BRIEN. You would not be in a position to say yes or no right now whether you, for example, support the additional inflation amount.

Mr. DOWNEY. Mr. O'Brien, I might point out that the department's original request for this coming fiscal year was \$500 million. That was an item we supported before this committee. We supported it in the Senate, and we supported it at the conference.

So, that was sort of the extent. Now, the Congress having acted on the full appropriation request, we are not sure that the margin is still there to go back on that. But, isolating on Amtrak operating subsidy, \$500 million was the level that we have consistently supported, but nothing above that.

Mr. O'BRIEN. Thank you, Mr. Chairman.

AMTRAK BOARD MEETINGS

Mr. McFALL. Mr. Baccus?

Mr. BAUCUS. Thank you, Mr. Chairman.

I want to thank the chairman. Although I am not a member of this subcommittee, I felt that it was my responsibility to speak on behalf of my constituents at this important meeting. We in Montana are losing nearly half of our Amtrak service due to the recent cutbacks, and I welcome this opportunity to question Amtrak officials on the cutbacks.

First, are the board meetings of Amtrak public record? Is there a record of those meetings?

Mr. REISTRUP. Yes, sir.

Mr. BAUCUS. What kind of record?

Mr. REISTRUP. They are open now, with the exception of internal personnel matters, and commercial strategy.

Mr. BAUCUS. So they are open meetings to the public except for that?

Mr. REISTRUP. Yes, sir.

Mr. BAUCUS. What minutes are kept of those meetings? What record is kept?

Mr. REISTRUP. The secretary of the corporation keeps minutes. I also do a debriefing for management which the secretary crosschecks the corporate secretary, so that we are sure we are exactly right. I edit her minutes for accuracy and completion.

We make detailed notes of the closed session, should anyone ever desire to know specifically what was discussed.

Mr. BAUCUS. But there is no transcript of the open session?

Mr. REISTRUP. There is no transcription of the open session. Well, there have been some. But we do not generally transcribe it.

Mr. BAUCUS. Do you recall how individual board member voted on the question of cutting back trains seven and eight?

Mr. REISTRUP. My recollection was there may have been one no vote, but no more than that. Is there anyone in the room who could correct me?

Mr. BAUCUS. Could you supply that for the record, please?

Mr. REISTRUP. Yes, we will provide that.

[The information follows:]

At the July 1977 Board meeting, the vote to reduce the frequency of trains 7 and 8 was 6 in favor, 4 abstaining. The three railroad members abstained as they do not vote on action relating to any contract or operating relationship between the Corporation and a railroad. A fourth Board member abstained, also. The DOT attendee did not vote as he was not yet officially empowered to vote.

EMPIRE BUILDER

Mr. BAUCUS. Secondly, why did you recommend to the Board a reduction for trains seven and eight?

Mr. REISTRUP. For several reasons. It is a very complex situation, Mr. Baucus.

First is that we do not have the new equipment for those northern routes—Pullman built, we call them, superliners, bi-level cars, with electric heat. We are beyond the point of prudence with the steam heated equipment that has been operating in those northern climes with what have been very severe winters, with another one apparently facing us, if the forecasters are right.

Second, economy—this budget shortfall.

Third, the addition of a third alternate route this year which triplicates the service between Chicago and Seattle end points, compared with the parallel service which before has run through Havre and Butte. Now, this a third alternative, which some passengers are using to get to the Northwest, is the old City of Portland route.

BOARD DECISIONS

Mr. BAUCUS. As I understand it, some of these cutbacks were made by the Board, while others were made by you, Mr. Reistrup. What criteria do you use in determining which body makes those decisions.

Mr. REISTRUP. For route elimination, that is total elimination, or a reroute—leave it totally up on the board, because that is the route criteria process—

Mr. BAUCUS. This was not elimination.

Mr. REISTRUP. This was not elimination. That would be the worst case. The Board does that, and I do what they tell me.

On frequency changes, when there never has been a frequency change during my tenure, I ask the Board for a vote, as was the case on trains seven and eight. Where there has been a history of frequency changes, trying to probe the marketplace, reschedule trains, as is the case of New York to Florida, seasonally, to try to be prudent economically during off-season, and run more service during the winter, we have changed those, and I do not ask for a vote, nor has the Board taken one, with one exception.

I always advise them, and the Board is given in the Board meeting a list of what we are doing—generally a month or two ahead of time. So, there is no surprise. The Board then, if they disagree, can ask me to change or overrule me. All they have to do is vote.

Mr. BAUCUS. To clarify this issue, Mr. Reistrup, under what circumstances do you ask for a board vote rather than making a decision on your own?

Mr. REISTRUP. Anything that has not been within management's purview in the past.

FALL FREQUENCY REDUCTIONS

Mr. BAUCUS. Why did you cut back according in the order listed on the handout you gave to us. Why this order of reductions rather than some other order?

Trains seven and eight, and several other trains, were cut back on September 8. That was the effective date. But I notice that others had later effective dates. I would like to know why that order of effective dates.

Mr. REISTRUP. We had not finished our analysis at that point, Mr. Baucus. The reason that seven and eight came up earlier was trying to get the steam heat cars in the proper place for the winter.

Mr. BAUCUS. When do you expect to get those steam heat cars?

Mr. REISTRUP. The electric heat cars now we hope will be in by February. The Pullman Standard is way behind on that delivery. They should have been in by Christmas.

SUPERLINER AVAILABILITY

Mr. BAUCUS. You also state in your September 20 letter that the restoration of seven and eight is contingent upon the availability of the superliners.

Mr. REISTRUP. Yes, sir.

Mr. BAUCUS. With the steam heat cars only, is there sufficient availability of cars for the restoration of full service for trains seven and eight?

Mr. REISTRUP. I would have to be ordered to put them on. I have been in this business now 20 years, and I was born in Sioux City, Iowa. It is not as cold as North Dakota, but it gets darned cold there. I do not want to run the risk of freezing those trains up out in a snowdrift somewhere with the type of heating system that we have.

Mr. BAUCUS. What is the delivery date of the Pullman superliners?

Mr. REISTRUP. We have a few in test right now. The promised delivery date at this point is for roughly February, to have that service totally operated with new trains. That would be seven, eight, nine and ten, both the northern and southern routes, with daily service to the end points.

But, four days a week through Havre, and three days a week through Butte.

Mr. BAUCUS. When could you restore daily service?

Mr. REISTRUP. I would have to look at the chart. My guess would be probably not until after Easter, based on deliveries.

SOCIAL AND ECONOMIC FACTORS

Mr. BAUCUS. Why in your criteria did you not also consider social and economic factors? As I understand your answer to my earlier question is only the winter and economics. Why not social and economic factors?

Mr. REISTRUP. We are still having service four days a week—three days without it along that route. Many of the points along the route—Twin Cities, Fargo, Spokane, Seattle—have daily service.

Mr. BAUCUS. I am talking about Montana. Why not social and economic factors in Montana?

Mr. REISTRUP. We have never applied the social and economic factors for frequency changes.

Mr. BAUCUS. Why is that?

Mr. REISTRUP. It is not part of our route criteria.

Mr. BAUCUS. Why isn't it?

Mr. REISTRUP. The route criteria has not been applied, nor was it my understanding it intended to apply to frequency of service, but rather to whether or not a route ought to run and where.

Mr. BAUCUS. Is there any legislative mandate that you cannot look at social and economic criteria?

Mr. REISTRUP. No, there is not.

Mr. BAUCUS. Then perhaps you can explain to me why have you decided not to?

Mr. REISTRUP. We just decided not to.

Mr. BAUCUS. What is the reason?

Mr. REISTRUP. My major reason is I will not as a railroad man recommend operating steam heat cars another winter though that climate. We are trying to stretch the best of our cars up in that territory with steam heat until the new cars come. I only hope they will get here by Christmas time, so we will have some of them in service at that time.

Mr. BAUCUS. Does that mean that you will be able to restore daily frequency in summers?

ADDITIONAL REDUCTIONS

Mr. REISTRUP. We could if we had the money. It is just a matter of dollars. The train falls about in the middle of our list of restorations. I think we should point out that we are not talking about just these restorations, Mr. Baucus, on this list of 18. But we have roughly an additional \$27 million shortfall.

We are going to have to—if there is no more money voted, we are going to have to take additional actions. So, I wouldn't want to mislead anyone. There would be no service restorations, and there would be additional reductions, basically in the three categories.

One would be to actually urge the board, and I would have to, to apply the route and service criteria for discontinuance of those that are presently in Task 3. We have gone through those—Mr. Duncan asked me to list them.

Second, we would have to determine whether we could eliminate some of the state supported trains. These are known as 403(b) trains. That is not only a policy question, but I think perhaps even legal because we have a contract with the states and they pay half of the loss. So, we would have to determine.

Thirdly, we would have to begin to cut to the point that we would lose mail contracts and tributary revenue. I am referring to the Chicago to San Francisco train through Denver; the Boise train, which is experimental, perhaps go four days a week; the train from Chicago down through the mid-south to New Orleans—the proposal would be to go perhaps to several days a week south of Memphis, and to make a triweekly run out of the Kansas City train, through Columbus, Ohio; and then the Empire service. This is a sort of emerging corridor service in northern New York. We would have to make cuts there. Probably two round trips.

So, that basically is what we would have to do.

RESTORATION OF REDUCTIONS

Mr. BAUCUS. I just have a few more questions. I thank the committee for its indulgence.

You indicated to us your order of restoration should Congress grant the supplemental. My question is why this order of restoration?

Mr. REISTRUP. Based on gaining the most revenue through ridership, most quickly, at least expense.

You will note that at the top of the list are the metroliners. Those are the most economically self-supporting trains we run. They actually do support themselves on an out-of-pocket basis.

Then on down the line from that basis. It is strictly based on the bottom line economics, not on the gross number of a loss.

Mr. BAUCUS. Could you also for the record indicate the dates by which you would expect to restore those reductions, assuming the supplemental request?

Mr. REISTRUP. Yes, we could estimate that.

I think we ought to clear up for the record which trains would not in any case be restored—train 16, Southern Crescent. That is not a train number but a line.

[The information follows:]

Service cuts can be restored October 30, if a supplemental appropriation is granted prior to October 15. Otherwise service can be restored 45 days after the appropriation is granted.

THE EMPIRE BUILDER

Mr. BAUCUS. Also, if you could indicate for the record what additional supplemental you would need in order to go down the list and restore service for our Montana trains.

Mr. REISTRUP. Yes, we can indicate that for the record. We would have to, and I think I would like to make very clear, Mr. Chairman, that we would have to apply the route and service criteria to some extent, even if this total supplemental were applied.

There still would be that pressure, but not as much as if we had asked for a lesser amount.

[The information follows:]

Based on Amtrak's supplemental request, dated September 20, 1977, a supplemental appropriation of \$49.7 million would be required to make partial restoration of train frequency reductions as prioritized that would include the Empire Builder and the North Coast Hiawatha.

FREQUENCY REDUCTIONS IN MONTANA

Mr. BAUCUS. One final question.

To what degree did you consider the cold winter factor in the reduction of frequency in Montana, and on the other hand to what degree did you consider economics; that is, how did you weight each of the two reasons?

Mr. REISTRUP. I would say 60 percent weather, and my concern about the state of the equipment fleet, and experience with last winter personally out there on the record.

You may recall I had to fairly arbitrarily annul service on 18 train operations, because our equipment froze. We had 300 frozen cars last year. These cars range in age up to 40 years old. Insulation is bad. This is one of the major problems.

The other 40 percent would be probably 30 percent economics, because that train, as you see, is not at the bottom of the list. The balance of it is the third service through Boise. That was maybe 10 percent of it.

Mr. BAUCUS. Did you request from this committee funds sufficient to provide more up-to-date cars, to anticipate possible breakdowns in cold months of the year, for these trains?

Mr. REISTRUP. Mr. Baucus, the cars that are to be delivered, the ones in question, were ordered even before I came to Amtrak.

Mr. BAUCUS. When were they ordered?

Mr. REISTRUP. February 1975. We have not accepted the first car yet.

Mr. BAUCUS. What is the reason for the delay?

Mr. REISTRUP. The factory had not been building cars, and had to start from scratch. Then there has been slippage also in the contract. I would say the slippage is somewhere on the order of six months now.

Mr. BAUCUS. So in 1975 Amtrak did perceive the problem of northern equipment and did try to remedy it by ordering new cars, is that correct?

Mr. REISTRUP. Yes, and this was management prior to my time, yes, sir. They were already on order.

Mr. BAUCUS. Could you also give a more detailed chronology of the delay in equipment, as to why it has been slow in forthcoming?

Mr. REISTRUP. Yes, we can do that. There is a penalty clause in the contract, so there will be a monetary payment or offset for this delay. But we would rather have the cars.

Mr. BAUCUS. Thank you, Mr. Chairman. I have no more questions.

[The information follows:]

Chronology in delay of delivery of bi-level cars.
April 1975 - Order placed with Pullman Standard for 235 cars. The first 5 cars were to be delivered in January, 1977 with a gradually accelerating schedule which would result in 27 cars by June 30, 103 by December 31, and completion of the order in July, 1978.

April 1976 - Because of design changes, primarily in the food service cars, an amendment to the contract changed deliveries of the first 5 to March, 1977, 15 cars by June 30, 69 by December 31, 179 by June 30, 1978 and completion of 235 in September, 1978.

August 1976 - The size of the order was changed by amendment to the contract and the schedule was changed only to extend completion of 284 cars to January, 1979.

The above represents the official changes in schedule. As of September 30, 1977, Pullman Standard will be 35 cars short of meeting its contractual delivery requirement. The position of the builder is that this shortage will be recovered in subsequent months and the entire order will be completed by or before January, 1979.

Opinions as to the reasons for the schedule slippage include (a) complexity of manufacturing four different car types at the same time, (b) problems of coordination of a new management, and (c) commencement of manufacturing at a new location with largely new personnel.

SUPPLEMENTAL BUDGET REQUEST

Mr. O'BRIEN. Mr. Chairman?

Mr. McFALL. Yes. Then Mr. Conte.

Mr. O'BRIEN. Mr. Reistrup, the recommendation was \$534 million.

Mr. REISTRUP. My recommendation to the board was \$534 million. The board deliberated and decided to ask for \$545 million. My letter requests what I was directed to request.

Mr. O'BRIEN. Where in the letter does the difference between the \$534 million and the \$545 million come in? Is that the \$7.1 million give or take some?

Mr. REISTRUP. It would be basically—Mr. Brazier could answer that.

Mr. BRAZIER. The difference would fall in the amount of the service, or frequency reductions currently ordered that could be restored. This list as we viewed it is pretty much in order of priority, as it was submitted to the board.

The first thing we would have to fund if our estimates are correct, because it is inevitable, is inflation. The second one is to avoid route reductions, in a significant sense, that we have not yet specifically addressed because they are going to be considerably more disruptive to the service than the actions that we have taken to date.

The same thing was true on the additional frequency reductions that we would have to make. We have made what might be characterized as the most logical and easiest ones to make. The next round is going to be much more difficult, and much more disruptive.

So that the bottom number, the \$18.8 million, would be the number that would be affected. With \$534 million we could restore something on the order of \$11 million worth of the \$18 million.

Mr. BAUCUS. Thank you, Mr. Chairman.

INFLATION

Mr. McFALL. Mr. Conte?

Mr. CONTE. What changed the board's decision to request \$56.3 million, when in fact last year you asked for only \$45 million?

Mr. REISTRUP. Inflation, sir. That inflation will be greater than we estimated last year.

Mr. CONTE. Every agency that comes up before this committee always factors in inflation.

Mr. BRAZIER. We did also, Mr. Conte. Ordinarily we would take another look at what we think the inflation impact will be at the time we start to allocate the budget within the operating departments of Amtrak.

If that inflation differential based upon our estimates had been \$2 million or \$3 million one way or the other from our original estimate, we would have considered that within the limit of our estimating capability.

No one can be absolutely precise on that, but we did make another estimate based upon the data that are available to us today. I might go through how we did it.

Our labor inflation is basically driven by what people perceive, and these are the labor relations experts with Amtrak, as to the impact of the new labor contract with the railroad unions. That number is increased above what was expected at the time we made the original estimate, which was last December.

We also used for estimating the inflation on fuel and power that component of the wholesale price increase, and we used as our expert on that one of the econometric models that was developed by a well-known forecasting service, and we have used this consistently.

We have run that against their model, or they provide that service, and there is a computer input and the number that increased in that area is strictly in accordance with their latest estimate of what the fuel and power inflation will be over the next year.

The other material inflation is based upon the total Wholesale Price Index, and is also forecast by this same organization, and the numbers that we show are the numbers today as compared with the numbers that they were forecasting last December.

So, we feel that these estimates are realistic, as best anyone can estimate inflation, and \$10 million is a very significant increase. It is about a 20 percent increase over what we had previously estimated.

We felt it was an amount that without making reductions in other areas in Amtrak we could not readily absorb.

Mr. CONTE. Well, I appreciate the factors and formula you used. But as I said earlier, every agency in the Federal Government has the same problem. Conrail had the same problem. They also come back and claim that the earlier figure given for the 1978 fiscal budget, for example, was all wrong, because of miscalculations based on inflation.

I am only saying when you presented your budget, and asked for \$534 million, you were factoring in inflation at that time.

Mr. BRAZIER. Yes, sir, at our best estimate at that time, certainly. That is certainly true in any organization, whether it be government or of the industry. The option obviously that is available is to absorb it by reducing service or reducing support in some manner within the available funds.

Of course, we will have to operate the system within the amounts of money that are available.

ADDITIONAL SERVICE REDUCTIONS

Mr. CONTE. You also mentioned that more service cuts will be made if this Congress doesn't give you more money. For the record I would like to have a formal list of the service cuts that are to be made.

Mr. REISTRUP. I have described them roughly, but we will give a precise listing, and we will try to put them in about the appropriate order. I would state this is subject to Board action because all of these now, to my recollection, there might be a few within management's control, but very few.

Mr. CONTE. The cut list that you gave me based on Board action included only three trains. Were the rest of the trains listed added by management.

Mr. REISTRUP. Yes, Mr. Conte. This next list, however, goes beyond what I have ever done in the past, and I would want policy findings on that. I have tried to be consistent.

[The information follows:]

If no action is taken to meet Amtrak's urgent FY 1978 supplemental appropriation request, there can be no restoration of currently identified frequency reductions and further cuts will have to be made.

Further reductions will occur in three categories and all will probably require approval by the Board of Directors.

First, complete the Route and Service Criteria process for discontinuance of the Chicago-Florida route now in Task 5 and the following routes presently in Task 3:

- Chicago - Laredo
- Oakland - Bakersfield
- Washington - Martinsburg
- Seattle - Portland
- New York - Philadelphia

Second, determine whether Amtrak can eliminate some of the state-supported, 403(b) trains. Not only policy questions must be resolved but legal ones also, because Amtrak has contracts with these states who pay 50% of the solely related deficit.

Third, initiate additional frequency reductions which may be counter productive because of loss of revenue from mail contracts and tributary revenue. Frequency reductions are being studied for the following:

- Chicago - San Francisco (through Denver)
- Salt Lake City - Seattle (through Boise)
- Chicago - New Orleans
- New York - Kansas City
- Empire Service

Also, additional route restructuring and/or discontinuance actions under Route and Service Criteria will need to be initiated.

RESTORATION OF SERVICE

Mr. CONTE. I don't know if the chairman asked you, but I think for the record, we should provide background for your request. Your board has met and agreed that you request \$56.5 million. DOT has that request under consideration at the present time. A DOT board member of the Board of Directors voted against it. Under the law the supplemental can be sought anyway. There is a two-pronged procedure for your supplemental request, it goes to DOT, and it comes directly up to the Congress.

Mr. REISTRUP. Yes, sir, under an Amtrak Improvement Act, Amtrak requests concurrently of the Administration and the Congress.

Mr. CONTE. So, your letter of September 20 to George Mahon, the chairman of the Appropriations Committee, contained essence the supplemental that is now before us.

Mr. REISTRUP. Yes, sir, but without the—

Mr. MCFALL. Would you yield to me for a second?

Mr. REISTRUP. Without the request of the Administration.

Mr. CONTE. Right. I wanted to have that clear on the record.

Mr. REISTRUP. Right. I wanted to have that clear on the record.

ACTION BY THE BOARD

Mr. MCFALL. If we gave you more money, and you told us that you were going to restore certain services, that still wouldn't be binding. You would have to have the board tell you whether or not you were going to restore the services.

If the Congress gave you so much money and we also had some kind of an understanding as to what sort of services are going to be restored.

You still wouldn't be able to do that unless the board agreed, is that right?

Mr. REISTRUP. Mr. Chairman, my understanding of the board meeting, and my debriefing on it bears this out, that in general these services would be restored in priority order listed to the extent the money lasts.

There would be exceptions, and that line 16, the Southern Crescent, is the most evident.

Mr. MCFALL. I was thinking the only way we could really make sure that you did it was to make an item by item, line by line, appropriation, so much money for this line, so much money for that line.

Then the board would have to do it that way. Otherwise, the board really makes up its own mind.

Mr. REISTRUP. Mr. Chairman, I know them rather well, having worked with them for two and a half years. I would be very surprised if they did not honor this commitment. I really feel that that was the consensus of the board. I believe Mr. Brazier would support that.

Mr. BRAZIER. Yes.

Mr. REISTRUP. And you were there, Mr. Gallamore. Would you agree or disagree?

Mr. GALLAMORE. I would prefer not to comment on that issue. I don't take any exception to what you say.

Mr. REISTRUP. You have long experience. But, I try to actually make this a part of the deliberation because, for this very reason, we cannot be dealing in a never neverland. However, I think that the more precise we get, the more trouble we ask for because I believe that there ought to be an effort to economize on the Amtrak operation.

As I said before before this committee—bring in more revenue, and do it for less expense. There should be pressure on all of us to do that.

Mr. MCFALL. Okay.

Mr. Conte?

SUPPLEMENTAL REQUEST

Mr. CONTE. You are asking for this \$56.5 million which I have mentioned. You indicate that if the monies are received, some of the trains that have been cut in your October 30 deletion program would be reinstated.

In your letter to this committee dated September 20, you indicate only \$18.8 million of the total figure would be used to restore trains already identified for elimination.

Let me say this.

If this committee decided to give you less than your request, would the monies be distributed proportionately, or would you totally fund some programs at the expense of others?

Let me give you an example. If we gave you \$30 million instead of \$56.5 million, how would you handle that particular situation?

Mr. REISTRUP. Mr. Conte, I would submit to my board, based on what I feel is a commitment and consensus, the action, and urge that we continue with the route criteria process, accelerate it if possible, to bring about savings. I would hate to estimate what, but there would be savings, and then use the remainder of the money to put on the trains in priority order as listed here.

Mr. DUNCAN. Listed where?

Mr. REISTRUP. The first thing—

Mr. MCFALL. Attachment 1 or 2?

Mr. REISTRUP. 2.

This would include, of course, not reducing further trains. That is a part of this. I think that is the one thing that has to be made clear in this hearing.

Mr. CONTE. Would you please repeat that?

Mr. REISTRUP. On page 2 of my letter to the House leader, Mr. O'Neill, the Speaker, we have Item 3 there, \$7 million, which is not route criteria. This would be further frequency reductions.

That would not be done.

PROPOSED USE FOR SUPPLEMENTAL FUNDS

Going down that list, we would try to absorb as much inflation as we could, but that depends on the labor contract, which is out of Amtrak's control basically. The railroads negotiate those agreements, and we do not.

Secondly, we would see some economies brought about by the route criteria process. I would rather not make a precise estimate, but I really expect to see some. Since the Floridian is in route criteria Task 5 we have got to do something with it. I would hope we could cut the loss in half; let's say \$6 million, anyway. Then we would not cut any more trains, because we are going beyond what is really the point of being counter-productive. That is the \$7 million.

Then we would use the balance to restore these trains. And I would guess that we would get halfway down the list, on \$30 million.

Mr. CONTE. The first \$18.8 million, will that be applied to restore the announced October 30 service cuts?

Mr. REISTRUP. No, sir. The first would be to make sure that we are not overspending on what is necessary for inflation. Then the second group would be to avoid further discontinuances, which are a mixture of route criteria and also frequency.

Mr. CONTE. That is \$20 million.

Mr. REISTRUP. Reductions of \$7 million. And then restoring the trains that have been eliminated.

Mr. MCFALL. You have to get \$30.6 million before you start restoring any trains, is that right?

Mr. REISTRUP. On the surface it appears that way. But I would hope we could do better than that. I know I am confusing you. But I still feel that we should see the route criteria process used. It depends on whether the Board does it.

Mr. MCFALL. I don't know what that means, because I read what you write and I hear what you say. If I wasn't confused before, I guess I ought to have reason to be confused now.

Go ahead, Mr. Conte.

Mr. REISTRUP. I apologize, Mr. Chairman. If I knew what the Board was going to do, I don't believe you would be confused.

Mr. MCFALL. That is what I asked you before, about the Board.

Mr. REISTRUP. I am trying to outguess them.

NEW HAVEN-SPRINGFIELD LINE

Mr. CONTE. If we give you the whole amount, \$56.5 million, on Number 3, the fifth item on your chart deals with the 400 series, New Haven-Springfield line, and under that category you have in parentheses "Some trains reinstated." Can you estimate how many of the trains in that category would be reinstated? What will be the basis for your decision?

Mr. REISTRUP. I would like to provide that for the record, Mr. Conte, if I could, because we have rescheduled those runs for October 30. So perhaps not as many would need to be reinstated. If we just restored today's operation, there would be, as I recall it, three in each direction. We might be able not to restore one of those and still serve the public.

Mr. CONTE. You will get it for the record.

Mr. REISTRUP. Yes, sir.

[The information follows;]

If Amtrak received the entire \$56.5 million supplemental appropriation requested, all service of the 400 Series, New Haven-Springfield, would be restored except for the equivalent of one daily roundtrip train. Schedules would be readjusted so that all traffic could be accommodated.

REDUCTION OF TRAIN SERVICE

Mr. CONTE. During our consideration of the Amtrak appropriation, the subcommittee recommended reduction of train service on six routes. Am I correct in my observation some of those recommended cuts are not part of your October 30 deletion program?

Mr. REISTRUP. They are not part of the route elimination program. But some of them are included in frequency reductions, specifically the Laredo train, and also the Hilltopper, the San Joaquin Valley, and the New York-Philadelphia Clockers. We have in effect taken a step towards elimination.

Mr. CONTE. Now, I find that based on the figures supplied by Amtrak that the proposed elimination of trains in the Northeast Corridor would save Amtrak about \$5.5 million, and if Amtrak were to eliminate just one daily train on the Chicago-to-Los Angeles run it would save \$2 million.

What would be your policy of eliminating one run on a long haul?

Mr. REISTRUP. That is strictly a route criteria decision, Mr. Conte, other than a frequency change. But for elimination, it would have to be route criteria.

NEW ENGLAND SERVICE

Mr. CONTE. This morning some of the members of Congress from New England held a hearing. There were several New England citizens there. They were very critical of Amtrak. They claimed that they can't get the ridership up because of poor scheduling and the poor condition of the track.

One person claimed that the whole trouble with Amtrak is that the management is made up of old, tired, worn-out retreads from the Penn Central.

I wonder if you could comment on that. Is that so?

Mr. REISTRUP. I don't know if you consider me old.

Mr. CONTE. He said some of the management, not all of them.

Mr. DUNCAN. Let me add one more thing to Mr. Conte's statement and "who don't like hauling passengers anyway."

Mr. CONTE. Yes. He said the Penn Central and the Southern Railroad do not like to haul passengers. Were you there?

Mr. DUNCAN. No.

Mr. CONTE. That is exactly what he said.

Mr. DUNCAN. Neither am I clairvoyant.

Mr. CONTE. I left out that very important item.

SPRINGFIELD OPERATION

Mr. REISTRUP. Having been in the unfortunate role of train discontinuance, which is unpleasant, let me put it that since 1964 this is a normal occurrence, particularly when a service is reduced. It is worse when service is eliminated, because a whipping boy has to be found, regardless of the facts.

I am not proud of that Springfield operation. I have ridden it with the engineer in the cab, to see the track and the whole operating situation.

Many of those trains, most of them, in fact, are run with ancient self-propelled cars. We do not have any replacement for them at this time. We do run one Amfleet train during the heavy period of the day, morning and evening, all the way to Springfield.

The track conditions—that was part of the old New Haven—are as was stated.

We need rail, ties, not so much ballast, a lot of upgrading.

That is an issue before really not only Amtrak but the Department of Transportation. This is part of that two-year report on the Corridor that is required I believe in February.

What I am referring to is the report required on the so-called tributaries, the spur lines that come off the spine of the Corridor—New Haven-Springfield, and also Harrisburg-Philadelphia.

I think a policy decision has to be made as to whether or not those lines should be run, and if so then the track ought to be upgraded and the service reequipped and done the proper way.

I would like to close this issue, on my part, by saying that our estimate is that is the largest untapped travel market on the Amtrak system that we today serve. We are not tapping the market. It is not good.

Mr. CONTE. How about the Inland route?

Mr. REISTRUP. I am not so familiar, Mr. Conte, with the Inland route, from my background and experience. And Amtrak, in my tenure, has never run a train on that route all the way through. I know the old New Haven did have that, in conjunction with—

Mr. CONTE. It used to be a very popular train.

Mr. REISTRUP. Yes. I do know that a market existed twenty years ago. I suppose it may be more recent than that.

AMTRAK MANAGEMENT

Mr. CONTE. Could you for the record supply the number of people in Amtrak management that are carryovers from Penn Central?

Mr. REISTRUP., Yes. We have done that. And we will supply it. I would like to give all the railroads. We gave that to the Department about a year ago.

Mr. CONTE. It would be very good, if we could have the names of all the railroads Amtrak employees have worked for.

Mr. REISTRUP. For my case, you see, I worked for four. So I would be listed. And not either of those two.

Mr. McFALL. Like the pro football teams put where they came from, what college.

Mr. REISTRUP. We have a good many airline people. I believe the list has those, too.

[The information follows:]

<u>EMPLOYEE'S NAME</u>	<u>TITLE</u>	<u>AMTRAK HIRE DATE</u>	<u>RAILROAD SERVICE DATES</u>	<u>FORMER RAILROAD OR EMPLOYER</u>
Reistrup, Paul H.	President and Chief Exec. Officer	1975	1967 - 1975 1957 - 1967	Illinois Central Gulf B & O
Bertrand, Charles E.	VP & Gen. Mgr., (NEC)	1976	1963 - 1976 1937 - 1963 1937	Reading Railroad Baltimore & Ohio RR Alton Railroad (Chic)
Brazier, Don R.	VP - Finance & Treasurer	1974		U. S. Army/Department of Defense
Cowell, James M.	VP - Operations Support	1972		General Dynamics
Daniels, George F.	VP - Labor Relations and Personnel	1977	1941 - 1977	Pennsylvania Railroad/ Penn Central/ConRail
Edel, Edwin E.	VP - Public Affairs	1971		Federal Railroad Administration
Goodrich, Nathaniel H.	VP & Gen. Counsel	1975		Atomic Safety and Energy Commission
Herman, Robert A.	Interim VP - Nat'l Ops./Reg. VP-Ops(NEC)	1972	1945 - 1972	Pennsylvania Railroad/ Penn Central
Housman, Kenneth A.	VP - Administration	1971		U. S. Postal Service
Larson, Donald L.	VP - Computer Sys. Services	1977		Denver Tech. Ctr, Inc. United Airlines
Michaud, Alfred A.	VP - Marketing	1975		Sterigard Corporation
Pike, Bruce O.	VP - Govt. Affairs	1974	1970 - 1974 (Continued)	Self-employed: specialized in public relations for transportation field clients

<u>EMPLOYEE'S NAME</u>	<u>TITLE</u>	<u>AMTRAK HIRE DATE</u>	<u>RAILROAD SERVICE DATES</u>	<u>FORMER RAILROAD OR EMPLOYER</u>
Pike, Bruce O.	VP - Govt. Affairs	1974	(Continued) 1968 - 1970	Conf. of Transportation Trades/AFL-CIO
			1966 - 1968	Railway Labor Exec. Association
			1965 - 1966	Brotherhood of Railway and Airline Clerks
			1962 - 1965	ATSF

EMPLOYEE'S NAME	TITLE	AMTRAK HIRE DATE	RAILROAD SERVICE DATES	FORMER RAILROAD OR EMPLOYER
Abate, Frank D.	Chief, Mechanical Officer (NEC)	1973	1950 - 1973	Pennsylvania Railroad/ Penn Central
Baker, Melvin H.	Asst. VP, Finance and Controller	1974		Dept. of Defense
Bonas, Eugene J.	Assistant to the President	1975	1937 - 1975	Illinois Central
Clarke, John M.	Asst. VP, Corporate Planning	1975		Central Intelligence Agency
Frick, James E.	Asst. VP (NEC)	1976	1951 - 1976	Reading Railroad
Graham, Harold L.	Asst. VP - Service Planning	1971		Pan American World Airways
King, Frank S.	Vice President	1972	1942 - 1972	Pennsylvania Railroad/ Penn Central
Larson, James L.	AVP-National Ops. Admn. Staff	1973	1953 - 1973	Chicago & Northwestern Railway
Lowry, Robert A.	AVP-Labor Relations	1972	1969 - 1972	Brotherhood of Railway & Airline Clerks
			1953 - 1969	Transportation Comm. Employees' Union
			1938 - 1953	Union Pacific Railroad
Lawson, Edward C.	Chief Engineer (NEC)	1976	1946 - 1976	Reading Railroad
Lawson, Robt. F.	AVP-Chief Engineer	1975	1940 - 1975	New York Central/ Penn Central

<u>EMPLOYEE'S NAME</u>	<u>TITLE</u>	<u>AMTRAK HIRE DATE</u>	<u>RAILROAD SERVICE DATES</u>	<u>FORMER RAILROAD OR EMPLOYER</u>
Lyons, James K.	Managing Dir. Procurement	1972		General Dynamics
Malefatto, Frank S.	Managing Dir. Material Ctrl.	1972		General Dynamics
Owen, Neal D.	Reg. VP - Western Region	1975	1953 - 1975	Milwaukee Railroad
Piet, John S.	Reg. VP - Eastern Region	1972	1940 - 1972	Pennsylvania Railroad/ Penn Central
Rathvon, John W.	Asst. to Reg. VP - Operations (NEC)	1976	1936 - 1976	Pennsylvania Railroad/ Penn Central
Roseman, James F.	AVP-Chief Mechanical Officer	1974	1949 - 1972	Pennsylvania Railroad/ Penn Central
Schmidt, Joseph J.	AVP-Equipment Engineering	1973	1965 - 1973 1949 - 1965	Southern Iron and Equipment Company C&O/B&O Railroad Denver & Rio Grande Railroad
Schofield, Albert M.	Project Mgr. (NECIP)	1976	1937 - 1976	Pennsylvania Railroad/ Penn Central
Taylor, James C.	Reg. VP - Cen. Reg.	1975	1971 - 1975 1965 - 1975 1963 - 1965 1962 - 1963 1958 - 1962 1956 - 1958	Trailer Train Co. Chic.; Rock Isl. & Pacific Railroad Union Railroad Bessemer & Lake Erie RR Union Railroad Co. Nickel Plate RR

<u>EMPLOYEE'S NAME</u>	<u>TITLE</u>	<u>AMTRAK HIRE DATE</u>	<u>RAILROAD SERVICE DATES</u>	<u>FORMER RAILROAD OR EMPLOYER</u>
Wahman, Christopher P.	AVP-Natl. Ops. Operating Staff	1971	1968 - 1971 1965 - 1968	Penn Central SEPTA
Weissheimer, Kurt	Managing Director Real Estate	1972		Stirling Homex Corp., Industrial Housing
Warden, Stewart J.	AVP-Staff Admn. (NEC)	1976	1938 - 1976	Reading Railroad

ELECTRIC HEAT

Mr. BAUCUS. Mr. Chairman—Mr. Reistrup, you said sixty percent of your reason or Amtrak's reason for cutting back on the Northern routes is the cold weather, and insufficient equipment able to withstand the cold weather. Why can't you ship some other cars from other Northern routes to that line? After all, it snows also in New England, it snows in Minnesota and Illinois. Why can't you make some changes in cars?

Mr. REISTRUP. We could do anything we decided to do at the end of the analysis process. But the decision was a fit together of all of the challenges facing us and driven by the interspersement of the new electric heat trains.

There are two big advantages to doing what we did. One is that we can have our very best steam-heated cars—and my people have told me they have been so selective—to be up in those climes during this transition period, which we hope will not be beyond the first of February. And we do not have what we consider top quality insulated cars in great numbers. And second, we would be able to put the electric heat cars in much more quickly.

We can re-equip that entire service so there will be no steam between Chicago and Seattle through the Twin Cities, none at all on any train at all, by mid-February, by doing that.

If we ran daily, we would still have steam heat trains interspersed in that, and we would have a mixture of operations.

We really want to clean steam out of Montana forever. And that is what made for this.

Mr. BAUCUS. Will you be cleaning steam heat cars out of the rest of the states, too?

Mr. REISTRUP. The next train would be following in priority, the one just to the south, through Denver, Colorado, and when we get out into Nebraska particularly, it can get down to twenty below. And we have had trouble on that line. That is No. 3. And then we go to one that doesn't have a steam problem, the West Coast, and that is being done because it is the heaviest-travelled long-distance train in the system, and we have a capacity constraint. That is the Los Angeles-Seattle. That would then mean Seattle would be all-electric.

Mr. BAUCUS. As I understand you then, with the supplemental you would have all electric heat on the Northern route by mid-winter.

Mr. REISTRUP. We would have it even without the supplemental, yes, sir.

Mr. BAUCUS. The all-electric.

Mr. REISTRUP. Yes, sir.

Mr. BAUCUS. Enough to restore daily service?

Mr. REISTRUP. Not to restore the daily service, no, sir.

NORTHERN ROUTE

Mr. BAUCUS. To return to my earlier question, I am just curious why you don't consider some other factors, other than economics and, say, the cold weather. For example, in Montana, along the

Northern route there is virtually no other form of transportation. There is no airline service, there is no bus service. There is just nothing but train. That is the only public transportation that is available for a very large portion of the routes we are talking about. I am just wondering why you don't take that into consideration, too. It seems to me that in some parts of the country, particularly the west where there are no other forms of transportation, that you would consider that as one of the reasons to keep those trains operating daily.

Mr. REISTRUP. Mr. Baucus, I am aware that transportation there isn't quite as plentiful.

Mr. BAUCUS. It is near zero.

Mr. REISTRUP. Well, there is some air service.

Mr. BAUCUS. Along those routes there is hardly any. There is no commercial service along most of the routes.

Mr. REISTRUP. At many of the points, yes, sir. I believe there is a Greyhound man in this room. He is in all of our board meetings.

Mr. BAUCUS. There may be a Greyhound man in this room, but there are darn few Greyhound busses in Montana.

Mr. REISTRUP. Trailways, or something.

Mr. BAUCUS. Don't you consider that?

Mr. REISTRUP. We do when we eliminate a route, yes, sir, in great detail.

FREQUENCY REDUCTIONS

Mr. BAUCUS. Again, why don't you consider other factors when you cut back on frequency? What is the distinction between elimination and reductions of frequency?

Mr. REISTRUP. The distinction is there is still the service, and three days a week without service is not all that inconvenient.

Mr. BAUCUS. Would you consider those factors if you cut from seven days a week to one day a week?

Mr. REISTRUP. Yes.

Mr. BAUCUS. Why in that case, but not for reductions to three or four days a week? One of our Montana routes is a cut from seven to three.

Mr. REISTRUP. But that has been—you are referring now to Butte, Montana. We have done that every year.

Mr. BAUCUS. I am asking why.

Mr. REISTRUP. The reason for that is that the ridership declines terrifically during the winter.

Mr. BAUCUS. Again, why don't you consider distance and space and lack of other forms of transportation?

Mr. REISTRUP. On the Southern route or on the Northern route?

RIDERSHIP

Mr. BAUCUS. Mr. Reistrup, I am simple trying to establish when you consider lack of other transportation and when you do not.

Mr. REISTRUP. We really consider largely the usage, the ridership, and that results in the bottom line, the economics. We are not insensitive to the ridership. The reason we didn't in this

case, Mr. Baucus, is because other than the tradition of—ever since I have been here, and long before that, that Butte train was three days a week off-season. On the other train, by eliminating three days, we did not feel, in my judgment, that it was that significant a factor. I would much rather have a reliable service four days a week, and with the major points being served seven days a week, than—

Mr. BAUCUS. I am not going to belabor this right here. It is not the time and place. But I will say most Montanans along those points affected don't find four-day service reliable. You have to check schedules, find out if the train coming back the next day, is it not. It gets to be a big hassle and it is not worth it. So they just don't go. The point is when you do cut from daily to four days a week, expectations suffer, reliability suffers. And that is the reason ridership falls off even more than you would expect.

Mr. REISTRUP. Mr. Baucus, I am not going to be argumentative, because I agree. I think we ought to run not only one train a day, but two services on a route or not at all. That is my personal opinion. I have been quoted as saying it, I have given speeches saying it.

We do, however, have routes that have been three-day-week operations and been successful. The longest one is New Orleans through Houston. It goes through San Antonio, El Paso, out to Los Angeles. It is one of our better runs economically. And it is hard for me to figure out when to ride it. I will admit it is difficult for the passengers. But every time I have been on it, it has been well-loaded, even off-season.

AVOIDABLE COSTS

Mr. DUNCAN. The staff has prepared a list of your trains with the avoidable costs. They indicate a substantial difference in the percentage of avoidable costs covered by revenue. There is an indication in a footnote that it probably is due to some changes in accounting. Do you have any statistics readily available listing your runs, run by run, with the percentage of avoidable costs on a comparable basis between 1976 and 1977?

Mr. REISTRUP. May I ask the man who keeps the books to answer.

Mr. DUNCAN. With an adjustment for the change in bookkeeping.

Mr. BRAZIER. No, we do not. The change in bookkeeping is not really in terms of changing anything specifically, Mr. Duncan.

We have reviewed our route profitability system, which is the system that generates for us each month a report of the economic results of each train and each route. Now, these are on a fully allocated cost basis. And to determine avoidable costs you have to look at the particular situation and the timing of the action that you intend to take if you intend to adjust a train.

Now, in that refinement we think we have improved the validity of our costing system and the validity of our allocation of common costs and indirect costs to the routes.

We have the data which covers experience now under the new system for a year, July to July, and we have it for fiscal year 1977 projected through the end of the fiscal year 1977, based upon our latest information.

We have not gone back and taken all of our costs for fiscal year 1976 and rerun them through the system to get those 1976 costs precisely aligned with the fiscal year 1977.

FINANCIAL PERFORMANCE ANALYSIS

Mr. McFALL. As Mr. Duncan said, we have this route-by-route financial performance analysis. In your fiscal year 1976 analysis, seventy percent of Amtrak's total costs were classified as avoidable. In your fiscal year 1977 analysis only 49 percent are classified as avoidable. I think what Mr. Duncan is after, and what the staff asks here—what accounts for this significant change. Why in one year are 70 percent of the costs avoidable and only 49 percent avoidable in the next year? There has to be some kind of different accounting system, doesn't there, Mr. Brazier?

Mr. BRAZIER. Well, it isn't a different accounting system. It is a system where we have changed some procedures for determining how we distribute common costs. In other words, the direct costs—

Mr. McFALL. You say the same thing in a different way.

Mr. BRAZIER. We can tell you the changes that have been made that would bring about that type of a thing.

Mr. DUNCAN. It is not increased ridership, increased revenues.

Mr. BRAZIER. No. That wouldn't have anything to do with it.

Mr. McFALL. We would like to have you put that in the record. I would think that the Department would be interested in these calculations as well. I would think they would want to take a look at these.

Mr. DUNCAN. Would the chairman yield?

Mr. McFALL. Yes.

Mr. DUNCAN. This committee added language to our committee report regarding the action we wanted you to take on lines that were not recovering at least twenty-five percent, of the avoidable costs. We made some exceptions to provide for some lines that had experienced rather dramatic increases in recent weeks or months.

Now, it is pretty difficult for us to evaluate what we did in the past and make a judgment as to what we want to do in the future unless we have comparable figures.

I certainly have no objection and would encourage you to refine your accounting procedures. But whenever a private corporation makes an adjustment of this sort, it tries to reflect in its accounting statements some comparable figures so that comparisons can be made between the last year's figures and the present figures.

This is what the chairman, the staff and I want.

ROUTE PROFITABILITY SYSTEM

Mr. BRAZIER. Let me back up. The route profitability system is not an accounting system, Mr. Duncan, in the sense that it represents the accounts of record for the corporation. Now, the route profitability system takes the costs that we record in our accounting records—

Mr. DUNCAN. And analyzes them.

Mr. BRAZIER. Analyzes them and distributes them to trains based upon first the direct costs, which means the locomotive engineer, the cost can be directly related to the train that he operates. It then by formula, utilizing different factors for different cost areas, distributes common costs of Amtrak to trains.

Now, there are probably a hundred or more formulas dealing with the different categories of costs.

Mr. DUNCAN. Those common costs will continue whether that train runs or not, isn't that right?

Mr. BRAZIER. Not necessarily. Some of them will.

Now, within the common costs there are some avoidable costs. In other words, on routes where we run two trains, for example, there are stations where maybe the station staffing, where two trains run, could be reduced if we only ran one, where conceivably the station staffing at certain stations would be eliminated, where the workload would be reduced to the point where it would not be economic to even staff the station if we only ran one train rather than two or three.

Now, those are common costs. They are spread over the operation of both of those trains.

But if there was a decision to reduce frequency, or to reduce one of the trains, those costs would have to be analyzed to determine whether it was feasible to reduce them and thereby avoid them.

Mr. DUNCAN. Will you put whatever additional explanation you need in the record together with some statistics that will enable us to make a comparison.

Mr. BRAZIER. Yes, sir, we will track the differences.

Mr. DUNCAN. While you may not be able to apply these new criteria to the past figures with such expedition, perhaps you could extend the 1977 figures on the same basis that you gave us the 1976 figures, so we will have some idea.

Mr. BRAZIER. Mr. Duncan, I would like to tell you that is simple, but it is a very complex computer program to do this either way. In other words to go back to the old system or to take the old numbers and rerun them. As a matter of fact, we had a major effort on in the corporation to get our route profitability system up to the point that we can develop our route reports thirty days after the end of the month in which the costs were incurred. And it requires a major effort to do that.

Mr. DUNCAN. If you have to do a guessing or a projection, do it that way, and tell us if that is what it is. But give us the closest comparable figures you can.

Mr. BRAZIER. All right, sir. We will make a try at it.

Mr. DUNCAN. Don't spend a zillion dollars and come in here tomorrow with another supplemental request.

Mr. BRAZIER. I'm afraid time is the problem, not money. We will do it, sir.

[The information follows:]

The 21 percent reduction in the ratio of avoidable to full costs from FY 1976 to FY 1977 is made up of the following changes.

A. Direct operation of the NEC - 5.7 percent.

FY 1977 is the first full year of Amtrak ownership and direct operation of the Corridor. Maintenance of way costs, facility related costs and transportation related costs such as dispatching are not avoidable to Amtrak routes as long as the Corridor is operated.

- B. Stations serving multiple routes - 2.1 percent
75 percent of Amtrak's station costs are for stations serving more than one route. Staffing schedules at these locations are designed to provide adequate coverage throughout each day at minimum cost. Recent experience indicates these costs are not significantly reduced by the discontinuance of any one route.
- C. Maintenance and servicing facilities - 4.3 percent
Equipment maintenance and servicing is primarily performed at route end point facilities designed to serve all the routes terminating at a given city. Economies of scale and scheduling currently obtained from handling multiple routes and trains provide lower avoidable costs per each route than was previously possible.
- D. Fixed facility costs - 3.5 percent
The Route Profitability System has provided an improved capability to distinguish the fixed and variable costs of commissary, station, crew base, maintenance, and servicing facilities. Fixed costs of the facility, e.g., supervision, utilities, security, and building, power plant and shop maintenance are no longer included in route avoidable costs.
- E. Heavy overhaul - 5.5 percent
Heavy overhaul of rolling stock is programmed on two, four, or six year cycles depending on the type and age of equipment. This cost is not avoidable upon discontinuance of a route but is dependent on subsequent assignment or disposition of the equipment.

Our ability to identify these distinctions has been improved during FY 1977 thru the development of the revised Route Profitability System which began processing FY 1977 data in April 1977. This Route Profitability System accesses our computerized revenue and cost accounting systems and determines the profitability of each Amtrak train and route on a current basis.

Independent railroad costs experts have reviewed the Route Profitability System in detail and told us that the statistical techniques are valid and that the method for determining route avoidable costs are consistent with railroad methods previously applied in train discontinuance cases before the ICC. While we are continuing to fine tune this system and maintain its currency with operational changes, we are confident that it provides a realistic base for determining route costs.

ROUTE AND SERVICE CRITERIA

Mr. McFALL. I have a number of questions for the record.

Was the Amtrak Board of Directors made aware of the language in the Conference Report directing the Corporation to make effective use of the Route & Service Criteria within the amount of funding provided?

[The information follows:]

Yes. The Board was provided reports at Board meetings regarding the progress of the Amtrak FY 1978 appropriations bill. The following summary of Congressional action was provided to the Board at the July 27, 1977 meeting:

CONGRESSIONAL DIRECTION TO AMTRAK IN THE FISCAL YEAR 1978 APPROPRIATIONS LEGISLATIVE RECORD

HOUSE

(From Appropriations Committee Report)

USE CRITERIA AND PROCEDURES

For operating grants the committee recommends an appropriation of \$488,500,000 for fiscal year 1978. The committee believes that this amount will be sufficient for the entire fiscal year if Amtrak will make effective use of the "Criteria and Procedures for Making Route and Service Decisions" which was developed pursuant to section 404 of the Amtrak Improvement Act of 1975.

SUPPORTING CORRIDORS

As a result of hearings on the current bill, prior appropriation hearings and studies conducted by the Department of Transportation, the committee realizes that there are certain transportation corridors in the United States that socially and environmentally are well suited for rail passenger transportation and can support such service with relatively small amounts of Federal subsidy. The committee has supported and continues to support rail passenger service in these corridors. For example, the committee has provided or recommended \$650,000,000 for the Northeast Corridor improvement program.

SENATE

(From Appropriations Committee Report)

CRITERIA AND PROCEDURES

The committee concurs that Amtrak should make effective use of the "Criteria and Procedures for Making Route and Service Decisions." The committee has restored the Amtrak operating grant to the budget request of \$500,000,000. Amtrak has indicated that they are sympathetic to the need to reduce unprofitable routes within the system and feel that they can move toward that end in a deliberative fashion. The committee encourages that action.

SUPPORTING CORRIDORS

The committee agrees with the House that Amtrak should actively explore the development of specific rail corridors.

CONFERENCE

(From the report)

CRITERIA AND PROCEDURES

The conferees believe this (the \$488.5 million approved by the House) will be sufficient for the entire fiscal year and direct Amtrak to make effective use of the criteria and procedures for making route and service decisions developed pursuant to section 8 of the Amtrak Improvement Act of 1975.

(NO STATEMENT ON CORRIDORS)

(NO STATEMENT TO RESOLVE THE DISAGREEMENT)

DISAGREES WITH 25-PERCENT FORMULA FOR DISCONTINUING ROUTES

The committee does, however, take exception to the imposition of a "revenue/avoidable cost" formula for the determination of route discontinuance. The committee believes that the social and environmental concerns incorporated in the route and service criteria must be considered before rail passenger service is discontinued. The committee further notes that Amtrak is currently in the best position to evaluate all of the related factors and arrive at a route and service decision.

REQUIREMENT TO DROP SERVICES WHERE REVENUES ARE LESS THAN 25 PERCENT OF COSTS

However, the committee believes Amtrak is also providing service which is hopelessly uneconomical requires a relatively large Federal subsidy compared to revenues and provides little or no social or environmental benefits. Accordingly, the committee directs Amtrak to discontinue rail passenger services where (1) expected revenues (including State subsidies under 45 U.S.C. 563(b)) are not equal to or greater than 25 percent of expected avoidable costs, and (2) the service has existed for at least 2 years. However, if a change in the level of service or a restructuring of service is expected to cause losses to meet this criteria or if there has been a substantial and sustainable improvement in financial performance, the service should be continued. If service is discontinued, the committee directs Amtrak to negotiate easements, to the extent and in the form the Secretary of Transportation may determine, so as to preserve the Federal Government's option of using these rights-of-way for rail passenger transportation in the future.

CONGRESSIONAL DIRECTION TO AMTRAK IN THE FISCAL YEAR 1978 APPROPRIATIONS LEGISLATIVE RECORD—Continued

CAPITAL GRANTS—AREAS FOR REDUCTION

For capital grants the committee recommends an appropriation of \$95,000,000. The committee believes reductions should be made in the areas of station modifications, right-of-way improvements and locomotive acquisitions. The committee recommendation includes the full amount for the Metroliner overhaul program and for facilities and equipment for the Northeast Corridor spine.

CAPITAL GRANTS—NEED FOR MORE

\$130,000,000 is recommended for capital grants to Amtrak, which is the full remaining authorization. The committee feels this level is justifiable due to the importance of upgrading of Amtrak maintenance facilities. At present, Amtrak maintenance facilities need to be upgraded to correct the areas of vulnerability that they were exposed to during this past winter's harsh weather. This increase will also remove Amtrak reliance on expensive outside vendors who perform its heavy equipment overhauls. Modern, efficient and reliable maintenance facilities are essential if Amtrak is to provide an efficient national rail passenger service. The increase will also provide for urgent right-of-way improvements which will decrease travel time and increase riding comfort, as well as locomotive upgrading projects to maintain a viable service disrupted by winter damage to equipment.

CAPITAL GRANTS: GENERAL—ADDITION OF EARMARKING FOR BEECH GROVE

In addition to the general funding recommendations in the House report, the conference agreement includes the following capital items: Maintenance facility improvements at Beech Grove, Ind., \$13,000,000.

CAPITAL—POST ROAD-RENSELAEER EARMARKED

The committee recommendation also includes \$4,100,000 for construction and right-of-way improvement costs for a 12.1-mile segment owned by Amtrak from Post Road to Rensselaer, N.Y.

(NO COMPARABLE PROVISION)

POST ROAD-RENSELAEER EARMARKED

Right-of-way improvements from Post Road to Rensselaer, N.Y., \$4,100,000.

CORRIDOR PURCHASE AND LOAN REDUCTION; OVERCOMMITMENT OF LOAN AUTHORITY

The committee also recommends \$25,000,000 for purchase payments of the Northeast Corridor properties and \$25,000,000 for the permanent reduction of guaranteed loans under 45 U.S.C. 602. Under the committee's recommendation, the total authorization for guaranteed loans would be reduced to \$875,000,000. The committee is directing the Federal Railroad Administration to revise its administrative procedures to insure that obligations and commitments against guaranteed loan authority do not exceed the authorized amounts. The committee directs Amtrak to comply fully and promptly with the revised procedures.

OVERCOMMITMENT OF LOAN AUTHORITY

The committee agrees with the House report that Amtrak should not overcommit/obligate guaranteed loan authority or grants and is advised that Amtrak's practices are consistent with this principle. The Northeast Corridor purchase was a special transaction, funded temporarily by unexpended loan authority pending appropriation of funds authorized for purchase. The committee does not intend that Amtrak cancel any overcommitment/obligation remaining after using the \$25,000,000 made available.

OVERCOMMITMENT OF LOAN AUTHORITY

The conferees recognize that Amtrak overcommitted its guaranteed loan authority under 45 U.S.C. 602. The conferees do not approve of this prior overcommitment but recognize its continued existence. The conferees direct Amtrak not to undertake any action which would further overcommit its guaranteed loan authority.

(NO COMPARABLE PROVISION)

BWI STATION FUNDS EARMARKED

The committee directs that of the (capital) funds provided, \$1,500,000 shall be available for an interim project at Baltimore-Washington International Airport. The committee understands that Amtrak will be awarding an architectural and engineering contract during the summer of 1977 for the Amtrak/BWI Railroad Station.

BWI STATION FUNDS EARMARKED

Construction of a station near Baltimore-Washington International Airport, \$1,500,000. The conferees direct Amtrak to expeditiously complete construction of the railroad station near the Baltimore-Washington International Airport.

SERVICE REDUCTIONS

Mr. McFALL. Does the Amtrak Board support the idea of using the Route & Service Criteria in making service reductions?
[The information follows:]

Yes, the Board supports the use of Route and Service Criteria. There is a feeling, however, that the Criteria were intended to serve as a basis and procedure to restructure and to discontinue and initiate routes in order to improve Amtrak's economics. The use of the Criteria to make major route terminations only is not fully supported by the Board.

TRAIN REVENUES

Mr. McFALL. We have a route by route financial performance analysis which was prepared from material Amtrak has supplied to the committee. The analysis shows that the trains running on the Northeast Corridor spine—Boston-New York-Washington—earned revenues greater than avoidable costs. However, you are proposing to reduce the number of Metroliner trains by twenty as well as eliminate eighty-five other trains on a weekly basis.

If this service is, in fact, earning revenues that are greater than avoidable costs, won't these reductions cause your operating deficit and the amount of federal subsidy to increase?

[The information follows:]

NATIONAL RAILROAD PASSENGER CORPORATION
 FIVE YEAR FINANCIAL AND OPERATING PLAN
 ROUTE BY ROUTE PROFIT AND LOSS
 FY 1977 (\$ 000 'S)

	REVENUES	AVOIDABLE COST	AVOIDABLE PROFIT (LOSS)	% of AVAIL- ABLE COST COVERED B. REVENUE
<u>NORTHEAST CORRIDOR</u>				
Metroliners.....	\$36,861	\$20,311	\$16,550	181%
New York-Phil.....	8,136	6,453	1,683	126
NEC Conventional.....	42,594	36,306	6,288	117
New York-Harrisburg.....	784	1,036	(252)	75
Philadelphia-Harrisburg.....	2,463	3,385	(922)	72
New Haven-Springfield.....	896	1,992	(1,096)	44
<u>SHORT DISTANCE</u>				
Minneapolis-Duluth.....	959	84	875	109
Chicago-Quincy.....	1,650	1,643	7	100
Chicago-Dubuque.....	801	843	(42)	95
Los Angeles-San Diego.....	4,441	4,838	(397)	91
New York-Montreal.....	2,575	2,819	(244)	89
Chicago-Saint Louis.....	2,713	3,122	(409)	86
Chicago-Carbondale.....	1,893	2,319	(426)	81
Chicago-Port Huron.....	1,981	2,506	(525)	79
Chicago-Detroit.....	4,335	5,653	(1,318)	76
New York-Buffalo/Detroit.....	8,645	11,862	(3,217)	72
Washington-Martinsburg.....	317	560	(243)	56
Seattle-Vancouver.....	583	1,077	(494)	54
Seattle-Portland.....	1,018	2,482	(1,464)	41
Chicago-Milwaukee.....	1,431	3,456	(2,025)	41
Oakland-Bakersfield.....	694	2,175	(1,481)	31
Washington-Cincinnati.....	620	2,352	(1,732)	26

LONG DISTANCE	REVENUES		AVOIDABLE COST	AVOIDABLE PROFIT (LOSS)	% OF AVOIDABLE COST COVERED BY REVENUE
Boston-Newport News.....	\$5,915	\$4,709	\$1,206	125%	
Chicago-New Orleans.....	5,208	6,609	(1,401)	78	
Chicago-Los Angeles.....	19,367	24,949	(5,582)	77	
New York-Savannah.....	5,840	7,608	(1,768)	76	
Los Angeles-Seattle.....	13,065	19,391	(6,326)	67	
Seattle-Salt Lake City.....	1,311	1,944	(633)	67	
New York-Florida.....	36,464	55,014	(18,550)	66	
Chicago-New York/Washington.....	10,195	15,542	(5,347)	65	
Chicago-New York/Boston.....	7,412	12,236	(4,824)	60	
Los Angeles-New Orleans.....	5,708	9,705	(3,997)	58	
Chicago-San Francisco.....	14,041	25,436	(11,395)	55	
Kansas City-New York/Washington.....	6,298	11,923	(5,625)	52	
Washington-Montreal.....	5,298	10,096	(4,798)	52	
Chicago-Houston.....	6,976	13,425	(6,449)	51	
Chicago-Seattle.....	18,470	37,609	(19,139)	49	
Chicago-Florida.....	5,795	14,530	(8,735)	39	
Chicago-Laredo.....	2,902	8,511	(5,609)	34	
Chicago-Washington.....	3,286	9,471	(6,185)	34	

The Northeast Corridor spine in total earns revenues greater than avoidable costs. Within the high frequency of corridor service, however, there are departure times and days of the week when individual train revenues do not cover avoidable costs, and these have been identified in the frequency reductions. Also the frequency of train schedules provides reason to expect some transfer of current ridership from a discontinued train to a continuing train operating at nearby departure and arrival times.

SERVICE IN NEW JERSEY

Mr. McFALL. Mr. Patten of New Jersey was interested in the following two questions.

The committee has heard from people in the New Jersey area who use the Northeast Corridor service for commuting purposes. To what extent are you planning schedule changes on your remaining trains to accommodate these people?

Mr. REISTRUP. We can furnish the precise schedule, Mr. McFall, for the record. But we are planning additional stops.

[The information follows:]

SERVICE CHANGES IN NEW JERSEY TERRITORY EFFECTIVE OCTOBER 30, 1977 RESULTING FROM CANCELLATION OF CERTAIN 200 SERIES (NEW YORK-PHILADELPHIA) TRAINS

SOUTHBOUND

<u>Train Number</u>	<u>Departs New York</u>	<u>Change in Service</u>
67	4:00a	Add Metropark stop.
61	7:00a	Add Metropark stop.
89	8:00a	Add Metropark stop.
141	10:00a	Add New Brunswick stop.
169	1:00p	Add Metropark stop.
173	5:00p	Add Trenton stop.
177	7:00p	Add Princeton Junction, make Newark and Trenton regular 's' stops.

NORTHBOUND

<u>Train Number</u>	<u>Departs Philadelphia</u>	<u>Change in Service</u>
174	1:22p	Add Metropark stop.
142	4:20p	Add Princeton Junction and New Brunswick stops.
178	5:20p	Add Trenton, Princeton Junction and Metropark stops.
60	8:20p	Add Princeton Junction and Metropark stops.
90	9:20p	Add Metropark stop.

Trains presently departing Washington at five past the hour will be moved to ten past the hour.

COMMUTER SERVICE

Mr. McFALL. The Amtrak authorizing legislation states that you are not supposed to provide service which is primarily commuter in nature. Have you considered negotiating with the state governments to provide this service under the provisions of Section 403(b)?

Mr. REISTRUP. We have had continuing negotiations, not only with New Jersey but also Pennsylvania and Connecticut. This avenue is explored as well as others. There are commuter trains running which can fill the gap.

Mr. McFALL. Are any of the proposed service reductions in the Northeast Corridor service necessary or desirable because of the rehabilitation work currently planned or under way?

[The information follows:]

No. All curtailments were recommended on the basis of budget constraints and to effect maximum savings with minimum revenue loss.

SERVICE REDUCTIONS

Mr. McFALL. The committee has a description of the actions you plan to take to operate within the \$488.5 million appropriation. For the most part these actions are service reductions, reducing daily service to tri-weekly or quad-weekly service and in the corridors where you presently operate more than one train per day, reductions are proposed in the number of daily trains.

In our 1976 committee report we suggested such action might be appropriate as a way to lower costs and still maintain rail passenger service. However, Amtrak strongly disagreed. In a letter to Senator Bayh on this issue, Mr. Reistrup stated:

It is my present feeling that Amtrak should not have tri-weekly services. I think we should be able to develop our routes to the point where they will support daily service. If that route does not respond to development efforts—systematic advertising, promotion, and service improvements—then it would indicate to me that we probably should not be operating such a route at all.

Why did you decide that service reductions would be better than the elimination of routes?

[The information follows:]

I still support the statement I made during the FY 1977 hearing. Amtrak management plans to live within the \$488.5 million appropriation recognizing the need for immediate action to save money. Frequency reductions can be made quickly—even though some may not be totally desirable. As stated in the supplemental request, route restructuring and discontinuance will also be required. But these will take time because we must comply with the Route and Service Criteria. This is a time consuming process that we are trying to expedite.

RESTRUCTURING ROUTES

Mr. McFALL. In our hearing this year we discussed the possibility of restructuring some of the routes to improve performance. You mentioned the possible restructuring of the Chicago-San Francisco train. I know you are currently studying the possible restructuring of the Chicago-Florida train. Yet in looking at the list of proposed actions, little or no restructuring is proposed. Why is this?

[The information follows:]

As I have stated, the Route and Service Criteria process is time consuming. We are trying to speed it up. The current budget—\$488.5 million—will require that we make a \$20 million deficit saving by route discontinuance/restructuring. Studies are underway on the following routes:

- Chicago - Florida
- Chicago - Laredo
- Oakland - Bakersfield
- Washington - Martinsburg
- Seattle - Portland
- New York - Philadelphia

We plan to bring these studies to a close as soon as possible in order to realize maximum savings if additional funds are not appropriated.

ROUTE AND SERVICE CRITERIA

Mr. McFALL. Do the proposed service reductions follow the criteria established in the Route & Service Criteria document?

[The information follows:]

Based upon our General Counsel's opinion, frequency changes do not require the application of Route and Service Criteria. We do, of course, consider many of the same factors; especially the economic impact of the change.

LONG-HAUL TRAIN REDUCTIONS

Mr. McFALL. You will recall from our regular budget hearing that the DOT study entitled *National Transportation Trends & Choices* questioned the environmental or social value of your long-haul trains—page 481. Of the eighteen long-haul routes, you have proposed reductions in service over only four of these routes, with an estimated saving of \$13.2 million. According to your FY 1977 performance analysis, several routes are doing as poor or poorer than these four routes in terms of economic performance: Chicago-Washington; Chicago-Houston; Washington-Montreal; Kansas City-New York/Washington; Chicago-San Francisco; Los Angeles-New Orleans.

Since it appears that the long-distance routes you selected were not chosen strictly on the basis of economic performance, would you elaborate on why you made the choices you did?

[The information follows:]

The recently announced reductions in long-haul service are reductions in train frequency over a route rather than total route elimination under route criteria. Within this framework the reductions have been designed to minimize revenue and ridership loss while still attaining significant deficit savings. The long-haul train reductions identified provide a better than two to one ratio of cost savings to revenue loss.

CHICAGO-SEATTLE ROUTE

Mr. McFALL. You are proposing a reduction in service over the Chicago-Seattle route. You estimate your actions will save about \$1.9 million. Your projection for avoidable losses on this route for FY 1977 is \$19.1 million. Why is this route so inefficient and why are the savings from the proposed service change so small?

[The information follows:]

The Chicago-Seattle service is provided over separate routes west of Minneapolis to Seattle, each exceeding 1,800 track miles (plus 421 common track miles between Chicago and Minneapolis). Costs of station operations, intermediate train servicing

facilities and railroad maintenance of way and support over these distances are substantial. Reducing the frequency of this service from daily to four days per week does not allow pro rata reductions in station and intermediate servicing costs as most facilities must continue to be operated every day of the week to accommodate the remaining trains in both directions. Also crew costs do not decrease proportionately due to requirements to return crew members to their home bases often on nonworking (deadhead) trips.

CONTROLLING COSTS

Mr. McFALL. For FY 1977 over fifty percent or \$413 million of Amtrak's total costs are classified as unavoidable. What can be done and what is being done to reduce or control these costs?

[The information follows:]

Avoidable cost estimates for each route indicate the cost savings expected if that route alone were discontinued. Costs "unavoidable" to individual routes include the costs of activities which support multiple routes and would normally be unaffected by the discontinuance of a single route. These include the fixed costs of common maintenance, commissary, and station facilities and regional and district supervision; also included are activities supporting the operation of all routes such as heavy overhaul bases, marketing and sales, procurement, computer operations, and revenue accounting. Also "unavoidable" are costs of dispatching, security, yard operations, and maintenance of way in the Northeast Corridor. All of these costs are subject to continuing management review and control.

Depreciation and interest costs are not considered controllable costs.

LABOR COSTS

Mr. McFALL. Your agreement with the railroad labor unions expires on January 1. During our hearings earlier this year—p. 643—you indicated that you were not a member of the National Railroad Labor Relations Conference which is negotiating the new contract.

In your letter of September 20 you indicate that labor costs, which were expected to rise by 9.64 percent, will instead rise by 10.85 percent. In dollar terms, labor costs are expected to be \$37.9 million higher in FY 1978 than in FY 1977. Direct labor costs account for approximately 46 percent of Amtrak's operating costs.

What control does Amtrak have over this rather large portion of costs?

[The information follows:]

Amtrak has the same control over its own direct labor costs that any other railroad does. This means control over the number of jobs, the rating of a job and insuring that we get full operating efficiency under our existing labor agreements. We do not have the same degree of control over labor costs incurred with our authorization by other railroads performing work for Amtrak such as their engine and train service crews. The railroads are responsible for control of charges and the cost effectiveness of how many and what kind of employees are assigned to a task and how they were utilized on that task consistent with their labor agreements. However, under our operating agreements with such railroads we are permitted to monitor these costs and fully intend to do so.

LABOR NEGOTIATIONS

Mr. McFALL. Why doesn't Amtrak participate directly in the labor negotiations?

[The information follows:]

In order to have any effective participation in National labor negotiations, Amtrak would have to be a member of the Carriers Conference Committee of the National Railway Labor Conference (NRLC). The present by-laws of the NRLC limit membership on the Carriers Conference Committee to 10 members: 4 from Western roads, 3 from Southern roads, and 3 from Eastern roads. Membership on the Carriers Conference Committee would give Amtrak a vote in making policy decisions affecting National labor negotiations. Without Carrier Conference Committee membership Amtrak cannot justify paying the annual dues of \$140,000 given its austere financial condition. We want to belong and have talked to the NRLC and urged them to amend their by-laws. To date this has not been done.

ADMINISTRATIVE COSTS

Mr. MCFALL. Do you have any plans to reduce administrative costs such as management salaries?

[The information follows:]

As of September 1st Amtrak employment was frozen and a 1% per month (average 6% manyear) reduction for FY 1978 was ordered. In addition, the regular merit salary increase program for management employees was suspended until the FY 1978 financial picture is clarified. There are no plans to reduce management salaries. Also, union salaries which account for 85% of Amtrak salary expenses are set according to union agreements and no action can be taken to avoid salary increases in this area of employment.

CORPORATE RELOCATION

Mr. MCFALL. I understand you are moving your corporate offices out of L'Enfant Plaza to another location. Will this relocation reduce costs?

[The information follows:]

Yes. The relocation of Amtrak's Corporate Offices will result in projected lease cost savings in excess of \$300,000 per year in comparison with L'Enfant Plaza or more than \$3 million over the ten year term of the new lease.

EQUIPMENT REDUCTIONS

Mr. MCFALL. In connection with the service reductions you are proposing on your long haul routes (Chicago-Seattle; Chicago-Laredo, Texas; New York-Florida), how many equipment sets are currently providing this service and how many will be needed under the service reduction plan?

[The information follows:]

Chicago-Seattle, including Chicago-Minneapolis service before 12 sets, now 8 sets, October 30-7 sets;

Chicago-Laredo before 4 sets, now 3 sets;

New York-Florida before 10 sets, now 10 sets because of second sections required during holiday period.

Mr. MCFALL. Any other questions from members of the committee?

We thank you very much, gentlemen.

Mr. REISTRUP. Thank you, Mr. Chairman.

WEDNESDAY, OCTOBER 26, 1977.

**NATIONAL RAILROAD PASSENGER CORPORATION
(AMTRAK)**

WITNESSES

**HON. MAX BAUCUS, A REPRESENTATIVE IN CONGRESS FROM THE
STATE OF CONNECTICUT**
**HON. ANTHONY MOFFETT, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CONNECTICUT**
**HON. CHRISTOPHER J. DODD, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF CONNECTICUT**
**HON. DONALD PEASE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF OHIO**
**HON. RON MARLENEE, A REPRESENTATIVE IN CONGRESS FROM
THE STATE OF MONTANA**

Mr. McFALL. The committee will come to order.

There has been some concern about the recent service reductions proposed by the National Railroad Passenger Corporation (Amtrak). On September 21 this committee received testimony on these proposed reductions, as well as on Amtrak's request for an additional \$56.5 million.

Because of the continuing interest in these issues, we believe that further hearings are necessary in order to provide a forum for a thorough discussion and analysis of Amtrak's proposals. These hearings will continue this afternoon, Thursday, and Friday, if necessary. We expect to receive testimony from Amtrak's Board of Directors, the Department of Transportation, Interstate Commerce Commission, and interested organizations and Members of Congress.

Our first witness is our colleague from the State of Montana, Congressman Max Baucus.

Max, we would be very happy to have your statement at this time.

**STATEMENT OF HON. MAX BAUCUS, A REPRESENTATIVE IN CONGRESS
FROM THE STATE OF MONTANA**

Mr. BAUCUS. Thank you very much, Mr. Chairman.

I want to personally thank you on behalf of Montanans, as well as others across the country who are also having a difficult time with Amtrak cutbacks, for holding these hearings. Hopefully, with these hearings and others we are holding in the House this year, we will get to the bottom of Amtrak's problems so that we can restore the service that is necessary, and, more importantly, establish a sound national railroad passenger policy.

Mr. Chairman, Amtrak cut service in Montana by nearly 50 percent during the first week in September as a result of inadequate appropriations. This has resulted in a serious transportation crisis in my district and in the State of Montana as a whole.

FREQUENCY REDUCTIONS

While it remains to be seen whether Amtrak will be given the additional funds that it is requesting, I do know that Montanans need dependable, regular service connecting their towns. Anything less than daily service will not serve the needs of Montanans who use the trains in order to conduct business and return home the same day. It does not serve the needs of retailers who depend on daily shipments and ready access to our train stations during business hours.

An example of this is when a combiner, a grain producer has his combine break down and he needs parts. He can call in for parts from Minneapolis and get it the next day. With cutbacks, particularly during the harvest season, he can't do that.

Reduced service also does not serve the needs of the long distance pleasure travellers who have to fight with a confusing schedule in order to plan their outings. All of this causes economic harm to Montana, in addition to the jobs that were lost as a direct result of the cutbacks.

I am not advocating unlimited funds for Amtrak. While I remain convinced that daily service is a necessity for my district, I realize that there are many perplexing questions which must be confronted when investigating Amtrak. While we consider this short-term funding, we should also be looking beyond this immediate crisis and developing suggestions for changes which will make Amtrak more responsive to the needs of our citizens, and also more accountable to those who are paying their bills, the American taxpayer.

Amtrak comes before you today requesting \$56 million, an amount which would bring them up to their full authorization. I realize that there are those who did not wish to further debate the question of supplemental funding for Amtrak, as Amtrak has become increasingly expensive. We have some hard decisions to make regarding Amtrak's future.

ROUTE AND SERVICE CRITERIA

The Transportation and Commerce Subcommittee of the Interstate and Foreign Commerce Committee held hearings a few weeks ago with an eye towards drafting legislation which will clarify congressional intent with regard to use of route and service criteria, and possibly including new, more explicit criteria which Amtrak will have to follow in making frequency reductions. I commend that subcommittee for its actions and hope to see the conclusions which were reached during the hearing take the form of legislation early next session. That is, we need some much more explicit criteria not only for the eliminations of routes, but also with respect to cutbacks on routes. As the chairman knows, there are no criteria at this point with respect to frequency reductions.

In the meantime, the real loser in the Amtrak cutbacks are the citizens back home. They bear the burden of cutbacks which were made purely on an across-the-board economic savings basis. Even with future congressional instructions to Amtrak on cutbacks, without the \$56 million to restore full service I am not convinced that we will be able to insure that the routes currently affected by cutbacks will ever recover or be given re-examination in the light of new criteria.

Yet we all know that it is not simply a matter of appropriating \$56 million. We need to know what steps Amtrak has taken to develop for itself a better system for dealing with service reductions. We need to know what steps they are taking to evaluate the effects of cutbacks and we need to know what guarantee the Amtrak board will give us as to how these funds will be spent if we do grant the appropriations.

As a member of the full Appropriations Committee, I will be paying close attention to your hearings today. As you focus your attention on Amtrak, I hope that you will also be mindful of the people we represent, whose lives have been disrupted by the cutbacks and who may never again see the rail transportation they need.

Finally, I would like to point out that the fundamental problem as I see it here today is not whether we resort to a sharp pencil accounting, but rather whether we establish a national rail policy. We should not be ruled by the accounting, by the net result of the accounting statement, as to whether to include routes or not include routes. Instead, we should be ruled by the national policy that was set here in this subcommittee and also in the authorizing committee. I think that is the fundamental question here.

I hope that you make it very clear to Amtrak that we will not tolerate bureaucratic gamesmanship. Amtrak has come before us asking for a \$56 million increase. I hope the subcommittee grants that increase, and in return I hope the committee makes it very clear that this Congress will not tolerate the kind of bureaucratic gamesmanship which I think all of us strongly suspect is taking place today.

I thank the chairman for this hearing and I hope we are able to successfully resolve this issue to the best interests of the passengers in our country.

Thank you, Mr. Chairman.

MONTANA SERVICE

Mr. McFALL. Thank you for your statement, Mr. Baucus. It is a very good statement. I have a question or two to ask you specifically with reference to the service in Montana.

What specifically are the proposed cuts that Amtrak is going to make in your service?

Mr. BAUCUS. Amtrak did have daily service in Montana. There are two routes, southern and northern. One route was cut back to three times a week from daily service and the other to four times a week from daily service. The problems there are that people cannot count on which days trains are traveling. Many Montanans want to go

across Montana one day and return the next, but with the cutbacks they cannot. They don't know what the schedules are and therefore there my guess is that there will be a tremendous reduction in ridership.

Beyond that, Mr. Chairman, even with the cutbacks from daily service to three times a week and four times a week, Amtrak has changed the schedule so that the train pulls into the station in the largest town in my district at two in the morning and leaves 15 or 20 minutes later. Obviously, that is not very conducive to passenger travel.

Mr. McFALL. Do you know how much it would cost Amtrak to restore the service to what it was before?

Mr. BAUCUS. Mr. Chairman, my understanding is that it would cost approximately \$1.7 million for the two routes across the northern United States from Minneapolis to the West Coast.

AMTRAK'S BUDGET REQUEST

Mr. McFALL. When we had hearings in February on Amtrak's budget, you, Mr. Moffett and the other members who are testifying here this morning should know that Amtrak came before this committee and stated in their budget justification material that

the recommended funding level of \$500 million [which was recommended by the Carter budget] will require route reductions and such reductions are feasible if the Congress concurs in the funding level and the corporation is permitted to imply the route criteria in making such reductions.

While they are now asking for the full authorization of some \$545 million, in February Amtrak, through its President, came in and requested that this committee provide \$500 million. Mr. Reistrup said, "What will happen under President Carter's budget is that we will have to do more of that," meaning implementing the route and service criteria. He said:

What we are really seeing under the \$500 million budget is an acceleration of the process. I don't think that is unhealthy at this point. I would not be stating so at this hearing if I did not agree with the process. We are in agreement with the administration.

The final reduction of the budget was something in the neighborhood of 2 percent, from \$500 million to \$488.5 million. When we talk to Mr. Reistrup and the Board of Directors who appear here this afternoon, we are going to ask them how they would have managed with \$500 million since this committee, the full committee and the House of Representatives and the House and Senate conference committee only reduced their request by some \$11-1/2 million.

I personally am in favor of the continued service to Montana. But I am at a loss to understand how Amtrak would have been able to live within the \$500 million requested last spring.

This is the problem that this subcommittee and the Congress face with respect to Amtrak. What are we trying to accomplish with Amtrak.

Mr. Conte, I know you have some questions and comments to make.

Mr. CONTE. I have no questions. However, I want to compliment the witness for accurately stating many of the vexing problems

associated with Amtrak operations. I think it is absolutely unreasonable for Amtrak to cut down Montana's daily passenger service to service provided only two or three days a week. They might as well discontinue service altogether. However, I do not believe that passenger service should be entirely eliminated unless it is totally unprofitable.

I will have a lot of questions with respect to service cuts this afternoon for the president and members of its Board of Directors. I am willing to fight for the whole \$56 million Amtrak supplemental but I want some answers. Thus far none have been provided. My constituents have many complaints similar to yours—trains are scheduled to arrive in the wee hours of the morning, they are not on time and the service is poor. These failures have contributed to low ridership.

ALTERNATIVE TRANSPORTATION MODES

Mr. BAUCUS. Thank you very much, Mr. Conte. I would like to amplify the point you are making with respect to rural service. In Montana, and I am sure this is probably true in other areas of the West, there are virtually no other forms of transportation—let alone ground transportation. As you know, bus service, particularly in lightly populated areas, is becoming more and more scarce. Plane service is virtually nonexistent in these small towns and Amtrak is the only form of surface transportation. That is why a cutback from daily service to three or four times a week is very disruptive.

Mr. CONTE. Hopefully, we can get to the bottom of this thing. If Amtrak hopes to obtain additional funding along they are going to have to come up with some plausible answers here today.

CAPITAL GRANTS

Mr. MCFALL. If you will yield for another point.

The Carter budget for capital grants for Amtrak was \$105 million and the conference report which the House and Senate agreed to gave them \$108 million which is \$3 million more than the budget. In fact, out of the Carter budget which was \$655 million, Congress agreed to \$646.5 million which, in terms of percentage of cuts, is a very small amount.

FUTURE OPERATING GRANTS

Also, if the gentleman will yield further on this—

Mr. CONTE. I am finished.

Mr. MCFALL. We are going to be discussing their requests for future years. They project an operating grant of \$613 million in fiscal year 1979; \$678.2 million in 1980; \$765 million in 1981 and \$875.8 million in 1982.

So in looking at this year's request we have to consider the future funding that our decisions will necessarily imply. This includes the Northeast corridor, Montana and the entire country.

What do we expect rail passenger service to do in this country? I don't have any fixed ideas on that. I think we have to examine it

and present it to the Committee, the House and to the House of Representatives and the Senate.

Thank you, Mr. Conte.

Mr. CONTE. I have no further questions.

Mr. MCFALL. Mr. Benjamin, do you have any questions?

Mr. BENJAMIN. Just a comment, Mr. Chairman.

I join with you in being persuaded by the argument made by Mr. Baucus on behalf of Montana. I appreciate your advocacy for your State. I also appreciate your overall comment with regard to the dilemma on Amtrak. I am sure we are going to wade into this further in the discussions this afternoon and ensuing days. I hope whatever our decision is it is going to be favorable to Montana.

Thank you, Mr. Chairman.

Mr. MCFALL. Mr. Edwards, do you have any comments or questions?

CONGRESSIONAL EXPECTATIONS

Mr. EDWARDS. I think you make a good statment. You talk about bureaucratic gamesmanship. I suspect in part it is brought about by political gamesmanship. That is what bothers me about this. Mr. Conte made a good point: you are not going to get people on trains if you have to get on them in the wee hours of the morning. But a train cannot start everywhere at 7 a.m. in the morning. You have to go through somewhere in the wee hours.

Mr. Moffett is here also, Mr. Chairman. I would like to ask both of them because this is something we are agonizing over and I don't know that there is a right answer. But what do you gentlemen really expect of Amtrak? What does a taxpayer really owe to the country in the form of train service? Can you give me a one paragraph answer? That is what we have to answer finally. We are looking at figures close to \$1 billion, and on the average operating and construction costs amount to annual costs of around \$1 billion or close to it. Where shall we go in the future?

Mr. BAUCUS. I think that is an excellent question, the fundamental question all of us are asking ourselves. I think in one word it comes down to a commitment on the part of Amtrak and the Congress toward providing quality passenger sevice. I fully believe that if Amtrak is dedicated to committing itself to offer the very best service possible, in terms of cleanliness on the trains, personal attitudes toward passengers, an aggressive policy to securing more passengers and providing the very best service possible, we are going to find much better rail service in the country. I mean this in terms of not only appropriations, but public acceptance and a desire for a stronger passenger rail service.

I think the one word answer is really commitment. If we have the necessary personnel at Amtrak, if we have a Board of Directors who have that 100 percent commitment to serving the public, then I think Amtrak will succeed as it should.

Mr. EDWARDS. But you don't mean succeed in the sense of paying for itself? You are not suggesting that that is possible, are you?

Mr. BAUCUS. Not at this point. It is a little difficult to look beyond five or ten years. But I think that we should all together resolve to

provide that service and look for a way to come up with a self-sufficient operation.

Mr. MCFALL. Would you yield at this point for a point of information that I think ought to be put into this dialog. When you look down the road into the projections of Amtrak, even with the amount of money that I listed as their projected requests, the taxpayer will still be providing more than 60 percent of the operating budget of Amtrak.

So that we, as Members of the House, in trying to determine what kind of service we want to provide for our constituents and the country, are looking at a continuing Federal contribution that will be larger than the users themselves pay for at least five years and probably beyond. We could decide to provide it all, but I think we should consider this financial fact of life.

Mr. BAUCUS. If the chairman will yield, I think that is a very good point. I might add, however, that other forms of surface transportation are also subsidized in terms of highway trust funds for the highways, et cetera. It is a very complex matter, but I feel that the country wants solid, reliable rail passenger transportation and would support a sizable appropriation if the country saw that the Congress and Amtrak board are finally getting their act together and providing good service.

Mr. MCFALL. Thank you, Mr. Edwards. Do you have any more questions?

TRUST FUNDS

Mr. EDWARDS. The highway trust fund, of course, is built on the assumption that the user pays for the highway. What if we had a rail trust fund?

Mr. BAUCUS. That is an interesting idea. I will have to think it through.

Mr. EDWARDS. We have talked about that on the subways. An argument has been that you would run riders off if you had to raise the fare to include a tax which would go into a trust fund. Well, Mr. Moffett comes from an entirely different type of region than Mr. Baucus. I wonder if he might address himself to that. Mr. Dodd has come in. Maybe he would want to do the same thing. I would be interested in what your concept of the public commitment is as far as rail service is concerned.

Mr. Baucus, I take it, is arguing a commitment to service as opposed to a commitment in terms of a number of dollars.

Mr. BAUCUS. If I might interject, Mr. Edwards, I think it is both.

Mr. EDWARDS. You can't ignore both, but you don't suggest to us a limit on percent or in dollars that we should be putting into the commitment to service? That is something that has to be determined by political judgments. What can you say to it, Mr. Moffett?

Mr. MOFFETT. I would respond to my colleague and at the same time ask a question of the chairman.

I don't have a prepared statement. I think I can answer those questions in the context of my statement. The distinguished gentleman from West Virginia, Mr. Staggers, is going to have my hide if I don't get back to the House-Senate energy conference. But I think I can answer that if that is all right with the gentleman.

Mr. EDWARDS. It depends on how you are going to vote when you get back to the conference.

Mr. MOFFETT. I was afraid of that.

Mr. MCFALL. In that case, perhaps we could ask other members of the committee, Mr. O'Brien and Mr. Evans, if they have any questions they would like to ask Mr. Baucus so we can get to Mr. Moffett so he can go back to the conference?

CONSUMER DEMAND FOR PASSENGER SERVICE

Mr. EVANS. I was wondering if the gentlemen here could help us by telling us what their opinion is of the basis upon which judgments should be made on keeping lines in operation or discontinuing lines as it relates to the passenger traffic that is there or thought to be there? Demand should be one question. Do you have any recommendation the committee should consider in terms of judging the rightness or wrongness of considering Amtrak's decision to discontinue or continue a certain line?

Mr. BAUCUS. Obviously one factor is the location in the country. Some areas are densely populated and others are sparsely populated. I think that is a factor that you have to include. Beyond that, I don't think there are any fixed rules. You have to look at density. You have to look at availability of other forms of transportation. You have to look at ridership.

It comes down to common sense. I don't think there are any fixed rules, but certainly several factors should be those I just outlined.

Mr. MCFALL. Mr. O'Brien?

Mr. O'BRIEN. I have no questions.

Mr. MCFALL. Thank you, Mr. Baucus. Stay with us if you have the time. We will listen to Mr. Moffett now and then Mr. Dodd and Mr. Pease.

STATEMENT OF HON. ANTHONY MOFFETT, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. MOFFETT. Thank you, Mr. Chairman. I want to congratulate my colleague from Montana for what I thought was an excellent statement echoing my sentiments.

First of all, in response to a couple of questions Mr. Edwards asked, energy, for one—I am on my way over to the House Senate Energy Committee—energy is a good reason for rail passenger service. I don't happen to believe that every part of this country is adaptable to passenger service in any viable kind of way. Perhaps that explains why there is less and less inclination among our colleagues to bail out Amtrak, and ConRail. Perhaps that explains why we have to beg, almost, the tolerance and understanding and indulgence of our colleagues from parts of the country that don't have passenger service when we ask for these subsidies.

But when I look at the current situation and I hear the Amtrak song on the radio, the words that leap out at me are "Easy come and easy go." Perhaps you have heard that song. That is what I think of because I think that is the way they have been running their particular railroad, easy come and easy go. We will go to the

Congress and get the money and we will spend it. Then when the money runs out, we will try something else.

BOARD'S DECISION ON BUDGET REQUEST

There is a great deal of confusion about this current decision as I think you all know. You probably recall that the president, Mr. Reistrup, went to his board's emergency meeting with a management recommendation of seeking a supplemental of only \$45.6 million, enough he said to bring Amtrak's total Federal funding for the year up to the level that management had originally requested, \$534.1.

Another board member offered a motion to seek the \$56.5 million, the ceiling authorized by Congress. Mr. Reistrup suddenly abandoned his own supposedly data-based figure and joined in voting for the larger figure. So we see that kind of confusion.

Then we talk to board members and we find out there was virtually no discussion at that August 31st meeting by the board and virtually no participation by the board in the question of cuts. We know that there was no congressional participation, at least I know of none, in those deliberations and certainly no public participation.

In response to the question my colleague from Colorado asked, I certainly don't believe that we can take the position that there should be, a, no cuts ever, or, b, that the Congress is capable of determining which lines should stay in and which lines should stay out. I think we should be much more involved as an institution and as individuals in, a, setting criteria, and, b, participating in whatever proceedings take place to exert our influence and opinions in representing our constituents.

I do think that the gentleman raises an excellent point about criteria for cutting lines, that they ought to be more extensive, more tightly drawn and they ought to allow for broader participation.

RIDERSHIP ON CORRIDOR TRAINS

With regard to my own area, the gentleman from Massachusetts is very familiar with it. It is not as though we have seen a decrease in ridership in the Boston to Washington corridor, including the New York-Springfield trains. We have seen that Amtrak carried 3.2 million passengers in the first five months of the year, up 6 percent from the same period a year ago.

We come back again to Mr. Baucus' point of what kind of trains are we seeing in some of the lines where they are now making massive cuts, a 42 percent or more cut in Connecticut.

Take a town like Enfield, Connecticut, right on the Massachusetts border. Mr. Conte knows it very well. Enfield to Hartford is 17 miles or so. There is a highway virtually parallel to the train track which is hell in the morning. There is no other way to describe it in terms of commuter traffic. There has been an effort to widen that highway. There has been citizen opposition. Something needs to be done with regard to that highway to relieve the congestion, but at the same time Amtrak is cutting service in that area. The trains

they are running are Bud cars that are virtually filthy and the fare is much too high for most people.

SOCIAL VALUE

Social equity question arises when the gentleman raises the issue of rail trust funds or a bus trust fund. I think there is a social equity question because in many instances the people who ride the trains or buses are not as well off as the people driving the cars. I don't have the data to back that up, but I think that is true.

As for the future, I would echo what my colleague from Montana said: yes, we need to do something now. We can't have this massive kind of cut. Obviously, I am being very political in terms of the people of my district and the people of Mr. Dodd's district and our State in saying we can't afford these kinds of cuts and we need to do something to prevent them.

CONGRESSIONAL OVERSIGHT

But we also need, as I think the gentleman from Montana has pointed out very well, a much different kind of oversight, first of all. As a member of the Commerce Committee, I can say we are getting more and more involved in asking tougher and tougher questions of both ConRail and Amtrak. I don't think we are doing well enough yet. I think we should do more. We on the Government Operations Committee have completed some hearings on ConRail, which is not too dissimilar in terms of some of the problems its operations involve.

ConRail is also planning abandonments of one sort or another in many instances without letting the public on its in or their plans. I think the gentlemen in this room are very familiar with the problems that have been caused by that.

NEW BOARD MEMBERS

In terms of what we might look to that is hopeful, there is a new board coming on. President Carter has nominated some people who seem to be a little more passenger oriented. I am sure the committee knows Charles Luna will be one of those who will be reappointed. Also, the President has nominated the founder of the National Association of Rail Passengers. A Californian, Senator Jim Mills, I am sure the chairman knows has been nominated. So I think in terms of the board being more passenger oriented, we might be encouraged.

Does that mean they are simply going to go along with requesting bail outs from Congress and advocating more and more public funds? I am not in favor of maintaining that system. I don't want a passenger-oriented board that simply is a rubber stamp for management. I want a board that argues and discusses and analyzes.

Lastly, I think we should get involved with that board. I really think as members that we ought to personally begin talking to those board members, maybe going to their meetings and finding out what is happening.

That brings me to the last point. I guess I don't agree with Max that we are never going to see Amtrak make a profit. I am not an economist and I don't have anything to back that up. But I think there is a mythology we have created, whether it is with the postal service or Amtrak or ConRail. It is a mythology that we can set up these outfits under the guise of free enterprise and then under that banner allow them to go their merry way and get neither accountability from them nor profit. We get neither. We give up control.

Mr. McFALL. Or service?

Mr. MOFFETT. They are not service oriented. Mr. Jordan who heads ConRail is, I think, a very impressive man, but I asked Mr. Jordan the other day in our hearings which I happened to be chairing on ConRail's potential abandonments, "what do you think your responsibility is. You say you are just another corporation." I said, "do you think you have a social responsibility due to the fact that we are subsidizing with to \$2.1 billion of the taxpayers' money?"

SOCIAL RESPONSIBILITY

He said, "I am not sure we have a social responsibility." I think we need to talk about the system across committee lines. We need to talk about the system and what is going to become of it in not only five but ten years from now and how can we have a system that is accountable and doesn't waste money, that doesn't spread service all over the country whether needed or not, but how can we have a system that factors in social profitability as well as profitability?

I don't know the answer to how we construct that, but it seems to me that is exactly where we have to go.

Thank you.

Mr. McFALL. We would have to define social profitability, too.

Mr. MOFFETT. Yes. It is very difficult, I know. But I know one thing, it is socially unprofitable when it is energy wasteful in the northeast, for example, to be cutting lines at the time when we have seen an increase in ridership in many areas and whereas, as the gentleman from Montana has pointed out, they have not given the folks a chance.

Just the irony, for example, of massive cuts along this route that I am talking about, the Springfield-New Haven route, and yet in the 5-year plan of Amtrak they have this listed as a priority, the inland route. Mr. Conte knows that. This is irony; it is poor planning, contradictory. Here it is a major priority in their 5-year plan and they have the potential for increasing ridership—actual increases in ridership along a segment of that—and now they are cutting us 42 percent in the State of Connecticut.

Mr. McFALL. One of the questions I am going to ask them this afternoon is how Amtrak would have operated with the full \$500 million that Mr. Reistrup supported back in March.

Mr. MOFFETT. I am glad you are going to ask that question. I don't think it is an exaggeration or inaccurate to say that they went precisely to the public and political jugular. That is what they went to. They knew it. There is no question about that.

Mr. CONTE. It should also be noted that included in the Amtrak request for \$56 million is \$10.6 million attributed to inflation. When it was before us only two months ago, Amtrak didn't make a request for \$10.6 million based on inflation. What then is the origin of this request?

Mr. McFALL. That was the difference between what Mr. Reistrup thought he should ask for and what the board told him to request.

Mr. MOFFETT. Mr. Chairman, if I may be excused, I want to end by giving my sincere thanks to the committee for having this hearing, but making no promises to Mr. Edwards as to how I will vote.

Mr. McFALL. Thank you, Mr. Moffett.

Mr. Dodd, we are glad to have you before the committee this morning. We have had, I think a good discussion here of some of the problems that all of us face with reference to Amtrak. We are looking forward to your contribution.

STATEMENT OF CHRISTOPHER J. DODD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF CONNECTICUT

Mr. DODD. Thank you, Mr. Chairman. I would ask unanimous consent to submit a prepared statement for the record.

[The information follows:]

Mr. Chairman: I would like to take this opportunity to thank you and the members of the subcommittee for scheduling these hearings on Amtrak's request for a supplemental appropriation for fiscal year 1978. There is no greater service that this subcommittee can provide the Congress than the full and complete investigation of the circumstances surrounding Amtrak's request for supplemental funding to prevent nationwide service cutbacks which are scheduled to go into effect on October 30, 1977. In addition to these already announced service cutbacks which Amtrak claims would lower its operating budget by \$23 million, it is my understanding that Amtrak's board of directors is meeting today to decide upon additional cutbacks which they claim are needed in order to reduce their operating budget by \$56.3 million in fiscal year 1978.

As you know, when the supplemental appropriations bill for fiscal year 1978, H.R. 9375, came before the House Rules Committee, several members and I expressed our concern that the bill did not contain any funds for Amtrak despite Amtrak's request for an additional appropriation of \$56.5 million. However, quite frankly when the supplemental came before the Rules Committee those of us who would support additional funds to meet legitimate needs found ourselves in a very uncomfortable position of not having adequate and verifiable information upon which to request a specific level of funding. It is my sincere hope that today's hearings will bring to light information upon which Congress can determine the appropriations needed to continue essential rail service.

I feel that congressional attention to this issue is having many positive results. Several days ago the Transportation and Commerce Subcommittee held oversight hearings on the substantial service cutbacks which Amtrak has announced will take place on October 30, 1977. One of the problems addressed during these hearings was the existing number of vacancies on Amtrak's board of directors, and the difficulty Amtrak is experiencing in making administrative decisions as a result. I understand that six nominees have been submitted to the Senate Commerce Committee, and confirmation hearings have been scheduled for November 4, 1977.

In view of the time constraint for congressional consideration of Amtrak's request, Amtrak has reviewed its original supplemental request and now indicates that it is requesting only the \$18 million needed to forstall the October 30th cutbacks and continue existing Amtrak passenger service until February, given the proviso that Congress will consider the remainder of its supplemental request in the near future.

Given the fact that there are many extensive issues which need to be investigated and the fact that Congress has just a few days remaining to deal with the immediate problem involved—that of maintaining Amtrak passenger service, I wish to go on

record in support of the \$18 million request in order that passenger service can be continued while these issues are resolved.

There are many questions surrounding Amtrak's request which need to be addressed. Clearly, service cutbacks should occur on those trains where ridership is extremely low. It has been suggested that those trains on which fewer than 25 passengers ride per trip should be eliminated. Amtrak has told me that 3 such trains could be eliminated at an annual savings of \$5 million.

There are also questions as to whether Amtrak has the proper relationship with Congress. For example, in this recent experience Amtrak has in effect said to Congress either give us the funds we want immediately or we will eliminate rail service on which literally hundreds of thousands of passengers are dependent.

However, I again want to stress that I do not believe that the problem we may face in our relationship with Amtrak is appropriately addressed by permitting these cutbacks to occur. It is not fair to the hundreds of thousands of riders who will be affected by the cutbacks for Amtrak to hold them hostage in return for the funding Amtrak has requested. Instead, Mr. Chairman, continuation of essential rail passenger service must be our goal.

According to section 301 of the Rail Passenger Service Act of 1970, PL 91-518; 84 stat. 1327, "There is authorized to be created a national railroad passenger corporation. The corporation shall be a for profit corporation, the purpose of which shall be to provide intercity rail passenger service, employing innovative operating and marketing concepts so as to fully develop the potential of modern rail service in meeting the nation's intercity passenger transportation requirements." . . . that purpose is as necessary today as when the act was adopted.

In my home state of Connecticut the cutbacks which are scheduled to go into effect on October 30, 1977, will have a significant impact on the people who rely on Amtrak's service. Amtrak plans to cut 18 trains from the 43 presently servicing Connecticut, an overall reduction of 42% for the state. Those individuals now using trains between New Haven, Hartford and Springfield will have their service cut by more than half. In fact, service through Connecticut, connecting New York, and Boston, will be cut 36%. My colleagues from the states of New York, Pennsylvania, Massachusetts, Illinois, California, Montana, and Florida are aware of the impact the proposed cuts will have upon rider service.

In conclusion, I would like to express my concern over Amtrak's announcement a few days ago of its new five year plan for the "enhancement" of the overall system. It is particularly inappropriate, in my opinion, that these new improvements should be proposed by Amtrak at the very same time they are announcing cutbacks of essential passenger service.

Among other proposals, the new five year plan calls for the purchase of 380 new low-level passenger cars and the upgrading and improvement of certain Amtrak stations. To implement these proposals, Amtrak will request for fiscal year 1979 \$613 million in operating funds and \$341.4 million in capital funds. This represents a 25% increase in operating funds appropriated for Amtrak for fiscal year 1978 and a 216% increase in capital funds that Amtrak received in its appropriation for fiscal year 1978.

Mr. Chairman, there is no question in my mind that given a choice between a passenger car which costs between \$300,000 and \$400,000 and the continuation of essential passenger service that our obligation is to continue service. It is my hope that your hearings will shed some much needed light on Amtrak's operation which will help re-establish passenger service as Amtrak's highest priority function.

Thank you Mr. Chairman for the opportunity you have given me to express my opinion on this most important matter.

ADDITIONAL HEARINGS

Mr. DODD. I want to compliment you, Mr. Chairman, for holding these hearings. When the supplemental appropriation came up before the Rules Committee, there were several members on the Rules Committee who were impacted by the decision of Amtrak to seek an additional \$56 million. Quite frankly, I just did not feel comfortable at all, nor do I think anybody else did who was impacted, at their sudden lunging at our colleagues and asking for an additional appropriation, when I could not see any justification for it.

We asked you, and you graciously agreed to hold some additional hearings to find out if there was any justification for this. So I want to compliment you and the committee for taking time at the end of a session to sit down and go through what I know for many of you is a repetitious performance.

Mr. McFALL. I am not so sure it is repetitious, Mr. Dodd. I am sure the Committee will find your remarks valuable and informative.

Mr. DODD. Let's hope so in this case anyway. Let me say I agree with the remarks of my colleague from Connecticut. Much of what I have to say has been said already. I am not going to belabor the point before the committee.

BUDGET REQUEST

But I think it is important to note that there have been some improvements anyway as a result of this activity. I think the last statement of my friend from Connecticut, Mr. Moffett, particularly appropriate. That is, that we in effect really had a gun placed at our head by Amtrak a few weeks ago when all of a sudden this screaming for an additional \$56 million made it appear as though we in Congress, particularly in those States where we are being impacted, had failed in our responsibilities to the public.

Quite honestly, I thought the blame rested there and not with us and I thought it was a power play utilizing the 11th hour at the end of a Congress and trying to push it through. I resented it, and did not like having that accusation made in my own district where I did not see the justification for the additional funds and I certainly felt there should be more said and more brought out in hearings to justify that action.

Of course, there have been vacancies on the Amtrak board. I understand there are six nominees who have now been submitted to the Senate. But that in itself is a problem when you are trying to get some sound decisionmaking out of a board where you don't have a full complement of board people making the decisions.

I note that Amtrak has now modified its position somewhat in that they have indicated that an additional \$18 million would keep the operation afloat between now and February as far as the proposed cutbacks. Let me just say right off the top on this point that I don't have any interest whatsoever in seeing a rail line that doesn't have passenger service stay in service. That is ridiculous. I don't care whether it is in my district or in my State. I don't see any purpose in that if it has minimal service and is not doing anything worthwhile.

I don't want to be a part of anything that would maintain a train for the sake of maintaining a train. I think there are some inherent problems in some areas where there could be greater service if there was more attention paid to scheduling and the facilities, et cetera. But I certainly don't want to be a part of any effort that would maintain a service or a line that was not needed.

As far as the \$18 million goes, I would like the committee to really assess that request carefully in terms of maintaining their operation through February. Then take a good, hard look at exactly

what should be done beyond that point—where these cuts should occur and if they should occur.

FUTURE FUNDING REQUESTS

Mr. McFALL. May I say something at that point in your testimony?

Mr. DODD. Surely.

Mr. McFALL. The question becomes, is the Congress, by appropriating more money, let's say \$18 million, in a sense leading Amtrak on? They may return in the spring, in the middle of the fiscal year, and request the balance of the authorization. At that time they will say "You must give us the money. We can't make any changes or reductions now." I am very concerned about Amtrak's response to a decision to appropriate more money.

Mr. DODD. I suggest in that case that there be a caveat placed on it. I would not want it to be perceived, if the committee decided that the additional 18 or whatever million dollars was necessary to keep these lines operating until a good assessment could be made of their necessity, that that could be construed as somehow a rubber stamp for \$36 million for next year. I think with the clear understanding of the assessment of the situation that would be laid against any additional appropriation that might come up in order to maintain legitimate service.

ROUTE AND SERVICE CRITERIA

Mr. McFALL. We asked them to institute the route and service criteria, which means take a look at the routes to see whether or not they are actually performing a service, at social and environmental as well as economic factors. This is part of the basic authorization. They said it just takes too long to do this.

When do you start the trip, like the Chinese proverb?

CONNECTICUT SERVICE

Mr. DODD. I am not suggesting \$18 million would be a first step. I would not want to see that.

Let me conclude, Mr. Chairman, by saying, and again Mr. Moffett touched on it, but to be parochial for a second, Connecticut is being severely impacted by this decision on cutbacks. A significant percentage of our rail service in the State is part of the proposed cutbacks. Needless to say, I want to emphasize that we have a couple of lines in Connecticut that I question whether they should be in service because of the number of people using them, and others where I think some improvement in the service could increase the passenger service and make them viable lines.

It is a deep concern when you consider that in Connecticut we don't have alternative means of transportation other than automobiles. We have a lot of people who come from my area or Mr. Conte's area. In my hometown, Norwich, Connecticut, which has a population of 35,000 people, 2,000 heads of households travel 50 miles a day to their jobs. There is no way to get there unless you drive in your automobile. We should explore providing some alter-

native rail service with some of these old beds and lines. I think we should be moving in that direction to provide for people's need, particularly when you are talking about the energy crisis facing us.

The last point is this 5-year plan. When Amtrak announced this I could not help but think of the old Russian 5-year plan. I immediately thought of Moscow. I never knew of a 5-year plan that ever worked there. I am sympathetic to wanting to improve the quality of some of their equipment. But I find it less heartening at a time when they are proposing cutbacks that they are also proposing the buildup of 380 new cars at a price tag of \$500,000 apiece. I recognize they need to improve their equipment along the line. But to announce that plan almost at the very same time they are announcing severe cutbacks in service I found incongruous. I think that ought to be assessed carefully. I think they need to improve some of their services, stations, scheduling, et cetera.

I think we ought to be very careful that we don't allow some expansive, overambitious plan to be foisted on us at the time when we are trying to provide for the basic service of moving people from their homes to their jobs and provide for a healthy economy in areas that are going to be impacted by these decisions.

On that point, Mr. Chairman, I will conclude. Thank you again for the opportunity to be here.

Mr. McFALL. We thank you for your testimony, Mr. Dodd. As you know we have the Interstate and Foreign Commerce Committee studying this same issue. Mr. Moffett is a member of that Committee. Our hearings will continue today and into tomorrow. I hope the committees as well as the individual Members can sort out the complex questions you and the other Members have raised.

We appreciate your coming before the committee and making a statement with reference to this specific problem and hope that you may come back again when we have these and similar questions before us.

Mr. MOFFETT. Let me say again that I am delighted that you and the committee agreed to go through this exercise in taking a good, hard look at this situation. That is what I call responsive government. I am delighted to see it and I am delighted again to have the opportunity to appear before you.

Mr. McFALL. Mr. Benjamin?

Mr. BENJAMIN. No questions.

Mr. EDWARDS. It may not be responsible, but it is responsive anyway. I don't have any questions.

Mr. McFALL. Mr. Evans?

Mr. EVANS. No questions.

Mr. McFALL. Mr. O'Brien?

Mr. O'BRIEN. We thank you, Mr. Dodd. We hope you will stay if you would like. You are free to leave if you would like to.

Mr. DODD. The Rules Committee is meeting right now on whether or not to televise these proceedings. I think I had better get over there.

Mr. McFALL. We will take a short recess.

[A brief recess was taken.]

Mr. McFALL. Mr. Pease, you have been very patient with us. You have been listening to our conversations. We will be glad to have your statement at this time.

STATEMENT OF THE HONORABLE DONALD J. PEASE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF OHIO

Mr. PEASE. Thank you very much, Mr. Chairman and Members of the committee.

With your permission, I would like also to submit a statement for the record, and just give you a few informal comments about this appropriation.

[The statement follows:]

STATEMENT OF REPRESENTATIVE DON J. PEASE

Mr. Chairman, members of the subcommittee, I appreciate the opportunity to present my views about Amtrak's request to increase its operating budget for fiscal year 1978. I know that the subcommittee has always been responsive to the growing demand for passenger rail service.

The fact is that more and more people are turning to train service. We will soon be voting on a national energy plan. This plan is designed to reduce fuel waste. We are changing the individual's travel habits by turning him away from his car. Rail service is a vital part of the mass transit options that must be readily available to the public.

I know that Amtrak's fiscal reports since 1971 show a history of expanded demand, uneconomical route management, and inflation that have produced a need for increased federal assistance each year. The 94th Congress passed authorizing legislation setting a ceiling of \$545 million on Amtrak's operating budget for fiscal year 1978. Because this year's final appropriation is considerably below that amount and the figure Amtrak requested—\$534.1 million—the corporation is now cutting back its rail service in more than eight major cities. Dayton, Ohio is scheduled to lose all its service at the end of this year.

Smaller cities and communities will also be seriously affected. The city Elyria, Ohio—in my congressional district—is a popular and profitable stop on the Chicago to Boston run. It was put on as an experiment in October, 1975 and holds considerable promise for that route. We are all proud of the record it has sustained for passenger travel. This summer, a "modular station" was moved from Cleveland to the Elyria station. It is still waiting to be opened. The two-person staff needed to sell tickets and handle baggage and packages was promised for September 15. This recent budget reduction by Amtrak has postponed these plans indefinitely. An estimated \$42,000 annually—in salaries and benefits—is needed to hire the two person staff. It is anticipated that a manned station would generate \$56,700 worth of additional ticket sales annually. But, in this case, both Elyria and Amtrak lose. In Elyria, passengers must buy their tickets through a travel agency. Amtrak pays 10 percent on the cost of a ticket on each of these sales. While passengers now wait in a nearby shelter, Amtrak is also being hurt by keeping this station closed.

I am sure that there are numerous similar situations across the country that are aggravated by this reduction in passenger service.

I do not advocate a band-aid approach to Amtrak's budget difficulties recent news programs and continued complaints from people delayed on route to Chicago, New York or Seattle tell us that Amtrak must undertake a comprehensive review of its route systems and management effectiveness. In recent testimony before another subcommittee of the House, the Interstate Commerce Commission stated that an additional appropriation will not solve the continuing problem of Amtrak's operating deficit. The problem is far beyond the number of passengers who are or are not at each train stop. I am glad that Senator Birch Bayh had called for an immediate, comprehensive review of existing routes. Such a review is necessary. It is also necessary that rail passengers be able to continue to use the trains as conveniently and efficiently as possible.

I ask that the subcommittee members review their positions when the supplemental appropriations bill is presented to the conference committee.

Just last year Amtrak introduced its new Amfleet service in the northeast corridor route. The effort that the corporation has put into this new service is obvious. The new trains run on schedule, are pleasant to travel and—most importantly—have increased Amtrak's ridership on that route by 15 percent. I believe that that is an impressive figure. I also felt that similar efforts on other routes across the country will significantly upgrade our growing rail service system. And I support the subcommittee's consideration of a supplemental appropriation to Amtrak's operating budget for fiscal year 1978.

Thank you for your time this morning.

MASS TRANSPORTATION

Mr. PEASE. I come to you as a long time believer in mass transportation, as a person who uses it here in the Washington area to get to work, as a person who believes that the energy situation just makes it all the more important that we try to preserve and expand mass transportation where we can, and as a person who has had occasion to spend a week or so in Switzerland where they really do have a rail system to shout about.

LAKE SHORE LIMITED

Now, my particular interest in Amtrak derives from the fact that there is a line going through my district from Boston to Chicago; it also goes through Mr. Benjamin's district. The stop in Elyria, Ohio was put in a couple of years ago as an experimental route and has been very successful. We fought to get a stop in Elyria, on the west side of Cleveland, even though Amtrak was not sure that it would really pay.

The ridership from that station has been very, very good, Amtrak has been most gratified at their decision.

The community has been very supportive.

Now, at issue for us is the fact that since that stop opened it has had an unmanned station, just a little shelter, really, no telephone, no ticket agent or whatever. The train that stops in Elyria is a long distance train that originates either in Boston or Chicago, and is often half an hour, 45 minutes or an hour late. So, it's an inconvenience to people not to be able to find out easily where the train is and when it is coming in, or to have a place with some warmth in which to wait.

Cleveland had had a small manned station. They have now upgraded their own stop and have moved that smaller, modular station from Cleveland to Elyria. They set it down and put it on foundations, ready to open. The idea is that it would be manned by two people for several hours each day.

But Amtrak says it cannot open that station because of its financial difficulties. Amtrak does not promise to open it if they get an additional \$12 million or \$18 million or any specific figure. But it seems rather clear that it will not open it they are not given some additional money.

Now, this is really a small matter for the committee, I understand, but it points out to me the general problem with train travel and rebuilding a passenger train system. That is, that you really need to have an integrated transit system. There are some people who will ride the train no matter whether it comes through the town at three o'clock in the morning. They will go down to the stop at three o'clock to get on it. But there are a lot of other people who have a much lower tolerance level for inconvenience.

So, if you have an integrated system, you can attract riders and keep riders, and if you don't, you don't attract riders and you don't keep them.

To cite an example in Switzerland where my family and I have gone a couple of times on vacation, primarily to ride the trains, in

that country you know, the trains come often and you know they always start on time and arrive on time, and if you have to go someplace from the train station, you know that there will be a bus stop at the train station. You know that the bus will leave eight or ten minutes after the train arrives. It's none of this business that the bus just left before the train arrived.

If there is a lake near by and there is a ferry service on the lake, that ferry service is coordinated with the train. It really makes it extremely easy to be a rider of mass transit. There is a minimum of inconvenience, and it's really very fast.

ELYRIA, OHIO STATION

I look at my station in Elyria from that point of view. Now, if that station will probably continue long enough so that there is taxi service available, perhaps Greyhound will coordinate with the trains. When the station in Elyria opens . . . there will be a person from Amtrak in charge, who people can buy their tickets from and ask about schedules and so on. It just seems to me that that type of service has got to increase the attractiveness of train travel for people in my area.

That, specifically, what I am interested in, in trying to foster greater travel by train for my area, and for Amtrak everywhere. I am interested in allowing Amtrak to build on its experience and to encourage the coordination of transportation between rail and buses and other forms of mass transportation, so that people will find it easy and convenient and attractive to ride the trains again.

In my area, that manned station would be a real plus toward that goal. I am hoping that we can encourage Amtrak to put it in this fall. Certainly if they get additional money they will be encouraged to open the Elyria Station.

INFLATION

Now, I don't think we can, or this committee can or should just throw money at Amtrak. I think you ought to look at the figures very closely. I think you ought to require, as I am sure you are, that the Amtrak staff justify the supplemental appropriation they are asking for.

I have looked at some of the figures for the last year or so, and you would know these better than I, but if the operating budget for fiscal 1977 was \$482.6 million, as I understand that it was, and if we have endured an inflation of 6 percent or 7 percent over the last year, it would seem to me that that would mean that there ought to be \$30 or \$35 million more this year to cover Amtrak's inflationary costs. Unless there is a real good reason to believe that they can really cut their costs by cutting back on some routes.

I presume that you have examined that question. But it appears that Amtrak is in trouble, and that they will make service cutbacks in the absence of additional appropriations this year. I think that would be unfortunate. Amtrak is either going to have the image with the general public that it is moving forward to accomplish some goals, to increase its service, or it is going to have the image of cutting back and being a dying proposition.

I think Amtrak has not been in business long enough to really accomplish its goals, and I would hate to see a negative image among the public generated at this point in the game.

So I just conclude by urging you to continue your interest in Amtrak and to look very carefully to see if there is a justification that can be made for additional appropriations this year.

Thank you, Mr. Chairman.

LAKE SHORE LIMITED

Mr. MCFALL. We thank you for your statement, Mr. Pease, and we are glad to have you before the committee to give us some insight into the Amtrak performance in your district.

I have one question: You indicated that the train through your area runs late much of the time. What market does this train serve?

Mr. PEASE. Mr. Chairman, this is a long distance train, so people are not taking it 50 miles or 100 miles. They are taking it either to Chicago or to Boston or to New York. I have ridden the train myself, and one case it has started an hour late in Elyria when I boarded the train to make the 400 mile trip to Chicago, but I arrived in Chicago 40 minutes early. Once it left that last station in Indiana, the train really went. They have had a lot of track troubles around the Buffalo, New York area, with reroutings and other things of that sort and, of course, in the winter time they have the snow problem around Buffalo.

Basically, the people in my area go to the stop when the train is due, which is about eight o'clock in the morning westbound, and they wait 45 minutes to an hour if they have to, to go get the train. These are the people who are pretty much dedicated to riding the train. I would hope Amtrak improves its on-time performance, and I think they have cut the schedule in our areas as the track has improved.

I don't know that for a long distance train, 400 miles or so, that a half hour or 45 minutes delay in starting is a serious problem. If people can find out that the train is going to be a half hour late, they can delay their arrival at the station. They won't mind the delay as much, if there is a warm place and a safe place to wait. One train going eastbound goes through Elyria at 10:30 at night. People might be a little reluctant to go down to an unmanned station the late hour from a security point of view.

I think the delay is not terribly important, and I think is reasonably understandable considering that the train starts eight hours before in Chicago going eastbound or 12 or 14 hours before going westbound from Boston. If people have a good safe place, warm, and can find out about the delay, I think they will take it.

Mr. MCFALL. Thank you.

Mr. STEED, do you have any questions you would like to ask?

Mr. STEED. Let me offer a few comments. I appreciate your appearance here today. You spoke about a problem that I have always felt that Amtrak hasn't exploited enough, and that is things that can be done, and you give a typical example, to entice and increase use of Amtrak. The idea that you can just put some trains

on and people will use them isn't working. Different approaches are needed if we are ever going to see Amtrak succeed.

Mr. McFALL. Mr. Edwards?

Mr. EDWARDS. No questions, Mr. Chairman.

Mr. McFALL. Mr. Benjamin?

Mr. BENJAMIN. No questions.

Mr. McFALL. Mr. Evans?

Mr. EVANS. No questions.

Mr. McFALL. Mr. O'Brien?

SERVICE QUALITY

Mr. O'BRIEN. Mr. Pease, you touched on one thing earlier. We are not a Nation that is accustomed to self-denials, convenience has sort of grown with us, and we are not really prepared to make the extra sacrifice. We kind of expect train frequency, passenger comfort, and on-timeliness and I don't think things are not an awful lot improved, but I remember my father told the story of living in Southwestern New York, a very small town. The Erie Railroad goes through here in my dad's home town, and it used to stop once a day. It doesn't anymore, but my dad says that train would occasionally be five or six hours late, and he said one time it was on time, and he said we took up a collection for the engineer. The engineer said, "I can't accept it because I am yesterday's train." The story isn't brand new. Trains and railroads have problems, and I kind of agree with you, Amtrak isn't that old. Between your talking about train frequency, passenger comfort, on-timeliness, and I think Mr. Moffett's comment about the social profitability, I don't really understand that. I think that is a contradiction in terms. It depends on what you are trying to do.

I guess that is all I have to say, Mr. Chairman.

Mr. McFALL. Thank you.

Mr. PEASE. Mr. Chairman, if I might comment briefly in regard to that comment from Mr. O'Brien and also regarding Mr. Steed's comment before, the problem with Amtrak is that it is supposed to provide a passenger rail service, but it is not a transportation system. If Amtrak or someone else had the authority now not only to set up the train schedule but to set up bus stops also at the train station so there would be a bus leaving 15 minutes after the train was due in, or whatever, and taxi stations and all of the rest, I think we would be a lot farther down the line. But we have an uncoordinated transportation system. We are, however, adding additional programs for urban bus systems, for senior citizen bus transportation, and that sort of thing, which I think in time will feed into the rail system and make both stronger.

I guess my desire is not to start going down hill with Amtrak, cutting back on it before we have a chance to bring in these other elements which will contribute to the strength of Amtrak.

Mr. McFALL. Thank you, Mr. Pease.

Mr. Marlenee, we are pleased to have you before the committee.

Your State is where the transcontinental trains run through. I know it well. I was there a couple of years while I was in the service. There were a lot of trains going through there then.

STATEMENT OF THE HONORABLE RON MARLENEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF MONTANA

Mr. MARLENEE. Thank you, Mr. Chairman.

We had a lot of troop trains at that time, and I remember them well, too, as a boy riding on them. I have a little story about one of those I remember as a boy, if I may tell that.

Mr. MCFALL. Go right ahead.

Mr. MARLENEE. You know the affection this country had for the servicemen at that time, there were several servicemen in the train, or, rather, it was loaded with servicemen, and there was an old lady sitting there traveling somewhere, and, of course, these boys were having a good time, because it may have been one of the last good times they were ever to see. There was quite a little drinking going on, and this guy had a full jug of wine or liqueur, and he dropped that and it broke and spilled all over that old lady. Of course, he apologized profusely, and I remember her remark: She said, "Son, that's very fine. Where you are going—I would have you bathe me in that at any time or any other member on this train of servicemen." I will always remember that remark.

I commend you and the committee on having the hearings. If the Amtrak Board had been as responsive perhaps we wouldn't be at this point today. They have been most unresponsive, and I called them when I learned of the Amtrak cut for our area. I called three times a week, four times a week on one route; I called Paul Reistrup and asked him if perhaps some of the Congressional delegations, some Senators and Congressmen, couldn't get together and discuss this problem with him on the cut-back.

CHICAGO SEATTLE TRAINS

His reply to me was, "Things aren't done that way here." I call that pretty unresponsive, and, therefore, Mr. Chairman, I appreciate the opportunity to testify in support of the supplemental appropriation of \$56.5 million for Amtrak. I urge the committee to obtain from Amtrak a commitment that service on the Empire Builder and on the North Coast Hiawatha be returned to daily service upon the enactment of this supplemental appropriation. Amtrak first announced the cutbacks in service due to budget restraints. But now they have turned around with another excuse and stated that even with the supplemental appropriation daily service will not be restored until new super-liner equipment is available.

I too want to see Amtrak replace the old trains and the old cars with new ones, but while the conversion is being completed I can see no good reason why they can't run the old trains. Amtrak's goal is to make profit in the operation, but it's never going to reach that point unless it offers service that will attract and hold the customers.

Mr. Chairman, I rode these routes when I heard of the cut. I went out as a Congressman, and, incognito, got on the train at Minneapolis and rode this route, and I talked to the crews, and believe me, the information I got from the crews themselves would make a Congressional committee that is interested in cost benefit ratios, it would make their ears ring. It would make your ears ring.

ROUTE STRUCTURE STUDY

The current reductions in service were made before Amtrak had completed the route and service evaluation of the entire system. The primary reason for the study was to develop for the first time a unified, consistent process to evaluate all present routes and services.

Now, Amtrak claimed at first to have completed the compilation of the information on economic, social, and environmental considerations to be used, but then Amtrak began announcing cutbacks in service while admitting that these social and environmental factors were not taken into account.

Amtrak's insensitivity to the mandate of providing rail passenger service is its reason for not holding hearings on the cutbacks; Amtrak did not hold these public hearings because the law does not require them to do so when they have a frequency reduction.

With total disregard for the people who ride the trains and those who depend on parcel service, Amtrak did not even seek their opinions. Yet the future economic viability of railroad passenger service depends on how that service is used, and the frequency with which it is used.

PATRONAGE

Presently the people who live and work along the Empire Builder and the North Coast Hiawatha routes have little or no alternative means of surface transportation. For travelers, for instance, this affects the areas from Chicago to Seattle. Now, people that are traveling that route and points in between, the airline service in that area is very poor along the North Tier route. There are very poor bus connections along that route. In riding that route, I found elderly people; I found mothers with children; I found students; I found servicemen, service personnel that go to the various air bases out there. These are the people that will be affected. Not everybody can jump on an airplane or not everybody can afford four hours, like a student that wants to come home on the weekend and can't afford a four day weekend to get back home and back to school.

Then, looking at the future as the people in Chicago and Seattle and Minneapolis strive to conserve energy and drive smaller automobiles, the lower income and medium income people, if this service isn't provided in a viable way, they are the ones that are going to be affected, because you cannot load your children, four children and your luggage in one of these small automobiles and go out to grandma's for Thanksgiving or Christmas, or even for a vacation or skiing.

Furthermore, along these lines we have buses that receive parcels and parts, supplies from Seattle, from the factories in the East, and this is very important to the local economies.

ENERGY CONSERVATION

In light of our need to conserve energy, we should be improving on the energy efficient rail transportation rather than cutting back. During recent hearings in the House Interior Energy and Environ-

ment Subcommittee, we heard that the additional cost to transport surplus Alaskan oil from the West Coast via the Panama Canal may cost as much as \$500 million per year over and above the cost of the pipeline along the North Tier. Now, here we are talking about a \$56 million cost that would save us energy in the long run in our country, which is supposed to be energy conscious at this time.

Therefore, I certainly support the supplemental appropriation.

The railroad passenger business got into trouble in the first place because of more attractive alternative types of transportation and service. Then to reduce the deficits, the railroad wants to curtail service, and, in fact, discourage people from riding the trains. This used to be the old attitude of some of the lines.

Then it came to the point where the Nation was either to lose the railway service or to subsidize it, and that is when Amtrak came into being. I am of the opinion that numerous improvements must be made to attract the new passengers to the point where deficits can be reduced. I don't like the way the current reductions were made and announced, but I understand the need for Amtrak to operate within the budget. What I am saying is I don't like the pistol of curtailed service held at my head, so I will favor a supplemental appropriation. But at this point in time I will do so, but I want some accountability from Amtrak, and I want you fellows to request it.

I believe Americans who have never ridden a train have missed a good experience. And it is a good experience, and I will be using the line more as I go back to the district because it offers the opportunity to get on and do some work as I travel down the line. And it takes me to the inaccessible areas that the airlines do not reach.

SERVICE ON THE CHICAGO-SEATTLE ROUTE

What will be gained by these first time riders with poor scheduling, with bad service? When I got on, I went to Minneapolis, and it's about midnight when you get on at Minneapolis, and I was escorted to the sleeper car by the porter, and, of course, I badgered him and asked a lot of questions of these guys just to try to make a nuisance of myself. They didn't know who I was, and I had my son with me who is 16 years old. They opened the door to my sleeper car, my bunk, and I couldn't get my boy to go in. There were date pits, toothpicks, Fritos smashed into the carpet on the floor. I could not get him into the sleeper. I could never get him to undress and crawl under the covers. I got up in my bunk and went to sleep for the evening, but I could never talk that boy into undressing.

We have a certain amount of pride about Montana and other North Tier States, and I believe there is not a better opportunity to promote rail passenger service across the Northern Tier, for here is the majestic scenery of the country, and just taking that trip is enough to make a person sing America the Beautiful. But the point I am trying to make is those people that get bad service the first time are never going to be back, and when these people at Amtrak start talking about ridership, these are the things that they should be taking into consideration.

I had one employee of Amtrak tell me that he had ordered a uniform in January. He wanted a new uniform. He still, to this day,

has not received his uniform from Amtrak. A conductor told me he had mice running up the walls of the dining room car; he called a number in Seattle, and they referred him to another number in San Francisco, who referred him to another number in San Francisco, until he finally said, forget it. He said other things than that to me, but he put it in different language. But he said I just forgot the whole thing.

Here is a conductor who is responsible for the train, and he can't get any response on solving the problem.

If hearings are not held in the areas that are directly affected by the cutbacks, then I maintain the Amtrak Board is insensitive and does not want to hear of its own problems. I believe this committee should grant the supplemental appropriation before it and Congress ought to hold some more oversight hearings to make certain the little details are being looked into so the service attracts ridership and not detracts.

The Director of Amtrak needs to know the commitment of Congress, its will and desire to put some muscle and pressure back into the railroading. I think we can do this, but we cannot do it by cutting the operating budget.

Therefore, I urge you to act favorably on this supplemental request and direct Amtrak to reinstate the service, direct them to respond to Congressional inquiries, hold hearings in the areas of the cuts, and that this or some other committee examine the cost benefits of service Amtrak contracts from others.

I appreciate the time.

Mr. McFALL. Thank you, Mr. Marlenee. We appreciate your statement and your comments. I know your State would be impacted by these cuts, and we are glad to have your statement about how it would affect your people.

Do we have any questions?

Mr. Steed?

SCHEDULING

Mr. STEED. All I want to say is, having been in your part of the country, I know how true it is that the scenery is very delightful. I hope they don't schedule the trains to run through there at night.

Mr. MARLENEE. This was another problem that was brought to my attention by the crews themselves. The crews are concerned that run these trains; they are concerned about their jobs; they are concerned about service; they are concerned about how the train runs, and now the train is scheduled so it runs through the scenic mountain areas at night, and everybody is asleep.

Mr. DUNCAN. If I may interrupt, it probably is scheduled during the day time but doesn't get there until night.

Mr. MARLENEE. Montana is a big State, but the most scenic part, the mountain part, is traversed at about the midnight hour, or somewhere in there.

Another comment by the crew was that now a new schedule has been arrived at for the trains, and it has no connections on either end, either in Chicago or Seattle.

Mr. McFALL. Mr. Benjamin?

AMTRAK MANAGEMENT

Mr. BENJAMIN. I am interested in your remark regarding Mr. Reistrup, wherein you suggested that he met with a number of Congressmen to discuss the dilemma and, apparently, he responded by saying that that is not the way they did business. Did you subsequently talk to him? Were there members of Congress that were meeting with him, and can you be more specific or amplify on your statement?

Mr. MARLENEE. What happened was that the cutback had been announced. A short time later I was in Havre, Montana, meeting with some of the crew and the Chamber of Commerce of that city. We called Mr. Reistrup back here, requesting that he, these were the words:

"If I have ten to a dozen Congressmen, if we could get together and meet with your Board, could you arrange that?" His statement was, "No, that is not the way things are done here." There were several people that were sitting at that meeting; we were on a speaker phone, and I was shocked and amazed. In further discussion later with Mr. Reistrup, I found him more responsive than at that particular moment. But I think we need to have these people more responsive to Congressional inquiry.

Mr. BENJAMIN. Thank you.

Mr. MCFALL. Mr. O'Brien?

Mr. O'BRIEN. No comments.

Mr. MCFALL. Mr. Smith, any questions or comments.

Mr. SMITH. No.

Mr. MCFALL. Thank you very much, Mr. Marlenee.

Mr. MARLENEE. I would like to submit my statement.

Mr. MCFALL. We will insert it in the record at this point.

[The information follows:]

STATEMENT OF RON MARLENEE

Mr. Chairman, I appreciate this opportunity to testify in support of supplemental appropriations of \$56.5 million for Amtrak, and I urge the Committee to obtain from Amtrak commitments that service on the Empire Builder and North Coast Hiawatha will be returned to daily service upon enactment of this supplemental appropriation.

Amtrak first announced the cutbacks in service due to budget restraints, but has now stated that even with a supplemental appropriation daily service will not be restored until the new Superliner equipment is available.

I, too, want to see Amtrak replace the old cars as quickly as possible along these routes, but I fail to see why the old cars cannot be operated along with the new ones while the conversion is being completed.

Amtrak's goal is to be a profit making operation, but it is never going to reach that point unless it offers service that will attract and hold customers.

The current reductions in service were made before Amtrak had completed the route and service evaluation of the entire system. The primary reason for the study was to develop for the first time a unified and consistent process to evaluate all present routes and services. Amtrak claims to have completed the compilation of information on the economic, social, and environmental considerations to be used in this evaluation, but then Amtrak began announcing cutbacks in service while admitting that social and environmental factors were not taken into account.

Even more evident of Amtrak's insensitivity to its mandate of providing rail passenger service is its reason for not holding hearings on the cutbacks—Amtrak did not hold these public hearings because the law does not require them to be held on frequency reductions.

With total disregard for the people who ride the trains and those who depend on parcel service, Amtrak did not even seek their opinions. Yet the future economic viability of railroad passenger service depends on service that will be used.

Presently, the people who live and work along the Empire Builder and North Coast Hiawatha routes have only little or no alternative means of public surface transportation. Travelers will be forced back to using cars on trips from Chicago to the West Coast and points in between if train service is not readily available.

Middle and low income people are adversely affected by the cutbacks and will not be able to travel easily because alternative means of transportation are too expensive or not available. There are many short-run passengers who ride the trains between local points in Minnesota, North Dakota, Montana, Idaho, and Washington.

Furthermore, it is important that businesses receive daily service in bringing in machinery parts, auto parts, drugs, flowers and other supplies on an overnight basis from the Chicago and Seattle areas.

In light of our need to conserve energy, we should be improving energy efficient rail transportation service. The Northern Tier states are already reaching a crisis stage in gasoline and middle distillate fuels and more people may have to use the trains out of necessity.

During recent hearings in the House Interior's Energy and Environment Subcommittee, we heard that the additional costs to transport surplus Alaskan oil from the West Coast to the Gulf Coast via the Panama Canal may cost as much as \$500 million per year over and above the cost of a pipeline.

Here we are talking about an expenditure of \$56 million, or about 10 percent of that cost. We have the opportunity to enhance low cost surface transportation in an effort to decrease our dependency on crude oil. But I seriously doubt that we can attract customers to Amtrak if we operate out of gloomy buildings, on poor schedules, and with less than satisfactory service.

The railroad passenger business got into trouble in the first place because of more attractive alternative types of service. Then to reduce deficits, the railroads started to curtail service, in fact, to discourage people from riding trains. It came to the point where this nation was either to lose rail passenger service, or subsidize it.

I am of the opinion that numerous improvements must be made to attract new passengers to the point where deficits can be reduced. I don't like the way the current reductions were made and announced, but I understand the need for Amtrak to operate within the budget.

What I am saying is that I don't like the pistol of curtailed service held at my head so I will favor a supplemental appropriations. But on balance, I think we cannot afford to permit the service to deteriorate further this year, when we ought to be encouraging more ridership. The two concepts are clearly in opposition.

I believe many Americans have never ridden a train. But I think there are many who will. I would like to see that experience a good one. What will be gained if the first-time riders, perhaps a family, finish their trip by saying, "Boy, I will never take the train again."

With a certain amount of pride about Montana and the other Northern Tier states, I believe there is not better opportunity to promote rail passenger service than across the Northern Tier, for here we have the majesty of the wide open plains, the magnificence of the Rocky Mountains, and the grandeur of the Pacific Northwest.

Just thinking about such a trip is enough to make one want to sing "America, the Beautiful."

But, it is pretty hard to keep singing when the cars are too old, too hot or too cold, when the service is bad, when the ticket agent is crabby and non-communicative. If is equally difficult to be thrilled when the trains do not run on schedule, or when you cannot take the route you want to take. With the new scheduling the trains don't make connections at either end.

I rode Amtrak from Minneapolis to Havre, and I found the employees concerned. There are some charges that have been made as to the reasons the morale is low, ridership bad, and the budget broken. One employee told me of an Amtrak uniform that had been ordered in January, but not received. A conductor told me of mice running up the walls of the dining car. He tried to call Seattle for corrective assistance. He was referred to a San Francisco number where he was referred to another number and he finally had to give up.

If hearings are not held in the areas that are directly affected by cutbacks then I maintain the Amtrak board is insensitive and does not want to hear of its own problems.

I believe this Committee should grant the supplemental appropriation before it, and Congress ought to hold some more oversight hearings to make certain the little

details are being looked at so the service attracts, not detracts. The Directors of Amtrak need to know the commitment of Congress and its will and desire to put some muscle and pleasure back into railroading. I think we can do this. But we cannot do it by cutting the operating budget. Therefore, I urge you to act favorably on this supplemental request and direct Amtrak to reinstate service.

CONTRACT SERVICES

Mr. McFALL. Mr. Evans, do you have any questions?

Mr. EVANS. Were there any other comments made by the employees and people working for Amtrak that this committee might be interested in? We heard some of them. Are there any other comments that would be instructive to us?

Mr. MARLENEE. There were a lot of comments regarding the cost benefits of services contracted by Amtrak from the lines that they travel over, the rail lines that they travel over.

Before I pass those on to you, I would rather substantiate them with documentation, rather than an irresponsible statement. But there were a lot of questions raised in my mind about cost benefits.

Mr. McFALL. Are you referring to Amtrak's contracts with the operating railroads?

Mr. MARLENEE. That is correct. In a lot of areas, for instance, somebody raised the question about the depot in Minneapolis, what is Amtrak paying for the use of the depot in Minneapolis, which is a terrible facility. To catch the train I went down there at a midnight hour; the train left at 12:30. There was no one around, they stop selling tickets about 11:00, the train leaves at 12:30, what mother with children would go down there and sit in that depot to catch that train by herself? I can't see that. It's in a bad district; it's poorly lit; it's filthy. Just what does Amtrak have to pay for the use of that facility? There were other questions, time and again that were brought to me by the crews as to the cost benefits, and I think this is where holding the hearings out in the areas and listening to these people and then investigating these costs would be most beneficial.

Mr. EVANS. If you do have anything that is verified that you feel we should have, I am sure the committee would be interested.

Mr. MARLENEE. I am trying to think. There was one particular area that was of interest. I will try to get back to you with some of them.

Mr. McFALL. We would appreciate it.

Mr. EVANS. Thank you, Mr. Chairman.

Mr. McFALL. Thank you, Mr. Evans.

Thank you, Mr. Marlenee.

Mr. MARLENEE. Thank you.

STATEMENT OF CONGRESSMAN RICHARD SCHULZE

Mr. McFALL. We have received a statement from our colleague, Congressman Richard Schulze of Pennsylvania. We will place his statement in the record at this point.

[The statement follows:]

STATEMENT OF REPRESENTATIVE RICHARD T. SCHULZE OF PENNSYLVANIA

Mr. Chairman, members of the Committee, I appreciate the opportunity to testify today to reiterate my stand on Amtrak's decision to terminate the runs of several

trains in Pennsylvania. I say "reiterate" because my position in support of existing service has been previously expressed in writing to Mr. Reistrup and constituents who have taken the time to request my assistance in saving the trains marked for cancellation. Allow me to submit for the record a copy of my letter to Mr. Reistrup and some relevant pieces of correspondence from concerned citizens which effectively communicate the riders' perspective. Especially impressive is a petition signed by over 300 Pennsylvania residents who ride the Amtrak rails daily between Harrisburg and New York City.

Tomorrow, representatives of three groups which have chosen to protest the Amtrak cuts by bringing to my attention the significant advantages of using rail transportation over other currently available forms of public and private transportation will make their case here in person. In my remaining time, I would like to focus briefly on the difficulties experienced by Amtrak in operating a profitable system of passenger transportation.

When I first looked into this matter, I was astounded to discover that not one of Amtrak's passenger trains returns a profit . . . not one . . . a pretty sorry record for a corporation originally created with the mandate to coordinate and improve our national rail system. And with each successive year of its operation, beginning in 1971, the deficits have continued to grow. Clearly then, there is something fundamentally, inherently wrong with the system, and the question now before this committee is whether that fundamental wrong is addressed through the termination of service which so many find invaluable.

With the view in mind that Amtrak was created for the purpose of bettering rail service nationally, I believe we will frustrate that purpose should we permit these cuts through the refusal of a supplemental appropriation without, at the same time, addressing and attempting to correct the basic flaws in the system. We will be accomplishing nothing with regard to implementing fiscal integrity at Amtrak by permitting the discontinuance of selected trains. At best, some time will be bought, but no questions will be answered.

At hearings before this committee last February, Amtrak officials projected their total expenses for FY 1978 at \$902.1 million, with a resulting deficit of \$529.6 million. Since only 37% of total expenses can currently be defrayed from revenues, the inference is glaring that expenses must be brought into line to conform more closely with annual revenue figures. The two largest operating expense items in the 1978 budget are those of train operations and equipment. It is simply costing too much to operate old, out-dated, inefficient trains and other equipment.

Mr. Chairman, I appear here today in support of the supplemental appropriation for Amtrak as a short-term way to insure continued, vital rail service for the public. Thank You.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
WASHINGTON, D.C. 20515,
September 15, 1977.

Mr. PAUL H. REISTRUP, PRESIDENT,
National Railroad Passenger Corporation,
955 L'Enfant Plaza North, S.W.,
Washington, D.C. 20024.

DEAR MR. REISTRUP: I have been informed that Amtrak plans to terminate the "Valley Forge" line between Harrisburg and New York, effective October 31, 1977.

This is to urge that Amtrak reconsider its decision in light of several facts and figures which may not have come before you to date. These data include:

—A pledge of \$2 million made personally by Penn-DOT Deputy Secretary Edson L. Tennyson to assist in maintenance of the line should Amtrak choose to reverse its decision.

—A further indication from the Deputy Secretary that the State of New Jersey might be agreeable to providing extra passenger cars, currently lying idle, in the event of a change in Amtrak's intentions.

—Ridership figures of approximately 18,000 persons per month along the length of the line, and the passenger dislocations accompanying cessation of service.

—Substitute service would not be immediately available. Termination would involve a search for new cars to carry the displaced riders.

Allow me to remind you that the "Valley Forge" has established a proven record of dependable, efficient service through three states over the many years of its operation. Discontinuance of this vital transportation route would significantly

disrupt the travel habits of thousands of paying passengers who rely on the "Valley" daily for passage to and from New York City.

The above evidence points out the many values to be gained from keeping the "Valley Forge" on the tracks. I zealously urge you to reconsider your determination in view of these facts, and thereby reach a decision which is fair and equitable to all.

Sincerely,

RICHARD T. SCHULZE,
Member of Congress.

RTS:sk

STATEMENT OF CONGRESSMAN FLOYD SPENCE

Mr. McFALL. We have a statement from our good friend from South Carolina, Congressman Floyd Spence. We will play his statement in the record at this point.

[The statement follows:]

STATEMENT BY CONGRESSMAN FLOYD SPENCE

Mr. Chairman: As a result of the reduction in appropriations for Amtrack, the "Champion" passenger train service from New York to Florida, which passes through my Congressional District, has been terminated.

I appreciate this opportunity to bring before you a few observations which I hope might demonstrate the value of this service and aid you in reaching a decision to appropriate sufficient funds for the restoration of its operation or the taking of whatever other action may be necessary to achieve that end.

The "Champion" fulfilled a long-standing need for overnight service to northern cities from the Southern Atlantic area. It is a highly desirable service both for vacationers and for business travel.

The "Champion" was a well-utilized train. An average of 3,700 passengers from the Carolinas alone used it in each of the nine months it was operated. The largest number of these came from Columbia in my District. In the month of July alone, 5,000 people from the Columbia-Camden area rode the "Champion." It averaged carrying Carolina passengers 2,600,000 passenger miles per month during the duration of its operation.

The "Champion" was just beginning to fill a business need with its overnight, northbound schedule. A number of duPont personnel were using it for trips to Wilmington, Delaware, for example, and finding it most convenient. And duPont, I am told, was also shipping 10-15,000 pounds of express (product, paper, small equipment, etc.) per month via this line. The overnight schedule was developing into a big attraction. Naturally, it takes some time for people to adapt their normal routine to new modes, but this was a convenient mode which had existed in times past and from which people had drifted into costlier and less convenient patterns and modes when direct rail transportation no longer existed. Nine months was not really a fair trial period for the "Champion" to demonstrate the kind of response it would have elicited from the people of our area.

However, Mr. Chairman, I would not come here and ask you to appropriate taxpayers' money for the sake of the mere convenience of people in my area alone. There is, I believe, a far more important reason why the "Champion" should be restored to service. That is because it represents a tremendously valuable means of energy conservation. According to the information I have received, the Energy Conservation Coordinator at duPont calculates that the "Champion" was so energy efficient that it saved several millions of gallons of petroleum per year. Making certain assumptions about the means of transportation that would be used as an alternative to the "Champion" and the number of trips that simply would not be taken at all if the "Champion" were not available, it was clear from the resulting calculations that we have added significantly to the unnecessary drain on our energy supplies by discontinuing this service. We should be advocating, providing and encouraging the use of energy efficient modes of transportation—not terminating them. It has been estimated that we save at least three gallons of fuel for every dollar spent in subsidizing the "Champion." At even 50¢ per gallon, a very conservative estimate of the cost of fuel per gallon, we are losing \$1.50 for every dollar we save by terminating the "Champion," if my figures are correct.

One final point. In addition to the figures I have provided regarding the use of the "Champion" during the time it was operated, it should be noted that in peak

summer months thousands of reservations were turned down because of a lack of space on Amtrak trains serving our area. I understand that approximately 30,000 requests for reservations were turned down in one week in August alone. A substantial share of this would undoubtedly have gone to the "Champion." On the other hand, there were months when the train pulled empty cars during the off-season. Some economies could doubtless be achieved by altering the size of the train to adapt it to the travel patterns of the area.

I certainly hope the Committee will give serious consideration to recommending whatever action or increase in appropriations may be necessary to permit restoration of the "Champion" service.

Thank you.

STATEMENT OF CONGRESSMAN RICHARD OTTINGER

Mr. McFALL. We have also received a statement from Congressman Richard Ottinger of New York on the issue of supplemental appropriations for Amtrak. We will place his statement in the record at this point.

[The statement follows:]

STATEMENT BY THE HONORABLE RICHARD L. OTTINGER

Mr. Chairman, Members of the Subcommittee on Transportation, I wish to express my appreciation for this opportunity to submit testimony on Amtrak's request for additional operating funds.

Gentlepeople, something is rotten at Amtrak. Either Amtrak is being seriously mismanaged, or it is attempting a raid on the U.S. Treasury by holding the public as hostage.

In either case, this presents Congress with a dangerous situation, since Amtrak is created as a "for profit" corporation. Yet, it receives considerable public subsidization.

If Amtrak is seriously mismanaged, we can expect little relief from their continuing requests for increased subsidization. If this is a raid on the Treasury, what will prevent us from being their hapless victim again?

In either case, the public will pay more and more for less and less service. Unless, the management of Amtrak is taken to task now.

I strongly urge this Subcommittee to initiate additional hearings into the management of Amtrak. If reasonable explanations cannot be made and supported for the recent actions of Amtrak, those responsible should be asked to resign.

Amtrak has announced that widespread service cutbacks will take effect on November 6, 1977, if additional operating funds are not appropriated by Congress. I am seriously concerned about the impact of these service cutbacks on the integrity of our national passenger rail system, and their impact upon our energy, pollution, and urban congestion problem.

I am particularly concerned about Amtrak's reductions in service to Westchester residents at the Rye station. The announced service cutbacks will eliminate all the convenient service to this station, thus driving passengers away. Many other Districts will be also facing similar rail service problems.

For example, a person used to be able to leave Rye, New York, at 8:48 in the morning and arrive in Washington, D.C. at 12:30 in the afternoon. Now, he or she has to either leave at 5:55 a.m. or wait until 1:41 in the afternoon for a train that won't arrive in Washington until after 6:30 in the evening. Similarly, the convenient 7:48 and 9:48 a.m. trains to Boston are being eliminated leaving only a train at 3:50 a.m. or at 1:43 p.m..

The announced service cutbacks will devastate the rail passenger service available to over a million Westchester residents through the Rye station. It will impair the confidence which they were just beginning to have in the national rail passenger system.

Given the hardship which will be created by the service cutbacks, I would urge this Subcommittee to provide the funds requested. However, these developments raise some disturbing questions about the management of Amtrak.

This Subcommittee has consistently forced Amtrak to take budgetary matters into consideration. Through the restrictions placed on Amtrak we have undoubtedly seen an acceleration in the process of implementing the Route and Service Discontinuation Criteria which have been established.

By its own admission, Amtrak would rather have its structure determined solely by policy considerations. It would want to have a nationwide passenger rail system implemented immediately, regardless of the cost.

I have little doubt that, like myself, the Members of this Subcommittee strongly support a national passenger rail system, but would like to see such a rail service operated efficiently and economically. This is the primary reason for the Subcommittee's emphasis on utilizing the Discontinuance Criteria for the restructuring or elimination of money-losing lines.

The announced rail service cutbacks, which will take effect November 6, were clearly not designed with an eye towards economizing on money losing lines. In fact, I find the announced rail service changes incomprehensible from either a policy or budgetary point of view.

Instead of improving service and routes in areas such as the Northeast Corridor, where ridership potential clearly exists for expanded and profitable operation, Amtrak announced service cutbacks for this area. Instead of eliminating unprofitable service, Amtrak clings to its money-losing lines. One line, the Chicago-Oakland, loses nearly \$10 million a year. Elimination of this single passenger line would make-up 20% of the projected deficit for FY 1978. There are, in addition, at least a dozen money-losing, long-haul lines which could be restructured or eliminated.

Viewed on its own, the management decision of Amtrak to cut a large number of profitable lines, and reduce some of the most convenient service to its major passenger corridors, can be seen as a sure fire formula to drive passengers away. Amtrak must have been aware that this would create additional budgetary problems, which in turn would result in increasing, not decreasing, its Fiscal Year 1978 deficit.

Such service reductions can be viewed as nothing short of irresponsible—unless, they were designed for political impact, in which case, they may well be a success. It seems that about 360 House Districts are in some way hit by these cutbacks.

I, for one, do not wish to stand idly by and watch a publicly chartered corporation raid the U.S. Treasury. I strongly urge this Subcommittee to let Amtrak know that it cannot hold the public as hostage.

I would hope that the Subcommittee will agree with providing the funds necessary to obviate the announced service cutbacks. I would equally hope that the Subcommittee will seek out complete explanations for Amtrak's questionable actions, and take appropriate action.

Again, let me express my appreciation for this opportunity to express my views on Amtrak's request for additional funding, and my appreciation for this Subcommittee's efforts to see that our national passenger rail system is operated efficiently and economically.

Mr. McFALL. The Committee will be in recess until 2 o'clock.

AFTERNOON SESSION.

**NATIONAL RAILROAD PASSENGER CORPORATION
(AMTRAK)**

WITNESSES

**MARY HEAD, VICE CHAIRMAN, BOARD OF DIRECTORS
ROBERT G. DUNLOP, BOARD OF DIRECTORS
JERVIS LANGDON, JR., BOARD OF DIRECTORS
PAUL H. REISTRUP, PRESIDENT
DON BRAZIER, VICE PRESIDENT, FINANCE**

DEPARTMENT OF TRANSPORTATION

**ROBERT E. GALLAMORE, DEPUTY ADMINISTRATOR, FEDERAL
RAILROAD ADMINISTRATION**

Mr. McFALL. The committee will come to order.

We are pleased to have with us several members of the Amtrak Board of Directors: Mary Head, the Vice Chairman, Mr. Robert Dunlop and Mr. Jervis Langdon. We also have Mr. Reistrup, the President of Amtrak, and Mr. Brazier, Vice-President For Finance.

From the Department of Transportation, we have Mr. Robert Gallamore, Deputy Administrator of the FRA.

Mrs. Head, you have a statement and we would be pleased to receive it at this time.

STATEMENT OF MARY HEAD, VICE CHAIRMAN, AMTRAK BOARD OF DIRECTORS

Ms. HEAD. Well before we entered fiscal year 1978, which just began this month, Amtrak management had determined that the \$500 million in operating funds provided for in the Administration's budget would mean the curtailment of certain train services, including probably the discontinuance of one or more routes under the congressionally-approved route and service criteria. The further reduction in operating support, to \$488.5 million, has meant that the service cuts would have to be correspondingly deeper.

On September 19, 1977, the Amtrak Board met to consider the question of whether or not a supplemental appropriation should be sought. On deliberation, the Board concluded that a supplemental should be requested, up to the full amount that was authorized by the Congress.

We are here today to answer any questions you may have about this decision by the Board, and the discussion that preceded it.

ROUTE AND SERVICE CRITERIA

Also, we understand that there is concern that Amtrak has not been proceeding quickly enough in implementing the criteria and procedures. We share that concern. The Board has a particularly important role to play in the application of the criteria and procedures; it is, finally, up to the Board to decide what should be done to either improve a route to make it more successful, or improve its chances for success, or to discontinue all service on a route or over part of a route. Similarly, if a route is to be moved, perhaps to be consolidated with another route, or otherwise "restructured", the Board must make the final decision.

These decisions are not easy to make, and the number of possible restructuring variations can be very large. These decisions can also have important consequences. Whole areas can be deprived of passenger train service and the issues can be emotional as well as logical. We must also try to weigh social and environmental values as well as the economic data. In most cases the only proper course will include local and regional hearings as well, to make doubly certain that the public's views are not only heard but taken into account.

Amtrak's management has expressed concern that we have not been able to proceed rapidly enough in applying the criteria and procedures. The Board in turn has expressed concern about the quality and accuracy of the data presented to us, especially the economic or financial and cost data, and especially in the early phases, during the first applications of the procedures on a systemwide basis. I think it is fair to say that the staff and the Board have been on a learning curve during this process of selecting a first route for a detailed examination of what should be done, and in proceeding through the procedures on this first route, which is

the route of the Floridian trains between the Midwest and Florida. Subsequent applications should go more quickly.

INFORMATION IMPROVEMENTS

It think it is also fair to say that the Board was not alone in its criticism of the early systemwide information that was first developed under the procedures. Similar criticisms were raised internally within Amtrak management. The result has been a considerable improvement in the data and in everyone's better understanding of the data, especially the limitations of much of the information that can be developed. The staff members working directly on the applications of the criteria and procedures have shown an ability to react constructively to many of the early criticisms raised, which encourages me to believe that real progress is being made.

However, I should stress that the Board cannot just rubber stamp staff and management recommendations. The Board's responsibility is a heavy one and it is our position that the criteria and procedures must be applied carefully and with due consideration of the impact of any decision not only on the public served but upon Amtrak itself. These changes, if they are to be approved, must be constructive, and a route should only be deemed to have "failed" after it is clear to us and the public alike that no feasible improvement or alternative has been left unexplored.

It is also the Board's responsibility, along with management's, to see that Amtrak lives within its budget and does not incur expenses irresponsibly or without the ability to pay. This has been a difficult period for the Board and management alike. We are finding that in order to stay within the \$488.5 million appropriated for fiscal year 1978 the cuts in service will have to go very deep.

It now appears that there is no way that management can stay within the appropriated amount by dropping one or two routes and by reducing frequencies on the others. A number of routes will have to be eliminated in order to achieve the relatively large fixed-cost savings that frequency reductions cannot provide.

USE OF THE CRITERIA

This means that the Criteria and Procedures will have to be used in a way that they were not intended, as a mechanism for route discontinuance rather than for route improvement and restructurings. As the criteria and procedures were written and approved by Congress, discontinuance was to be the last resort, the result if all other avenues for improvement had been explored and found to be infeasible or impractical. It also means that the procedures will have to be used very quickly, without having time to fully test the quality of the data or the depth of the analyses behind the recommendations and without time for public hearings.

It was in the light of these concerns that management developed and the Board approved a recommendation for supplemental funding, and that is what has brought us here today.

In a brief summation, I would say that we now realize that proceeding without supplemental funding will result in greater damage to Amtrak and the present route system than was originally expected from the \$500 million level that was budgeted.

ROUTE ANALYSES

Examination of the routes with the worst economics must, of course, proceed, but the Board continues to hope that this can be done carefully and within the spirit as well as the letter of the criteria and procedures. I should add that this can be done, and it can be done more expeditiously now that we have gained experience in applying the criteria and procedures.

But also it may be necessary and desirable to take a look at the entire Amtrak route system as a whole, rather than piece by piece under the procedures. I believe such an examination should be made in cooperation with Congress and the administration. It would be similar in approach to the designation of the present Amtrak system just prior to the start of Amtrak operations in May 1971, but it would have the advantage of being based on the much more extensive information and experience that Amtrak has accumulated since 1971.

Mr. Chairman, this concludes our prepared testimony today and we are ready to try to assist the committee in any way we can.

Mr. McFALL. Thank you very much, Mrs. Head.

Your statement is a very good one. It presents a very serious question to the Congress. It is a good beginning for our discussion of where we are going to go with Amtrak.

AMTRAK'S ORIGINAL BUDGET REQUEST

We had our hearings on your '78 budget in March of this year. I think you were here at that time.

Ms. HEAD. Yes, I was.

Mr. McFALL. Your budget justification material stated, as follows:

the recommended funding level of \$500 million will require route reductions and such reductions are feasible if the Congress concurs in the funding level and the corporation is permitted to apply the route criteria in making such reductions.

We asked Mr. Reistrup whether he and the Board had taken a position on which would be best: (1) a higher funding level than the \$500 million, or, (2) a level of funding requiring the criteria to actually be used.

Mr. Reistrup said that the Board had had discussions regarding the use of the route and service criteria and were intending to eliminate one of the weakest routes and replace it with a stronger one.

Further, he said,

What will happen under President Carter's budget is that we will have to do more of that. What we are really seeing under the \$500 million budget is an acceleration of the process. I don't think that is unhealthy at this point. I would not be stating so here at this hearing if I did not agree with the process. We are in agreement with the administration.

The legislative history on your 1978 appropriation clearly indicates that the House and Senate Appropriations Committees agreed

with this approach. I am sure Mr. Reistrup told you that the conference committee agreed to an appropriation of \$488.5 million for the entire fiscal year and directed that the route and service criteria be effectively used.

Was Mr. Reistrup speaking for the Board of Directors when he stated in our March hearings that "We are in agreement with the administration?"

Ms. HEAD. I think that the Board in March felt that it would be a concerted effort to work with the administration and Congress to try to structure the system so that we could live within the \$500 million. The \$488.5 million gave us trouble even then.

Mr. REISTRUP. I think it is fair to state, however, that I do not recall a formal vote by the Board to accept \$500 million. Our official request was before you at \$534 million. That never was officially changed that I know of.

OPERATIONS PLAN

Mr. MCFALL. But you came before us and asked for \$500 million. I don't recall any conversation at the time in which you complained about the level of \$500 million and asked that it go up to \$534 million. We do have several boards that come before us and request more than the OMB figure. They give us their own opinion as to how much they feel they should have. But you did not.

Could you tell us at this time how the Board intended to operate at the \$500 million level which we discussed at our March hearing? The Congress actually appropriated \$488.5 million which is a cut of about 2 percent. But can you tell us what sort of plans you had for operating within the \$500 million?

Mr. REISTRUP. The plan would be to do basically what has been done so far with the exception that the cut would not have been quite as deep. There would not be proposed further reductions which I mentioned before this committee, the January cuts that will be largely in the western United States. It would be fairly close to what has already happened.

Mr. MCFALL. Do you have a specific outline of your plan for within the \$500 million and then perhaps you could tell us the reductions necessitated by the \$11.5 million cut? Do you have any figures like that?

Mr. REISTRUP. We have preliminary data, but not, of course, the final plan which would wait until the appropriation process is complete and the bill signed to put our final plan together. We tried this year to avoid having a map which attracts a lot of interest and brings about a lot of debate. This was in the form of staff studies. We will provide for you what we have.

Mr. MCFALL. Of course, the final appropriation bill was signed into law several months ago.

[The information follows:]

OPERATIONS PLAN

It was Amtrak's plan to make the necessary savings through the application of Route and Service Criteria and other actions of the nature of service reductions, as required. The key decisions on Route and Service Criteria are listed below:

- Mandated by 1975 Amtrak Improvement Act, May 1975
- Submitted to Congress October 1975
- Became effective March 1976
- Detailed procedures developed April 1976
- Developed Performance Standards for years 1976-1981, November 1976
- Applied Tasks I and II economic criteria for years 1976-1981 to all routes in system, November 1976
- Identified six (6) routes requiring further study, January 1977
- Board directed management to proceed to Task III, February 1977, for: Chicago-Washington/Norfolk
Chicago-Florida
- Board approved restructuring of Chicago-Washington/Norfolk to improve economics, March 1977, and implemented June 1977
- Board approved Chicago-Florida for Task IV, June 1977
- Board directed initiation of Task III on the Chicago-Laredo and San Francisco-Bakersfield routes, June 1977
- Board approved Chicago-Florida for Task V, August 1977
- Revised Performance Standards for years 1977-1982, October 1977
- Tasks I and II - economic criteria for years 1978-1982 applied to all routes in system with thirteen (13) routes identified below standard, October 1977
- Board of Directors approved five (5) routes for Task III actions, October 1977
- Management presents results of Tasks III and IV for three (3) routes; Board approval of Task V requested, November 1977.
- Management completes Task V Chicago-Florida, November 1977
- Board of Directors approved discontinuing Chicago-Florida route operations effective January 19, 1978

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Based upon the apparent slow process which was becoming to be inherent in the Route and Service Criteria, Amtrak management and the Board further addressed the problem of budget adjustments in August 1977 as a mixture of:

1. Frequency reductions to achieve logical and earlier savings.
2. Acceleration of the Route and Service Criteria process to the maximum extent possible.

As a result of the public reaction to the frequency reductions, management and the Board determined it appropriate to request Congressional reconsideration through a supplemental budget request.

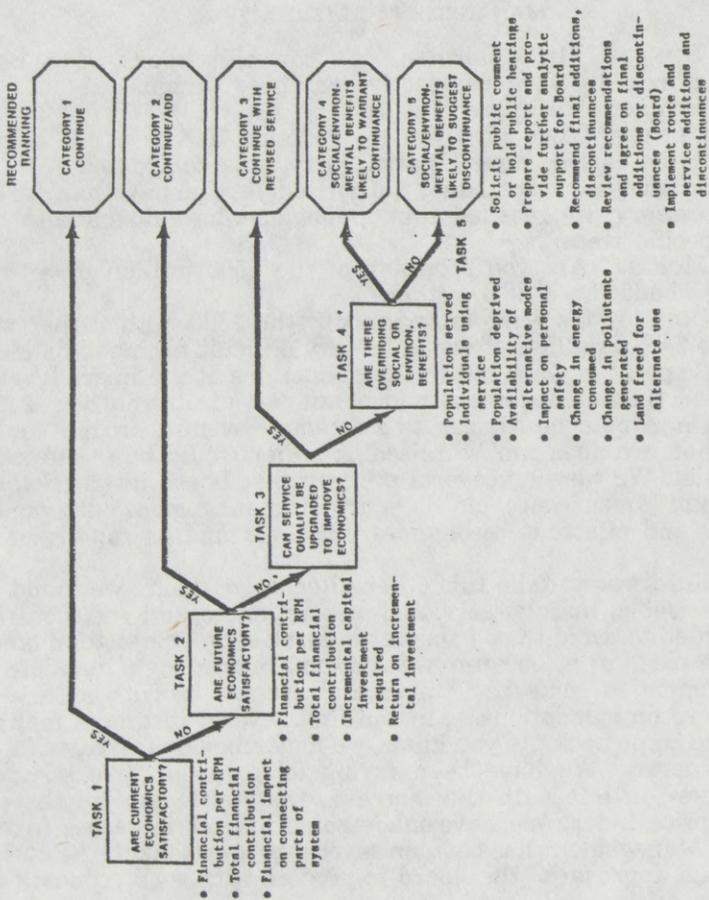
Based upon the manner in which the planning evolved to operate within available appropriations, there is no separation of actions required under a \$500 million program and one \$11.5 million less. The lower program intensified the problem, requiring additional frequency and/or route changes.

Also, the Amtrak budget justification treated the necessary budget cut as a one line item general reduction, to be determined after final action of the Congress.

Attachment - Task Chart

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METHOD FOR ESTABLISHING PRIORITY RANKING OF ROUTES AND SERVICES



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MANAGEMENT ALTERNATIVES

Mr. DUNLOP. Mr. Chairman, one can only speak as a Board member from his own perspective on these things.

Mr. McFALL. We appreciate that.

Mr. DUNLOP. I will give you my reaction if it is at all helpful.

When the Board, myself particularly, was confronted with the situation that we were being authorized less money than we felt was necessary, we realized that management would have to take very specific steps.

Mr. McFALL. Are you speaking of the \$500 million or are you talking about the \$488.5 million?

Mr. DUNLOP. We were talking about the \$500 million that went down to \$488.5 million. It would be very difficult for me to delineate a specific point in time, but in the discussions at the Board level we identified that management had a number of alternatives that it faced. One would be to seek to raise our revenues in the various ways that revenues can be raised. Another would be to effectuate economies. We were on several programs, at Board instruction and with total concurrence on the part of management, designed to identify and effectuate economies wherever and as rapidly as we could.

The third was to take this other alternative which we found the least desirable, mainly, service discontinuances and restructuring. We wanted to avoid that. I suspect if there is any dereliction on the Board's part, it is because we did not put enough mandate on management to come back to us and present us with a series of specific recommendations. In the first several instances management did come back. As you know, we made modest increases in our fare structure. We have been trying to keep our fare structure somewhere in line with the increases that take place in the consumer price index. We have made some modest increases in that regard. Management has been on several programs with the concurrence and approval of the Board to proceed with such economies as could be effectuated.

Mr. McFALL. Were you aware of a specific plan that would get Amtrak within the \$500 million requested in February of this year and that would save \$35 million from the request that you made?

Mr. DUNLOP. You mean as to details? I would have to say no, we were not in terms of specific details.

Mr. McFALL. Did you know if there were such a plan?

Mr. DUNLOP. We were aware that efforts were being made to develop such a plan.

ROUTE AND SERVICE CRITERIA

Mr. McFALL. Since the route and service criteria were published over two years ago and have been in effect since March of 1976, it is difficult for us to understand how the Board would vote to request a supplemental appropriation and institute reductions in train frequencies rather than using the criteria to eliminate some of your heaviest losing, least efficient trains. May I have some comment on that?

Ms. HEAD. That is what we started doing immediately after we learned that the \$488 million was going to be the figure we had to deal with. We recognized it was going to have to mean going ahead and cutting a train. Because the procedures we had to go through were rather lengthy, we did instigate the study on the Floridian at that point. Tomorrow we are finishing up the public hearings, which is the last step in the criteria.

Mr. McFALL. But you knew in February that the maximum you could get was \$500 million or the maximum that you probably would get was \$500 million. Did you begin those hearings or begin anything prior to that time?

Ms. HEAD. In February 1977 the Board directed management to proceed to task 3 of the criteria with two trains, Floridian and the train to Washington and Norfolk.

Mr. McFALL. Would that have saved you \$35 million?

Ms. HEAD. Not alone, but that would have been the major thing we had to start on in terms of the criteria process, along with raising the revenues that Mr. Dunlop mentioned and the cutback in as much overhead as we could in all areas of Amtrak management.

OTHER ACTIONS

Mr. McFALL. What other things have you done between February when we discussed the operating grant of \$500 million and August on matters such as application of the route and service criteria or route structuring proposals?

Ms. HEAD. In January 1977, we identified six routes that we would move into the route criteria that required further study. In February 1977 we directed management to proceed to task 3 on two of those trains. In March 1977, the Board approved restructuring of the Chicago-Norfolk route to improve economics and implemented that in June 1977. In June 1977, the Board approved Chicago-Florida for task 4. We have to move it along by Board action the next month. In August of 1977, the Board directed initiation of task 5 on the Chicago-Florida train. October 1977 we started tasks 1 and 2, the economic criteria for the next four years applying to all routes in the system with 13 routes being identified as below standard. Every month we have done something about it.

Mr. McFALL. How much money did you think you were going to save?

Ms. HEAD. By what?

Mr. McFALL. By all that you have done. What was the estimate of the savings? Did you think you were going to get below the \$500 million?

Ms. HEAD. We recognized we would have to. That is what our aim was, of course.

Mr. DUNLOP. Do you mean without any restructuring, Mr. Chairman?

Mr. McFALL. Restructuring and anything else you could do.

Ms. HEAD. We recognize, Mr. McFall, that this is something that has to happen. We feel that Congress drives the decisions we make in terms of the money that they give us. Of course, we would rather determine what the structure of the Amtrak system would be by a

policy motivation rather than a budgetary motivation, but we recognize the realities of what has to happen.

We also recognize that we have a national system. Trying to keep the national system with all various pressures from all constituencies and at the same time having to live within that amount of money is a very tough dilemma to find yourself in.

From the standpoint of good citizens, we would like to live within that \$500 million budget, also. We are not just trying to do everything we can to get more money. We want to live within it as best we can.

APPLICATION OF THE CRITERIA

Mr. McFALL. During our hearing in September Mr. Reistrup indicated that to use the route and service criteria and actually eliminating a route takes roughly a year. Do you think it is fair to say Congress intended to give Amtrak management and the Board of Directors additional flexibility in making these kinds of decisions? Why is the process so slow and time-consuming?

Ms. HEAD. I would not second guess it. I think this time it will take a year. It was February 1977 when we directed management to begin the Floridian task force. It took longer because it was the first time. We finish public hearings tomorrow and by the time we collate the information and get it to the Board for a vote, it will take nine months. I don't think it will take that long again. Now that we have some experience and know some of the requirements, I think we can move faster on the rest of it.

Mr. McFALL. I have asked enough preliminary questions and I think we have some of the issues squarely before the subcommittee. I want to yield to Mr. Conte, Mr. Edwards and Mr. O'Brien who are all very interested in Amtrak and its performance and its success.

Mr. Conte?

POST ROAD-RENSELAER IMPROVEMENTS

Mr. CONTE. Thank you, Mr. Chairman.

Mr. Reistrup, your press release attached to your 5-year plan listed a number of track improvements to be made by 1982. Among these you listed 12.6 miles of track between the Post Road and the Rensselaer, New York Road on the Lake Shore Limited run. The House report which accompanies this year's appropriation bill recommends, at page 35, that \$4.1 million out of your capital grant appropriation be spent for improvement of this segment of road.

Do you plan to carry out the committee's recommendations?

Mr. REISTRUP. Yes. The plan is to have a final plan by about January of 1978. We are trying to use the released material from the Northeast corridor, mostly rail which would have the ends cut off and then be welded into a long string, fine rail and perfectly good for that speed, roughly 60 miles an hour. We would use a mixture of new ties, cross ties, and reused ties that have been removed from the Northeast corridor that we reclaimed, the holes plugged and reseasoned so that all new ties would not be put in. This is a prudent way to build a new line.

Mr. CONTE. Why wouldn't that be a good test site for the new concrete ties?

Mr. REISTRUP. The traffic over the line would be too tight to prove anything with just the two passenger trains. It really should be tested under much heavier traffic and higher speed.

RESTRUCTURING OF SERVICE

Mr. CONTE I understand. On November 12th of last year, Senator Magnuson who is chairman of the Senate Commerce Committee, wrote to your Chairman Donald Jacobs. He stated that Amtrak will not be in a position to ask for further funding unless it takes some definitive steps to see to it that more service is provided with the money are already received.

It looks to me as though you have done precisely what Senator Magnuson warned you not to do, namely failed to make any of a positive, constructive changes in your operations.

Now I understand that you have approved a route structure with respect to the train that runs through southern West Virginia. Can you tell this committee what else have you done? Has the Board initiated or approved any constructive alterations in the Amtrak system? Does the Board want to answer that?

Ms. HEAD. Did you mean in the system in terms of the routes?

Mr. CONTE. Yes.

Ms. HEAD. Well, other than the things I listed a moment ago—

Mr. CONTE. Miami and Chicago.

PUBLIC HEARINGS

Ms. HEAD. I should say for clarification that these different tasks are, as you know, economic, social and then environmental, et cetera. They are very time-consuming. They are the things that matter so much to the people. I, for one, felt it was very important to include in our criteria that we would hold public hearings. I was in Montgomery last week for the public hearings on the Floridian. I think it is critical, not just so we hear what people say about our trains, but so we can explain to the people why we are in the bind we are in; not that we are in the bind because Congress doesn't give us enough money, but that men and women of goodwill, who want to have the best kind of system for this country, if they understand the problems we face in trying to get a good passenger system in this country, a total national system, will understand it is an overwhelming, monumental job to do.

I think if they understand their neck of the woods is not the only problem we have, if we try to explain to them why we have these problems, then I think they will understand better if the consensus finally is that that particular train has to be removed or that the route has to be restructured to another place, perhaps a greater population center.

All of those things take time. You know the great furor that went up with the frequency reductions and the announcements of train discontinuances we have had in the last month or two. If we had done it faster, I suspect the pressures on this Subcommittee as well as Members of Congress would have been enormous.

Mr. CONTE. Some individuals testified this morning that putting pressure on Congress was the motive behind your recent actions. Is this true?

Ms. HEAD. Absolutely not.

APPLICATION OF THE CRITERIA

Mr. DUNLOP. If I may supplement what Mrs. Head said, Mr. Conte, and in a way responsive to your question, Mr. Chairman, as to why we did not move more rapidly, I think we were trying to apply the criteria in the various three phases of economic, social and environmental. The first is an area in which we have a much higher degree of control than maybe we do on the other two, the so-called social and environmental determinants don't lend themselves to the degree of absoluteness that the economic ones do. You deal with a lot of imponderables. I would suspect we are subject to criticism for having moved as slowly as we did, particularly in these areas here.

But we were feeling our way and seeking to minimize, as Mrs. Head has said, the public impact and to be sure that we had a handle in these areas that are not susceptible to the degree of absolutism that is the case in the economic ones. Here, again, as a Board member, if we have been at fault, I would be inclined to agree with both you gentlemen in that regard.

Mr. MCFALL. Would you yield?

Mr. CONTE. Certainly.

Mr. MCFALL. I would not want any of you to think that these hearings are meant to be anything other than constructive. There is no hostility. There is no vindictiveness. There is no feeling by any member of this committee that you didn't do this and you didn't do that. We recognize that your job as directors and as president is a very difficult one and that you have to "feel" your way along.

We are both attempting to figure out where to go with Amtrak and how to get there. I hope that our committee can, in some way, be helpful.

I know I am breaking into Mr. Conte's thought, but I would like to say this: You asked for \$500 million and we cut you to \$488.5 million. Then before the fiscal year starts you tell everybody that you are going to have to cut many of your routes because you needed \$545 million and you only got \$488.5 million. You don't tell them that you only asked for \$500 million.

Then you come to us in September and you say, if we get some more money, this is how we are going to spend it. \$10.6 million is needed just for inflation. Well, I think that is just the way you explained the difference between what Mr. Reistrup wanted to ask for and what you say he should have requested. Then you said you would need \$20 million for avoidance of major route discontinuances, \$7.1 million for avoidance of further train frequency reductions and partial restoration of train frequency reductions currently identified. I get the distinct impression that if anybody is going to get any restoration of service, we have to give you the whole \$56.5 million, which is a good way for you to put it, even though it may not be accomplished.

But you can see the picture that we get. I just wanted to insert that in this part of the record, Mr. Conte. I am interested in your questions and I wish you would go ahead now.

NEW HAVEN-SPRINGFIELD ROUTE

Mr. CONTE. Mr. Reistrup, I note back in April of this year you were quoted as saying that the route that runs from central Connecticut up through central Massachusetts is the biggest untapped passenger service-corridor in the United States. You also told this committee that the New Haven-Hartford-Springfield route is "the largest untapped market in the Amtrak system."

It is obvious that you have not been tapping the market. Now the market is there or it isn't there. Apparently no effort has been made to develop that market and to properly serve the people who are waiting there to be served.

Do you have anything to say to this committee as to why this has never been done?

Mr. REISTRUP. Mr. Conte, what I said still stands and you will find this same reference in different verbiage in the 5-year plan. The service is just not sufficiently attractive to tap that market. The through operation, Springfield-Hartford-New Haven, is just one new train. There is an overnight train, the Montrealer, which is not at convenient hours for those people. The rest of the trains are a series of self-propelled rail diesel cars, sort of a jitney service which, although it is fairly inexpensive to operate, is not attractive and the passengers have to change trains at New Haven.

What needs to be done first, in my opinion, and the reason we have not been as aggressive as we have in some other areas is to determine where this line falls policywise with respect to the Northeast corridor. There was some feeling when the corridor project was started that the Springfield branch should be part of the corridor project and we will hear in February from the Department what they recommend as to this, let's call it a tributary line.

We really, in my opinion, should get the overall plan before we start off, Amtrak and management, on our own. I think we have identified what we feel is a potential. We are continuing to operate. We added one new train. At one time we had two round trips and new equipment up in Springfield. We are not proud of what we are doing, but we really feel that the track work policy has to be set first. Roughly, as I recall it, and I don't have those notes before me, there is \$80 million required to make that line safe and relatively high speed again. It is not in good shape.

SERVICE CHANGES

Mr. CONTE. You barely touched on one problem on that line—that is the forced transfer in New Haven. That is one of the big problems. Last year I was in jubilation. You added a second Amfleet train to the Springfield line. However, my jubilation was short lived. Earlier this year long before you had a budget problems you removed that train from service? Why did you take that backward step?

Mr. REISTRUP. The ridership on that second train was not as heavy as we felt was needed to justify the use of that brand new equipment. We were trying to economize as best we could, use as much of the equipment as possible and retire the old steam-heated and self-contained air conditioning cars that were unreliable and relegate the rail diesel cars to the shuttle operation from New Haven to Springfield. It was a judgmental decision.

Mr. CONTE. I think it would have been wiser to keep it on new equipment on. I think one of Amtrak's problems is that you spread yourself out too thin. If you had taken just some of your routes and developed them into success stories, I think you would not be in the position you are in today.

I am 100 percent behind Amtrak. If I thought that I had a chance on the floor to get you more money, I would take action. But the backing was not there. I think that your being spread to thin is one of the reasons. I noticed that at your April 27, 1977 Board of Directors meeting you stated with respect to the Seattle-Los Angeles train that, "Our problem there is that we have no room to haul anyone else."

Not being a train man, but I just can't fathom why if you can't haul any more passengers, you do not put on a second train on the route. You are already paying the fixed cost for the route. I would think you would want to develop the route, show the committee just what you can do in terms of ridership results and cost efficiencies.

Has the Board ever addressed the possibility of taking such a step?

EQUIPMENT

Ms. HEAD. Surely. We know there is more market there. We know there would be a market on the inland route in New England. We don't have the equipment. We have so much of that old, old equipment that is out of service all the time, it is all we can do to service the routes we have. We would be delighted to put another train on the California coast routes. But there are 435 other towns like Springfield, and people say the other thing, if you would give us more advertising and more trains, we would have more ridership.

That is true, but we don't have the money or the equipment to do it.

Mr. CONTE. Hasn't the Congress appropriated quite a bit of money for new equipment.

Ms. HEAD. But it is not here yet. That superliner equipment that you have appropriated the money for, and it has been three years since we ordered it, we just heard today that the Pullman Standard line is on strike so we are going to have more of a delay in getting the new cars. Until we can get them, we are going to have to patch together again some of that old equipment that is very unreliable.

Mr. CONTE. We gave you \$108 million over the Carter budget for equipment.

Ms. HEAD. Yes, I know that.

NORTHEAST CORRIDOR IMPROVEMENT PROJECTS

Mr. CONTE. As you know, I have been a very strong supporter of the Northeast Corridor Improvement Project. However, I am concerned that you may be having to absorb, under your day-to-day operating budget, some work and expenses that should be covered by DOT as part of the northeast corridor capital project.

Is that a problem for you?

Ms. HEAD. I would not feel qualified to answer specifically, although I do know from a personal standpoint it concerns me from time to time and we feel that under the imperative danger of traffic in the Northeast corridor or in the tunnels, that the tracks are in such bad shape that if some particular thing is not under the corridor program, we feel we have to spend Amtrak money to do it when perhaps it should be corridor improvement work, but we can't wait.

Mr. REISTRUP. We have done that, particularly over the past fiscal year. This will not be so necessary in the future.

INFLATION

Mr. CONTE. The chairman asked you about that inflationary figure. In your of \$56.5 million request, you have included \$10.6 million for inflation costs. Why wasn't this accounted for in the original budget request which totaled \$534 million for operations? What were the original assumptions about inflation rates and why were they incorrect?

Ms. HEAD. I think in the testimony in the subcommittee a few weeks ago Mr. Brazier furnished that. My best recollection is that that \$10.6 million dollars is added inflation. It is not that we didn't figure inflation in originally. It is just that inflation was higher than we expected it to be.

Mr. REISTRUP. That is correct. We didn't know precisely what the inflation figure would be. It is still an estimate.

Mr. CONTE. Can you imagine if every agency of the Federal Government came up here with that same story? We would have a budget that would be \$150 billion out of whack.

Mr. REISTRUP. There is one major difference here and there may be other similar things in the government, I have never worked directly for it, but we have union contracts and they are up January 1st. We do not know what will be the result. We have standby agreements so that Amtrak will pay whatever the railroads agree to. We just make a best guess. It is my understanding that there is somewhat more precision with Federal employees and you can calculate this somewhat more reliably.

Mr. CONTE. How about ConRail?

Mr. REISTRUP. ConRail would have the same situation.

Mr. CONTE. They have not come up here with that figure.

Mr. MCFALL. Would you yield?

Mr. CONTE. Yes.

Mr. MCFALL. Could you tell us about the possibility that on January 1st you might have an increase in operating costs? Has this been part of your testimony previously?

Mr. REISTRUP. Yes. It is included in the submission.

Mr. MCFALL. Did you put an amount of money on it or did you just say we will be back in in order to tell you about it?

Mr. REISTRUP. We put an estimate, Mr. McFall.

Mr. MCFALL. What was that estimate?

Mr. BRAZIER. The original estimate was \$55 million. It was 56.5. What we are now estimating is that that will be some \$10-1/2 million more. The budget justification submitted to your Committee included a detailed display of how that was computed in the assumptions that were made in computing costs. That was part of our budget request for fiscal year 1978.

Mr. MCFALL. Your original \$500 million request included an inflation estimate of \$56.5 million.

Mr. BRAZIER. The \$534 million included that, sir.

Mr. MCFALL. What about the \$500 million?

Mr. BRAZIER. If you will refer to our justification, the \$500 million was arrived at by a bottom line deduction that said route and service reductions, "X" dollars, to come down to the \$500 million. We did not in that route and service reduction amount separately identify inflation from other elements of cost that would be involved.

CURRENT INFLATION ESTIMATES

Mr. MCFALL. Could we say that instead of \$56.5 million for inflation, you have to deduct \$35 million and the \$11.5 million, so you still have about \$10 million. Is that about right?

Mr. BRAZIER. I would not do it that way, sir, simply because you can attribute numbers to all sorts of things. In other words, if you attribute the differences to inflation alone, that is one way of getting to it. We would attribute the reduction to all the costs that were involved that needed to be reduced in order to live within the amount of money that the Congress provided. We do not have the choice of whether we pay for inflation. We must pay for it. It is a cost that will be incurred if the people are on the payroll or the fuel is purchased or the materials are purchased. So we can rack it up that way, but we cannot execute it that way.

Mr. MCFALL. True, but your original figure was really sort of a guess.

Mr. BRAZIER. It is, but it is an educated guess or estimate as all of our estimates are.

Mr. MCFALL. But you don't know really whether your guess is a good or bad one until you begin to experience it.

Mr. BRAZIER. Or until the year is completed. But our experience has shown that our inflation estimates have been very close, Mr. McFall. In the past we have been able to estimate it much better because the union contracts which drive the larger part of that amount are in place. The last union contract was a 3-year contract. So we knew what the wage increases were going to be and we knew when they were going to occur for the large proportion of our employees, 85 percent of them being union employees. So the guess was how much would be the inflation in fuel and how much in materials.

In those two areas we do not at Amtrak depend upon our own estimates. We have utilized the services of an organization that is in the business of projecting the impact of inflation on the economy and has models that they use for projecting these cost increases as they see them. It is a widely used firm.

WAGE INCREASES

Mr. McFALL. Do you recall what the figure was in the \$56-1/2 million for employee pay increases prior to January 1st?

Mr. BRAZIER. I can only give you what was in there for employee pay increases that we estimated would occur during fiscal 1978. It was 9.8 percent.

Mr. McFALL. How much would that amount to in gross?

Ms. HEAD. \$33 million.

Mr. McFALL. When would that come about, before or after January 1st?

Mr. BRAZIER. Both.

Mr. McFALL. You are referring to a possibility of a new contract beginning January 1st, but you don't know what it will be?

Mr. BRAZIER. Some of it has occurred as an annualization of wage increases that were already effected under the original contracts with labor. What we don't know is precisely what the wage settlement will be in January. We have depended upon our labor relations people's guess who deal very closely with the rail unions and with the railroad negotiating group that is working now on that particular contract settlement.

So we have made the best estimate that we can and recognize that that could be off.

Mr. McFALL. How much have you already experienced under the old contract?

Mr. BRAZIER. We can provide that, Mr. McFall. I don't know. I would say something in the order of half of it is already in place. Only because these settlements generally are pretty regular.

Mr. McFALL. Not half of \$56-1/2 million, but half—

Mr. BRAZIER. Half of the labor.

Mr. McFALL. Which was what?

Mr. BRAZIER. \$33.7 million was our estimate. That was our original estimate.

Mr. McFALL. I have known you for a long time, Mr. Brazier. You are one of the finest finance men around and Amtrak is very lucky to have you. Suppose you give us an analysis of that \$56-1/2 million inflation figure.

Mr. BRAZIER. As to what will have occurred through December?

INFLATION ANALYSIS

Mr. McFALL. I would like to see an analysis of your original estimates and the amounts of inflation in the various categories that you have already realized.

Mr. BRAZIER. I will give you a complete analysis. All three of those are up. The fuel estimate that was in our original budget was a rate of 8.5 percent. It is now projected at 11.7 percent. The

materials was 5.5 percent and it is now projected at 7 percent. Those latter two projections as I indicated are based upon the projections of a forecasting service that is well known.
[The information follows:]

Comparison of Wage and Price Increase Projections
FY1978 over FY1977

	<u>Labor</u>	<u>Fuel & Power</u>	<u>Other</u>	<u>Total/ Composite</u>
<u>Inflation Rate</u>				
Original Budget	9.64%	8.53%	5.50%	7.58%
Supplemental Request				
Actual thru October 1977	5.28	5.61	2.56	3.98
Projected thru end FY1978	5.57	6.10	4.42	5.02
Total Inflation Rate	<u>10.85</u>	<u>11.71</u>	<u>6.98</u>	<u>9.00</u>
<u>Amount of Inflation (millions)</u>				
Original Budget	\$33.7	\$2.9	\$19.9	\$56.5
Supplemental Request				
Actual thru October 1977	18.5	1.9	9.3	29.7
Project thru end FY1978	19.4	2.1	15.9	37.4
Total Inflation	<u>\$37.9</u>	<u>\$4.0</u>	<u>\$25.2</u>	<u>\$67.1</u>
<u>% of projected inflation realized to date</u>				
	49%	48%	37%	44%

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TOTAL PROGRAM REPRICED

Mr. McFALL. Mr. Conte?

Mr. CONTE. I am going to pursue this line of questioning because I find a discrepancy in the figures.

Mr. Reistrup, in March you said the Corporation will have to make an operational savings of \$29.6 million to operate within the \$500 million appropriation request. If you subtract \$11-1/2 million that the Congress cut for your initial request, you come out with a shortfall of \$41.1 million projected in your operating budget. You say you need a \$56-1/2 million supplemental. If you knock out the \$10.6 million for inflation. Amtrak is seeking \$45.9 million to maintain service with no route discontinuances and no frequency reductions, according to your figures.

Where does that extra \$4.8 million come in?

Mr. REISTRUP. I really don't know. I would have to add it all up.

Mr. McFALL. Maybe Mr. Brazier can explain it.

Mr. BRAZIER. It is in the repricing of our program to operate the system between the time we originally submitted the budget request and today. Our estimates are not that accurate in the sense that we can foresee specifically. What we have done is repriced our total program to operate during the fiscal year. We have added the inflationary costs to that to determine as we see it today what it would cost to operate total trains and services that Amtrak had as of the end of fiscal year 1977.

PERSONNEL

Mr. CONTE. Let me ask you a couple of questions regarding personnel?

What were the total number of employees at Amtrak headquarters before and after you implemented your program of operation decentralization?

Mr. REISTRUP. I do not have that off the top of my head. We will furnish those precise figures. This has been monitored by a committee of the Board known as the Organization and Compensation Committee. In the past fiscal year, actually a period of 14 months, we have been reducing the management overall by 5 percent and a large part of that is our headquarters force, and adjusted for the assumption of functions that used to be carried on by the railroads. When we take over an operation or facility, we then staffed up for it. But this has been monitored on a monthly basis.

Mr. CONTE. Please get those figures for the record. Also, how many new employees were added outside of Washington as a direct result of the establishment of regions?

Mr. REISTRUP. There were thousands added with the Northeast corridor, more than 3,000 just to work on the track this summer. There have been relatively few added in total.

MANAGEMENT PERSONNEL

Mr. CONTE. Are these few additional employees management personnel only?

Mr. REISTRUP. No, total.

Mr. CONTE. How many management employees were added?

Mr. REISTRUP. There were several hundred in the Northeast corridor. We will give you the precise figure, 640 or something like that.

Mr. CONTE. When you added a separate northeast corridor operation at Philadelphia you simultaneously reduce the number of employees located here in Washington. For the record I like to have the number of employees taken off the payroll at Washington.

Mr. REISTRUP. We will provide all of that for you.

[The information follows:]

Amtrak established operating regions during the Summer of 1975. The manpower level at corporate headquarters during the month of May 1975 just preceding the reorganization, was 1,074. Five months later after the reorganization was completed the manpower level was 1,056—a reduction of 18. This was a net change reflecting all headquarters personnel actions which occurred during this period.

There was no overall net addition to Amtrak manpower as a result of the establishment of operating regions.

In April 1976, the first month of the new Northeast Corridor organization, there were 127 management people on board. By June 1976, the NEC management level had risen to 407 and the current level is 643.

One month before the establishment of the NEC, the manpower level at corporate headquarters was 1300. Six months later, after the NEC organization, the manpower level was 1,140—a reduction of 160. This was a net change also reflecting other headquarters personnel activity such as staffing for newly acquired or expanded responsibilities in material control, engineering, data processing and accounting.

COST REDUCTIONS

Mr. CONTE. A lot of low salaried employees, the ones who make the railroad run, they have direct contact with the public. I am talking about the ticket agents, reservation clerks, red caps sales representatives, etc. all of whom are vital cogs in a railroads' operation. Are the personnel cuts now being made evenly distributed throughout the system or is priority being given to retaining a lot of front-line employees?

Mr. REISTRUP. The reductions are being made that would best be termed across-the-board, both management and union employees, by my directive. I am auditing that, with Mr. Brazier's help, monthly by category. We do not have the first month of this new fiscal year before us. We will in a few days.

Mr. CONTE. Then the figures which you will be available soon will be for the first month, will they not?

Mr. REISTRUP. Yes, and it is a one percent per month reduction.

Now we have given the individual managers the freedom to, instead of having a continual reduction through the year, accelerate it, if they desire—as I recall two did this—roughly six and a half percent. There is some latitude there, but we will track this and as we get the records they can be made available to you.

[The information follows:]

PERSONNEL STATUS DIRECT OPERATIONS OCTOBER 1977

	9/30/77	10/31/77	Change	Annual Saving (Millions)
Management	2,571	2,524	47	1.2
Union	14,221	14,047	174	3.4

11/28/77

PENN CENTRAL LITIGATION

Mr. CONTE. I have not many more questions, Mr. Chairman. I yield for the time being and ask my question later.

Mr. McFALL. Mr. O'Brien?

MIDWESTERN ROUTES

Mr. O'BRIEN. Mr. Reistrup, on page 8 of your five-year plan I notice you speak of improving traffic between Indianapolis and Kankakee. Is that through Sheff, Indiana?

Mr. REISTRUP. Yes.

Mr. O'BRIEN. Was that not in litigation with Conrail?

Mr. REISTRUP. Yes. Actually, originally with the Penn Central estate, yes.

Mr. O'BRIEN. Is that litigation resolved? Was not the notion that you wanted the Penn Central upgraded before you took it over?

Mr. REISTRUP. Yes. The litigation is still in process. We have our general counsel here. My understanding is, it is before Judge Fullam in Philadelphia now.

Mr. O'BRIEN. So it is your conclusion that that will be resolved in one way or the other? It will be improved in the five-year period?

Mr. REISTRUP. Yes, this is Amtrak's desire and this is why we mention it in the five year plan. That is actually the most expeditious and marketable route from Chicago to the Southeast, and would serve at least two of our train operations as we now foresee them in each direction. Basically, what we are suggesting in the five year plan is that we continue with the legal action but, realizing this will take time, repair the track because we need track to operate over. If we ever win the legal battle, that money can be returned.

Mr. O'BRIEN. Is that repairing going on now?

Mr. REISTRUP. No, nothing is going on now.

Mr. O'BRIEN. Is there any way that that could be done and then make provision for the outcome of the lawsuit? Would that not speed things up?

Mr. REISTRUP. This is what we are proposing, Mr. O'Brien, in the five year plan. We do not today have the capital to do that, however. We only have one train now serving Indianapolis and we are supposed to have three in each direction.

CROSS-SUBSIDIZATION

Mr. O'BRIEN. I do not know whether it is a fair comparison, Mr. Reistrup, but we are confronted frequently in the telephone business of some people wanting to run special services and the telephone company saying you cannot turn that away from us, because we are—we are providing service where it is simply not lucrative but we have to do it.

Does Amtrak do that? Does the business district out in the East, let's say, support the transportation to and through Wyoming, for example?

Mr. REISTRUP. This is a very difficult question, Mr. O'Brien. My opinion at this point is that there is not a great amount of cross-

subsidization—and that is what we are referring to—within Amtrak. There are routes that operate below what we call our criteria threshold, below average; but one of them is in the Northeast corridor, Philadelphia to New York. There are those in the West also.

There is a mix throughout the country. The Northeast Corridor loses money, the Metroliners contribute cash above what they cost to run. We have trains in the West on a cash basis that come close to break-even, not on the avoidable expense, but on a cash basis.

Is that a fair statement?

Mr. Dunlop might help us with that.

Ms. HEAD. I do think many of us in Amtrak management and the Board also would feel, in line with our policy of more and more emerging corridors around the population-dense cities, not just the Northeast, the hope that we would attract ridership and higher revenues that would help offset the loss that you have elsewhere in the country. It is not going to pay for it, not in any country in the world is that going to pay for it.

Mr. DUNLOP. I would further complement what Mrs. Head has said; in this regard if you apply economic criteria alone, you come to a certain conclusion. Then when you supplement that economic criteria with social and environmental criteria, then you come up with a bit of different answer—I do not mean in terms of quantitative figures—and this has been one of the problems frankly that the Board has had in terms of trying to create as much equity as we can in the service we are rendering in the various sections of the United States.

SOCIAL BENEFITS

Mr. O'BRIEN. Someone used the term this morning "social profitability," which is a very unusual term. I simply do not know what it means. I have my doubts whether Amtrak should be interested or not. Now the fundamental question is, I mean, should Amtrak operate a noneconomic train?

Mr. REISTRUP. Mr. O'Brien, there are very, very few passenger train operations in the world that are economic just clearly on the surface of the figures; we have very few. If we eliminated everything else, even the Metroliners would then lose money.

Mr. O'BRIEN. With all due respect to Mr. Brazier in the statement you made, Mr. Reistrup, before Mr. Rooney's committee earlier this year, you said accountants are writing national transportation policy. I do not suppose you meant him, did you?

Mr. REISTRUP. He was sitting next to me, Mr. O'Brien. My feeling is that we ought to determine policy—first, Mrs. Head, I think has indicated this today—rather than have the budgetary process determine the policy. This is my own opinion.

I think what we have before us is that the budgetary process is forcing the policy.

Mr. O'BRIEN. My mathematics may be wrong, but if we approve the supplemental, am I correct that you are right back to what you originally estimated you would need?

Was that \$545 million I have a number of figures \$545, \$534, \$500, \$488 million, I really do not know what it was you wanted in the first place.

Mr. REISTRUP. My request was \$534 million, and I still personally stand behind that, and this was my recommendation at the Board meeting. The Board deliberated and decided to up that somewhat to \$54.5 million.

I feel that we have done a good enough job in the past, in my two and a half years, of estimating that and I thought we could make ends meet. Probably the greatest mistake in this last year was trying to accommodate and live with a new Administration as it came into place and have the people appointed and confirmed and so on.

There was a matter of months before Mr. Gallamore, Mr. Sullivan were confirmed, and we were operating—we wanted to see an end of this fight we were having with the Department all the time. That very possibly was a mistake.

Mr. CONTE. Will you yield there?

Mr. O'BRIEN. Indeed.

FY 1979 REQUEST

Mr. CONTE. You call that a fight? What is going to happen when you put in a \$613 million budget request for next year as part of your 5 year plan? I understand OMB is only going to give you \$500 million. If it was a fight this year, then you are really going to have a battle next year, are you not?

Mr. REISTRUP. Yes.

Ms. HEAD. I think if I may, I think if we continue to do just that, \$500 million next year and the next, within a couple of years we will not have any East-West trains, the long-distance trains.

Mr. CONTE. Do you think that is their game plan, to try to hold your budget at half a billion dollars?

Ms. HEAD. I do not think it is the game plan. What we are saying is, the budgetary restraints will dictate the policy. That is what we are going to have to do. As much as we are trying to reduce and save every place we can, we cannot, by just frequency changes, make enough difference. You have to take routes where you can close stations to make big cuts.

I think the Congress has to decide what kind of a railroad passenger system they want. If they want it to be a national system, then somebody else will have to devise a different kind of system than we have now. If you want to change the law, it is not supposed to be a national system, what we want to do is have a series of corridors around the country, that is fine; then direct whoever is on the Board then to devise what that system is going to be.

I do not think you can have it both ways and decimate the system and have a system that we feel the public deserves.

Mr. MCFALL. Could you tell me why the Board did not agree with Mr. Reistrup's figure of \$534 million? Was there discussion on this?

Ms. HEAD. Yes. I was not—I apologize, I was not here for that Board meeting. It is the only one I missed.

Mr. Dunlop chaired the meeting. I do think it would be instructive to have him comment.

Mr. DUNLOP. I chaired the meeting, but Mr. Langdon was one of the exponents or proponents—

Mr. McFALL. He is the last one in line.

AUTHORIZATIONS

Mr. LANGDON. I can tell you very briefly what influenced me.

I thought the least we should do would be to ask the Congress for the amount that was authorized in the Amtrak legislation, which was \$545 million. There had been such a storm of protest, I mean to us, I am sure there were protests here on the Hill, but to us life was unbearable under the program that was being announced to fulfill this obligation to operate at a lower figure.

It indicated to me at least that there ought to be an opportunity to reconsider. If after reconsideration, it still is indicated that we should operate at \$500 million or \$488 million, we can do it, but the system will not look the way it has in the past. We can do it, but I thought—this was my own view in being one of the advocates, and I was not the only one by any means, that we ought to ask for the amount that was authorized by the Congress. This was our duty, really, in view of the storm of protest that arose in connection with the proposed reduction in service.

Mr. McFALL. That is not unreasonable, although you see, from our perspective we realize that the authorization is the first part of the process and the appropriations are considered later. When people ask for the full authorization, we shake our heads. The authorization is not an entitlement, but I can understand your perspective.

Mr. O'Brien.

INFORMATION

Mr. O'BRIEN. Mrs. Head, in your statement I think on page 2 you say the board in turn has expressed concern about the quality and accuracy of the data presented to us, especially the economic, financial and cost data. Is that what OMB and DOT are needing you on?

Ms. HEAD. My own personal experience has been, I do not know if you have ever faced some of the Senators, but in dealing with Senator Byrd, who questioned some of our figures a few, a year and a half ago or something, I do not want to face him again and not be any surer of the figures I had in front of me than I had been at that time. Getting in the new data with new route profitability statements and new computer system, we wanted to be sure that the facts we had were sound and strong and defensible.

The storm of protest we had would have been worse, if they had been soft figures. Don Jacobs, our Chairman, whose background is economics and computers and so on, wanted to be sure the data we were getting was the best we could get before we would take a stand on those figures. You can understand that.

Mr. DUNLOP. I would like to complement or supplement that statement.

We had real concern in the area of allocations too, when you determine a route structure and costs that attached to that route structure, inevitably you get into allocations not only within our own system, but also our relationship with Conrail and relationships with commuter services.

I have been Chairman of Amtrak's Finance Committee. This has been an area which has enjoyed the attention of that Committee and we have really deep concerns as to the soundness of our figures. We have been sort of moving along somewhat slowly, until we were sure we had reasonably firm figures that we could present to legislative and other authoritative bodies. This area has been one—that I think is the thrust of Mrs. Head's statement here; the Board's concern that we come up with figures that we really felt we had some degree of sound reliance on.

Mr. O'BRIEN. I just have one more question.

Mr. McFALL. Yes.

LABOR NEGOTIATIONS

Mr. O'BRIEN. Why does Amtrak not participate in labor negotiations, Mr. Reistrup?

Mr. REISTRUP. Mr. O'Brien, we are not a member of the National Railway Labor Conference. This is a group of railroad managements that negotiate with the unions. We have considered joining that organization. We are still considering it.

Our present posture, management's, is that we would not join if we did not have a vote. We would want to have a vote. It is our understanding that if the by-laws were not changed, we would not have a vote.

We have a very accomplished Vice President of Labor Relations and Personnel, George Daniels. He and I agree on that statement. We have discussed that at the Board level with the Compensation and Organization Committee, and it was the feeling when it was addressed by that Committee that we might not join. So we have signed a standby agreement so we will not be out on a limb and have to negotiate these agreements after the fact.

We feel—personally I feel, that the private railroads, many of them very strong financially, can negotiate in a tough way, in effect, for us. The disadvantage is we cannot negotiate passenger agreements. We are largely the only one with intercity passengers. The Southern Railway has some; one train, the Rock Island, a couple; and the Rio Grande one.

There are computer agreements, however, and those are part and parcel of this national negotiation.

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. CONTE. Will you yield?

Mr. O'BRIEN. Yes.

Mr. CONTE. On the other side of the coin, though, is not dangerous for you are not to be part of the negotiations? You have been before us two or three times stating that the inflation rate in your budget requests are largely tied to what you will have to pay your union employees under a new labor contract on January?

The union negotiators are aware of the figure you set. Can they not estimate how much they are going to get by the inflation amount your have agreed to ask the Congress to pay for?

Mr. REISTRUP. What you have mentioned, Mr. Conte, was what led me to bring this as far as the Board committee. We did not at that time have George Daniels, who I think is correct in saying we should have a vote on that committee. Just being a member of the organization allows us to pay dues and not have the right to direct the negotiation. I feel we ought to have the right to direct the negotiation with respect to passenger agreements. If we do get that, we would pursue it again. It is not a dead issue.

I have talked to Mr. Hopkins about it personally. He is the head of NRLC.

LABOR RELATIONS

Mr. LANGDON. Mr. Conte, you appreciate, sir, that some of these employees of course, even in the corridor, are not really our employees. They are paid by Conrail, the train and engine service. Also in other parts of the country the employees that are on our trains are actually the employees of the contracting railroads. We pay them in the sense that we reimburse the railroad for wages paid, so far as they are assigned to the passenger trains, but they are actually the employees of the Burlington or Santa Fe or whoever it may be.

Mr. CONTE. What percentage of the Amtrak work force, are only agents and therefore directly employed by other railroads?

Mr. LANGDON. They do not even show up as employees of Amtrak because of course they are not employees of Amtrak. So I do not know how many train and engine service and other employees of railroads are involved in our contracts with these other railroads, but it is a very sizable number.

Mr. REISTRUP. It would be roughly 5,000 employees, just to guess. We will try to provide that accurately.

Mr. CONTE. Out of how many total employees?

Mr. REISTRUP. Out of a total of about 22,000 about 5,000 are railroad.

Mr. CONTE. Or about a fourth of your work force?

Mr. REISTRUP. But we will give you the exact figure. This is just a guess.

[The information follows:]

During FY 77 Amtrak employed 16,800 employees in support of passenger operations. In addition, the contracting railroads employed approximately 7,700 employees in support of Amtrak passenger operations for a total of 24,500. Railroad employees thus represented 31% of the total.

NATIONAL RAILWAY LABOR CONFERENCE

Mr. O'BRIEN. Just one other thing, not to pursue this ad infinitum, Mr. Reistrup, but you mentioned that the conclusion was that you would not seek to serve on that board, not you but I mean Amtrak, and you would not pursue the notion until you have a vote. You cited that those negotiations are carried on in many ways by prosperous railroads. You are not the most prosperous railroad

perhaps and maybe being in a little more hungry position you might add a tougher voice in those negotiations.

Why did you arrive at the conclusion that you would not or should not serve in that area?

Mr. REISTRUP. Most recently because of the vote. There is the other side of the coin. There is a risk that although we might appear to be weaker and we certainly have the worst financial performance, we do have the government behind us to an extent and therefore there is that danger. This is a very delicate decision and we will try to do the right thing.

We are a member of the Association of American Railroads, and in that capacity we are kept abreast of these negotiations. So I know everything that is going on, but we do not have a say, which is unfortunate. If we could do better by having a say, that is the question, as to whether we can improve our posture by having a say, I think it would be much more important for us if the train and engine service employees really were Amtrak employees. The ones that today work for us are the on-board service people, say station people, the maintenance people, shop crafts, and of course the track workers in the corridor.

Mr. O'BRIEN. There are a handful of congressmen who do not have a vote and we hear from them regularly. I am not necessarily persuaded by the notion that you do not gain anything—even if you do not have a vote, or a part in those conversations.

Mr. REISTRUP. I will take this counsel back and my labor relations man and I will discuss it.

Mr. O'BRIEN. Thank you, Mr. Chairman.

Mr. MCFALL. Mr. Duncan, do you have any questions right now?

Mr. DUNCAN. No, Mr. Chairman.

MANAGEMENT PLAN

Mr. MCFALL. Mr. O'Brien and Mr. Conte referred to your statement earlier this year, Mr. Reistrup, in which you said, based upon current estimates for fiscal 1978, the corporation will be required to make further savings of \$19.6 million, etc. Also, as I understand your testimony today, Amtrak management had no plan as to how it would operate at a \$500 million level for the entire fiscal year.

Should the board, Mrs. Head, have required such a plan, since \$500 million was the funding which management was supporting in its congressional testimony?

Ms. HEAD. I do not think we said we would require a plan, we all recognize that we had to make stringent economies everywhere we could and attempt by every way we knew to raise the revenues. We did not say to my recollection, "Mr. Reistrup, by next month give us a plan that will show exactly how many dollars you are going to have." When this happened, you see, in March, as you recall we were all reeling from the winter that we had had. We did not know how long it was going to take to get those tracks repaired, get the tracks in operation again; we did not know what it was going to mean yet. So we were all faced with enormous choices to make and costs to make up for. So we were not saying do \$12 million of it here and \$8 million of it here. We said in every way across the board

let's work, we have to reduce manpower, cut down on the overhead and cut down on cost in every year.

WINTER WEATHER COSTS

Mr. McFALL. Do you have any estimates now concerning the impact of that very severe winter on your operations?

Mr. REISTRUP. Yes, sir; \$15 million is a very good estimate. We were able to swallow all but about \$6 million of it.

Mr. McFALL. Could we have a brief analysis of that for the record at this point?

Mr. REISTRUP. Yes, sir.

[The information follows:]

BUDGET IMPACT OF 1977 WINTER (\$ Millions)

Freeze damage	\$1.11
Delayed trains causing increased overtime and operating costs	3.4
Passenger inconvenience costs .....	.2
Snow and ice removal .....	.3
Locomotive rentals	2.0
Increased railroad billings	2.5
Wreck damage	2.8
Lost revenue	2.6

Total	\$14.9
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SERVICE RESTORATIONS

Mr. McFALL. If Congress were to provide you an additional \$11.5 million which would get you up to \$500 million, and indicate that this was the total amount you would get for the entire fiscal year, would any of your announced service cuts be restored?

Mr. REISTRUP. Yes. My suggestion, and the Board would have to be involved in this because the route structure analysis would necessarily become a part of it, we would—I would recommend, first, not pursuing the January cuts. Our latest analysis, this week, shows that those January cuts get beyond the point of prudence; if we are going to operate a national system, we get close to being counterproductive.

Mr. McFALL. We do not know anything about January cuts yet, do we?

Mr. REISTRUP. Well, this would be referred to, the further cuts, should we not get any additional money.

We are talking about on that sheet the \$7 million, the avoidance of—

Mr. McFALL. \$7.1 million?

Mr. REISTRUP. Yes. Then I would ask, and this is where the Board is involved; we would have to, together, determine whether or not we should keep for ourselves the goal under the route criteria process of restructuring routes, improving the economics, and possible elimination of some, to save the money. Whatever that brings, and I think the directors might comment on that, the balance would

be used in the priority order which we have given you to restore trains.

The Metroliners would be at the top of the list; there is a Boston-to-New York round trip early in the morning which would be at the top of the list. We would start at the top and come down.

Some of those trains should not have been planned to be reduced, they were borderline.

Ms. HEAD. Excuse me. You asked if you gave us only the \$11.5 million?

Mr. McFALL. Yes. We have already eaten up \$7.1 million of it and you only have \$4.4 million remaining.

Mr. REISTRUP. Yes.

Now the question is whether we use the route criteria. My feeling is, of course, we should not with inflation, but we may have a difference of opinion at this table.

Mr. DUNLOP. Yes. Maybe I misunderstood your question, Mr. Chairman. I thought you said what routes would we restore in the event that we received this amount of money.

Ms. HEAD. That is what he said.

Mr. DUNLOP. We were addressing that issue in the Finance Committee meeting yesterday. My only preliminary—and I hate to be in disagreement with the President—

Mr. McFALL. It would not be the first time.

Mr. DUNLOP. Well, this is the first time I have had the pleasure of appearing before this Committee, sir, and I hate to show disunity.

Mr. McFALL. Act like you are at home.

Mr. DUNLOP. I would not want to leave this table with any encouragement to you gentlemen that we would be restoring some service that has heretofore been eliminated.

Ms. HEAD. I agree.

Mr. McFALL. That does not give us much incentive, does it?

Mr. DUNLOP. As I say, I am sure I do not have to identify here that Board members are usually not too well-informed. I mean they concern themselves with policy rather than operational detail and that is the level from which I am speaking at this point in time. I do not want a member of the Board to leave here with any let's say—

Mr. McFALL. We want to examine all of this, because Mr. Reistrup can't do anything that you don't let him do.

Mr. DUNLOP. That is correct from a policy point of view, but we try to differentiate the extent to which we should meddle in his day-to-day operational affairs, if I make myself clear.

RESTRUCTURING

Mr. REISTRUP. The big question is whether there are route changes of substance. These can be eliminations, rerouting, restructuring or whether there are frequency reductions. That is really the question. And the Board and I will have to wrestle with this when we determine what the process is. We have tried to present to the Congress the situation as clearly as we see it. There is an estimate as to what might be gained through the route restructuring criteria process.

Ms. HEAD. Mr. McFall, I would like to say that I do think that the Board would agree with me that they do not like being in the posture of having it look as though we are playing blackmail with the Congress. You know, "You give us the money, we will put your routes back." That is not the case at all. We don't feel that way. That is not the reason we would have to take things off. We don't like taking off trains any better than anybody else does. I really think that many of us would not be in favor of putting back those trains that were taken off last month regardless.

Mr. CONTE. By this month you mean the cuts scheduled for October 30th.

Ms. HEAD. Yes. Several were changed last month, in September, I think, two or three of the routes were changed.

Mr. REISTRUP. September 8.

Ms. HEAD. Some of the rerouting was done then.

Mr. REISTRUP. The schedule now, Mr. Chairman, if I may, for the scheduled changes is due November 6, and this is due to labor technicality of posting the jobs; it is a form of picking the jobs by seniority order. That bulletin goes up today. That is assigned next Wednesday. So that the schedule change would be November 6 instead of October 30.

Mr. CONTE. Mr. Chairman, will you yield?

Mr. MCFALL. Yes.

SERVICE RESTORATIONS

Mr. CONTE. I would like to have either the Board or Mr. Reistrup provide for the record a list of their service priorities based on a \$11-1/2 million, supplemental allocation of \$11.5 million in comparison to their priorities based on \$35 million or 18 million in additional funding. But I want there figures so that when we meet with the Senate we will be able to effectively discuss funding alternatives. The lack of such figures creates big problems for those trying to defend this budget.

[The information follows:]

FISCAL YEAR 1978 SUPPLEMENTALInflation:

Amtrak currently estimates that inflation costs will be \$10.6 million higher than the amounts originally included in the \$534.1 million budget requested for Fiscal Year 1978. We recognize that this level of inflation has not yet occurred, except for the annualization of inflation that occurred during Fiscal Year 1977, because railroad wage settlements are not firm and the impact of cost increases in the areas of fuel and material for the year are still estimates. Amtrak management is willing to accept the risk at this time that inflation will not be as high as currently estimated and to the extent it occurs it will be manageable within whatever amounts are provided for Fiscal Year 1978. This may mean that further Amtrak employment reductions and other actions to reduce costs will have to be considered once the union wage settlements are established and actual inflation experience develops for the Fiscal Year. Therefore, none of the funds added as a Fiscal Year 1978 supplemental would be reserved to cover increased inflation costs. It is emphasized that this is an Amtrak management assumption.

Given this assumption concerning inflation, the respective supplemental amounts would be applied as follows:

\$11.5 Million Supplemental

Avoidance of further train frequency reductions	\$ 7.1 million
Partial restoration of train frequency reductions currently identified	<u>4.4 million</u>
Total	\$11.5 million

The \$4.4 million restoration would substantially cover the reinstatement of frequency reductions through Item 6 on the attached priority list (Attachment A) for train frequency reinstatements. This amount would permit the restoration of one frequency reduction (Palmetto) which was made in September, 1977, as well as some reductions planned for October 30.

Under this assumption the Corporation will still be required to make major route restructuring and/or discontinuances using the route criteria to achieve a savings of approximately \$20 million

during Fiscal Year 1978. These savings would be accomplished by combination of accelerated restructuring or discontinuance of the following routes which are currently under study in the route criteria process:

Chicago-Washington
 Chicago-Laredo
 Chicago-Florida
 Oakland-Bakersfield
 Seattle-Portland
 Washington-Martinsburg
 New York-Philadelphia
 Chicago-Seattle (South)
 Kansas City-NYC/Washington
 Chicago-Houston
 Chicago-NYC/Boston
 Chicago-Oakland

\$18.0 Million Supplemental

This supplemental would be applied as follows:

Avoidance of further train frequency reductions	\$ 7.1 million
Partial restoration of train frequency reductions currently identified	<u>10.9 million</u>
Total	\$18.0 million

The \$10.9 million of frequency reductions which could be restored would cover those listed on the attached priority list for reinstatement through Item 13 (Attachment A). This would restore all of the Northeast Corridor reductions that are not otherwise covered by reasonable rescheduling of current trains, or should not be restored because of poor economics. In addition, a number of the September frequency reductions would be restored including The Palmetto, The San Joaquin, The InterAmerican, The Empire Builder and The North Cost Hiawatha and all of the planned October 30th reductions outside the Northeast Corridor that are not covered by alternative service.

Again, this level of supplemental would still require major route restructuring and discontinuances in the amount of \$20 million saving for Fiscal Year 1978 as outlined above.

\$35.0 Million Supplemental

This supplemental would be applied as follows:

Avoidance of further train frequency reductions	\$ 7.1 million
Restoration of frequency reductions currently identified	18.8 million
Avoidance of major route restructuring and discontinuances	<u>9.1 million</u>
Total	\$35.0 million

The \$18.8 million for restoration of train frequency reductions would fully restore those reductions which have been identified and are not otherwise accommodated by rescheduling of current trains or that economics are such that they should not be restored. These are listed in the attached priority listing for reinstatement (Attachment A). This level of supplemental would still require the Corporation to effect \$11.0 million in savings through major route restructuring and/or discontinuances. The same list of routes stated above would be studied in the achievement of this objective.

October 28, 1977

REINSTATEMENT OF FREQUENCY REDUCTIONS
(Dollars in thousands)

Train	Disposition	Individual trains	Cumulative restoration
1. Metroliners.....	Reinstate Saturday and Sunday reductions between New York and Washington on trains 104, 106, 110, 114, 105, 107, 109, and 113. Do not reinstate trains 131 and 132 between New York and New Haven, as the electrical power system is scheduled to be changed November 19 for a portion of this route, making Metroliner operation impossible.	\$590	\$590
2. Philadelphia-Harrisburg	Reinstate train 605 on Sunday and 620 on Saturday.....	8	598
3. Boston-New York, 100 series	Reinstate trains 153, 185, 187, 180, 150 and 162.....	1,102	1,700
Washington-New York, 100 series.....	Reinstate train 166 on Friday and Sunday.....	292	1,992
4. 89-90, Palmetto, Washington/Savannah	Reinstate daily operation (from quad-weekly (weekend) service).....	200	2,192
5. New Haven-Springfield, 400 series.....	Reinstate only trains 406 (on Saturday and Sunday), 408 (Monday through Friday), 403 (Monday through Friday) and 409 (Saturday and Sunday).....	2,500	4,692
6. NEC Costs Related to above	Do not reinstate; alternate service available on five other daily round-trip services between Chicago and Milwaukee.....	0	4,692
7. 321-322 (daily) turboliner, 328-329 (Sunday only)	Chicago/Milwaukee.....	1,000	5,692
8. Philadelphia-New York, 200 series	Reinstate trains 204, 213, 237 and 250. Do not reinstate other 200 series trains (including No. 168 Philadelphia to New York) as alternate service is available on remaining 100 series trains. Several stops have been added to such trains to accommodate passengers presently using 200 series trains.....	\$272	\$5,964
9. 710-711, San Joaquin, Oakland/Bakersfield	Reinstate daily operation (from quadweekly (weekend) service) Note: Daily operation presently continues due to funding from California for such service.....	1,210	7,174
10. 21-22, Inter-American, St. Louis/Laredo	Reinstate daily operation (from triweekly).....	401	7,575
11. 34-35, Hilltopper, Washington/Tri-State (Cattlettsburg)	Reinstate daily operation (from quadweekly (weekend) service).....	732	8,307
12. 32-33, Shenandoah, Washington/Cincinnati	Reinstate daily operation (from quadweekly (weekend) service).....	961	9,269
13. 7-8, Empire Builder, Minneapolis/Seattle	Reinstate daily operation (from quadweekly), when Superliner equipment is available to cover daily service.....	989	10,257
14. 17-18, North Coast, Hiawatha, Minneapolis/Seattle	Operate daily summer service (from triweekly).....	0	10,257
15. Chamouger, Providence-New Haven	Do not reinstate trains 151 and 152 as alternate service is available on other trains at principal points served.....	0	10,257
16. Harrisburg-New York	Do not reinstate trains 42-43, as other service is available.....	0	10,257
191-192, Southern Crescent, NEC Connection, Washington/New York	Do not reinstate, as this train was operated only to handle through cars to and from New York and for the Southern Railway's Southern Crescent, and these cars are now operated on trains 171-172.....	0	10,257
17. 85-86, Champion, New York/St. Petersburg	Do not reinstate; alternate service available on trains 81-82 (Silver Star) and 87-88 (Silver Meteor). Consider operation of a New York-Washington-Savannah Amfleet summer day train via Raleigh and Columbia to supplement trains 81-82.....	8,049	18,306
18. 87-88, Silver Meteor, Jacksonville/St. Petersburg	Add a leg between Jacksonville and St. Petersburg, which replaces trains 85-86 on this route.....	500	18,806

Note: Northeast Corridor: See attachment B for complete detail of all Northeast Corridor frequency reductions programmed to be effective Oct. 30, 1977. Attachment A contains details of present end-points, times operated, days operated, and days programmed to be canceled.

(Effective October 30, 1977)

Detail of Northeast Corridor Frequency Reductions

TRAIN NUMBER	ORIGIN & PRESENT DEPARTURE TIME	DESTINATION	DAYS NOW OPERATED	DAYS CANCELLED
Metroliners				
104	Washington, 8:00 a.m.	New York	Daily	Sunday
106	Washington, 9:00 a.m.	New York	Daily	Sunday
110	Washington, 11:00 a.m.	New York	Mon. thru Sat.	Saturday
114	Washington, 1:00 p.m.	New York	Daily	Saturday
132	New York, 8:17 p.m.	New Haven	Sun. thru Fri.	All Days
131	New Haven, 7:50 a.m.	New York	Mon. thru Sat.	All Days
105	New York, 8:30 a.m.	Washington	Daily	Sunday
107	New York, 9:30 a.m.	Washington	Sunday Only	Sunday
109	New York, 10:30 a.m.	Washington	Daily	Saturday
113	New York, 12:30 p.m.	Washington	Daily	Saturday
New York-Philadelphia				
237	New York, 6:35 a.m.	Philadelphia	Mon. thru Fri.	Mon. thru Fri.
213	New York, 2:00 p.m.	Philadelphia	Daily	All Days
219	New York, 4:32 p.m.	Philadelphia	Sun. thru Fri.	Sun. Only
227	New York, 7:05 p.m.	Philadelphia	Daily	All Days
250	Philadelphia, 5:45 a.m.	New York	Mon. thru Sat.	All Days
168	Philadelphia, 7:15 a.m.	New York	Daily	All Days
204	Philadelphia, 9:00 a.m.	New York	Daily	All Days
220	Philadelphia, 5:00 p.m.	New York	Sun. thru Fri.	All Days
222	Philadelphia, 6:00 p.m.	New York	Sun. thru Fri.	All Days
New York-Harrisburg				
42	Harrisburg, 6:20 a.m.	New York	Mon. thru Fri.	All Days
43	New York, 5:06 p.m.	Harrisburg	Mon. thru Fri.	All Days
New Haven-Springfield				
402	New Haven, 9:00 a.m.	Springfield	Daily	All Days
406	New Haven, 1:00 p.m.	Springfield	Daily	Sat. & Sun.
408	New Haven, 3:00 p.m.	Springfield	Daily	Mon. thru Fri.
410	New Haven, 4:00 p.m.	Springfield	Mon. thru Fri.	All Days (but see #412 below)
412	New Haven, 5:45 p.m.	Springfield	Daily	Mon. thru Fri. (but re-numbered to #410 from New Haven at 5:20 p.m.)

Detail of Northeast Corridor Frequency Reduction
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(Effective October 30, 1977)

<u>TRAIN NUMBER</u>	<u>ORIGIN & PRESENT DEPARTURE TIME</u>	<u>DESTINATION</u>	<u>DAYS NOW OPERATED</u>	<u>DAYS CANCELLED</u>
<u>New Haven-Springfield</u>				
419	Springfield, 7:00 a.m.	New Haven	Mon. thru Fri.	All Days
401	Springfield, 9:05 a.m.	New Haven	Mon. thru Sat.	Sat. Only
403	Springfield, 10:55 a.m.	New Haven	Daily	Mon. thru Fri.
409	Springfield, 3:00 p.m.	New Haven	Daily	All Days
415	Springfield, 7:10 p.m.	New Haven	Sun. Only	Sun. Only
<u>Harrisburg-Philadelphia</u>				
605	Philadelphia, 8:00 a.m.	Harrisburg	Daily	Sunday
620	Harrisburg, 9:00 p.m.	Philadelphia	Daily	Saturday
<u>Boston-New York</u>				
153	Boston, 6:00 a.m.	Philadelphia	Daily	All Days
185	Boston, 5:00 p.m.	New York	Fri. & Sun.	Fri. & Sun.
187	Boston, 7:00 p.m.	Philadelphia	Daily	All Days
180	New York, 7:10 a.m.	Boston	Daily	All Days
150	New York, 4:10 p.m.	Boston	Daily	All Days
162	New York, 8:05 p.m.	Boston	Fri. & Sun.	Fri. & Sun.
<u>Providence-New Haven</u>				
151	Providence, 5:42 a.m.	New Haven	Mon. thru Fri.	All Days
152	New Haven, 3:35 p.m.	Providence	Mon. thru Fri.	All Days
<u>Washington-New York</u>				
166	Washington, 9:05 p.m.	New York	Fri. & Sun.	Fri. & Sun.

(Effective October 30,
1977)

Detail of Northeast Corridor Frequency Reductions

TRAIN NUMBER	ORIGIN & PRESENT DEPARTURE TIME	DESTINATION	DAYS NOW OPERATED	DAYS CANCELLED
<u>Metroliners</u>				
104	Washington, 8:00 a.m.	New York	Daily	Sunday
106	Washington, 9:00 a.m.	New York	Daily	Sunday
110	Washington, 11:00 a.m.	New York	Mon. thru Sat.	Saturday
114	Washington, 1:00 p.m.	New York	Daily thru Sat.	All Days
132	New York, 8:17 p.m.	New Haven	Sun. thru Fri.	All Days
131	New Haven, 7:50 a.m.	New York	Mon. thru Sat.	All Days
105	New York, 8:30 a.m.	Washington	Daily	Sunday
107	New York, 8:30 a.m.	Washington	Sunday Only	Sunday
109	New York, 10:30 a.m.	Washington	Daily	Saturday
113	New York, 12:30 p.m.	Washington	Daily	Saturday
<u>New York-Philadelphia</u>				
237	New York, 6:35 a.m.	Philadelphia	Mon. thru Fri.	Mon. thru Fri.
213	New York, 8:00 p.m.	Philadelphia	Daily	All Days
219	New York, 4:32 p.m.	Philadelphia	Sun. thru Fri.	Sun. Only
227	New York, 7:05 p.m.	Philadelphia	Daily	All Days
250	Philadelphia, 5:45 a.m.	New York	Mon. thru Sat.	All Days
168	Philadelphia, 7:15 a.m.	New York	Daily	All Days
204	Philadelphia, 9:00 a.m.	New York	Daily	All Days
220	Philadelphia, 5:00 p.m.	New York	Sun. thru Fri.	All Days
222	Philadelphia, 6:00 p.m.	New York	Sun. thru Fri.	All Days
<u>New York-Harrisburg</u>				
42	Harrisburg, 6:20 a.m.	New York	Mon. thru Fri.	All Days
43	New York, 5:06 p.m.	Harrisburg	Mon. thru Fri.	All Days
<u>New Haven-Springfield</u>				
402	New Haven, 9:00 a.m.	Springfield	Daily	All Days
406	New Haven, 1:00 p.m.	Springfield	Daily	Sat. & Sun.
408	New Haven, 3:00 p.m.	Springfield	Daily	Mon. thru Fri.
410	New Haven, 4:00 p.m.	Springfield	Mon. thru Fri.	All Days (but see #412 below)
412	New Haven, 5:45 p.m.	Springfield	Daily	None (but re-numbered to #410 from New Haven at 5:20 p.m.)

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(Effective October 30, 1977)

TRAIN NUMBER	ORIGIN & PRESENT DEPARTURE TIME		DESTINATION	DAYS NOW OPERATED	DAYS CANCELLED
	ORIGIN	PRESENT			
<u>New Haven-Springfield</u>					
419	Springfield	7:00 a.m.	New Haven	Mon. thru Fri.	All Days
401	Springfield	9:05 a.m.	New Haven	Mon. thru Sat.	Sat. Only
403	Springfield	10:55 a.m.	New Haven	Daily	Mon. thru Fri.
409	Springfield	3:00 p.m.	New Haven	Daily	All Days
415	Springfield	7:10 p.m.	New Haven	Sun. Only	Sun. Only
<u>Harrisburg-Philadelphia</u>					
605	Philadelphia	8:00 a.m.	Harrisburg	Daily	Sunday
620	Harrisburg	9:00 p.m.	Philadelphia	Daily	Saturday
<u>Boston-New York</u>					
153	Boston	6:00 a.m.	Philadelphia	Daily	All Days
185	Boston	5:00 p.m.	New York	Fri. & Sun.	Fri. & Sun.
187	Boston	7:00 p.m.	Philadelphia	Daily	All Days
180	New York	7:10 a.m.	Boston	Daily	All Days
150	New York	4:10 p.m.	Boston	Daily	All Days
162	New York	8:05 p.m.	Boston	Fri. & Sun.	Fri. & Sun.
<u>Providence-New Haven</u>					
151	Providence	6:42 a.m.	New Haven	Mon. thru Fri.	All Days
152	New Haven	3:35 p.m.	Providence	Mon. thru Fri.	All Days
<u>Washington-New York</u>					
166	Washington	9:05 p.m.	New York	Fri. & Sun.	Fri. & Sun.

(October 30, 1977)

Detail of Northeast Corridor Frequency Reductions

Not To Be Restored

TRAIN NUMBER	ORIGIN & PRESENT DEPARTURE TIME	DESTINATION	DAYS NOW OPERATED	DAYS CANCELLED
Metroliners				
132	New York, 9:17 p.m.	New Haven	Sun. thru Fri.	All Days
131	New Haven, 7:50 a.m.	New York	Mon. thru Sat.	All Days
New York-Philadelphia				
219	New York, 4:32 p.m.	Philadelphia	Sun. thru Fri.	Sun. Only
227	New York, 7:05 p.m.	Philadelphia	Daily	All Days
168	Philadelphia, 7:15 a.m.	New York	Daily	All Days
220	Philadelphia, 5:00 p.m.	New York	Sun. thru Fri.	All Days
222	Philadelphia, 6:00 p.m.	New York	Sun. thru Fri.	All Days
New York-Harrisburg				
42	Harrisburg, 6:30 a.m.	New York	Mon. thru Fri.	All Days
43	New York, 5:06 p.m.	Harrisburg	Mon. thru Fri.	All Days
New Haven-Springfield				
402	New Haven, 9:00 a.m.	Springfield	Daily	All Days (but see #412 below)
410	New Haven, 4:00 p.m.	Springfield	Mon. thru Fri.	None (but re-numbered to #41 from New Haven 5:20 p.m.)
412	New Haven, 5:45 p.m.	Springfield	Daily	All Days (but see #412 below)
New Haven-Springfield				
419	Springfield, 7:00 a.m.	New Haven	Mon. thru Fri.	All Days
401	Springfield, 9:05 a.m.	New Haven	Mon. thru Sat.	Sat. Only
409	Springfield, 3:00 p.m.	New Haven	Daily	Mon. thru Fri.
415	Springfield, 7:10 p.m.	New Haven	Sun. Only	Sun. Only
Providence-New Haven				
151	Providence, 5:42 a.m.	New Haven	Mon. thru Fri.	All Days
152	New Haven, 3:35 p.m.	Providence	Mon. thru Fri.	All Days

DECISIONS ON ROUTES

Ms. HEAD. I understand, and I know you have been supportive of Amtrak and encouraging us all the time. The thing that is the same refrain we keep saying, we don't want, ideally, to have the budget process or the granting of supplementals drive the decisions about where the routes are. This may be my last few days as a Board member. So I would say with frankness to all of you and as much candor as I can muster, you can understand what happens, because each of you, representing your constituents, which is what you are supposed to do in our system, feel the concern about having a train removed or frequency reduction in your area and because of that we do—we are granted a supplemental if we put those trains back on, then we will play that game forever, every year it will be that same sort of thing.

Mr. CONTE. I for one have had some discontinuances in my area and yet I have told Mr. Reistrup that I agree with him. So you are not get that approach from me.

Ms. HEAD. I know. That is why I said it to you, because I know you have supported that and have been good about it.

Mr. CONTE. Right. I have to have something concrete to answer Congressional inquiries on this. Without firm information we would not be able to sell an \$11.5 million supplemental request because the presence of the \$10.6 inflation request throw the figures off base. I think you can sell on \$11.5 million supplemental request solidly demonstrate the need for the amount.

NEW EQUIPMENT

Mr. O'BRIEN. Off the subject, Ms. Head, but you mentioned it earlier and I wanted to inquire, you said there were contracts for new equipment.

Ms. HEAD. Yes.

Mr. O'BRIEN. You were unable to supply certain trains simply because you lacked equipment. They have been going on for 3 years.

Are you restricted or restrained in your source of supply for new equipment?

Ms. HEAD. The difficulty, Mr. O'Brien, is you see when a major industry in this country begins to die, along with it all the subcomponent manufacturers die too. There was not an open production line in the U.S. capable of manufacturing intercity cars when Amtrak came into existence in 1971. We had to talk the Budd Company into building the Amfleet cars, then we had to talk Pullman-Standard into going back into business and opening up lines again. Then we had to do the design on it, then get into production of it. All these take time, you see. That is why it is a long lead time.

Now they have had production difficulties within the plant. They are working under a penalty clause. They are going to owe us a penalty payment for every day for every unit they are delayed. They are on strike now. Of course that would be a force majeure. We hoped to have all new trains on the northern routes which we don't have. Last February and March we said we would not want to

go through another winter of service up there in the North—Montana, North Dakota, and Washington State—with the trains we have. We have to now and it is absolutely awful to contemplate.

Mr. DUNLOP. Mr. Chairman, please, I would like to respond to Mr. Conte's very appropriate question. This may not be appropriate for a Board member, but we have been identifying these issues. We will supply you hopefully within the end of this week, the specific answers to the questions that you have raised because I think these are the data that you have to have.

POLITICAL DECISIONS

Mr. McFALL. I want to say that I agree with Ms. Head that the Congress should not say you are going to have this route or that route or we are not going to give you the money or we are going to give you the money. One of the things that this committee has been trying to avoid is the determination of route structure by political force. In that respect we completely agree with you. That is why we wanted a minimum economic standard for all Amtrak routes and we put it in this year's report, if you will remember. That is what we had in mind, that we would not have a politically operated Amtrak.

The other body disagreed with our report and thought that the route and service criteria should be used. In conference we agreed with that. We still believe the route and service criteria are the way to operate the railroad. We are facing a difficult policy as well as political issue.

Mr. EDWARDS. Will you yield on that point?

Mr. McFALL. Yes.

HOUSE COMMITTEE REPORT

Mr. EDWARDS. All right. On that point, first, I would echo what the chairman has said. I think we have said to each other very clearly now that we are not going to try to play politics with routes and frequency; certainly I don't want to. That was the purpose when we started trying to draft that language on page 35 of our committee report to which the chairman was just referring. I have a feeling that maybe it got fuzzed up in the final way it came out. But I wonder if that language is giving you any heartburn or if it is a source of comfort. How do you read what we have written?

Ms. HEAD. I don't know the exact language you mean—

Mr. EDWARDS. Speaking of the language that starts on page 34 and ends on page 35 of the fiscal 1978—

Mr. McFALL. Perhaps you should read it, Mr. Edwards, because I am not sure—

Mr. EDWARDS. All right.

Mr. DUNCAN. Are you sure the board has read it before?

Ms. HEAD. Yes.

Mr. EDWARDS. "However, the committee believes Amtrak is also providing service which is hopelessly uneconomical, requires a relatively large Federal subsidy compared to revenues and provides little or no social or environmental benefits."

Ms. HEAD. Yes, I am familiar with it and we agree with it. I would have to say, as Mr. McFall said, the members of the other House do not agree with us on it.

Mr. EDWARDS. I want to go ahead and read it all because there is something that seems fuzzy to me.

Ms. HEAD. Yes, please do.

Mr. EDWARDS. "Requires a relatively large Federal subsidy compared to revenues and provides little or no social or environmental benefits. Accordingly, the committee directs Amtrak to discontinue rail passenger service where (1) expected revenues (including State subsidies under 45 U.S.C. 563(b)) are not equal to or greater than 25 percent of expected avoidable costs, and (2) the service has existed for at least 2 years. However, if a change in the level of service or a restructuring of service is expected to cause losses to meet these criteria or if there has been a substantial and sustainable improvement in financial performance, the service should be continued. If service is discontinued, the committee directs Amtrak to negotiate easements" and so forth, which I am sure we all agree with.

Now does that give you any problem, the fact that what we are really saying there is that even though you fall into these Criteria 1 and 2, that if somewhere back in there you can show that all of a sudden there is a little money being made on that thing, that you have got to be a little more cautious? What does that mean to you?

Ms. HEAD. Of course, on that 25 percent of expected avoidable costs, I think at that cutoff point that didn't make any difference to us, did it?

Mr. REISTRUP. That is my understanding.

Ms. HEAD. There were not any routes that that would have affected, that would put them in a different category than we had them already. That was not a problem. We agree, we have the same philosophy about the criteria I think. Obviously, and here I am again being very candid, we are not free to do that on routes that are mandated to us.

Mr. EDWARDS. Is other language needed to give you greater freedom?

Ms. HEAD. Is there a way you can put in language that says that the Senate cannot mandate routes?

Mr. EDWARDS. That is kind of what I am getting at.

Ms. HEAD. That is why I said it.

Mr. EDWARDS. As you said, you may have just very few days left on the board. That is what we are getting at.

Ms. HEAD. Exactly.

Mr. EDWARDS. The Senate has apparently put \$18 million in our supplemental that only recently departed this House for Indiana. At least that is what has been reported. We have that same problem trying to get around that. Yet, what you are really saying is that you still have restraints on you or you still have instructions directed to you that prohibits you from operating free of political influence.

Ms. HEAD. That is right.

Mr. EDWARDS. There is no question about that, is there?

Ms. HEAD. No question about it.

Mr. EDWARDS. And until we can get you free of that kind of influence, you can't run a good railroad.

Ms. HEAD. That is correct.

Mr. EDWARDS. I say as an old railroader, you just can't do it. How are we going to accomplish that? That is our problem, really, isn't it?

Ms. HEAD. Yes.

Mr. CONTE. When you become chairman of the House Interstate and Foreign Commerce Committee or become a leader over on the Senate side, we can prevent that kind of politization?

Ms. HEAD. The railroad may not last until next spring.

Mr. EDWARDS. You really know how to hurt an old Alabamian.

Ms. HEAD. Mr. Edwards, I said until next spring.

Mr. EDWARDS. I guess I am through. I don't know how else to get at it. It is very clear on the record what the problem is. I will stop. I have another line of questions later.

CAPITAL GRANTS

Mr. MCFALL. Let me ask one or two more questions and then come back to the other Members.

You were referring to your inability to make certain capital expenditures.

What are your projections on capital spending? We provided you with \$3 million over your budget request for capital.

Ms. HEAD. Yes, but that was earmarked.

Mr. MCFALL. Where are you with regard to capital expenditures?

Ms. HEAD. That \$3 million you provided was earmarked for certain things, like the Baltimore station.

And what were the other things; restoration?

Mr. REISTRUP. Yes. There also was the Beach Grove Shop, yes. We have fully programmed all of the monies appropriated in priority order.

Mr. MCFALL. Are you going to be able to spend it all with these companies that are unable to supply you with equipment?

Mr. REISTRUP. Yes. The bulk of it, in large numbers, Mr. McFall, are the overhaul and upgrading of the Metroliners, which is sorely needed, we started that; and the ordering of light-weight, high horsepower electric locomotives to provide the high speed service in the corridor once the track is upgraded, those were big sums of money. Also the Chicago maintenance facilities, and Beach Grove, part of which was allocated or earmarked.

FOREIGN EQUIPMENT

Mr. O'BRIEN. Will you yield?

Mr. MCFALL. Yes.

Mr. O'BRIEN. Back to what we were talking about before, Ms. Head, do the other railroads, and technically the ones Mr. Reistrup was talking about, the money-makers and so on, do they buy this equipment from the same companies you were talking about—Budd, Pullman-Standard?

Ms. HEAD. There are not any other American—

Do you mean the Southern and Denver-Rio Grande? I don't think they have any new passenger equipment. They are using old—

Mr. REISTRUP. The Pullman Company manufactures both, so the railroad industry buys many cars from them. The construction we were referring to has been the intercity passenger cars. Commuter cars have been built by General Electric and also Pullman.

Mr. O'BRIEN. Is it improper to consider buying that equipment from a foreign supplier?

Ms. HEAD. We don't think so. In fact we authorized a month ago, the management, to order from ASEA, the Swedish company that manufactures the light-weight, electric locomotives that Mr. Reistrup referred to; but they will be built by General Electric on franchise here. So we get the best of both worlds. That is what we did with the French turbo trains, they never went out of business. They kept their lines open.

Mr. O'BRIEN. It seems to me this is kind of reverse of the steel problem, it is a question of our not being able to supply our own need, so why can't we go outside?

Mr. REISTRUP. What we are trying to do, and I believe in this process, is bring the technology over here and have the equipment assembled over here. Some of the electrical gear has been imported. The first six turbo trains were actually imported. The next seven were built by Rohr in this country under license. And those have been better trains, they are actually an improvement over the French design. They are the best thing we are running today.

I would really urge at this point, now that these factories have geared up to supply us, that we try to bring the technology here but have the cars assembled in this country. It puts people to work.

Mr. O'BRIEN. I see.

Thank you, Mr. Chairman.

PUBLIC HEARINGS

Mr. McFALL. The legislation requires that Amtrak obtain public comments on discontinuances and does not specify that public hearings be held. The route and service criteria document states that the question of public hearings is optional with the board. It would appear that public hearings are a requirement you have chosen to impose on yourself.

Would you comment on why you believe this is necessary?

[The information follows:]

The Criteria and Procedures for Making Route and Service Decisions, adopted pursuant to Section 8 of the Amtrak Improvement Act of 1975 (P. L. 94-25; 45 U.S.C. 564 (c)) (hereafter, "the Criteria") establishes the requirements Amtrak must follow. It is true that the Board's decision to hold public hearings involves an exercise of its discretion, but its discretion is guided by explicit statements in the Criteria. These statements, found at pages 3-7, F-2 and F-3, cause the decision to hold public hearings to turn on "the Board's assessment that route discontinuance could lead to significant inconvenience," and that the public should therefore "have the opportunity to express itself in a public hearing" (emphasis supplied). It should be noted these statements occur in a context (see page F-2) which suggests that while ordinarily the solicitation of public comments through means other than a public hearing will suffice to alert the Board to public opinion, the spectre of discontinuance may require more. Indeed, the need for public hearings is made in part to depend on the information obtained through the public comment process—indicating that the later may clearly not be adequate.

We see merit in certain judgments which seem to be implicit in the Criteria. Many people are less articulate in writing than they are in speech. And although we solicit comment by telephone, that is hardly the equivalent of the testing of ideas in the give and take of a town-meeting type of discussion. Lawyers present written briefs to courts and administrative agencies, but those same entities hold oral arguments as a means of testing positions in an adversarial climate. That same hearing process apparently occurred in connection with the Floridian. I am informed that notions barely expressed, or unexpressed, in thousands of letters and phone calls were key elements noted in virtually every hearing along the route.

And finally, the Floridian was the first action of its kind taken under the Criteria. We were aware that we could not know everything, and the Criteria persuaded us to test the process fully since discontinuance was an option and significant inconvenience was likely. We learned some things in public hearings that we did not otherwise learn. Moreover, as a by-product of the process, many people who knew nothing about Amtrak learned not only of its problems, but of its availability, auguring well for future business.

Mr. McFALL. Mr. Reistrup, how does Amtrak's procedures under the route and service criteria compare with the discontinuance procedures imposed on the railroads by the ICC prior to Amtrak's creation?

[The information follows:]

The explicit procedures required by ICC for discontinuance are found at 49 C.F.R. Part 1122, Discontinuance or Change of Operation or Service, which, together with ICC's general rules of practice and procedures (49 C.F.R. Part 1100), constitute ICC regulations issued pursuant to 49 U.S.C. 12 and 13a. Section 13a authorizes or directs the use of specific procedures (including notice, investigation, hearing, and determination) by ICC in connection with operational or service changes, including discontinuance.

The Criteria, at pages 1-2 through the top of 1-5, describes in considerable detail the extent to which the ICC process was adopted in the Criteria. As a general matter, it is fair to say that the two processes are substantially similar, and give rise to the consideration of substantially similar criteria. The comments of the ICC reflecting modest differences between the two are found at Appendix H of the Criteria.

COMPREHENSIVE ROUTE ANALYSIS

Mr. McFALL. During the September hearing, Mr. Gallamore stated that the department believes the route and service criteria should be applied to the whole Amtrak system.

Could we have some comments concerning this?

Mr. LANGDON. Sir, if it is a question of frequency of service, I don't think the route criteria apply. As a matter of fact, they are excepted from the application of the route criteria in the criteria and procedures for making route and service decisions which was filed with the Congress and became effective last October.

Mr. McFALL. We are not really talking about frequency reductions. We are talking about whole routes; whether they should exist or not.

Ms. HEAD. Should the whole system? Yes. We think so; we think as a board this would be our idea, work through it, starting with the most critical routes, trying what we can to upgrade them.

Would you say that?

Mr. DUNLOP. Yes.

Mr. McFALL. Some of the questions we are asking today go beyond the question of the supplemental.

Ms. HEAD. Yes.

Mr. McFALL. I would hope that the legislative committees of the House and Senate would take a look at your operation and have some oversight hearings. I hope this issue is examined the application of these criteria to your entire system.

Mr. DUNLOP. I think this is consistent.

Mr. McFALL. Could it be done immediately?

Mr. DUNLOP. This is something we have been working on. As you are undoubtedly familiar, we have been seeking to determine so-called route profitabilities. This is consistent with the basic question that you raised.

COST OF PUBLIC HEARINGS

Mr. McFALL. Amtrak has announced that public hearings will be held in 12 cities on the proposed discontinuance of the Chicago-Florida train.

Would you provide for the record your best estimate of the personnel and other costs associated with these hearings?

[The information follows:]

Each of the hearings required the attendance of an average of 5 Amtrak personnel. In addition, a budget was established to cover the incremental costs associated with the hearings. While all costs have not yet been paid, it is estimated that the actual incremental expenses will be approximately \$75,000.

CHICAGO-FLORIDA ROUTE

Mr. McFALL. Also, would you submit for the record a timetable showing what actions were taken and when regarding the application of the route and service criteria on the Chicago-Florida train?

[The information follows:]

A chronology of events affecting the Chicago-Florida service under Route Criteria follows:

Effective date of Route Criteria and Procedures: March 1976

Detailed procedures developed: April 1976

Performance standards developed for years 1976-1981: November 1976

Applied economic criteria to all routes on system for years 1976-1981 (Tasks I and II): November 1976

Chicago-Florida identified for further study: January 1977

Board directed management to explore opportunities to improve economics (Task III): February 1977

Board directed management to examine social and environmental aspects (Task IV): June 1977

Board directed management to obtain public comment (Task V): August 1977

Management completed Task V: October 1977

Board authorized discontinuance of service over existing route and expressed preference for revised route if economics can be sufficiently improved: November 1977

ROUTE ANALYSES

Mr. McFALL. From the data supplied by AMTRAK, we have compiled an analysis of AMTRAK routes on which revenues cover less than 60 percent of avoidable costs:

	1977 (dollars in thousands)		Avoidable	
	Revenues	Avoidable costs	profit	loss percent
Short distance:				
Seattle-Vancouver	\$583	\$1,077	\$(494)	54
Chicago-Milwaukee	1,431	3,456	(2,025)	41
Washington-Cincinnati	620	2,352	(1,732)	26
Long distance:				
Los Angeles-New Orleans	5,708	9,705	(3,997)	58
Chicago-San Francisco	14,041	25,436	(11,395)	55
Kansas City-New York-Washington	6,298	11,923	(5,625)	52
Washington-Montreal	5,298	10,096	(4,798)	52
Chicago-Houston	6,976	13,425	(6,449)	51
Chicago-Seattle	18,470	37,609	(19,139)	49
Chicago-Florida	5,795	14,530	(8,735)	39
Chicago-Laredo	2,902	8,511	(5,609)	34
Chicago-Washington	3,286	9,471	(6,185)	34

Provide for the record whether or not each of these routes is currently being analyzed under the route and service criteria and if so, the current status of the analysis and when you would expect the route analysis to enter phase III, step nine—reach a final decision; soliciting public comments—in the process. If the route is not currently undergoing analysis, what are the reasons for not doing so? [The information follows:]

The current status of each of these routes is given below. It should be noted that a date cannot be established for a route to reach the stage of public comment as this will only occur if opportunities for improvement and social-environmental benefits are insufficient.

Seattle-Vancouver: Not currently undergoing analysis as it passes the present Criteria standards.

Chicago-Milwaukee: Identified for further study as it falls present Criteria standards. Not currently being considered as priority is being given to routes with greater savings potential.

Washington-Cincinnati: Identified for further study as it fails present Criteria standards. As this is a new and experimental route, it will be considered upon completion of its experimental period (October 1978).

Los Angeles-New Orleans: Not currently undergoing analysis as it passes the present Criteria standards.

Chicago-San Francisco: Currently in Tasks III/IV (improvement options/social-environmental affects) with a determination concerning Task V (public comment) scheduled for December 1977.

Kansas City-NYC/Washington: Currently in Tasks III/IV with a determination concerning Task V scheduled for December 1977.

Washington-Montreal: Not currently undergoing analysis as it passes the present Criteria standards; however, this route is being reviewed outside the Criteria process for possible improvements that include new equipment.

Chicago-Houston: Currently in Task V. Final decision due January 1978.

Chicago-Seattle: Currently in Task V. Final decision due January 1978.

Chicago-Florida: Task V completed. Present route to be discontinued January 1978.

Chicago-Laredo: Currently in Task V. Final decision due January 1978.

Chicago-Washington: Restructured under Task III in previous application. While not currently being reconsidered, this route will come under review in future applications if economics do not improve.

CORRIDOR PAYMENTS

Mr. McFALL. The Congress provided a total of \$50 million for payments to ConRail for the purchase of the Northeast Corridor property (\$25 million was provided in P.L. 95-26; \$25 million was provided in P.L. 95-85). These funds were to be used for payments due or payable to ConRail after March 11, 1977. Would you provide for the record a statement showing how these funds have been and will be used?

[The information follows:]

The \$25 million appropriation provided in P.L. 95-26 was used to make two principal payments plus interest due to ConRail in FY 1977. The \$25 million appropriation provided in P.L. 95-85 will be used to make the two principal payments plus interest due in FY 1978.

USE OF LOAN AUTHORITY

Mr. McFALL. Would you provide for the record a schedule showing the total amount of loan authority currently obligated or committed under 45 U.S.C. 602, the amount on September 30, 1977 and the expected amount on September 30, 1978?

[The information follows:]

LOAN AUTHORITY COMMITTED AS OF—

	September 30, 1977	September 30, 1978
Amtrak Capital Plan Commitments	900.0	¹ 875.0
Northeast Corridor Purchase Commitments	21.3	21.3
Total.....	921.3	896.3

¹ Reflects reduction incident to grant for permanent debt reduction of \$25 million.

OTHER ROUTES

Mr. McFALL. During our hearing in September, Mr. Reistrup indicated that in addition to the Chicago-Florida train five routes (Chicago-Laredo, Oakland-Bakersfield, Washington-Martinsburg, Seattle-Portland New York-Philadelphia) are currently under analysis for possible restructuring and/or discontinuance.

How far along are you in the study process and when will you be able to make your decisions?

[The information follows:]

The following is the status on each of the 5 routes:

Chicago-Laredo: Currently in Task V (public comment). Final decision due on January 25, 1978.

Oakland-Bakersfield: Currently in Task V (public comment). Final decision due on January 25, 1978.

New York-Philadelphia, and *Washington-Martinsburg*: Further study of these routes has been delayed pending resolution of the commuter question. A response on this question is due January 1, 1978, and these routes may then be re-evaluated in the next criteria iteration.

Seattle-Portland: Formally reviewed as segment of total Chicago-Seattle service which is currently in Task V (public comment). Final decision due on Chicago-Seattle service on January 25, 1978.

(CLERK'S NOTE: The following news release on the suspension of the route and service criteria application process was received by the Committee on December 2, 1977.)

AMTRAK SUSPENDS PROCESSING CRITERIA PROCEDURES: FLORIDIAN STAYS ON

WASHINGTON, D.C.—Amtrak today suspended processing route and service procedures for five of its trains which were being considered for restructuring or discontinuance and ordered notices asking for public comment to be removed from the trains and from stations along the affected routes.

Amtrak also announced that no trains in its nationwide system will be discontinued pending congressional review of a comprehensive reexamination of the nationwide route structure by the Department of Transportation and Amtrak.

Amtrak management acted in response to instructions in a report of a joint Senate-House appropriations conference committee. The committee's action will have the following specific effects on Amtrak's system:

Amtrak's Chicago-Florida train, the Floridian, which had been scheduled for suspension on Jan. 19, will continue to operate on its present route pending completion of the DOT study, and Congressional review. In the meantime, Amtrak staff members were directed to begin the necessary work for a rerouting of the train via Atlanta. This could take as long as six months.

Procedures were suspended for discontinuance or restructuring of Amtrak's Chicago-Seattle trains, the Empire Builder and the North Coast Hiawatha, and Chicago-Texas trains, the Inter-American and the Lone Star, and a California train, the San Joaquin which operates between San Francisco/Oakland and Bakersfield.

Public notices soliciting public comment on various options proposed for these trains will be removed, and Amtrak's toll-free telephone lines for public comment will be disconnected.

The conferees directed Amtrak to restore a number of train frequency reductions which had taken effect on Oct. 30. These trains, mostly in the Northeast, will be restored to service as soon as operational requirements permit, Amtrak officials said.

It remains for the Senate and House to formally accept the conference committee's report and for President Carter to sign the bill into law.

CHICAGO-FLORIDA ROUTE

Mr. EDWARDS. May I ask a question with regard to Chicago-Florida?

Mr. McFALL. Yes, sir.

Mr. EDWARDS. You have several options, as I gather it, one of which is to terminate and the others are to reroute in certain directions or another. I suppose if you terminate, you can come up with a sum certain that you can save by the termination.

Can you really make any monumental savings by rerouting?

Mr. REISTRUP. You were at the hearings in Montgomery.

Ms. HEAD. We discussed this at Montgomery. Many of the people there asserted we could make more money going through Atlanta; wouldn't we get more revenue on that route, if it went through Atlanta rather than through Montgomery?

Obviously the first factor would be it is a greater population center and would attract more ridership to serve. That would be the marketing estimate, of course. Again we are faced with some rather large difficulties there because of the cost of repairing the track leading into Atlanta.

Is it Cartersville to Atlanta?

Another particular section where the railroad doesn't want us to go over that track. So there are some difficulties inherent in it not based on cost to our system. There would have to be capital expended to improve the track so we could run it at all, which makes it difficult.

Mr. REISTRUP. It is estimated that a reroute through Atlanta would eliminate about half the loss, compared with a Montgomery operation.

Mr. EDWARDS. What loss are you running at now?

Mr. REISTRUP. Just about \$12 million, \$12 million to \$13 million annually.

Mr. McFALL. Would you provide for the record a timetable showing when you began analyzing the five routes previously mentioned and what has been accomplished so far?

Mr. McFALL. Since our hearing, have you initiated the application of the route and service criteria to any additional routes? [The information follows:]

Yes, the process has been applied to additional routes. A list is provided below.

- Chicago-Seattle
- Kansas City-NYC/Washington
- Chicago-Houston
- Chicago-NYC/Boston
- Chicago-Oakland

COMMUTER SERVICE

Mr. McFALL. With regard to the New York to Philadelphia trains, it appears that these trains are relatively efficient and are providing primarily a commuter service. During our September hearing you indicated that you are negotiating with New Jersey and Pennsylvania transportation departments. Since your authorizing legislation says you are not supposed to be providing computer type service, can you move more quickly to get the States to help finance these trains?

Mr. REISTRUP. Mr. Chairman, we discussed this issue at our Board meeting today. We are working with the Federal Railroad Administration, and hopefully they, with the rest of DOT-UMTA—it is really a transportation policy question, and within our own Board. We are trying to establish the joint policy. We must decide what to do with this type of operation because we do have some quasi-commuter runs and you have mentioned the bulk of them.

FIVE YEAR PLAN

Mr. McFALL. Earlier this month you submitted your five-year plan to the Congress. That plan assumes you receive a total operating grant appropriation of \$545 million this year. On that basis, you project an operating grant of \$613 million in fiscal 1979, \$678 million in 1980, \$765 million in 1981, and \$875 million in 1982.

In addition, you are proposing a total of \$561 million in Federal appropriations for the capital programs.

Do you have any comments concerning your support of this proposal or comments as to whether or not it is enough or too little or too much?

Ms. HEAD. Mr. McFall, that too was discussed at that meeting that Mr. Dunlop chaired.

Mr. DUNLOP. Yes. We had one meeting of the Board specifically to address this question, Mr. Chairman. These are the figures that result from the basic assumptions that were made. I do not happen to have the five year program here before me, but we went over with considerable care the assumptions that we felt were implicit in carrying out the requirements of the Congress in terms of operating a nationwide system and responding to the various State requests that we had under 430(b)'s and similar types of assumptions.

This is the way the figures come out, recognizing the inflationary factors that we anticipate that will continue during this five-year period.

I must confess I am as shocked as you are with the figures that result from the basic assumptions that are made in the development of the five-year program.

PLANNING ASSUMPTIONS

Mr. McFALL. What are those basic assumptions?

Mr. DUNLOP. As I say, I am sorry I do not have the five year program before me.

Mr. McFALL. Mr. Brazier.

Mr. BRAZIER. Yes. The basic assumption that really establishes the requirement is that Amtrak would continue to operate over the five-year period at a constant dollar cost level of \$545 million, and that therefore inflation would be added and inflation would be computed in terms of the cost increases offset by fare increases. So to the degree we increase fares, that amount would be applied to offset the costs of inflation that we estimated would occur.

Additionally, it was assumed that to the degree that our revenue increases in any period exceeded the cost increases for the Corporation, that this money would be applied to increased routes and services for rail passenger service. This would have applied some modest increases beginning in fiscal year 1980; but the basic number that drove the whole requirement was the assumption that we would continue at the constant dollar level of \$545 million, and that to that would be added the net inflationary impact over the five year period.

Of course you realize, Mr. McFall, that those numbers would, in the out-years, be reduced if the \$545 million is not made available.

CAPITAL PLAN

Mr. McFALL. What about the \$561 million in capital programs, Mr. Brazier? Is that a similar kind of figure?

Mr. BRAZIER. No, that was not. That was addressing the specific requirements for equipment, primarily related to equipment to support the Northeast Corridor and also the right-of-way projects on tracks that are owned by Amtrak.

Additionally, there were moneys of lesser amounts related to commissary-support improvements and pollution-control measures, and those things that we would be required under current Federal regulations to improve above the levels that we have today. It was not based upon any assumed dollar level; it was an item-by-item analysis.

Mr. LANGDON. Sir, may I add on a thing to that?

Mr. McFALL. Certainly.

NORTHEAST CORRIDOR PROGRAM

Mr. LANGDON. The ridership during this five-year period is up slightly, but it is not up as much as it would be were it not for the corridor construction. This program, of course, will ultimately be completed, hopefully in 1981. At that point, we think the ridership in the corridor is going to increase, and increase fast; but during these next few years we will be lucky to maintain the same ridership there.

Now that is a very important part of Amtrak from the point of view of ridership. I guess it is a 35 percent factor in the overall operation, and we have this construction program going and, with train interruptions and service interruptions, I think we are going to be fortunate to maintain during the next three or four years the same level of ridership there in the corridor. Once it is done, then it ought to shoot right up, and that would affect the figures beyond the five-year period, if you understand.

SUBSIDY

Mr. McFALL. Currently Amtrak users pay 37 percent of Amtrak's total cost, while the Federal Government pays 63 percent. In your five-year plan, you project that in fiscal 1982 users will furnish 39 percent and the Federal Government 61 percent.

Could I have some comments from anyone concerning whether they think this is a satisfactory situation?

Mr. LANGDON. Sir, if I may answer.

Mr. McFALL. Go ahead.

Mr. LANGDON. Well, this is a continuation of a situation that, before Amtrak, was true in the railroad industry only as far as the Government is being substituted for the freight shipper. In the old days the deficits in relation to the overall revenue were on about the same magnitude and the freight shipper was having to make it up. Today that burden is shifted to the United States Government. Now whether this is a proper relationship is, of course, a substantial question of public policy.

Mr. McFALL. That is where it came from, historically.

Mr. LANGDON. The freight shipper, you know, he cannot take it any more, because he will use the trucks instead, if his rates reflect the passenger deficit he will use the trucks. In fact, a great many of them do it anyway. So this is the real problem.

Mr. GALLAMORE. May I make one minor comment?

Mr. McFALL. Mr. Gallamore.

Mr. GALLAMORE. I agree with you, Mr. Langdon. I just want to add that I do believe this ratio, this relationship, is very much at the core of the problem for the simple fact, if none other, that costs inflate; and if costs are two or three times what revenues are, and revenues are not inflating, therefore; at two or three times the rate of nationwide inflation, or at least at the cost of inflation in the rail passenger service, then the deficit becomes much worse.

I think that is what we have experienced over the last few years, I think that is why the Amtrak deficit has roughly trebled in the last three or four years. We just have to do something about that revenue-cost relationship, and that probably is going to mean increasing fares, among other things.

Ms. HEAD. Historically, my understanding is that the ratio has been \$2 cost to \$1 revenue. We have kept our eye on this in the Finance Committee and have been concerned that it has risen to \$2.65 cost to \$1 revenue. It is that spread that we cannot absorb.

Again, this is the case with every rail passenger system around the world. It becomes a question of national policy. The Japanese keep the fares down low because they want to have a well-traveled

passenger system. If it is a matter of policy, the United States chooses to subsidize the national rail passenger system, then that is the way they do it. If they decide they don't want to, then you don't have a system.

Mr. McFALL. I hope the legislative committee will take a look at this question.

Mr. DUNLOP. Heretofore, we have not been seeking to recover through our fare increases the total anticipated increase in the Consumer Price Index. As a Board, we have now taken a position that it is our responsibility to move in that direction and do that regardless of what happens to the fares. Then we will have to analyze what the consequences of those fare increases may be.

ROUTE ECONOMICS

Mr. McFALL. The committee has a table which shows the route-by-route performance analysis based on revenues and avoidable costs of each route in fiscal year 1977. This analysis indicates that there are a few routes which earn revenues greater than avoidable costs, the northeast corridor trains and two of your 403(b) trains. Some of your other short haul trains recover nearly all of their avoidable costs in revenues while there are four which recover less than 50 percent. Some of the long distance trains recover more than 75 percent of avoidable costs while there are three which cover less than 40 percent.

Do the members of the board believe there should be some kind of minimum economic performance standard used to judge whether or not these trains should be retained in the system?

Ms. HEAD. Yes, sir, except we accepted the route criteria which included after the economic decision, the social and environmental decisions. Your subcommittee heard much of the discussion last month about the route through Montana. The social possibility you mentioned is that if there is no other way for people to travel besides the train, that overrides the fact. It is hard to weigh social benefits.

Mr. McFALL. That is one of the routes that is causing the committee some concern. As I remember the figures, you are reducing the route and supposedly saving some \$1.7 million. We have received some information indicating that the problem with the increased costs of transporting crews and so forth resulting from the reduction from everyday service would amount to very nearly that amount of money.

Do you have any information which would indicate if that is true?

Ms. HEAD. That has been computed into the savings. That is why we say the savings are not very much.

Mr. REISTRUP. We do not save substantially on the train and engine crew cost on this tri-weekly service because the crews have to deadhead back home and deadhead out to bring the train back again. It is not a pattern service. But we do have, of course, the onboard crew which are paid by the trip. Those jobs are abolished with those trips. So the net savings that we gave you is very accurate.

Mr. McFALL. You still think you are going to save \$1.7 million.

Mr. REISTRUP. Yes.

Mr. BRAZIER. The Empire Builder is 7 and 8 which is the train you are discussing. It is \$961,000.

Ms. HEAD. That way we have to keep all the stations open on both routes. From a strictly economic standpoint, it would make more sense to close one route. But if we did that, they would be without service on one route totally.

SOCIAL BENEFITS

Mr. McFALL. What are some of the social and other reasons that might cause you to believe that trains with poor economic performance should be retained by Amtrak. I agree that there are certain trains that are almost a necessity. If there are trains like that, we should identify them, list them and say that these are trains we should keep.

There are other trains, like in the corridor, some of the routes out of Chicago, where you are very close to making money on them. Then in between we have other routes that probably we should analyze closely. We should at least try to quantify some of the social and environmental benefits and look at what these benefits are costing us.

Mr. DUNLOP. I think we would prefer to do that because this is an issue, Mr. McFall, that the Board has really struggled with. What are the factors implicit in such determinations?

Mr. McFALL. I hope the resources of the Department of Transportation could be brought to bear on this issue.

[The information follows:]

SOCIAL AND ENVIRONMENTAL BENEFITS

Amtrak does not believe that trains with poor economic performance should be retained as they are, and is using Criteria to identify these which must be restructured or discontinued.

The mere fact of subsidy, though, does not indicate that a train performs poorly, or that it should be removed. The primary social and environmental rationales for subsidy, especially in short to medium distance corridor service, involve three areas:

1. Provision of basic inter-city transportation for people who have difficulty with or who cannot afford other mode. Included are substantial numbers of elderly, handicapped, and poor people.
2. Provision of transportation facilities at a lower cost to the government than by expanding ground-air facilities. This could include lower external costs such as less air, noise, water pollution, less energy consumption, as well as lower construction and maintenance costs.
4. Historic preservation and recreation. Trains provide a uniquely relaxing way to travel and allow a perspective on America which is not found on major expressways or from the air.

REALLOCATE RESOURCES

Mr. McFALL. Has the Board ever considered whether it would be better to eliminate the least economical trains and reallocate Amtrak's resources for improving service where demands already exist such as high density corridor service?

Yes, in the 1978 Five Year Plan, the Board set corporate policy as "restructuring and 'trading up' in order to maximize market potential . . ." and set out to undertake the zero-base re-examination of Amtrak's route structure which the Congress required of DOT in the supplemental appropriation.

Mr. McFALL. Are there any other questions that anyone would like to ask?

Mr. Conte?

NORTHEAST CORRIDOR SERVICE

Mr. CONTE. I understand you have considered eliminating some of the more lightly patronized Metroliner runs and perhaps adding, for an extra fare, a reserved seating section to the American Fleet trains. You now have two short trains leaving Washington for New York within 10 minutes of each other several times throughout the day. At the same time you are making major cutbacks elsewhere in the northeast corridor in the national system. I wonder in light of this fact, whether the Metroliner-American fleet scheduling makes sense.

Let me give you an example: You have the 1 p.m. Metroliner and the 1:05 American Fleet making the same intermediate stops except the 1:05 also serves the Capital Beltway. In addition, the only difference between the stops on the 11 a.m. New York metroliner and the 11:05 American Fleet is that the American Fleet stops in Newark. Now wouldn't it make sense to consolidate these trains and use the savings to permit faster progress on the track improvements?

Mr. REISTRUP. Mr. Conte, some of this has been done in the schedule change that will become effective on November 6th. However, instead of eliminating the Washington to Philadelphia portion of that run, we will schedule it later. Instead of five minutes after the hour, it will be ten minutes after the hour to particularly catch people who missed the Metroliner by a traffic jam or something like that. The train will pick up additional stops replacing those Philadelphia-New York trains. The advantage, if you look at the schedule, the two hour pattern, this is 7:05 a.m., 9:05, 11:05 and 1:05, they generally go on to Boston. They are through trains so people don't have to change trains in New York. That is what the basic pattern is. It is consistent with the Northeast Corridor Improvement project.

The problem with the Metroliner is that we cannot go north of New York with it after this fall because we do not have the proper electric current to run it. So the only through service from Washington to Boston is with the Amfleet equipment.

I would suggest that it is the wrong thing to disrupt that at this point right in the middle of the project.

COMMUTER SERVICE

Mr. CONTE. I still wonder whether it makes economic sense to have these long duplicating runs at short intervals and yet cut out a very profitable run like the one Philadelphia and New York. I understand that train is filled, isn't it?

Mr. REISTRUP. It is filled for a portion of the trip, mainly from Trenton into New York.

Mr. CONTE. Well, that is pretty close. Trenton is just outside of Philadelphia.

Mr. McFALL. You mean you cut out a train which is filled. Did I understand that Mr. Conte said one of the trains that you took off has been filled all the time?

Mr. REISTRUP. Yes. These people will be picked up by a train scheduled closely to it and additional stops put in. But these are quasi-commuter runs. The people we are talking about, Amtrak gets \$1.09 for hauling. They are riding on a commuter ticket, rush hour.

Mr. CONTE. Didn't you say in the last hearings that there would be no stops added to the 1:05 American Fleet?

Mr. REISTRUP. I don't recall that.

Mr. CONTE. One of my staff men got that for me. If that is so he is correct, wouldn't your scheduling make matters even worse.

Mr. REISTRUP. I would have to look at that total schedule readjustment again. My recollection is that there were stops added to almost all of them.

The Amfleet train referred to as leaving Washington, D.C., at 1:05 p.m. is Train 176, the Senator, a daily through train to Boston. Except for a stop at the Beltway Station (Lanham), Maryland, Train 176 makes the same intermediate stops to New York as the 1:00 p.m. Metroliner, Train 114.

Attached is a summary of Northeast Corridor schedule and stop changes effective November 20, 1977. No stops have been added to Train 176, the Senator, but its departure from Washington is ten minutes after the hour instead of five minutes after the hour. This will catch people who may have missed the 1:00 p.m. Metroliner.

[The information follows:]

Summary of Northeast Corridor Schedule and Stop Changes Effective November 20, 1977
 (All trains listed in the sequence that appears on pages 16 through
 27 of the June 22, 1977, Form A-National Train Timetable)

SOUTHBOUND

<u>Train Number</u>	<u>Train Name</u>	<u>NEC Origin (departure time)</u>	<u>NEC Destination (arrival time)</u>	<u>Frequency</u>	<u>Summary of Changes Effective November 20, 1977</u>
67	Night Owl	Boston (10:30p)	Washington (8:30a)	Daily	Leave Boston at 10:15 p.m. Operate 15 minutes earlier throughout, arriving Washington at 8:15 a.m. Add Metropark stop
101	Metroliner	New York (6:30a)	Washington (8:34a)	Mo-Fr	No change
237	Clocker	New York (6:35a)	Philadelphia (8:25a)	Mo-Fr	No change
61	Montrealer	Springfield (3:25a)	Washington (10:59a)	Daily	Add Metropark stop
103	Metroliner	New York (7:30a)	Washington (10:34a)	Mo-Fr	No change
89	Palmetto	New York (8:00a)	Washington (12:05p)	Daily	Add Metropark stop
105	Metroliner	New York (8:30a)	Washington (11:34a)	Daily	No change
181	Embassy	New York (9:00a)	Washington (1:05p)	Daily	Drop New Brunswick and Beltway Station (Lanham) stops; arrive Washington 1:00 p.m.
131	Metroliner	New Haven (7:50a)	Washington (12:29p)	Mo-Sa	Reinstate October 30 discontinuance of operation of the New Haven to New York segment. Change Train No. to 107
107	Metroliner	New York (9:30a)	Washington (12:29p)	Sunday	No change (to be shown in AHTS as #107-A)
151	Clamdigger	Providence (5:42a)	New Haven (8:00a)	Mo-Fr	Discontinued October 30
141	Bankers	Springfield (8:30a)	Washington (1:56p)	Daily	Leave Springfield at 6:20 a.m. and operate 10 minutes earlier Springfield to New York, arriving at 9:35 a.m. Add New Brunswick stop; arrive Washington 2:05 p.m.

<u>Summary of Changes Effective November 20, 1977</u>						
<u>Train Number</u>	<u>Train Name</u>	<u>NEC Origin (departure time)</u>	<u>NEC Destination (arrival time)</u>	<u>Frequency</u>	<u>Change</u>	<u>Notes</u>
109	Metroliner	New York (10:30a)	Washington (1:29p)	Daily	No change	
419	RDC	Springfield (7:00a)	New Haven (8:35a)	Mo-Fr	Discontinued October 30	
153	Flying Yankee	Boston (8:00a)	Philadelphia (12:40p)	Daily	No change	
111	Metroliner	New York (11:30a)	Washington (2:29p)	Mo-Sa	No change	
167	Betsy Ross	New York (12:00n)	Washington (4:03p)	Daily	Arrive Washington 4:00 p.m.	
113	Metroliner	New York (12:30p)	Washington (3:34p)	Daily	No change	
401	RDC	Springfield (9:05a)	New Haven (10:45a)	Mo-Sa	Saturday service discontinued October 30	
169	Colonial	Boston (7:45a)	Washington (8:00p)	Daily	Leave Boston at 7:40 a.m., add Rye and Metropark stops	
115	Metroliner	New York (1:30p)	Washington (4:29p)	Daily	Arrive Washington 4:30 p.m.	
213	Clocker	New York (2:00p)	Philadelphia (3:45p)	Daily	No change	
117	Metroliner	New York (2:30p)	Washington (6:32p)	Su-Fr	Arrive Washington 5:30 p.m.	
403	RDC	Springfield (10:55a)	New Haven (12:30p)	Daily	Rescheduled October 30 to leave Springfield 10:50 a.m., arrive New Haven 12:25 p.m.	
171	Patriot	Boston (9:30a)	Washington (6:35p)	Daily	Leave Boston at 9:20 a.m.; delete Mystic, Old Saybrook, Bridgeport and Rye stops. Add Beitway Station (Lanham) stop; arrive Washington 6:45 p.m.	

Summary of Changes Effective November 20, 1977

<u>Train Number</u>	<u>Train Name</u>	<u>NEC Origin (departure time)</u>	<u>NEC Destination (arrival time)</u>	<u>Frequency</u>	<u>Summary of Changes</u>
119	Metroliner	New York (3:30p)	Washington (6:29p)	Daily	No change
217	Clocker	New York (4:00p)	Philadelphia (5:45p)	Daily	No change
121	Metroliner	New York (4:30p)	Washington (7:33p)	Su-Fr	No change
219	Clocker	New York (4:32p)	Philadelphia (6:13p)	Su-Fr	No change
405	RDC	Springfield (1:10p)	New Haven (2:45p)	Daily	No change
173	Minute Man	Boston (11:45a)	Washington (8:53p)	Daily	Arrive Washington 9:00 p.m. Add Kingston, Westery and Mystic
43	Valley Forge	New York (5:06p)	Harrisburg (8:25p)	Mo-Fr	No change
221	Clocker	New York (5:10p)	Philadelphia (6:54p)	Su-Fr	No change
123	Metroliner	New York (5:30p)	Washington (8:35p)	Daily	Arrive Washington 8:33 p.m.
223	Clocker	New York (5:32p)	Philadelphia (7:15p)	Mo-Fr	No change
225	Clocker	New York (6:00p)	Philadelphia (7:49p)	Daily	No change
31	National Limited	New York (6:10p)	Harrisburg (9:20p)	Daily	(thru train to Kansas City) Rescheduled October 30, but will only receive passengers at stops east of Paoli. See page 9 for schedule change to Harrisburg
8125	Metroliner	New York (6:30p)	Washington (9:39p)	Su-Fr	Arrive Washington 9:33 p.m.

		<u>Summary of Changes Effective November 20, 1977</u>			
<u>Train Number</u>	<u>Train Name</u>	<u>NEC Origin (departure time)</u>	<u>NEC Destination (arrival time)</u>	<u>Frequency</u>	
409	RDC	Springfield (3:00p)	New Haven (4:35p)	Daily	Discontinued October 30
177	Senator	Boston (1:40p)	Washington (10:55p)	Daily	Leave Boston at 1:45 p.m., arrive Washington at 11:02 p.m. Drop Kingston and Westerly stops.
227	Clocker	New York (7:05p)	Philadelphia (8:50p)	Daily	No change
127	Metroliner	New York (7:30p)	Washington (10:28p)	Fr and Su	No change
411	RDC	Springfield (4:00p)	New Haven (5:35p)	Mo-Fr	No change
229	Clocker	New York (8:00p)	Philadelphia (9:37p)	Su-Fr	No change
413	RDC	Springfield (5:20p)	New Haven (6:55p)	Daily	No change
179	Merchants Limited	Boston (4:00p)	Washington (12:44a)	Daily	Only change is name to Merchants
185	Sundown	Boston (5:00p)	New York (9:30p)	Fr and Su	No change
415	RDC	Springfield (7:10p)	New Haven (8:45p)	Sunday only	Discontinued October 30
183	Ben Franklin	Boston (6:00p)	Philadelphia (12:50a)	Daily	No change
187	John Adams	Boston (7:00p)	Philadelphia (1:55a)	Daily	No change

NORTHBOUND

Train Number	Train Name	NEC Origin (departure time)	NEC Destination (arrival time)	Frequency	Summary of Changes Effective November 20, 1977
66	Night Owl	Washington (10:30p)	Boston (8:25a)	Daily	Leave Washington 10:10 p.m., arrive Boston 8:18 a.m. Add Aberdeen stop
400	RDC	New Haven (6:50a)	Springfield (8:30a)	Mo-Fr	No change
180	Pilgrim	New York (7:10a)	Boston (11:50a)	Daily	No change
402	RDC	New Haven (9:00a)	Springfield (10:40a)	Daily	Discontinued October 30
250	Clocker	Philadelphia (5:45a)	New York (7:25a)	Mo-Sa	No change
254	Clocker	Philadelphia (6:33a)	New York (8:30a)	Mo-Fr	No change
200	Clocker	Philadelphia (7:00a)	New York (8:47a)	Mo-Sa	No change
168	Ben Franklin	Philadelphia (7:15a)	Boston (2:07p)	Daily	No change
404	RDC	New Haven (11:00a)	Springfield (12:46p)	Daily	No change
100	Metroliner	Washington (6:00a)	New York (9:02a)	Mo-Fr	No change
202	Clocker	Philadelphia (8:00a)	New York (9:35a)	Mo-Fr	No change
256	Clocker	Philadelphia (8:05a)	New York (9:55a)	Sa and Su	No change
42	Valley Forge	Harrisburg (6:20a)	New York (9:55a)	Mo-Fr	No change

Train Number	Train Name	NEC Origin (departure time)	NEC Destination (arrival time)	Frequency	Summary of Changes Effective November 20, 1977
102	Metroliner	Washington (7:00a)	New York (10:00a)	Mo-Fr	No change
204	Clocker	Philadelphia (9:00a)	New York (10:47a)	Daily	No change
170	Minute Man	Washington (7:05a)	Boston (3:57p)	Daily	Leave Washington 7:10 a.m., arrive Boston 4:02 p.m.
406	RDC	New Haven (1:00p)	Springfield (2:40p)	Daily	Effective October 30, discontinue Sat. and Sun. service; leave New Haven 1:20 p.m., arrive Springfield 3:00 p.m.
104	Metroliner	Washington (8:00a)	New York (11:01a)	Daily	No change
206	Clocker	Philadelphia (10:15a)	New York (11:58a)	Daily	Drop New Brunswick stop; arrive New York 11:57 a.m.
106	Metroliner	Washington (9:00a)	New York (12:02p)	Daily	Arrive New York 12 noon
172	Patriot	Washington (9:05a)	Boston (6:06p)	Daily	Leave Washington 9:10 a.m.; delete Bridgeport, Mystic, Westerly and Kingston stops
408	RDC	New Haven (3:00p)	Springfield (4:40p)	Daily	Effective October 30, leave New Haven 3:20 p.m., arrive Springfield 5:00 p.m.
108	Metroliner	Washington (10:00a)	New York (1:02p)	Daily	No change
210	Clocker	Philadelphia (12:15p)	New York (1:56p)	Su-Fr	No change
152	Clamdigger	New Haven (3:35p)	Providence (5:49p)	Mo-Fr	Discontinued October 30
30	National Limited	Harrisburg (10:35a)	New York (2:10p)	Daily	(thru train from Kansas City) Rescheduled October 30, but will only discharge passengers at stops east of Paoli. See page 9 for schedule change from Harrisburg

		<u>Summary of Changes Effective November 20, 1977</u>			
<u>Train Number</u>	<u>Train Name</u>	<u>NEC Origin (departure time)</u>	<u>NEC Destination (arrival time)</u>	<u>Frequency</u>	
110	Metroliner	Washington (11:00a)	New York (2:02p)	Mo-Sa	No change
410	RDC	New Haven (4:00p)	Springfield (5:40p)	Mo-Fr	Reschedule to leave New Haven 5:40 p.m., arrive Springfield 7:20 p.m. Effective October 30, added Sat. and Sun. service to operate daily
174	Colonial	Washington (11:05a)	Boston (8:00p)	Daily	Reschedule to leave Washington 11:10 a.m., arrive Boston 8:10 p.m.; add conditional stop at Metropark
112	Metroliner	Washington (12:00m)	New York (3:01p)	Daily	No change
212	Clocker	Philadelphia (2:15p)	New York (3:55p)	Daily	No change
150	Flying Yankee	New York (4:10p)	Boston (8:50p)	Daily	No change
412	RDC	New Haven (5:45p)	Springfield (7:25p)	Daily	Discontinued October 30 (but replaced by #410, see above)
114	Metroliner	Washington (1:00p)	New York (4:03p)	Daily	Arrive New York 4:02 p.m.
176	Senator	Washington (1:05p)	Boston (10:00p)	Daily	Leave Washington 1:10 p.m.
116	Metroliner	Washington (2:00p)	New York (5:00p)	Daily	Arrive New York 5:02 p.m.
142	Bankers	Washington (2:05p)	Springfield (9:30p)	Daily	Reschedule to leave Washington 2:10 p.m., arrive Springfield 9:35 p.m.
118	Metroliner	Washington (3:00p)	New York (6:01p)	Su-Fr	No change
220	Clocker	Philadelphia (5:00p)	New York (6:40p)	Su-Fr	No change

Train Number	Train Name	NEC Origin (departure time)	NEC Destination (arrival time)	Frequency	Summary of Changes Effective November 20, 1977
178	Merchants Limited	Washington (3:10p)	Boston (11:40p)	Daily	Change name to Merchants. Reschedule to arrive Boston at 11:55 p.m.; add Capital Beltway, North Philadelphia, Trenton stops
120	Metroliner	Washington (4:00p)	New York (7:04p)	Su-Fr	No change
222	Clocker	Philadelphia (6:00p)	New York (7:46p)	Su-Fr	No change
160	Murray Hill	Washington (4:05p)	New York (7:55p)	Daily	Reschedule to leave Washington 4:10 p.m., arrive New York 7:59 p.m.
162	Bostonian	New York (8:05p)	Boston (12:48p)	Fr and Su	No change
132	Metroliner	Washington (9:00p)	New Haven (9:45p)	Su-Fr	Reinstate October 30 discontinuance of New York to New Haven segment. Change train No. to 122
122	Metroliner	Washington (5:00p)	New York (8:04p)	Saturday only	No change (to be shown in ARTS as #122-A)
182	Embassy	Washington (5:05p)	New York (8:55p)	Daily	Reschedule to Leave Washington 5:10 p.m., arrive New York 9:05 p.m.
124	Metroliner	Washington (6:00p)	New York (9:00p)	Su-Fr	No change
60	Montrealer	Washington (6:05p)	Springfield (1:20a)	Daily	Leave Washington 6:10 p.m.; add Princeton Jct. and Metropark stops
126	Metroliner	Washington (7:00p)	New York (10:00p)	Fr and Su	No change
90	Palmetto	Washington (7:05p)	New York (11:00p)	Daily	Reschedule to leave Washington 7:10 p.m., arrive New York 11:05 p.m. Add Metropark stop
166	Betsy Ross	Washington (8:05p)	New York (11:59p)	Fr and Su	Leave Washington 8:10 p.m., arrive New York 12:04 a.m.

(New York)-Philadelphia-Harrisburg Line

(Trains not listed below are unchanged; changes shown were all effective October 30)

<u>WESTBOUND</u>		<u>Summary of Changes Effective October 30, 1977</u>			
<u>Train Number</u>	<u>Train Name</u>	<u>NEC Origin (departure time)</u>	<u>NEC Destination (arrival time)</u>	<u>Frequency</u>	
601	Silverliner	Philadelphia Suburban Station (8:45a)	Harrisburg (7:42a)	Mo-Fr	Reschedule to leave Philadelphia Suburban Station 5:50 a.m., arrive Harrisburg 7:45 a.m.
613	Silverliner	Philadelphia Suburban Station (3:00p)	Harrisburg (4:51p)	Mo-Fr	Reschedule to leave Philadelphia Suburban Station 3:20 p.m., arrive Harrisburg 5:10 p.m.
31	National Limited	New York (8:10p)	Harrisburg (9:20p)	Daily	Leave New York 4:55 p.m., arrive Harrisburg 8:07 p.m. (Receive only at stops east of Paoli)
<u>EASTBOUND</u>					
30	National Limited	Harrisburg (10:35 a)	New York (2:10p)	Daily	Leave Harrisburg 11:15 a.m., arrive New York 2:35 p.m. (Discharge only at stops east of Paoli)

*(NEW YORK)-NEW HAVEN-HARTFORD-SPRINGFIELD
(Effective November 20, 1977)

<u>NORTHBOUND</u>		<u>#400</u>	<u>#404</u>	<u>#406</u>	<u>#408</u>	<u>#410</u>	<u>#142</u>	<u>#60</u>
		<u>Mo-Fr</u>	<u>Daily</u>	<u>Mo-Fr</u>	<u>Daily</u>	<u>Daily</u>	<u>Daily</u>	<u>Daily</u>
New York	Lv.	--	9:10a	11:15a	1:20p	4:10p	6:20p	10:10p
New Haven	Ar.	--	10:45a	12:50p	2:55p	5:38p	7:55p	11:45p
New Haven	Lv.	6:50a	11:00a	1:20p	3:20p	5:40p	8:05p	11:55p
Hartford	Lv.	7:45a	11:55a	2:15p	4:15p	6:35p	8:57p	12:45a
Springfield	Ar.	8:30a	12:40p	3:00p	5:00p	7:20p	9:35p	1:20a
<u>SOUTHBOUND</u>		<u>#61</u>	<u>#141</u>	<u>#101</u>	<u>#403</u>	<u>#405</u>	<u>#411</u>	<u>#413</u>
		<u>Daily</u>	<u>Daily</u>	<u>Mo-Fr</u>	<u>Daily</u>	<u>Daily</u>	<u>Mo-Fr</u>	<u>Daily</u>
Springfield	Lv.	3:25a	6:20a	9:05a	10:50a	1:10p	4:00p	5:20p
Hartford	Lv.	3:58a	6:57a	9:50a	11:30a	1:51p	4:40p	6:00p
New Haven	Ar.	4:45a	7:50a	10:45a	12:25p	2:45p	5:35p	6:55p
New Haven	Lv.	4:55a	8:00a	10:58a	12:38p	3:10p	-	7:17p
New York	Ar.	6:35a	9:35a	12:45p	2:20p	4:45p	-	8:50p

* Train numbers shown are for New Haven-Springfield service.

A rule between arrival and departure times at New Haven indicates a change of trains is required.

ON TIME PERFORMANCE

Mr. CONTE. Did you read the Washington Post this morning? There was a great story.

Mr. REISTRUP. I saw that when I got to the office, yes, sir.

Mr. CONTE. The Post reported on trains not being on time. It pointed out that Amtrak trains today are slower than those of 30 years ago. Of course, it starts out with the perils of Pauline. I don't know if you ever catch my friend, Mark Russell, who stated that if Pauline was strapped to the Amtrak tracks and she would have died of old age.

Also I noted that last year Amtrak was on schedule 67.5 percent of the time and today it is on schedule only 55.1 percent of the time. Between New York to Miami, the most frequently traveled long distance run the trains was 84 percent on time last year. Currently that percentage has dropped down to 75 percent.

I recognize that you are doing a lot of work on the Metroliner corridor and that this may be somewhat responsible for the delay. However, what explanation is there for the performance drop on the New York to Miami or Chicago to Miami run?

Mr. REISTRUP. Each has a different situation. The Metroliner is not only the track work, but also the state of equipment. We have had a lot of equipment failures. Those cars are being overhauled and upgraded. The Florida trains do traverse part of the Northeast corridor and do get track delays. The equipment on those runs is some of the oldest that we have in the United States. This is what we call the low level, long distance cars.

The Florida-Chicago train is a mixture. Over the past year we had the combined service with Auto Train which was bad for both of us. We were trying to help each other and maybe improve the economics of the train and the economics were worsened. The Auto Train, it is my understanding, has cancelled the service from the Midwest to Florida. The on-time performance went to pot. That is a different situation.

The locomotive problem is mixed up in that because we are not able to run the big locomotive on the Louisville and Nashville Railroad. That would be basically from Chicago down to Florida.

TRACK CONDITIONS

Ms. HEAD. But don't you think it would be safe to say that the biggest single problem we have is track, for the slowness. That is not our problem basically. It is the railroad problem.

Mr. McFALL. That is in St. Louis where it runs slower, isn't it?

Ms. HEAD. I think it runs slower everywhere.

Mr. REISTRUP. The worst is in Chicago. It used to run 100 miles an hour, but now it has slowed down to less than 50.

METROLINERS

Mr. LANGDON. Mr. Conte, do you mind if I go back to the Metroliners?

I operated them during the bankruptcy. During that period of time there were weeks when we had 90 or almost 100 percent on-time performance. There were two reasons.

First, the track at that time was in fairly good shape.

The second and more important reason was that the equipment was in good shape.

What has happened, the track has deteriorated, the condition of the track has deteriorated and this is true also of the equipment. As a matter of fact, the equipment has had it. It has been probably in the highest utilization of any passenger equipment in the history of the world. This equipment has been back and forth everyday for years. It has just about had it. This is the equipment, of course, that we have to have overhauled and we propose to have overhauled at a million dollars a copy.

This is the very expensive program, but it is necessary in order to have a Metroliner performance that is up to snuff.

Now, getting back to your point about the scheduling of the trains, I for a long time have been anxious to reschedule those Metroliners on the days and hours when they are light. There is a very heavy fluctuation in the Metroliner travel. On Saturday mornings it is very light, sometimes Sunday mornings it is very light. It is light on Tuesdays. The reason why I think the scheduling is absolutely mandatory is that we are not providing on those trains that need six units, that come at the popular time of day, we are not providing the six units. We don't have them. They are in the shops or under repair and we are operating four unit trains and there are people standing sometimes and they are crowded. I came down on one the other night. There was not a seat.

So what I would like to see done, and this is a personal view and it reflects some experience with this operation during the bankruptcy of the Penn Central, what I would like to see is a rescheduling of the Metroliners, keeping the basic schedule, but with some recognition of the fact that certain times of the day are not as popular as others and certain days in the week are not as popular as other days in the week in order to release this equipment for the purpose of protecting the trains that have to have six units where the business is really moving.

At 5:00 on Friday night you could run four or five Metroliners all within 15 minutes of each other because everybody wants to move then. The same is true on Sunday night.

So I am completely in sympathy with what you are saying, really, for the purpose of releasing equipment so we can send it for repair and overhaul and protect the trains that have to consist of six units.

Mr. CONTE. This relates to the point of my my original questions. Amtrak is spread out too thin and too far. If it could concentrate on the routes that are really paying off, we could have the equipment and those extra units needed. I only hope that, under the present circumstances, we can again give you all the equipment you need for this year as we did last year.

As I said earlier, we gave you \$3 million more than the Carter budget requested so that you could put units on and operate them at Seattle where your lines are attracting patronage and you don't have enough equipment to haul the people.

Also, I hear criticism about your marketing program. It is said that you are spending too much money on expensive advertising in

big cities but not enough on productive advertising for the smaller communities.

For example, it has been reported to me that in one small community a frustrated ticket agent placed a \$25 ad of his own, in a local newspaper? Is that correct?

Mr. REISTRUP. I have no personal knowledge. I have seen some personal fliers.

Mr. CONTE. Interestingly, this little ad resulted in a 77 percent increase in revenue from that point.

ADVERTISING EXPENSES

Mr. REISTRUP. Mr. Conte, we have reduced the advertising expenditure considerably by several millions of dollars. We are trying to target it more along the route than the big cities. We feel that we will have the carrying power of last year's program. I will state that our 12 percent revenue increase last year, in spite of the winter, was supported by the advertising we did. We gained a lot of new first-time riders, almost 6 percent increase in ridership, 5.8 to be exact, and that is not insignificant in the people hauling business, I don't care what mode it is.

So we do think we have to refine it. The advertising agency has been directed to do that. You will see more smaller city newspaper ads.

Mr. CONTE. You gave us a figure there of additional ridership as a result of advertising. Could you also put in the record how much revenue you are gaining per advertising dollar? I think that would be very important.

Mr. REISTRUP. Yes. I would not want anyone to be misled. The revenue increase and ridership increase is not just advertising or just new equipment or just the schedules. We are supporting it with the advertising.

Mr. CONTE. Could you tell me how many people you employed in your marketing section before the current program of personnel cutbacks was instituted?

Mr. REISTRUP. Yes. I do not have that, but we will provide it. There is a significant reduction in the marketing organization.

[The information follows:]

Advertising supports a variety of programs. This includes 1) new equipment, 2) new routes, 3) the USA Rail Pass, 4) special fares, 5) seasonal promotions, etc. We measure the amount of advertising invested and the amount of increased revenue and riders generated. This gives us a return on Amtrak's advertising dollar. Evaluations are done two ways: 1) route, and 2) markets.

Attached are representative case histories first by routes and secondly by markets. In almost every case, the revenue return exceeds the advertising expenditure. The results vary by route and market, so it is difficult to develop a realistic simple average.

Prior to the current program of personnel cutbacks (August 31, 1977), there were 1,264 employees in the Marketing Department. After the cutbacks (October 31, 1977) the actual number of employees on board was 1,140; a reduction in staff of 124 or a 9.8% decrease in headcount.

[The information follows:]

AMTRAK ADVERTISING
ANALYSIS OF CAMPAIGNS BY ROUTE

(1975 - 1977)

<u>ADVERTISING CAMPAIGN</u>	<u>ADVERTISED PERIOD</u>	<u>ADVERTISING EXPENDITURES</u>	<u>REVENUE INCREASE</u>	<u>RETURN ON ADV. \$</u>
Southeast - Florida Trains & Palmetto	Sep-Nov, 1976	\$ 338,000	\$ 625,000	\$ 1.85
Chicago-Detroit Turboliner	May-Jun, 1975	180,000	900,000	5.00
NEC Spine	Mar-Dec, 1976	1,656,250	6,625,000	4.00
L.A.-San Diego	Sep-Nov, 1976	137,500	220,000	1.60
Seattle-Portland	Sep-Nov, 1976	120,000	150,000	1.25
Coast Starlight	Sep-Nov, 1976	51,500	350,000	6.75
Michigan State - 403(b) Bluewater	Mar-May, 1976	37,000	90,000	2.42
Metroliner	Aug-Sep, 1975	510,000	908,000	1.78
Lake Shore Ltd.	Nov. 1975	520,000	3,650,000	7.00
Chicago/Milwaukee- Florida	Feb-May, 1976	18,000	369,000	20.50
Florida - \$99 Fare	Mar-May, 1976	53,000	300,000	5.65
Inter-American	Feb-Mar, 1976	58,000	55,000	.95
Chicago-Dubuque Rockford Ladies Day Promotion	Apr-May, 1976	8,000	14,400	1.80
Penn State - 403(b) Silverliner	May-Jun, 1976	10,000	32,900	3.30
San Joaquin	Oct. 1976	9,000	9,400	1.04

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ANALYSIS OF ADDED ADVERTISING DOLLARS VS GROWTH BY MARKET IN SALES

THE INCREASE OF REVENUE DOLLARS FOR
THE INCREASE OF ADVERTISING DOLLARS

CODE CITY (ADI) #	ADVERTISING EXPENDITURE			REVENUE INCREASE (\$000)	AVERAGE INCREASE OF \$ FOR INCREASE OF ADVERTISING \$.00
	1976 (\$000)	1975 (\$000)	CHANGES (\$000)		
New York	1681	395	1286	2720	2.11
Philadelphia	804	144	659	2311	3.50
Chicago	747	167	579	2297	3.96
Washington	634	49	584	1598	2.73
Los Angeles	593	1	591	1918	3.24
TOTAL HUBS	4460	758	3702	10846	2.92
Boston	324	42	282	804	2.84
Baltimore	217	46	170	383	2.24
San Fran/Oak	279	49	230	17	.07
Detroit	230	113	117	214	1.83
St. Louis	165	35	129	135	1.04
Milwaukee	118	35	82	270	3.28
Minn/St. Paul	147	25	122	5	.04
N. Haven/Hart.	39	0.5	38	661	17.14
Seattle	212	13	198	116	.58
San Diego	112	17	94	316	3.35
Miami	20	16	4	182	42.37
New Orleans	66	15	51	269	5.24
Houston	65	30	35	63	1.78
Albany	48	7	40	269	6.62
Cleveland	158	21	131	622	4.75
Denver	102	17	84	(-90)	(1.06)
Kansas City	66	9	57	27	.47
Kalamazoo	40	159	24	131	5.39
Jacksonville		NOT AVAILABLE			
Albuquerque	29	5	23	39	1.63
Providence	75	0.9	74	333	4.46
Portland	100	17	83	162	1.94
Harrisburg	40	5	35	446	12.46
Richmond	61	6	55	107	1.94
TOTAL FEEDERS	2719	549	2170	5311	2.44
TOTAL HUBS & FEEDERS	7180	1307	5873	16157	2.75

11/22/77

PERSONNEL

Mr. CONTE. The Washington Post story I referred to earlier mentioned that one of the saddest results from in the decline of rail passenger service is the loss of the dedicated, old-time railroad employees. The old-timers just kept getting older. And a lot of Congressmen are getting older, too.

Mr. McFALL. Considering the alternative, it is not too bad.

Mr. CONTE. When these old-timers left, their ranks were not filled by talented younger employees. Therefore the passenger railroads today are missing a whole generation of employees. This is just one price we are paying for coming so late to the rescue of our national railroad passenger service.

Further, I offer this as a brief aside. As you know I am fascinated by the Auto Train and the fact that so many young people that are running that operation. I am not talking about the engineers, but the service people on the train. They are just fantastic, the greatest service going. They are all young.

Mr. REISTRUP. This article apparently was based on my testimony before Chairman Rooney's subcommittee, the oversight hearing. I was referring to the management and the fact that people were not brought in—I was a rarity—brought in at a relatively young age while the passenger service was disappearing.

We have several people, I have them on my staff, in their late sixties. We do not have the people with experience, front-line managers, particularly in the shops, in their forties, the type that would be in a normal business the dynamic middle-age manager who is experienced and can really make it tick out there. They are missing. I go out on the track and see very, very old people. Our division engineer in the New York area is retired. We hired him after he retired from Long Island. Then we have these very, very young people who I think are coming along, but there is this tremendous gap.

Mr. McFALL. If there are no further questions, we thank you very much for your testimony, opinions and statements. I am sure we have a better understanding of what your operation is and what kind of a problem we all must face. It took a long time, but I for one enjoyed it and I think the other members of the committee did. We hope you did, too.

Thank you.

THURSDAY, OCTOBER 27, 1977.

**NATIONAL RAILROAD PASSENGER CORPORATION
(AMTRAK)**

WITNESSES

**A. DANIEL O'NEAL, COMMISSIONER AND CHAIRMAN
JOHN WALSH, CHIEF, PASSENGER SERVICE BRANCH, BUREAU OF
OPERATIONS
JOHN MOSEMAN, ACTING CHIEF OF LITIGATION, BUREAU OF INVESTIGA-
TIONS AND ENFORCEMENT**

Mr. McFALL. The committee will come to order.

This morning we will receive testimony from Commissioner Daniel O'Neal, Chairman of the Interstate Commerce Commission, and a number of interested organizations.

I want to thank you, Mr. Chairman, for coming over this morning to help us better understand the "Amtrak problem". I have some questions for you this morning that will address most of our major concerns. Do you have any preliminary remarks?

ICC PASSENGER SERVICE REGULATIONS

Mr. O'NEAL. Maybe I should make a few.

I want to introduce the people with me.

On my right and your left is John Moseman, who is Acting Chief of Litigation for the Bureau of Investigations and Enforcement; on my left is John Walsh, who is Chief of the Passenger Service Branch in the Bureau of Operations at the Commission.

Initially, I think it might be just a good idea outline what our regulations have been and are with respect to Amtrak, because I think it has been alleged that the costs of operating the system have been increased substantially because of our regulations. Certainly, there are costs when you have regulation, and the question is whether those costs are justified in the view of the Congress.

Mr. McFALL. Well, my first question to you is what is the nature and extent of the Commission's jurisdiction over Amtrak's route structure, fares and levels of rail passenger service.

Mr. O'NEAL. Our statutory jurisdiction is only over the adequacy of service by Amtrak. Thus, we have no jurisdiction, as we do with other carriers, over rates or routes or anything of that kind.

The regulations the Commission has adopted with respect to adequacy of service run to the following kinds of things:

Amtrak is required to compensate passengers or consumers for inconveniences that are caused by malfunctioning equipment, by delays, missed connections, and that sort of thing. We estimate that such compensation amounted to \$1.6 million last year.

Another item is our oversight of Amtrak's incentive payments for on-time performance. As a result of our oversight, together with inquiries from the General Accounting Office, we estimate that Amtrak may have saved as much as \$9 million. This was done by tightening up their schedules and requiring the carriers to meet more rigid on-time performance than they had in the past.

Another regulation requires Amtrak to have a 24-hour reservation system. Also, Amtrak must meet certain on-time performance standards.

Moreover, there are requirements as to their station facilities. For example, they have to clean, they have to be open for service during certain hours, and adequate security must be maintained.

The Commission regulations also require that sleepers on certain long distance trains that are traveling overnight be maintained.

In addition, the Commission has taken enforcement initiations against actions by Amtrak to remove redcaps. We have regulations relating to assistance for the handicapped. We have regulations governing baggage service; that is, baggage checked for over 200 miles; and temperature control—the temperature should be maintained between 60 and 80 degrees.

We have smoking and non-smoking areas that are required under the regulations. Cars and equipment are supposed to be functioning properly. The regulations also establish a complaint procedure, whereby carriers must respond within 15 days to complaints indicating what has happened and what they have done.

SERVICE COMPLAINTS

Since there are several thousand complaints, the ICC does not examine every one. However, a statistically valid sampling is made and we select certain of the complaints, check them out, and see what has happened. Subsequently, we mediate with Amtrak any special problems, and try to work these things out to the satisfaction of the complainant.

When the actions of Amtrak—and this has happened on very few occasions thus far, and only when we think their violations of the regulations have been flagrant or where they have intentionally ignored the regulations, we have taken them to court.

Actually, I think we only have about six instances where we have taken them to court, and we have won a few and lost a few. The Commission in some instances approved some exemptions which caused the case to become moot.

We have two pending cases in which we are involved. One involves the St. Louis terminal case, where Amtrak proposed to discontinue service because of a dispute there over a lease arrangement. We attained an injunction and it requires that they operate until there is a settlement of the dispute.

SERVICE REDUCTIONS

Mr. McFALL. How many service reduction cases are there?

Mr. O'NEAL. Service reduction cases?

Mr. McFALL. Yes. I thought perhaps you were talking there about service reduction cases. During our hearing in September, Mr.

Reistrup indicated that you had recently taken Amtrak to court on some of the recent service reduction proposals.

Mr. O'NEAL. He is probably talking about the St. Louis Terminal case and the redcap case.

We have no jurisdiction over routes or service. There is no way we could become involved in that. However, early in 1974, when Amtrak was required to maintain the basic system, we did challenge whether their reduction in service of certain trains between here and Boston was consistent with the basic plan that was established under the Act.

The Justice Department, through whom we had to proceed, dropped the case; apparently after consultation with the Department of Transportation. So, we didn't follow through on that one because we couldn't follow through. There was no avenue available. Those would be about the only service reductions that we have been engaged in.

Mr. McFALL. I am looking at the transcript. Mr. Reistrups indicated that the most recent one was in Boston when Amtrak tried to eliminate one trip. Is that the 1974 matter you were talking about?

Mr. O'NEAL. Yes, that would be 1974, and it concerned discontinuance of four trains in the Boston-Washington Corridor. We thought this was a violation of section 404 (b)(1) of the Act, which requires that the basic system plan be maintained.

Mr. McFALL. Mr. Steed has a question he would like to ask.

INITIATION OF COURT ACTION

Mr. STEED. There is one point I am not clear on. Since you are an independent agency, did I understand you to say that you could be vetoed on bringing legal action by the Justice Department?

Mr. O'NEAL. Oh, yes. Maybe I should have Mr. Moseman explain that.

Mr. STEED. What happens to your independence if they have veto power?

Mr. O'NEAL. Very good question, I think, and one I would like Mr. Moseman to answer.

Mr. MOSEMAN. There are essentially two enforcement provisions of the Amtrak Act. The one which allows us to go into court in our own name is, I believe, section 641. We can only go in our own name representing the Commission. If within 45 days after requesting the Attorney General to bring an action he refuses to bring the action and allows us to proceed, the only other instance where we can take a case in our own name against Amtrak is when the Justice Department is representing an interest, essentially, a conflict of interest between our position and the interest that they are trying to represent in court.

Mr. O'NEAL. One point I want to make here is that he is describing a special situation that applies to Amtrak. Now, with respect to other actions beyond Amtrak, our authority is much more limited than it is in this case. Congress passed a special act which gave us much more independence with respect to Amtrak, actions against Amtrak.

ROUTE AND SERVICE CRITERIA

Mr. McFALL. This is a good time to ask you the basic questions that we are interested in.

Does the Commission have an opinion on the value or appropriateness of the route and service criteria which Amtrak is required to follow in making route and service decisions?

Mr. O'NEAL. We are aware of the criteria they use, or that they are supposed to use, at least. I would say that they seem to be appropriate criteria to apply. I am sure that the committee has a list of the 9 items that are the general factors they use in making decisions. One of the questions has been whether they have actually applied the criteria in every instance.

Mr. McFALL. Also the time that it takes to apply the criteria.

When Mr. Reistrup appeared before the committee in September he indicated that it would take approximately a year to analyze a given route under the route and service criteria. Should it take that long to apply the criteria?

Mr. O'NEAL. As one who represents an agency that has its own problems with moving decisions through rapidly, I hesitate to say anything critical of any other body.

Mr. CONTE. Would you yield, Mr. Chairman?

Mr. McFALL. Yes.

Mr. O'NEAL. I was afraid of this.

Mr. CONTE. I am not going to get into that, not today. But Mr. Reistrup did say when he was here in September that if he tried to expedite application of the route and service criteria, the ICC would probably take him to court.

Mr. O'NEAL. If they tried to?

Mr. CONTE. Expedite.

Mr. O'NEAL. I don't see how; we wouldn't have any grounds to take him to court on that basis. Let me say, personally, I have a hard time believing it would take a year for any route, although maybe there are some such routes.

IMPLEMENTATION OF THE CRITERIA

Mr. McFALL. Let me give you some of the background.

The conference committee told Amtrak to use route and service criteria to analyze their routes. We also reduced their budget by \$11.5 million or about 2 percent.

Since the appropriation bill was signed, Amtrak has made a lot of frequency cuts. They tell us that they can't use the route and service criteria because it takes too long to do it. They say they need public hearings. The law says public comments. You are familiar with this legislation.

Mr. O'NEAL. Yes.

Mr. McFALL. The purpose of the legislation was to give Amtrak discretion and flexibility. They say the process is too time consuming. Are they really so encumbered by the criteria? We hope you can look at this problem.

Mr. Conte?

LEGAL OBSTACLES

Mr. CONTE. On page 25 of the record of our September hearings Mr. Reistrup said: "The route criteria process was approved by the Congress. They did not vote it down or change it. That was in March, 1976. So it's a year and one-half old, basically, and I would have to ask counsel specifically how we could cut corners. We can try it if the Board voted to do it. We might run into problems of being enjoined against these changes. Most recently we were enjoined against reducing the amount of service in the stations by the Justice Department acting on behalf of the Interstate Commerce Commission. Any time we overstep our bounds we are taken to court."

Mr. McFALL. See why we want your opinion.

Mr. O'NEAL. I can't say that they are not taken to court by somebody. But they are not taken to court—

Mr. CONTE. By ICC.

Mr. O'NEAL. By the Interstate Commerce Commission.

Mr. McFALL. Somebody; who? Do you mean a private party?

Mr. O'NEAL. Maybe a community affected by loss of service or whatever. We are trying to take a measured, reasoned approach to our regulation of this carrier. As I mentioned earlier, when we get complaints we take them to the carrier and we try to work them out, and actually our experience has been pretty good. We are pleased with the part of their operation that handles these complaints.

We have had difficulties with other parts of Amtrak, but we don't go to court lightly. We consider it. We look at whether it's a flagrant violation or whether they are really just ignoring what they know to be the regulations.

Mr. McFALL. Are you familiar enough with the way they use the route and service criteria so that you could give us an opinion as to how they might expedite it?

Mr. O'NEAL. I am not that totally familiar with all of the process they go through. However, we have some experience with discontinuance of passenger service.

NON AMTRAK CARRIERS

Mr. McFALL. That is my next question.

How long does it take you to process a request for rail service or rail passenger service discontinuance on the non-Amtrak railroads, the Southern and the Denver Rio Grande Western?

Mr. O'NEAL. We have had three experiences since 1975, and the average—if you can really have a meaningful average out of three—is 144 days. There is a four-month statutory requirement after the notice, so, we have to do it rapidly.

Of course, we have also been working under time limits imposed by the Four R Act. We weren't very happy with some of the time limits because we felt they didn't adequately recognize the differences in the kinds of cases. But, we have been able to deal with them, and we just recently established our own internal time limits for cases not covered by that statute.

I must say that I am a believer in time limits. However, I would rather they weren't imposed by statute, because I think the agencies ought to take care of these things themselves, if they can. But, anyway, I think they are effective.

Mr. MCFALL. Mr. Kingfield suggests that perhaps you could help us by having your staff take a look at their route and service criteria, and if Mr. Walsh or some of his people opinions, we would appreciate it. Maybe you have an opinion now you would like to tell us about.

Mr. WALSH. In a limited way, sir. Some of the quick identifiers of the least profitable routes are the ratios of revenue to expenses. I believe these are known by Amtrak. It's on internal organizations who recognize the routes that are least profitable.

ROUTE ECONOMICS

Mr. MCFALL. Let me ask you this question: Have you or any of the Commission staff members studied the financial performance of Amtrak or any of its uneconomical routes and services and reached any conclusions you could share with the committee?

Mr. WALSH. We have a limited review of some of the routes and identifying those very ratios we were talking about in the previous question, because we recognize some that are closer to breaking even within the corridor, and others that are by a very wide margin a much greater expense than any revenue brought in, which would seem to be a likely candidate for review, one that you would want to review, currently or periodically as watching what the status of that particular route might be. Is it getting better? Is it staying where it is, and it is quickly identified as a candidate for possible route criteria applicatin on the single factor of ratio of revenue to expenses?

Mr. O'NEAL. We have a list here of routes, and I am sure this is something that Amtrak has, too, it shows the ratio of expenses to revenue, and we can thus identify pretty readily which ones are in deep trouble. I would think that—and I guess this is what Mr. Walsh is saying is—can identify the ones you ought to take a closer look at.

I want to go back to make sure that I don't leave an incorrect impression. While we are handling these discontinuance cases within the 140 day average, I think it is important to note that we are seeing the case after the carrier has developed it and put it in shape so he can kind—

Mr. MCFALL. It is an adversary proceeding in a sense, isn't it?

Mr. O'NEAL. Right. Now, there had to be some time involved in developing that information. I guess if you are looking at what Amtrak does in applying its own criteria, that additional time would have to be added on to, say, a four-month period.

Mr. MCFALL. A preparation of facts and figures.

Mr. O'NEAL. Yes.

Mr. MCFALL. Mr. Steed?

INTERMODAL TRANSPORTATION

Mr. STEED. Regarding the route structure and the costs of the services, since you have the regulation of other carriers, especially

buses, some of our colleagues have said one of the difficulties they have run into in trying to increase business on the Amtrak routes has been the difficulty of having connections at the end of it or along the line of the Amtrak trains.

Does your study of Amtrak involve any consideration of that phase of their operation?

Mr. O'NEAL. Of their interlining, let's say, with bus companies, for example?

Mr. STEED. Yes. And is there any evidence that there is any jealousy or feeling of competition that would inhibit these operations?

Mr. O'NEAL. I think certainly there is a feeling of competition there. The Commission just finished a report which we were required to submit on this question of interlining between bus companies and Amtrak, and one of the things that we were concerned about in making that report was that we did not get adequate input from Amtrak. We got one, I think, three or four paragraph letter. We didn't feel this was adequate information really to make much of a report. That report, however, is available, and we can give it to you.

Mr. STEED. Do you know of any situations where the licensing of a carrier under your control would have been involved in the failure of the coordination of passenger service between Amtrak and any other carriers?

Mr. O'NEAL. The licensing itself?

Mr. STEED. Where a bus company said, well, we have no certificate to make this connection, or we don't operate a line there; we have no certificate.

Mr. O'NEAL. That could happen. I don't know of any specific case.

Mr. STEED. If an opportunity like that presented itself and the two involved carriers came to you with the request that permission be granted them to provide this service, it wouldn't be too difficult for you to cope with that, would it?

Mr. O'NEAL. No, I don't think so. I think we would give a lot of consideration to that kind of interlining between two carriers, sure.

BUS INDUSTRY

Mr. McFALL. We discussed another aspect of this question during your 1978 appropriation hearing. At that time you indicated that you didn't believe Amtrak was a serious problem for the bus industry, but you said that the Commission intended to further analyze the bus industry and examine its relationship to Amtrak. Has such an analysis been made? This concerns the issue of predatory pricing.

Mr. O'NEAL. We are in the midst of a review of the bus industry, and we are looking at such things as the elasticity of demand for bus service. In other words, what is its competitive relation with Amtrak. Is Amtrak taking passengers from the bus companies, or is it taking its passengers from automobiles, from the airlines or what mix of passengers? Basically, where is it drawing its passengers?

The bus companies have argued very strenuously that Amtrak's heavy subsidization is undermining them by allowing Amtrak to

take a lot of their passengers. It is noteworthy—I don't offer this as a final statement on the point—but it is noteworthy that Amtrak handles something like 19 million passengers a year, whereas the bus companies handle something like 395 million a year. I think that raises a question.

Mr. CONTE. Could you please give me the figure again?

Mr. O'NEAL. It is 395 million.

Mr. CONTE. Million?

Mr. O'NEAL. Million, yes; it's a lot of people.

Mr. CONTE. That is a lot of people.

Mr. O'NEAL. It raises a question about what impact Amtrak is really having. Obviously, in certain corridors it does have an impact. We have here a list of instances where the bus companies have alleged that they have dropped their rates to meet Amtrak's competition. In about seven instances they have dropped their rates and maintained them at a lower level. In other instances where they have dropped the rates, they have subsequently increased them. So, Amtrak now apparently provides rates lower than the bus companies.

But, there is a lot more, I think, that goes into the question here than just rates. Frequency of service certainly makes a big difference. For instance, the route system of the various carriers, the bus companies serve 5,000 communities across the country and Amtrak serves a lot less than that. I am not sure just how many.

COMMUNITIES SERVED BY AMTRAK VS. BUS

Mr. WALSH. About 530.

Mr. O'NEAL. Five-hundred thirty communities. It is surprising it's that many.

Mr. MCFALL. How many?

Mr. O'NEAL. Five-hundred thirty or so by Amtrak. I think from this the question at least arises as to whether Amtrak is really having the impact on the bus companies that some would claim. But anyway, we are looking at that question. I hope we have something early next year that will give us some answers not only about the impact of Amtrak on the bus companies and the competitive situation, but also on the question of whether the bus companies should have the subsidy that they have requested. As you know, there is such legislation pending in the Senate.

Mr. CONTE. Mr. Chairman, would you yield?

Mr. MCFALL. Yes.

PETER PAN BUS LINES

Mr. CONTE. I think this is a good point, Mr. Chairman. With your permission and the committee, I will ask Peter Picknelly, President of the Peter Pan Bus Lines in Springfield, Massachusetts to appear here and testify on this very issue. He has already sent me a copy of a letter to the Editor that he sent to a Springfield newspaper. The letter sets forth the essential points that he would testify to. I ask permission to submit the letter into the record.

Mr. MCFALL. Let's put it in the record right here.

[The letter follows:]

PETER PAN BUS LINES, INC.
1776 MAIN STREET,
SPRINGFIELD, MASSACHUSETTS,
September 19, 1977.

THE EDITOR—MR. RICHARD GARVEY
Springfield Daily News,
Main Street,
Springfield, Massachusetts 01104.

DEAR SIR: Last Wednesday, in the *Springfield Daily News*, Mr. Jim Smith wrote an article suggesting support to reverse the scheduled cut backs of rail service between Springfield and New Haven as recently announced by Amtrak. I believe it is about time the *Springfield Newspapers* printed the realities of Amtrak.

Mr. Smith suggests that the measure of Amtrak's success is not profit and that ridership is a far better yardstick of success. Let's first look back to the time in 1970 when the 91st Congress created Amtrak via Public Law 91-158. To avoid the prospect of an unending drain on the taxpayer, that Law directs two things:

1. That Amtrak should be operated on a for profit basis, and,
2. That no taxpayer money shall be used for operating subsidy. In otherwords, the rider must pay the cost of his train ride.

Now, let's look at reality versus that auspicious beginning:

The reality is that the \$40.0 million of "seed money" has swelled to over \$2.0 billion in the last five years. Congress has shoveled out over a billion dollars to bail out Amtrak's operating losses and roughly another billion dollars in guaranteed government loans and grants. The general accounting office predicts that in the next five years, Amtrak will sink \$6.0 billion deeper in the red.

The reality is that in 1972, the first full year of Amtrak's operation, the taxpayer contributed \$8.85 to the cost of every Amtrak ticket and it was never to be that cheap again. In 1976, the taxpayer paid \$25.50 for the ticket of everyone who climbed on board an Amtrak train.

The reality is that far from reaching a break-even by 1976, there is not a single route that does not lose money. Last year, Amtrak cost the American taxpayer over \$1.2 million a day, nearly \$1,000, a minute, for a mind-boggling deficit of \$469.0 million in 1976.

The reality is that not only is the ride being subsidized, but the taxpayer is paying for 65% of the food, liquor, and tobacco of the Amtrak rider.

The realities of Amtrak's yesterdays are nothing compared with the unrealities of Amtrak's tomorrows: By Amtrak's own admission, in its published five year plan forecasting last November, Amtrak estimates that by 1981 the deficit will soar to \$648.0 million, nearly \$1.8 million a day. This same forecast report admits that even after all the new equipment and right-of-way improvements have been added, in 1981, like today, there still will not be one single Amtrak route that is profitable.

Mr. Smith would like to use ridership as a better yardstick of success. Let's then look at the realities of Amtrak's ridership. Ridership has risen less than 11% since 1971. Less than 18.0 million people rode an Amtrak train in 1976 which amounts to less than one half of one per cent of all intercity travel. By contrast, the intercity bus industry last year transported 355.0 million riders at no cost to the taxpayers, and, in fact, the intercity bus industry paid to the government over \$90.0 million in various forms of taxes.

Let's now look at Mr. Average Amtrak Rider by government statistics. He is an individual who lives in an area served not only by Amtrak, but by bus and by airplane. Amtrak's best revenue generating trains are aimed not at the young, the old, poor, or handicapped, but rather at the higher-medium income group. Amtrak's President, Mr. Reistrup, told *Dun's Review* in May that "the majority of Amtrak's passengers have an average income of \$15,000." As Mr. Average Amtrak Rider relaxes in the lounge car and eats in the dining car where he dines as a guest of the taxpayer, he is righteously indignant over the high cost of Welfare and loudly disapproves of freeloaders who fraudulently angle themselves onto the Welfare roles. But he is on welfare himself. He is on welfare everytime he picks up an Amtrak ticket which you and I paid \$25.50 of his fare.

Mr. Smith implies that the intercity bus industry is indirectly subsidized by our use of the interstate highway system. The fact of the matter is that the intercity bus industry pays roughly \$47.0 million a year for the use of those highways. The Federal Highway Administration describes that \$47.0 million this way: "The intercity bus contributes more to the cost of construction and maintenance of highways than any

other vehicle on the highway". The Department of Transportation recently concluded (January, 1977) that not only do we pay our "fair share" to use the highways, but we overpay . . . some 22% in excess of our share.

Advocates of Amtrak refer to the energy crisis and improvements in the environment as reason to support rail service. Reality is that in 1975 the Boeing Company did a study which shows Amtrak's fuel efficiency as being little better than the private car. In 1976 Amtrak achieved a less than impressive fuel efficiency of 44 passenger miles per gallon compared with 41 passenger miles per gallon by the private car. By comparison, the intercity bus during 1976 statistically averaged 126 passenger miles per gallon which was by far the most fuel efficient form of transportation. A sequel to the Boeing study published in November of 1976 says: "Our emission comparison shows trains have consistently higher emissions per passenger than all other modes". Every passenger that rode Amtrak last year could have traveled on existing seats on intercity buses at no cost to the taxpayer and would have saved the nation 64.0 million gallons of fuel besides.

Certainly, after a test period of over five years, cut backs in Amtrak's most unprofitable runs, such as the Springfield to New Haven, make sense by any standard of measure. How can it possibly make sense to anyone for Amtrak to continue a train such as their route from Chicago to Florida where the cost to the taxpayer to subsidize the train amounts to \$122.00 per passenger. Uncle Sam could have bought everyone of Amtrak's passengers a night air coach ticket at \$99.00 and flown them to Florida at a taxpayer's saving of \$23.00 a ticket. Come on now Mr. Smith, do you suggest that that kind of rail service by increased or decreased?

As Mr. Smith correctly states, I am not a disinterested observer to the Amtrak matter as Amtrak is my competitor. My bus company, and the nations other intercity bus companies, competed for years with trains at a time when trains gave damn fine service. We held our own because we gave good service too, and we gave it cheaper. Now that is competition that is both fair and free. But Amtrak is my competitor who does not have to compete. Amtrak does not have to meet the test of the market place that the rest of us wrestle with everyday. Amtrak pegs his prices at a deliberate loss and then bundles up the bills and hands them to the American taxpayer. What's wrong with serving notice to Amtrak that from now on it must operate only those routes that passengers are willing to support? What's wrong with aborting Amtrak's service on routes such as Chicago to San Francisco where they operate one round-trip a day at a per passenger loss of \$80.00 when intercity bus alone runs four round-trips a day between the two points at no cost to the taxpayer. What's wrong with making Amtrak price its service at something closer to actual cost?

I believe that rail service should be discontinued on routes that are clearly unnecessary such as the Springfield to New Haven route. I believe a tough cost analysis should be applied to all Amtrak routes forcing a reduction in frills, elimination of excesses, and a return to basic transportation. The price of service should cover the cost and if not, eliminate the losers.

Teddy Roosevelt said it well when he observed: "The first requisite of a good citizen in this republic of ours is that he shall be able and willing to pull his weight." We should demand no less of Amtrak.

PETER PICKNELLY,
President.

FOOD AND BEVERAGES

Mr. Conte. In that letter, Mr. Chairman, if you will give me another minute, he mentions that taxpayers are subsidizing not only Amtrak but food and beverages on Amtrak

Is that so?

Mr. O'NEAL. I am not sure of that. We could certainly take a closer look at that. Food and beverages are less expensive on the railroads than they once were, but that is not to say that they are not being underwritten.

Mr. MCFALL. I believe Amtrak so testified before this Committee.

Mr. O'NEAL. That they are subsidized?

Mr. MCFALL. That their income doesn't meet costs.

Mr. EDWARDS. On food and drink?

Mr. MCFALL. Yes.

Mr. O'NEAL. From food and drink?

Mr. MCFALL. Yes. Well, Mr. Peter Pan is right.

Mr. CONTE. Mr. Peter Pan is not too happy.

Mr. EDWARDS. His letter is worth reading, I might say, Mr. Chairman.

Mr. O'NEAL. I think, no doubt, on individual routes that the impact of the rail carrier would be greater than on other routes. If you get a small carrier between two points, that is where you get good Amtrak service which could have an impact. Ironically, in the more densely populated areas of the country where the service is most competitive from Amtrak, that is also where Amtrak does the best and, that is where its subsidy is the least.

INTERMODAL PROBLEMS

Mr. MCFALL. Just two more question, one in the nature of a comment.

Your analysis of the relationship between the bus companies and Amtrak is very important from the point of view of Amtrak fares, whether or not they are fair and equitable, as well as from the point of view of coordination between the bus companies and passenger rail system.

You have a large role in trying to make sure that the transportation industry is providing service to the people of the country, and I will just give you a small example of the lack of intermodal coordination. I suppose it can be magnified many times.

One of my constituents in the Central Valley of California rode the experimental Amtrak train that runs from Oakland to Bakersfield with their ultimate destination being Arkansas or maybe Oklahoma, in Mr. Steed's State. She gets on the train and rides to Bakersfield and then she has to get off and take a bus to Barstow, California, in order to get an eastbound train. The bus connects at Bakersfield but when she gets to Barstow, the bus doesn't go to the train station to let her off. Instead, she goes to the bus station, and then she has to take a taxicab to the train station, so there is really a lack of coordination.

The inconvenience of this system is not a small factor contributing to its lack of success. You would think that the carriers would realize this and do something constructive.

Mr. O'NEAL. It would seem to be in the interest of the rail carrier in that instance to provide some sort of facilitation of movement between the buses.

Mr. MCFALL. And, in a sense, the bus carrier might stand to benefit as well. Bakersfield to Barstow is a substantial trip.

Mr. O'NEAL. I wouldn't want to leave the impression that the carriers have not been sensitive to this, because I am aware of the fact that at least some of the large bus companies and Amtrak have had some periodic communication on interlining. I am just not aware at this point of the success of the program.

AMTRAK'S FINANCIAL DATA

Mr. McFALL. You mentioned that you have seen the financial statistics on Amtrak's routes. Are you satisfied that their figures on the route revenue and expense ratios are accurate, and the fixed cost properly allocated?

Mr. O'NEAL. We are reasonably satisfied.

Mr. McFALL. Mr. Conte, do you have some more questions you would like to ask?

INCENTIVE CONTRACTS

Mr. CONTE. Just a couple. Thank you.

Mr. O'Neal, there GAO report dated June 8, 1977, states that since 1974, Amtrak, under its performance and the incentive contracts with 10 railroads, has spent \$32.6 million to improve on time performance, \$1-1/2 million to improve maintenance quality. It states on-time performance has improved mainly because of a more liberal definition of what on-time is, and because of loosened schedules, and not because of the incentives. Seemingly, incentives had virtually no effect on improving the quality of equipment maintenance. GAO concludes that Amtrak's incentive contracts involve considerable costs and few benefits.

Now, you mentioned a short while ago that one of your responsibilities is to oversee incentive programs. Have you had an opportunity to read this report, and if so, what is your comment?

Mr. O'NEAL. We raised almost the identical questions about the incentive program back in the 1975 annual report that the Commission made to the Congress. We felt that the schedules were too soft and that the incentive payments were improperly paid because there wasn't really any improvement as a result of the incentive payments.

So, we agree with what GAO is saying. What I was pointing out earlier is that we think that because of what the Commission, and the GAO have both said, regulation in this particular instance saved rather than cost money. In fact, it probably caused Amtrak to save about \$9-1/2 million in incentive payments.

Mr. CONTE. Also the GAO report, points out that some railroads under the amtrak incentive contracts are not penalized for poor on-time performance, and the preventative maintenance provision does not give railroads incentives to improve maintenance.

Have you looked into that and if so, do you have any comment?

Mr. WALSH. Our observations were the same as GAO's, and they were included in our report that preceded the GAO report. We observed that there were no penalty provisions in the incentive contract against a poor maintenance performance in the upkeep of cars.

Mr. CONTE. One final question:

You can expand on that if you want to.

Mr. WALSH. Okay.

Mr. CONTE. I think it's important.

Mr. WALSH. Specifically, I believe, in our investigation, among other things, the study disclosed that perhaps where periodic clean-

ing was due in terminals to make the train ready to go back out for the next group of passengers, that periodic cleaning might have been missed for whatever reasons and a train taken back out in an unsatisfactory, substandard condition.

One of the things we would note is that there is no penalty assessed against the contractor supporting the railroad for having let that happen.

COMMUTER SERVICE

Mr. CONTE. The one thing that bothered me about the cuts in service is that Amtrak knew for several months that the FY '78 operating appropriation was going to be \$488.5 million. The thing that bothered me is why did Amtrak take so long before announcing the service cuts? These cuts had a very, very major impact on commuter service operating between New York and Philadelphia, which I am sure you are well aware, and yet I am told New Jersey was not notified about those service cuts until three days before their August 31 press release, and thus, only two months before the cuts were to be implemented.

I am wondering whether ICC looked into that particular phase-out. It would seem to me it comes under your umbrella, because it has such a direct effect on commuter service there.

Mr. WALSH. We haven't as yet checked the effect on commuter service. There is some doubt whether the cut in intercity service as it might impact on commuter services is a matter wholly within our jurisdiction, whether that factor would be something within our jurisdiction.

Mr. CONTE. It would be?

Mr. WALSH. Not be.

Mr. CONTE. Not be.

I have no further questions, Mr. Chairman.

PASSENGER STATISTICS

Mr. O'NEAL. I better take an opportunity here to give you a number. The staff tells me that I may have overstated the number of passengers traveling by bus.

Mr. CONTE. That really rocks me.

Mr. O'NEAL. Although I still feel that number is good as a gross number, but I would have to check the whole thing out.

Mr. CONTE. There are only 200 million people in the country.

Mr. O'NEAL. A lot of people are going to be riding twice or more often.

Mr. McFALL. Some people ride every day.

Mr. CONTE. But a lot of them never ride in a lifetime.

Mr. O'NEAL. The number that I gave you was 395 million. It looks like for all classes of carriers—class 1, 2 and 3, for 1976—it was 340 million.

Mr. CONTE. That takes intercity bus travel?

Mr. O'NEAL. That takes in the small carriers, large carriers, commuters, the whole thing. The number for intercity class 1 carriers is 112 million people.

Mr. MCFALL. Is that included in the 340 million?

Mr. O'NEAL. That would be included, yes.

Mr. CONTE. That is intercity buses?

Mr. O'NEAL. Right.

Mr. MCFALL. Intercity buses, though, which are the most competitive to Amtrak, would be 114 million?

Mr. O'NEAL. Well, 112 million, although charter and special service is another 20 million people. Local and suburban, this is class 1 again, is 13.5 million.

Mr. MCFALL. It would be 132 million with the charter.

Mr. O'NEAL. Yes. That may be a fair comparison.

Mr. CONTE. Yes.

Mr. MCFALL. Mr. Steed?

TRAIN SPEEDS

Mr. STEED. Mr. O'Neal, I am probably the only one here old enough to remember that a long time ago a man wrote a best seller called, "The Slow Train Through Arkansas", and under the old rule of use it or lose it, that railroad disappeared a long time ago. Since you have the authority to regulate the speed upon which the railroad lines can be operated, what part of the Amtrak system operates on rails that are under a speed limitation? As we talk about Amtrak's inability to increase their customers, part of it is this is because of their slow service. If we do have any sizable amount of track that is bad, our ability to improve it is limited. What is the outlook for improvements in this area?

I think if you don't improve the track, you are never going to get the kind of service that will make it a comfortable and attractive service.

Mr. O'NEAL. I can't give you a number right off the top of my head as to the percentage of track over which Amtrak operates on slow order. But a substantial amount of track certainly is in the northern part of the United States.

Mr. STEED. Would giving us that summary be too difficult a problem for you?

Mr. O'NEAL. I think we will be able to identify that.

Mr. STEED. If you can identify that for the record.

[The information follows:]

SLOW ORDER TRACK ANALYSIS 11/30/77

Railroad	Total Amtrak Miles	Amtrak Slow Order Miles	% of Amtrak Slow Order Miles
Santa Fe	9,272	65.7	.007
Boston & Maine	246	6.0	.024
Burlington Northern	11,935	117.8	.01
Chessie System	3,409	2.1	.0006
ConRail	11,852	(unavailable)	(unavailable)
Delaware & Hudson	482	11.7	.02
Grand Trunk Western	316	5.6	.02
Illinois Central Gulf	5,444	(unavailable)	(unavailable)
Louisville & Nashville	1,620	16.6	.01
Milwaukee Road	3,030	542.0	.18
Missouri, Kansas, Texas R.R. Co.	76	23.8	.31
Missouri Pacific-Texas Pacific	2,618	33.9	.013
Norfolk & Western	888	5.7	.006
Richmond, Fredericksburg & Potomac	109	-0-	-0-
Seaboard Coastline	8,180	2.5	.0003
Southern Pacific	8,027	(unavailable)	(unavailable)
Union Pacific	2,970	14.1	.005

FUTURE TRACK IMPROVEMENTS

Mr. O'NEAL. The situation will change from day to day. I don't know if you have ridden the Metroliner recently, but it is now traveling a little faster than it did just a few months ago. They are in the process of upgrading the track between here and New York, and now that the carrier is traveling 10 or 15 miles faster than it once did. In the Northeast Corridor, special funds made available to Amtrak have allowed this upgrading. Similarly, non-corridor areas are being upgraded with funds made available to ConRail. While improving, the track and roadbed certainly are not up to the level that they should be in order not only for the passenger trains to operate properly, but also for the freight trains to meet their schedules.

Mr. STEED. In the case of some of these uneconomic lines, we are faced with whether we are going to continue subsidizing them or terminate the service. One of the major factors to be considered is whether or not they operate on tracks that have any hope of coming up to high speed standards within the foreseeable future, because I just don't believe under any circumstances you are ever going to make an Amtrak train viable if you are running it on slow order track.

Mr. O'NEAL. I think I would be safe in saying that most of the track over which Amtrak operates would be classified as main line service track, and should be at some point upgraded to the point where they can meet their schedules. Of course, they can now set their schedules so that they allow for the condition of the track. Now, there have been improvements not only in the Northeast, but elsewhere, too. I recently saw a report that service into and across the Northern Tier States is faster than it once was because of track improvements. But you are right, it's a very important thing. The Federal Railroad Administration does regulate the safety of track and railroads, and, therefore, their standards are used to determine how fast the train can travel over track.

INCENTIVE CONTRACTS

Mr. STEED. Regarding this incentive or penalty payment for being late or delaying passengers, does the quality of the track play a part in making the decision about the level of appropriate compensation?

Mr. O'NEAL. I don't know. If the incentive is high enough, it would seem to make some difference to the railroad that owns the track as to how much effort they would put into upgrading the track on that particular line.

Mr. STEED. That is all, Mr. Chairman.

Mr. McFALL. Thank you, Mr. Steed.

Mr. Edwards?

JURISDICTION

Mr. EDWARDS. Thank you, Mr. Chairman.

It was an interesting comment made a moment ago to a question by Mr. Conte that you didn't get into whatever the issue was because there was some doubt as to whether you had jurisdiction.

Is that a basic problem that we are facing as to who really has jurisdiction over what in the transportation industry, or at least in the rail industry?

Mr. O'NEAL. I think there is always a problem when you have different entities involved. In the Northeast, as far as our regulation of commuter service, we do regulate some railroad commuter service. Other service is outside of regulation because of contractual arrangements in which Con Rail is involved. This is a very complicated thing all by itself.

I guess the short answer is it can be a problem.

Mr. EDWARDS. In other words, I get the feeling that in some way you are restrained in moving out aggressively to resolve problems, because it's questionable as to who really has the jurisdiction to solve these problems, and I am trying to pinpoint in my own mind whether you feel this is a problem as far as ICC is concerned.

Mr. O'NEAL. The question, as I recall, that came up—

Mr. EDWARDS. It had to do with giving New Jersey more notice than three days, as I recall, although I am really talking in broader terms than that.

Mr. O'NEAL. You know, as far as Amtrak is concerned, it has pretty much free rein on how it adjusts its routes and its service, as long as it doesn't go to the question of adequacy of service. So, our jurisdiction there is not clearcut. If anything, it's in the nature of an oversight responsibility, which I guess would amount to our advising Congress on what we find. For example, in the case of incentive payments, we continually go in and tell Amtrak to do it a certain way. But the extent of our power really is only to make Congress aware of it through the annual report.

Mr. EDWARDS. That is not really helping the situation, though, with an annual report, is it?

Mr. O'NEAL. I wouldn't say it doesn't provide some help. It's not, of course, the same as the agency having authority to move in on its own and take action. I think however, that there is a balance here that Congress has tried to strike. That is, there has been a concern about giving Amtrak flexibility to produce the best service that it can, and to be reasonably competitive with other modes of transportation. On the other hand, Amtrak is co-owned by the Federal Government, and I think the view should be that Congress does have direct control over that carrier. Therefore, the question is whether and to what extent do you need a regulatory body playing the role as well. I think these are all difficult, balancing issues.

Mr. EDWARDS. So it is fuzzy, isn't it?

Mr. O'NEAL. Yes, it is.

TRACK IMPROVEMENTS

Mr. EDWARDS. You said a minute ago that Amtrak could set their schedules to meet the condition of the track, which, of course, they can do, which means they could always be on time if they should do that, of course. But the value of Amtrak, if we are going to make it work, is that it can move out and make good time.

Do you have anything to do with seeing that their tracks are in better condition or is that not part of your jurisdiction?

Mr. O'NEAL. We don't really have any jurisdiction over the quality of the track. Let me back up here a minute. We do have some authority to set standards for track quality. Making the carrier meet those standards is another question.

Mr. EDWARDS. That gets fuzzy again.

Mr. O'NEAL. It gets fuzzy because how do you force the expenditure of funds when—

Mr. McFALL. They say they haven't got them.

Mr. O'NEAL. The pot is running dry.

Mr. EDWARDS. They blame us?

Mr. O'NEAL. That is right.

INTERMODAL TRANSPORTATION POLICY

Mr. EDWARDS. Mr. McFall raised the question of the bus trip connecting trains and the bus goes to the terminal rather than the railroad station. Is that because the bus has no authority to do that sort of thing? Do you have a progressive policy of giving bus companies the authority to provide this kind of service?

Mr. O'NEAL. I don't know if I would characterize it as aggressive, but I think certainly if a bus company provides service to a railroad terminal, I would be surprised if they could not obtain that authority somewhere unless there is so much other service already available that it is determined that the certificate to operate should not issue.

Mr. EDWARDS. Is there anybody in the ICC or the Federal Government that you know of who is really moving in the direction of bringing about consolidated transportation services? I use the word aggressive. Is there somebody in there pushing on this? It looks like everybody is kind of sitting back and watching it happen or not happen. I don't have the feeling that there is any effort being made in government to see that these things are brought about.

Is there somebody really trying to tie these things together in such a way that we can hope one day to find a consolidated program?

Mr. O'NEAL. I hesitate to speak for another agency.

Mr. EDWARDS. How about the ICC?

Mr. O'NEAL. As far as the ICC is concerned, we do have, I feel, an aggressive policy which has been established through an Office of Policy Review. This office was set up a couple of months ago and will look at questions like what is the role of regulation in attempting to meet the kinds of needs you are talking about. I think a regulatory body has a particular problem in how it can develop incentives, how it can require carriers to do the kind of interlining you are talking about, and really require them to expend those kind of monies.

Mr. EDWARDS. Everything just seems so passive. It sounds like you need a bunch of activists down there to stir the pot up.

That is all I have, Mr. Chairman.

Mr. McFALL. Thank you.

We thank you, Mr. O'Neal, and your staff for coming over to help us understand the situation with reference to Amtrak.

Mr. O'NEAL. I hope we have been helpful. If there are any other questions, we will be happy to answer if we can.

THURSDAY, OCTOBER 27, 1977.

**NATIONAL RAILROAD PASSENGER CORPORATION
(AMTRAK)**

WITNESSES

WILLIAM STAIGER AND LAWRENCE JOYCE, KEYSTONE ASSOCIATION OF
RAILROAD PASSENGERS
ELAINE H. COHEN, DELAWARE VALLEY CITIZENS TRANSPORTATION
COMMITTEE
RALPH PASQUALE
ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF
RAILROAD PASSENGERS

Mr. McFALL. We have several more witnesses, Mr. William Staiger and Mr. Lawrence Joyce of the Keystone Association of Railroad Passengers. Then we have Mrs. Elaine Cohen of the Delaware Valley Citizens Transportation Committee and Mr. Ralph Pasquale.

Would Mrs. Cohen and Mr. Pasquale like to come up here and sit at the table. Mr. Staiger and Mr. Joyce, we will have your statement first.

STATEMENTS OF WILLIAM STAIGER AND LAWRENCE JOYCE, KEYSTONE
ASSOCIATION OF RAILROAD PASSENGERS

Mr. STAIGER. A quick summary would be that we do support the increased appropriation and we also recommend that several amendments be made to the original Rail Passenger Service Act which should lower the deficit and keep some service in operation.

SUPPLEMENTAL APPROPRIATIONS

Mr. McFALL. How much more money do you think Amtrak should have? You say you would like to have an increased appropriation. Earlier in the year they came in and asked for \$500 million. After the whole appropriation process, we cut them to \$488-1/2 million. So we cut them just about 2 percent.

How much more do you think they should have?

Mr. JOYCE. May I respond, sir?

Mr. McFALL. All right, Mr. Joyce.

Mr. JOYCE. I think that perhaps they should be given the full amount that they requested. The reason I am saying that is that perhaps Amtrak had sufficient time to make the adjustment to reduce expenses or whatever was necessary. They did not. Now they are up at a crisis position. So under these circumstances I think perhaps they should be given the full amount or somewhere up to the 55 or \$56 million they requested, and at that time then the new board that is coming on with Haswell and the other people who probably are more dedicated to passenger service than the old board was, and I am not certain of that, but this is a possibility, perhaps at that time they can make the adjustment.

I am afraid if they do not receive at least a major portion of the amount that they have requested, that it is going to be detrimental to the entire system. I think that perhaps there are routes that should be cut. I think perhaps there are additional routes that should be put on. Until they make some sort of determination about

what those routes are, it would be foolish just to cut them because there is not sufficient money.

Really, when you look at it, \$55 million to the United States Government is not a lot of money when you consider, for example, the amount of billions of dollars they are giving to the waterways, the additional amounts they are giving to airlines and motor buses.

Mr. McFALL. It sure all adds up, doesn't it?

Mr. JOYCE. I agree with you.

Mr. McFALL. We are glad to have your opinion and we appreciate your participation. This is not an easy question. Most of us on this Committee agree with your objective which is to provide better railroad passenger service for the people of this country. We also have the responsibility to conserve the taxpayer's funds and to insure that we get something of value for the funds provided.

Mr. Staiger?

INTERMODAL COOPERATION

Mr. STAIGER. The Keystone Association of Railroad Passengers is a consumer-oriented organization dedicated to the proposition that a modern, safe and efficient railroad service is essential to the future of Pennsylvania and the United States. We believe that rail passenger service must grow to be cost effective, rather than reduced which only produces higher unit costs.

Amtrak and the motor bus industry combined account for only 3 percent of the total intercity revenue passenger miles. We strongly urge cooperation between the two modes, rather than the either/or approach recommended by some. In this respect, we recommend that Amtrak and the motor bus industry provide intermodal terminals, publish through routes and joint fares while providing the traveling public with adequate intermodal scheduling. These improvements will provide an attractive alternative to the automobile which account for 87 percent of the intercity revenue passenger miles.

We are here today to recommend that Amtrak be granted the supplemental appropriation requested in H.R. 9375.

LEGISLATIVE RECOMMENDATIONS

We further recommend several changes be made to the Rail Passenger Service Act of 1970 which we believe will assist Amtrak to become a more viable rail passenger transportation organization.

The first aspect deals with the continuous hostility against passenger service from freight hauling railroads. This hostility must be mitigated. It was our impression that it was the intent of Congress when the Rail Passenger Service Act was passed to relieve the freight hauling railroads of the cost to provide rail passenger service, not to relieve them of the responsibility to provide passenger service over their facilities. This attitude is reflected in excessive delays because of freight train priorities, speed restrictions, and maintenance of way work.

A major weakness is their inability to combat these abuses received while conducting its operation. A recent example from this

past July exemplifies a common problem. Seven of the 12 long distance (off-corridor) Amtrak trains operated by Consolidated Rail Corporation had the poorest on time performance in the nation. Amtrak has no way to fight this lousy performance. We suggest that some expeditious method be instituted, such as a board of arbitration, with the provision that if taken to court, the injured party may recapture their losses.

Next, the incoming Board of Directors, with recommendations from congressional leaders, must have more authority to institute changes in the current route structure. The addition of new routes or the elimination of poorly patronized routes should be decided by the Board of Directors. Under current conditions, Amtrak is forced to resort to frequency reductions which are counter productive. These cuts reduce revenues while corresponding expenses are not reduced in the same ratio.

On the other hand, some potential routes which would appear to have a high degree of patronage cannot be implemented because of the original route structure mandated by the Secretary of Transportation when the law was passed. The major problem with route structure is the rigidity of the current law. Poorly patronized routes must be maintained while routes with greater potential remain without service.

INCENTIVE CONTRACTS

Finally, the General Accounting Office performed an audit earlier this year of the incentive contracts Amtrak has with the participating railroads. The study, entitled "Amtrak's Incentive Contracts with Railroads-Considerable Cost, Few Benefits (CED-77-67)" concluded that the incentive agreements had major deficiencies and sometimes it was impossible to make sure that the railroads complied with the provisions. The \$34 million in incentive payments had little effect on performance. They felt that Amtrak is entitled to satisfactory contract performance by the railroads. The railroads are entitled to reimbursement for reasonable and necessary cost of providing services to Amtrak. This balance did not appear to have been achieved. Amtrak must emphasize what the services should cost rather than what they did cost. As a result of overbilling the taxpayers suffered. This lack of cost control contributes heavily to the high operating deficit.

We recommend that the incentive payment system be abolished and replaced by a penalty system whereby the railroads receive only the agreed compensation for the service if the service is performed satisfactorily. This compensation would be reduced for noncompliance with the provisions of the agreement. The General Accounting Office should be required by law to make independent audits of railroad submitted charges for services rendered. This type audit could only lower the annual operating deficit.

SERVICE REDUCTIONS

Now let's look at the current crisis facing railroad passengers. The failure to provide sufficient funding has led Amtrak management to institute service reductions and increase fares. These can

only be counter-productive. As mentioned before, service reduction is an ineffective way to reduce expenses. The only expenses eliminated are generally crew and fuel costs. The other expenses, such as station agents, administrative and general expenses, station costs, and a major portion of the payments to the participating railroads would remain unchanged.

We suggest Amtrak should outright eliminate the route so significant savings can be made if they feel so strongly in favor of service reductions. This elimination would apply to low patronage runs. It is self-defeating to take a well-patronized route and reduce service to three times a week. The deficit per passenger mile is increased under these conditions.

Amtrak must explore the possibility of achieving greater labor productivity. Rail passenger service is very labor intensive. For example, to operate the daily Broadway Limited from New York/Washington to Chicago requires seven crews of at least five men each to staff the train on the 1,000 mile journey. Crew changes are made at Harrisburg, Altoona, Pittsburgh, Crestline, Fort Wayne. In addition, every revenue car has an attendant, the dining car requires between seven and ten employees, and the lounge car usually has two attendants. As an alternative to frequency reductions on long distance routes, we suggest that Amtrak explore the feasibility of operating dinette or lunch counter cars to reduce their dining car service deficits.

Currently, the Interstate Commerce Commission supervises the amount and type of service that must be operated on any given route. Any exemption from these regulations must be granted by the Interstate Commerce Commission. This is a time-consuming and involved process. We suggest that management have the right to make decisions such as whether or not a station should have an agent, whether or not dining and sleeping car service should be operated on a route, and whether or not baggage must be handled.

Another major problem facing Amtrak is inflation. The northeast corridor improvement program had \$1.75 billion appropriated. This was based on the value of a 1975 dollar. We have already seen important projects eliminated to keep the final cost within these limits. Because of inflationary pressures which show no abatement, Congress should be realistic and recognize that 1977 dollars will not buy the same as 1975 dollars. Some consideration should be given whereby the adjustment can be made to compensate for this inflation, perhaps a tie-in with the Federal Government's consumer price index.

In closing, the Keystone Association of Railroad Passengers supports the supplemental appropriation. This will give Amtrak a reasonable amount of time to put its house in order, to study the present route structure with the objective of deleting routes having low patronage and implementing new routes that show promise of public acceptance, and most importantly, make changes that Congress should recommend. With approval of the appropriation, these objectives could be accomplished without service reductions as now proposed by Amtrak.

Hopefully, if some of our recommendations are adopted, there may be a light at the end of the tunnel which there currently is not.

Mr. McFALL. Thank you very much, Mr. Staiger, for a well thought-out statement.

Mrs. Cohen?

STATEMENT OF MRS. ELAINE COHEN, DELAWARE VALLEY CITIZENS
TRANSPORTATION COMMITTEE

Mrs. COHEN. I will read from my statement. It is brief.

I am Elaine H. Cohen of Upper Darby, Pennsylvania. I am Secretary of the Delaware Valley Citizens' Transportation Committee. The Delaware Valley Citizens' Transportation Committee is the official citizen advisory group for transportation to the Delaware Valley Regional Planning Commission. We also counsel SEPTA, the Delaware River Port Authority, and the state departments of transportation. We are nonprofit, independent and nonpartisan. Our membership has represented the 11 county, 3 State area of this region for the past 14 years. The following statement represents my thoughts as an individual and as a member of CTC.

SERVICE REDUCTIONS

The Citizens' Transportation Committee authorized me to testify against the September reduction in Amtrak service and the further cuts for October 1977. We request your support for a supplemental appropriation which will provide Amtrak with the full amounts needed for fiscal 1978 in order to maintain and upgrade passenger service. We are particularly concerned with the proposed elimination of trains in the northeast corridor and on the Harrisburg run. These cuts would severely reduce the quality of service in the Delaware Valley.

Our concern with the service cuts in this area is that the North-South main line (Washington to New Haven) and the East-West main line (Harrisburg to Philadelphia) are the only significant electrified rail operations in the county. The alternative transportation over these routes would be petroleum fueled: automobiles, buses or airplanes. These routes have the highest level of rail passenger use in the country. They are the first choice travel mode for many people because of high speed operation combined with frequent service.

The attitude of New York-Philadelphia travelers in particular is that if one train is late or missed, there will be another one an hour later. Once there are gaps in the frequent schedule, even at lightly traveled times, many people will switch to diesel fueled buses which also provide frequent service, albeit somewhat slower. Note that the intermediate stations, Trenton, Princeton, New Brunswick and Newark, have rather poor alternative scheduled bus connections.

The major cuts proposed in this region are:

(a) Philadelphia-New York short run trains. These trains supplement the Washington to New York or Boston trains on this popular leg. Without the additional Philadelphia-New York trains, these other long distance trains would either have standees or carry extra coaches which would only be needed for this 90 mile stretch. Philadelphia-New York trains service some of the intermediate

stops, i.e., Trenton, New Brunswick, permitting faster schedules for the long distance traveler on the preceding or following long distance train. Threatened service reductions which would significantly increase the costs of operating other trains or reduce passenger revenue can only be construed as a publicity gesture to force additional subsidies from the government.

(b) Weekend Metroliner Service. The extra fare Metroliners appear to have become largely patronized by the weekday business traveler on an expense account. This change has been accentuated by the availability of similar accommodations in the new Amfleet cars which operate almost as fast (particularly with the poor on-time record of the Metroliners) without a surcharge. While the weekday Metroliners have a distinctive market, the weekend Metroliners do not. The weekend rail passenger market is made up of families and students, people who pay for their own tickets. Total patronage is high but cost affects their travel mode choice more than speed. Perhaps Amtrak should accept this new role for the weekend metroliners and drop the surcharge on Saturdays, Sundays and holidays. I oppose the easy alternative of dropping these trains until their changing role in the rail travel market is fully tested.

(c) Harrisburg service. Dropping the 9 p.m. Saturday train to Philadelphia and the 8 a.m. Sunday train to Harrisburg does not appear to be a great cost saver. These are single car electric trains with no baggage or food service. However, these trains run at the same time the other six days of the week and provide the important connection by bus to State College (Pennsylvania State University). This appears to be a gesture rather than a significant operating economy.

The "Valley Forge" weekday trains between Harrisburg and New York is a special case. It was originally instituted in part to relieve the Broadway Limited from carrying passengers locally between New York and Southeastern Pennsylvania points. At present the Broadway Limited is too unreliable to provide this service anyway. Between Trenton and New York the train is jammed. Therefore, additional short haul capacity would be required on that portion of the run. There is an alternative to dropping the train which has been proposed but never tried, routing the train via the high speed freight bypass around Philadelphia and providing service from King of Prussia, Whitmarsh and Hatboro to New Jersey and New York points. An express bus service now in operation indicates that a potential market exists, but a one to two year test period should be instituted.

ENERGY POLICY

Effective passenger rail service is required as part of our evolution toward a lower energy use way of life. Electrically-operated rail service is an essential element in a total energy package. It is necessary that the entire Amtrak system be continually upgraded and service expanded. This would result in increased public demand as people come to expect better service.

While limiting operating subsidies at this time would hinder our national evolution to a lower energy use pattern of life, major technical, operational and organizational revamping of the entire rail system, both passenger and freight, are required to eliminate spiraling subsidies in the future.

Future technical needs for the system which would upgrade both passenger and freight capability are to expand electrical track mileage. This would reduce dependence on foreign oil, reduce air pollution, et cetera.

Improve the track. This would result in increased speed and safety and lowered cost for both passenger and freight service.

Our rail system needs the flexibility to handle both large and small loads of people and freight.

In sum, we urge your full support for supplemental appropriations to rescind curtailments in Amtrak service.

Mr. MCFALL Thank you, Mrs. Cohen. I have one question.

Do you know how the electric power for this service is generated? Is coal or oil used?

Mrs. COHEN. For some of it, coal. For some of it, oil. When you have a central power plant system and you have it running on oil, you can substitute coal or nuclear, which is not something you can do in a house.

Mr. MCFALL. Do you have any questions?

LABOR CONTRACTS

Mr. CONTE. I have a question for the people from the Keystone Association. I was amazed to read on page 3 that a daily Broadway Limited which runs from New York/Washington to Chicago needs seven train crews. On a 1,000 mile journey, "crew changes are made in Harrisburg, Altoona, Pittsburgh, Crestline and Fort Wayne."

Then you go on to tell about all the attendants they have in the dining cars.

Mr. STAIGER. That is true.

Mr. CONTE. But they are bound by union rules.

Mr. STAIGER. That is exactly right.

Mr. CONTE. How can you straighten that out?

Mr. STAIGER. Congress is the only vehicle.

Mr. JOYCE. I think there may be room for adjustment. For instance, you have the train crew up in front, engineer and fireman. In the back you have a conductor and at least two breakmen or ticket collectors. What also occurs is that Amtrak puts on train attendants who operate the whole route and I believe are on one day and off three. Under these circumstances I think either the trainmen should do the job that the attendants are now doing which they used to do or they should—it is terrible to say—but maybe the attendants do the job the ticket collectors are doing.

I think under any circumstances the number of people on these trains makes it very expensive. I believe someone mentioned when we came in, I believe the transportation portion of Amtrak's budget or expenses is \$266 million out of the \$561 million. So you are talking about almost 50 percent of the total cost of operating Amtrak which is for transportation expenses alone. This means the operation of the trains.

Mr. McFALL. Thank you.

Mr. Pasquale, do you have a comment you would like to make?

STATEMENT OF MR. RALPH PASQUALE

Mr. PASQUALE. I didn't have a written statement, but I do have a brief oral statement to make.

Mr. McFALL. Proceed.

Mr. PASQUALE. The commuter trains in the east are unique in the nation and indispensable to the livelihood of the thousands of people who travel daily to work on them. They are as vital or perhaps more so as people move into the string of cities from Boston to Washington.

We may find it is as unreasonable to expect them to show a direct profit as it is to determine the profits of our highway system, yet the highways are subsidized in massive and continual fashion. Curtailing train service will ultimately penalize our inner cities and our national goal of revitalizing them will have another thing to overcome.

I am an engineer who commutes daily from Paoli, Pennsylvania to New York. In a few days I gathered the signatures from 300 Pennsylvania residents who use the train. I cannot help feeling that we people are pawns in a blackmail situation. Don't curtail service.

That is it.

Mr. McFALL. Thank you. Are you an engineer?

Mr. PASQUALE. Yes.

Mr. McFALL. Not the engineer that drives the train.

Mr. PASQUALE. No. I am in a construction company.

Mr. EDWARDS. What is the distance of the run that you make everyday?

Mr. PASQUALE. One hundred and seventeen miles one way.

Mr. EDWARDS. Do you eat onboard?

Mr. PASQUALE. No, not generally. In the mornings because of the scheduling we are forced, most of us or all of us virtually, and there are about 27 who do this everyday from Paoli. We go to Philadelphia in the mornings and change trains to New York. We have a selection of only two trains, one leaving at 6:33 and the other at 7:15 which is one that is scheduled for curtailment. In the evenings the only straight-through service is the Valley Forge.

Mr. EDWARDS. What do you pay?

Mr. PASQUALE. Commuter fares run about \$200 a month.

Mr. McFALL. You must enjoy living where you live.

Mr. PASQUALE. Very much so.

Mr. McFALL. Thank you very much, Mr. Pasquale, for coming. I imagine the other 26 missed you this morning.

Mr. PASQUALE. One of them is here.

Mr. EDWARDS. They will be anxiously awaiting your report.

Mr. PASQUALE. I got here on the train, by the way.

Mr. McFALL. Our next witness is Mr. Ross Capon, Executive Director of the National Association of Railroad Passengers.

STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS, ACCOMPANIED BY TOM CRIKELAIR, ASSISTANT DIRECTOR

Mr. CAPON. Good morning. This is Tom Crikelair, the Assistant Director.

I would ask that my full statement be included in the record. I would like to read our summary.

[The statement follows:]

STATEMENT OF ROSS CAPON, EXECUTIVE DIRECTOR, NATIONAL ASSOCIATION OF RAILROAD PASSENGERS

FY '78 AMTRAK SUPPLEMENTAL APPROPRIATION

Mr. Chairman, thank you for the opportunity to comment on the present crisis in rail passenger service. I am Ross Capon, and the National Association of Railroad Passengers is a non-profit, consumer-oriented organization, supported entirely by membership dues and contributions. We receive no financial support from the government, Amtrak, the railroad companies, or the rail labor unions—only from our individual members.

While we share with you some of the annoyance caused by Amtrak's last-minute appeal for funds and Amtrak's last-minute analysis of what \$488.5 million would buy in service, we nevertheless believe that three overriding factors argue strongly for approval of Amtrak's request for a supplemental appropriation:

First, demand for good rail passenger service remains strong. You are no doubt familiar with the ridership increases experienced when California subsidized the additions of fourth and fifth daily round trips on the Los Angeles—San Diego line. Equally significant, though less publicized, is the large number of reservation requests Amtrak turns away. 30,661 requests for coach seats on the NY—Florida route during one week (August 8-14) were denied for lack of space.¹ For travel during the same week on the Chicago—Los Angeles train, requests for 1,590 coach seats, 2,418 roomettes (single bedrooms), 1,490 double bedrooms, and 327 drawing rooms were denied.¹

Second, the cuts which Amtrak is considering in the event no supplemental is forthcoming would leave the network so crippled that it would be almost impossible to turn things in a positive direction again.

Third, we believe that the President's nominees to the Amtrak Board will provide much-needed vigorous leadership in addressing this committee's concerns, particularly with respect to the need for a serious examination of the route structure and the willingness to push quickly for appropriate changes. The President has already announced six nominations of the seven he is entitled to make, and five of the individuals are new to the Board, including Anthony Haswell, who founded this Association and who is very critical of many of Amtrak's service decisions. We believe that *the new Board should be given an opportunity to take office and devise its own response to the present situation rather than be handed the reins in the wake of the senselessly counterproductive service reductions which Amtrak is now considering.*

We recognize, given President Carter's failure so far to actively endorse increased funding for public transportation, that some changes may be necessary in Amtrak's existing route configurations. If changes are to be made, however, it is important that they be brought about in a smooth and constructive manner—with a minimum of disruption to travelers and communities served. We would hope that any such changes would be carried out in such a way that Congressional commitment to public transportation remained evident and unquestioned. We appreciate the fact that it is the strong support and hard work of the Congress which has permitted Amtrak to grow to its present size.

Other Cost-Cutting Opportunities: Most service cuts are self-defeating: they also result in revenue losses and lay the foundation for another round of cuts, as fixed costs are redistributed over the remaining trains, making those trains look worse economically. It is therefore important to explore opportunities to cut costs without cutting service. Two such areas are: the railroads' bills to Amtrak and Amtrak's

¹ These figures do not represent the exact numbers of people turned away because, for example, some individuals may have inquired more than once.

ability to audit those bills; and excessive costs within Amtrak's own management. We have heard several claims that some railroads include costs unrelated to service rendered to Amtrak in their bills to Amtrak, and that the number of employees at Amtrak headquarters did not decrease when its operations were decentralized. In our testimony at the oversight hearings (before Rep. Rooney on October 13) we urged a GAO investigation aimed at these problems.

Route and Service Criteria: While we are disappointed that the Amtrak Board and Management has done too little too late with this process for improving the route structure, we are also concerned that hopes for short-term cost savings not be pinned on these criteria. We believe that the section of the criteria which deals with experimenting with service improvements before discontinuing a route is of crucial importance—it parallels the concept of the "fair test" which NARP has long supported. (We know of no instance where a rail passenger service has flunked a truly fair test.) I would like to illustrate this point by discussing two of the weakest long-haul routes: the Chicago—Florida "Floridian" and the Chicago—St. Louis—Laredo "Inter-American".

It has long been obvious that the "Floridian" would need to serve Atlanta.² Because of slow movement at Amtrak, lack of cooperation from the affected railroads (Southern and L&N), and possibly Amtrak's unwillingness to deal more firmly with those railroads, the train still bypasses Atlanta on a less direct, less populated route. However, Amtrak recently disclosed that Southern has significantly relaxed its demands for capital improvements on the new route, and the possibility for actually starting the restructured service through Atlanta may be at hand.

The "Inter-American" has long been plagued by unreliability and slow schedules because of Missouri Pacific's anti-passenger policies. Now it appears that a satisfactory agreement has been reached with MoPac. We understand that the train is now generally on time. MoPac's willingness to increase passenger train speed limits should permit faster, more attractive schedules effective January 1. Amtrak only in late summer introduced new equipment with reliable air-conditioning and heating on the route; next Sunday it will restore the route's important East Coast connection (at St. Louis with the "National Ltd.").

Thus it seems reasonable to give the service a chance with these four new positive factors in place:

1. reliable temperature control
2. on-time performance
3. East Coast connection re-established (10/30)
4. faster schedule (1/1/78).

In addition, discontinuance (or reduction to once-a-week, as Amtrak is considering) now would encourage other railroads to become less cooperative with Amtrak in the hope of similarly killing ridership and getting rid of the trains.

Service Cuts: Amtrak says that if supplemental funds are not provided, several long-distance trains will be reduced to tri-weekly or once-a-week, and service frequencies on some short-distance routes will be reduced. As we understand Mr. Reistrup's September 20 letter, no supplemental would mean implementation of \$37.7 million of service cuts beyond those already announced, and that the impact of these further cuts would be far greater than those already announced because the savings would have to be realized over a period of less than a year (the fiscal year already having started), and the ratio of cost reductions to revenue losses would be far more unfavorable, meaning that many more cuts would be required to achieve a given net saving than in the first round of cuts.

We are alarmed at this because of the severe impact such reductions would have on the long-term viability of the passenger train industry. With fewer trains over a particular route, revenues decrease—while fixed costs for the route remain largely unchanged. Fixed costs include not only the cost of manning and maintaining stations, but also the cost of employing people full-time who, due to contractual restrictions or practical necessity, are charged entirely to Amtrak for doing a fraction of a day's work.

Sensible economics dictate that Amtrak run *more* revenue-producing trains over well-established routes, so that fixed costs can be broadly distributed and the deficit per passenger mile can be reduced. Reducing service will make the surviving trains look worse.

² On September 23, Mr. Reistrup testified before Senator Bayh's committee that an Atlanta routing would cut the train's deficit in half.

Stated bluntly, it would be irresponsible to fund the basic foundation for a nationwide system, and incur all those fixed costs, and then refuse to pay for operation of a meaningful level of service.

If Amtrak is ever to manage to make significant progress in fighting the spiraling impact of inflation, two things are necessary: reduced costs and increased revenues. The first means operating efficiencies, better contracts, and adequate capital investment. As for the second, ridership and revenues increase dramatically as frequencies are increased. This has been demonstrated recently on the Los Angeles—San Diego line. Revenues aren't going to rise if trains are taken away.

Service to Dayton, Ohio, and Richmond, Indiana: NARP strongly supports a provision which we understand will be in the Senate version which directs Amtrak to continue service to Dayton and Richmond (on its New York—Kansas City "National Ltd."). The bypass of these two cities, which would otherwise be implemented next Sunday, would be senseless.

Summary: In conclusion, please give full weight to the public demand for improved rail passenger service. People want this service, and the cuts already announced are not all justified on the basis of ridership considerations. Please give the new Amtrak Board a chance to deal with the situation rather than hand them the impossible mess which will result from the cuts Amtrak is considering if no supplemental is approved. Thank you.

SUMMARY

Mr. CAPON. Please give full weight to the public demand for improved rail passenger service.

I want to call attention to the number of requests denied on the middle of page 1 where we cite over 30,000 requests for coach seats on one route were denied for lack of space in one week. People want this service and the cuts announced are not justified on the basis of ridership considerations.

Please give the new Amtrak Board the chance to deal with the situation rather than hand them the impossible mess which will result from the cuts Amtrak is considering if no supplemental is approved.

On the question of ridership on the trains scheduled to be discontinued next week, I would like to cite one specific example of a serious problem that is being faced in New Jersey. That is something called train 250 which, in the middle of August, averaged 394 people a day onboard the train in Newark. That is a commuter train so the figures for the rest of the year are probably higher. This is a train for which there is no possible substitute. It is a train that leaves Philadelphia at quarter of six in the morning and the closest one after it is 6:33 a.m. We can assume that almost all those passengers are going to be in a very, very difficult situation.

The other point I want to make before I stop is to sound a warning. If we interpret Mr. Reistrup's figures in his September 20th letter correctly, as we understand it, unless they get for the fiscal '78 a total of \$37.7 million beyond what they have, in other words, a total supplemental, that they are going to come back with an even larger slew of additional cuts because the rest of the cuts would have to be realized over a fraction of the fiscal year.

I don't think that that message was conveyed very explicitly yesterday. I want to underline the urgency of the situation.

Mr. McFALL. Well, Amtrak in February asked this Committee for \$500 million. However, they made no plan for implementing a \$500 million operating budget. As soon as the bill was signed and before the fiscal year went into effect, Amtrak then demanded \$545

million and said, "We are going to do all these things if you don't give us \$545 million."

If we had given them the whole \$500 million they asked for, they would still be making these large cuts and requesting more funds.

It is a very difficult situation for the Committee. We are frustrated by the same lack of responsiveness exhibited by Amtrak that many of you have expressed. Working with this on a daily basis, you must feel the same frustration that we do, maybe not in the same way.

Mr. JOYCE. We do.

Mr. MCFALL. We certainly appreciate your coming here. I know that some of you have made a considerable sacrifice to appear before us today and have done some considerable amount of work in preparing your comments. We appreciate that effort. This question is very difficult for us.

Mr. CAPON. Could I make an additional comment?

Mr. MCFALL. Yes, sir.

Mr. CAPON. We are not up here apologizing for what Amtrak has done. In the first page of our statement we mention that we are very disturbed and frustrated that they took so long to figure out what they could get with the money they have been given. You said the \$488 million figure has been around for a long time.

The only suggestion I can make, imagining what I would do if I were in your position, would be based on this history to extract from them very explicitly the next go-around exactly what you are going to provide with that.

Mr. MCFALL. Yesterday we found out that \$56-1/2 million of their original request was for estimated inflation. We are trying to get an analysis of that. That further complicates it.

How much money are they entitled to get for what they say they are going to do? I have some very thoughtful colleagues on this committee. Maybe collectively we will be able to come to some kind of a resolution.

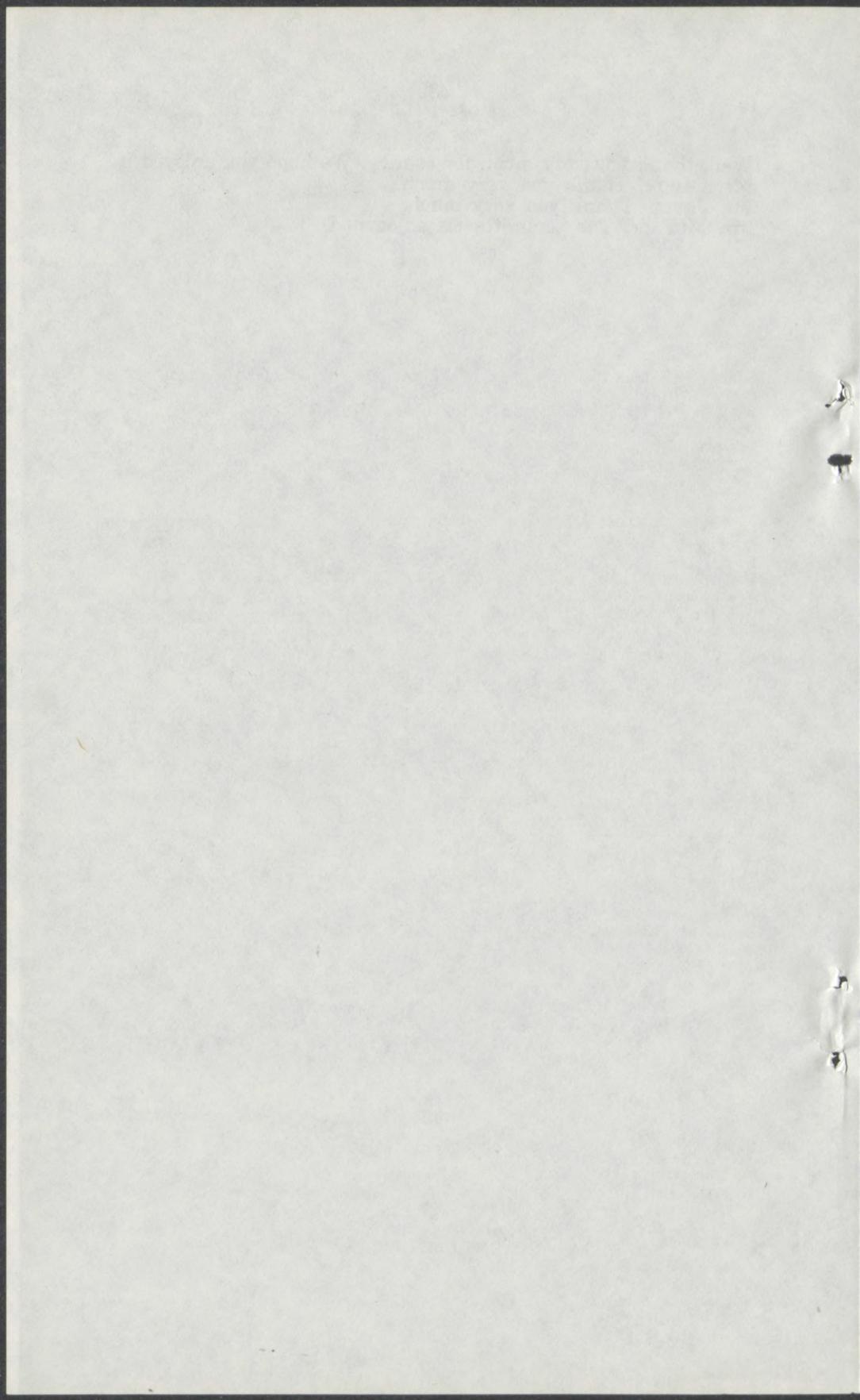
TRAIN FREQUENCIES

Mr. CAPON. Could I call your attention to a paragraph on page 4 which mentioned inflation. "If Amtrak is ever to make significant progress in fighting the spiraling impact of inflation, two things are necessary: Reduced costs and reduced revenues. The first means operating efficiencies, better contracts, and adequate capital investment. As for the second, ridership and revenues increase dramatically as frequencies are increased. This has been demonstrated recently on the Los Angeles-San Diego line. Revenues aren't going to rise if trains are taken away."

I think the increased frequencies in the Los Angeles-San Diego lines is an example that lays the foundation for getting inflation under control. Most of the proposals they have come in here with are counter-productive. They are just going to lay the foundation for an even more serious problem next time around.

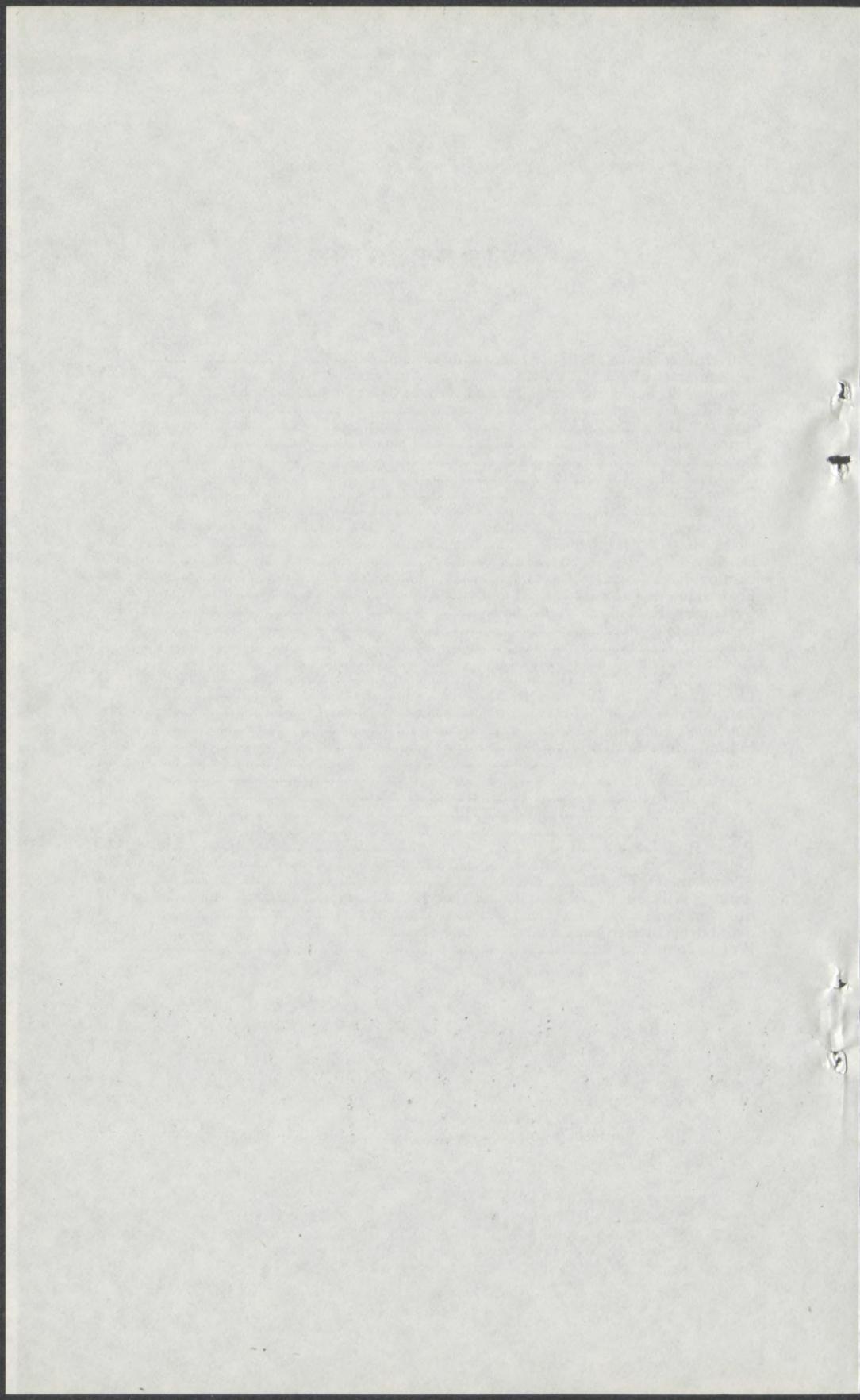
Mr. MCFALL. It is not a question of trying to make a profit. Currently, the taxpayer in this budget provides 63 percent of Amtrak's operating expenses. The fare box accounts for only 37 percent.

Well, thank you very much for coming. We hope you enjoyed it.
Mr. CAPON. Thank you very much.
Mr. JOYCE. Thank you very much.
Mr. McFALL. The committee is adjourned.



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